

SAP Customer Success Story

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Jonathan Varkul, Director of Operations, Onlane Inc.



AT A GLANCE

Company Name

Onlane Inc.
www.onlane.com

Industry

Automotive (Vehicle remarketer)

Key Challenges

- Onlane needed to scale accounting operations as business transactions grew and service lines diversified
- Adding new head count was not an attractive option
- Onlane accounting staff were challenged to manually post and rekey purchase, sale, and payment entries associated with every vehicle transaction
- Onlane was outgrowing its existing financial accounting solution

Solution and Services

mySAP™ ERP

Implementation Highlights

- mySAP™ ERP implemented on time, allowing Onlane to scale rapidly without adding new accounting staff
- Solid reputation for results and extensive experience with SAP proved IDS Scheer Canada the right partner

Key Benefits

- Vehicle transactions are now automatically and simultaneously created each time a vehicle is traded
- Savings generated from keeping headcount constant paid for the SAP® solution in the first 9 months
- Improved customer service
- Streamlined financials and accounting processes
- Integrated end-to-end functionality
- Flexible IT infrastructure to better manage growth and drive innovation



DRIVING INNOVATION AND BUSINESS SUCCESS AT ONLANE INC.

In the late fall of 2003, Onlane Inc. found itself facing one of the classic challenges of a successful fast-growing company – how to scale back-office accounting operations as business transactions grew and service lines diversified. On track for another year of high double-digit, approaching triple-digit growth, Onlane’s accounting team was hard on the trail of a new accounting application solution to effectively manage this growth and take operational efficiencies to the next level in their department.

Onlane is a highly innovative business venture. Formed in 1999 and based in Toronto, it has successfully carved out a niche for itself in the North American business-to-business used vehicle industry as a leading provider of internet-based services and technology solutions that facilitate smart and efficient online buying and selling of used vehicles across the continent.

By harnessing the internet as a distribution mechanism, Onlane has developed a data-driven, customized end-to-end solution built on industry leading technology that allows used vehicle sellers (such as fleet or lease managers) and buyers (licensed auto dealers) to buy and sell used vehicles faster, easier and more efficiently. For dealers, Onlane offers an efficient, just-in-time inventory procurement service. For institutional sellers that include several major OEM Finance companies and other Fortune 500 fleet owners/managers, Onlane designs and manages turnkey



remarketing programs that minimize vehicle handling costs, reduce asset liquidation cycle times and maximize gross sale prices on a portfolio basis.

“In anticipation of continued growth, we recognized that we needed to take a fresh approach with our accounting systems” said Jonathan Varkul, Director of Operations, Onlane Inc. “From an operations perspective, we were not satisfied with our transaction /employee ratio in accounting. Adding new headcount was not an attractive option, so instead we decided to explore new technology solutions. We are, after all, a company that excels at leveraging technology for operational efficiency and seamless integration.”

THE CHALLENGE

Every time a vehicle is traded, there is both a purchase and sale transaction followed by a payment activity. Onlane was manually posting the entries associated with every transaction. The sheer volume of these discrete transactions and the lack of available data fields in their previous system meant that transaction detail was limited to very basic accounting information.

Onlane needed to invest in new business technology that would help the company integrate and automate its current accounting process, and be scalable for the company in the future.

“We’ve always adopted a disciplined approach when it comes to investing in technology; we are progressive but we are careful not to overreach. Our previous financial accounting application was a simple shrink-wrap solution that we implemented in a few days at the start of operations in 2000. We did so with full knowledge that we would likely, even hopefully, outgrow the application,” said Gary Edelstein, Vice President of Technology at Onlane Inc.

When Onlane first reviewed their options for enhancing their existing accounting system, they confirmed that the original accounting system had very limited integration capabilities. “We were reluctant to wade into messy custom development since this was not the only source of dissatisfaction with the system,” recalls Edelstein.

Even so, Onlane did not immediately rush into a search for an all-new accounting system. Varkul recalls, “We started the quest close to home looking at upgrading the original product to the enterprise version of the software. But what we discovered was that even the upgrade versions available were lacking in customer and vendor linking capabilities, P&L classification options. With the cost of each required additional module, the upgrade path began to look expensive, complex and the end product still didn’t match with where we wanted to be.”

As transaction volumes grew, the company was becoming increasingly concerned with the corresponding volume of non-value added data entry, inter-system reconciliation and rekeying that was required as part of the flow. Onlane realized that if this trend continued, associated time requirements could start to detract from the company’s core focus on the customer and its trademark flexibility and efficiency. Employee morale, while buoyant at the prospects of continued growth, was tempered in the back-office by the realities of long hours necessary to keep pace.

THE SAP® SOLUTION

Onlane needed a tool that would help streamline the company’s financials and accounting process, manage transaction volumes with better efficiency, facilitate more immediate access to critical information across the enterprise, and free accounting staff from data entry to focus more on the customer.

The solution came in the form of mySAP™ ERP, a business software solution designed to reduce total cost of ownership, achieve faster return on investment and offer a more flexible IT infrastructure that would help better manage the company’s record growth and continue to drive innovation. The software’s ability to integrate end-to-end functionality for financials, sales and distribution operations, materials management and corporate services was also a key deciding factor for Onlane.

“With SAP, we really liked the idea that we were buying into a platform that would continue to grow with us as our business grew and new requirements and opportunities emerged,” says Varkul.

“If you buy a system and walk away, you have invested in a depreciating asset,” says Stephen Herlick, a senior consultant at SAP partner IDS Scheer Canada Inc., and the man who headed the team implementing Onlane’s solution. “If you understand that acquiring a system is just the start of the journey and that the system should and will evolve over time, then you are investing in an appreciating asset.”

IDS Scheer had a solid reputation for results and extensive experience with mySAP ERP. “They understood what we needed and how to take us there,” says Varkul. “Having the right partner to guide you and provide continuity is also important. SAP gave us lots of options and IDS Scheer helped us to choose wisely amongst them.”

“In a nutshell, what Onlane wanted was to be able to sell as many vehicles as possible as quickly as possible through its websites,” says Herlick. “Onlane is a determined and focused company. It was not about to let a potential back-office bottleneck stand in the way of its growth; neither was it about to cave on operational efficiency.”

mySAP ERP was implemented on time – in about three months – and it has allowed Onlane to grow very rapidly without adding new accounting staff. mySAP ERP has helped improve customer service by providing a rich set of information directly linked to every accounting transaction, and has enabled Onlane to provide customers with more detailed and accurate information, faster.

“With barely a year since we went live with our SAP implementation, the system has already delivered on all of its promises,” says Varkul, confirming the wisdom of Onlane’s decision.

THE BENEFITS

Today, when Onlane’s customers click the bid and buy buttons on its ecommerce site, seamless integration and intelligent systems do the rest, automatically replicating entries and generating accounting postings as required by Onlane accounting practices. The accounting team manages by exception, which might involve about five to 10 percent of transactions.

“We provide end-to-end transaction and vehicle handling services which include settlement of funds and transfer of title/registration. This means we collect funds from the buyer and guarantee payment to the seller within 24 hours,” explains Varkul. “This makes for an exceptionally fast-paced business transaction environment. It is of tremendous benefit to us that both payable and receivable sides of the transaction are automatically and simultaneously created each time a vehicle is traded on our website as this means there are no system delays in the cycle. Our accounting staff are not spending time punching transactions, they are reviewing exception reports and initiating contact with customers to drive action and meet process objectives.”

“Flexibility is the key to affordability in enterprise software implementations,” says IDS Scheer’s Mr. Herlick. “At Onlane, we were able to streamline documentation requirements and focus on the solution delivery.”

Mr. Varkul readily admits that Onlane’s size and expertise were factors which worked in its favour when it came to speed of implementation and overall cost. “We are a very process-oriented company and it is easy to train a tight-knit group of people who understand these processes well. We are also very receptive to change – it’s a big part of who we are and what we do as a company,” he says. “We have a very strong in-house team both in remarketing process and in technology. We wanted to be sure we leveraged this knowledge base, so we started out by thinking through carefully what we needed and then choosing the right partner to implement the system. All this has made a significant difference.”

This difference translated into a speedy return on investment.

“We figure the savings from being able to keep headcount constant paid for the SAP system in the first nine months of 2004. Capacity in the back-office is no longer an issue and that’s the way it should be. This return doesn’t even factor in the tremendous qualitative benefits of better, more current information for improved decision-making and customer service, not to mention employee morale,” says Varkul.

Onlane is already looking at expanding its use of mySAP ERP applications beyond SAP Financials, Sales and Distribution, and Materials Management. "We are a growing company, which means we have new departments, service lines and requirements emerging all the time. We may look at SAP Information Business Warehouse (SAP BW) next as part of our broader Onlane data-warehousing infrastructure," said Mr. Varkul.

Mr. Herlick says Onlane's experience with SAP is a textbook example of skillful implementation and use of a SAP software solution.

"If you have the right people and the wrong application, the project never works. If you have the right application but the wrong people, it will work but not very well," he says.

"If, however, you have the right people and the right application, the results almost always exceed expectations. That is what we have here. The right people and the right application."