

Mark Novakovich
Vice President of Finance
Control4
 Last Updated: May 24, 2006



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Topic	Response
<p>1 <i>This is Todd Wertz with References Online and with me today is Mark Novakovich. He is the Vice President of Finance with Control4. Mark, can you tell us a little bit about your business?</i></p>	<p>Yeah, absolutely. We are a traditional technology company that is funded by venture capital investments. We've been in business now for about three years and about a year ago started first shipping our products, which are home automation control products that are being targeted for the residential market. As of now, we have about 150 employees with quite a bit of that growth occurring over the last year; that is, about 100 in the last year or so. Most of our employees are located here in Salt Lake City, Utah. We have sales and other field support personnel that are sprinkled throughout the rest of the United States, but primarily here in Utah.</p>
<p>2 <i>What were the business challenges and/or opportunities that drove Control4 to look for a new applications solution?</i></p>	<p>Our company—the founders as well as a lot of the other executives in the company have worked at startups before and we all felt that one of the challenges that startups typically face is that they'll react to problems as they come up instead of being proactive. I joined the company when we had about 20 employees and were over a year away from generating revenue, but one of the first things that I was tasked with doing was identifying an ERP system that would allow us to be proactive when it came to dealing with business process issues. So at the time we were using QuickBooks Online; the product was working fine for our current needs, but we knew that as we started getting into the development stages with our products, as we approached selling cycles, that we wanted to have a system in place that would enable us to not deal with operational hiccups. Instead, we could focus on the core issues for our business. So that was probably the objective when we started our search process, which was to try to anticipate what our operational needs would be; at the time, like I said, our needs were fairly limited but we knew that we'd have warehousing issues, we knew we'd have CRM issues on the sales side, we knew we would have increasing complexities in our general ledger, in our processes. We knew we would want tools to enable us to manage customer accounts and collect on those accounts. And so as we started the search process, those were certainly some of the issues that we tried to identify and plan for.</p>

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3 <i>Can you tell us about your original information technology environment and how that environment might have affected your access to information?</i>	Like I said, we were using QuickBooks Online and given the size of our company, limited activities, most of our expenditures and activities were centered around software engineering and some limited mechanical engineering on doing prototyping and we really didn't have a lot of challenges when we started the search initially, and I would say that problems or limitations in our systems wasn't what drove us to select Business One or start the process of selecting an ERP system. It was more trying to be proactive and forward-looking. In fact, that was one of the key decision factors in going with SAP. We felt that the way that the product was priced on a named user basis would allow us to afford the initial investment and then have that product grow with us as our needs increased and our users increased.
4 <i>Can you please tell us about your selection process?</i>	It was driven by two primary groups. I was responsible from the finance side of the decision process, and then we also involved our vice president of operations heavily in the process. His primary focus was on manufacturing/warehousing type functionality in the product. And then we had some other groups that were involved, but maybe not quite as intently. Our sales team was involved. And the process was pretty simple for us—I mean, the key was identifying or trying to be forward-looking and identifying what functionality we needed out of the software that we selected and then trying to find what we felt was the best match based on the different interviews and product reviews that we did with various solutions providers.



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5 <i>What were your criteria for inviting vendors to participate?</i>	You know, it was primarily experience with the various products. Actually, really there were three solutions that we looked at originally. We looked Navision, we looked at Great Plains—so both of those Microsoft products—and then there was a manufacturing-centric product that Alpine Systems provides, and those were the three initial considerations that we had. And fairly late in the selection process, someone mentioned SAP and this new product, Business One, to us and we kind of made the call with the assumption that we were checking a box on a checklist to make sure that we weren't overlooking something that may or may not be a viable candidate. But after our initial introduction to the SAP team, it quickly climbed to the top of the list of products that we were going to consider.
6 <i>Once you had established your selection plan and it was time to begin the evaluations, can you tell us about the solution evaluation process?</i>	Again, it wasn't too challenging of an environment for us given where we were at as a company, but we did the traditional invitation to provide a demo to us. We did some online reviews of the product. With the exception of SAP Business One, someone in our company had had prior experience with the other products, so there was a degree of familiarity with how those products worked, what their strengths were, what their weaknesses were. And then lastly, we did some reference calls to see what other users of the products, what their experiences were.



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7 <i>What specific factors led to your selection of the SAP Business One solution?</i>	<p>You know, if I had to pick the number one reason, it was probably—if you've been through this process before, you know that most of the needs that you have all of these vendors are going to be able to—or typically will answer 'Yes, our product can do this.' But a lot of times what happens is that the core product won't do it; it requires an add-on layer, and I think Great Plains is a great example of this. It'll do a lot of things, but it's not core functionality of the software. And it seemed like for most of our needs, SAP really provided a truly integrated solution, so it had CRM and the CRM wasn't an add-on, it was part of the core product. We needed some reporting tools with the system and it was part of the core product. We needed bill of materials capabilities and it was part of the core product. That was a huge plus to us to have a truly integrated environment where people using CRM could access sales order information in a real comfortable environment. A lot of times, my experience with some of the other products is that you're able to add these layers to the solution, but then it becomes cumbersome to navigate. And that was probably the number one factor for selecting the product. Maybe a second thing that was appealing to us was that at the time, we were only going to use a handful of initial users and the product was priced to allow us to start using the product at a relatively low price point, and we've certainly invested more money as we've grown but felt like the value was there as far as initial investment goes.</p>
8 <i>Could you describe your overall implementation experience?</i>	<p>Our implementation was actually fairly simple. There weren't many things that we wanted to bring over from our other system, and those GL account balances, those types of things, vendor history, was real simple to export into SAP Business One with the tools that were available. In fact, in hindsight, that was one area where we used our reseller to help us; it probably would have been just as easy to spend some time learning how those tools work and do it ourselves it was so simple.</p>



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9 <i>What were the most critical challenges of the implementation? What problems did you face and how were they addressed?</i>	Probably the most challenging thing was the training aspect. We were the first implementation for our vendor here in Utah and so there weren't a lot of established training curricula. A positive thing about SAP Business One is we feel like it's pretty intuitive and we haven't had to, in general, get a lot of third-party training on the product. But for a company that didn't have internally trained people yet, that was probably the biggest challenge was getting our people up to speed with limited training resources.
10 <i>How did your users respond to the new system?</i>	I would say that those who jumped in and really tried to embrace the product, their satisfaction, the benefit they gained from using the product manifested itself sooner. Like with any product, though, people that were slow or didn't try to use the tool to make their jobs easier, that was a little bit more challenging and it took longer for them to come around—and let me be specific on that. The accounting group embraced it more quickly and had greater success sooner with the product. The challenge was maybe on the sales side and some of the operations side where people weren't quite as familiar with using these types of systems. And maybe this came back probably to the training side of things where there weren't specific trainings that we could put people through to help them embrace a new product. It took a little bit longer for them to get up and running.
11 <i>Was the SAP implementation disruptive to your operations?</i>	No, not at all. In fact, pretty smooth transition. I think the whole transition process was about two months and we were up and running and using it. We also had the benefit of not needing all of the functionality immediately. When we went live initially, it was primarily an accounting, general ledger functionality and then as our business became more complex, we started using some of the other tools that the product offered.

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12 <i>Can you tell us about your experience with go-live?</i>	Again, it was pretty smooth. We've always had a great relationship with our vendor and they were there to answer questions on a real-time basis, making sure that people were comfortable from processing vendor invoices to cutting checks. They were there to help us make sure that each of those key processes was understood and we were able to not have any hiccups.
13 <i>What worked well and what would you recommend to someone starting a project?</i>	I probably wish that we would have spent more time on the front end learning the product in a test environment. There were probably a few things that we would have done ourselves instead of having our vendor do those steps for us. I think I mentioned in a previous question about the Data Transfer Workbench. Real easy tool to use, but not being familiar with it, we relied on them to transfer the information, and it would have been just as easy and probably more efficient for us to do it ourselves.
14 <i>What measurable return on investment have you realized in implementing the SAP solution?</i>	Probably—I don't have a good answer to that because we haven't looked at it in terms of 'What was it costing us before and what is it costing us now and how has it saved us money?' I think maybe the only way I can answer that is we're definitely happy with the decision we've made and feel like the product has done what we expected it to do.
15 <i>Did you realize any benefits you had not anticipated when you initially formulated your selection plan?</i>	No—I would say one of the things that we had hoped with SAP was that this would be a product that would have annual significant improvements and that's been the case. I think SAP's doing a great job of adding functionality and making this a market-leading type product.



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16 <i>Do you plan to implement additional SAP solutions, and why?</i>	Actually, yes—one that's an add-on and one that I guess is an example of increased functionality. SAP recently added Excel Reporter as a standard part of the package and we've embraced that pretty heavily. We've sent some people to train to learn how to use the product and think it's fantastic, and so we're using that. In fact, we had originally purchased FRx as our reporting tool and we're no longer using that; we've completely abandoned it and are using this Excel Reporter tool. So I guess that would be one example of embracing new functionality that SAP makes part of their core package. And then we've also recently purchased their third-party add-on warehousing module to allow us to have some additional functionality with warehousing and so are definitely trying to take advantage of new or available enhancements to make our operations run smoother.
17 <i>How would you describe the overall experience with SAP?</i>	We've been very happy with our partner. One of the concerns that we had up front—I think we went live with this product back in 2004 and one of the concerns we had is that nationwide, there weren't that many implementations of this product, and in Utah, we were the first for our vendor and they've been very fair in what I'll say not treating us as a—I guess understanding that they're learning as we're learning and appropriately charging us for value-added services and not charging us for their learning curve as they learn more about the product, and I think we have a pretty good relationship on that front with our vendor. It feels like they're getting the appropriate support from SAP and other product providers to make sure that they're trained and up to speed on the issues they need to know to help us out.
18 <i>Can you describe your post go-live implementation support experience?</i>	It's actually been very good and it's been a combination of SAP being responsive to our concerns as questions are raised through our service provider as well as our service provider just being very responsive to our inquiries. So we've been pleased there.

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19 <i>How would you respond to someone's claim that SAP is only for large companies?</i>	I think, again, one of the deciding factors in selecting this product was that it was a very scalable price structure. You can get in on this product for \$20,000 or, depending on the number of users and the different enhancements that you may need, you can spend more. But it's certainly at a price point that a small company can afford. And what you'll find is that the functionality that it provides at that low price point is pretty remarkable with the CRM; Excel Reporter is probably the best reporting tool that I've ever seen in a package like this and certainly the best reporting tool that comes out of the box. So I think it's a fantastic value in that regard.
20 <i>Are you satisfied with your choice of the SAP solution?</i>	Definitely. We definitely haven't looked back and regretted our decision.
21 <i>Anything else? Anything that I may have missed that would be important to other companies as they look to acquire and implement an SAP solution?</i>	Yeah, you know, I think anyone who's made a decision—this is probably the third time that I've selected products. I've used Navision in the past, I've used Great Plains, and I think it would be unfair if anyone ever said that there's one perfect package that fits everyone's needs. There's no package out there that doesn't have limitations or things you wish it did differently, but overall, I think SAP Business One does a better job of limiting those issues you wish were different. We've been very pleased and definitely not only would recommend but have recommended the product to a lot of my business associates.
22 <i>Are there any areas of the solution that you would like SAP to improve?</i>	Probably our biggest concern as a manufacturer is that we wish that the MRP product were more robust. It's fairly limited in its functionality.
23 <i>Would you recommend SAP and SAP solutions to others, and why or why not?</i>	Absolutely. I think that the functionality that SAP provides out of the box is superior to any other products I've used in the past.