

## Podcast: Business by Design - Eric Brown of Johnson Products Shares Their SAP ByD Story

"On the adventure of being an early Business by Design customer, how ByD impacts Johnson Products' business strategy, and what SAP can do to improve ByD from here"

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In a milestone podcast for JonERP.com - the first about a small enterprise SAP solution - Jon Reed of JonERP.com interviews Eric Brown, CEO of Johnson Products, about his company's experiences as an early Business By Design (ByD) customer. During the thirty-five minute conversation, Eric gives the background on the Johnson Products story that captured the audience's attention at the SAP Influencer Summit in December 2009.

Brown talks about why his team chose ByD over other SME offerings, how they implemented in thirty days under intense deadline pressure, and what he thinks SAP can do from here to improve the ByD go to market strategy. Brown's entrepreneurial dreams would not have been possible without a cloud-based ERP solution that could provide a major savings in cost and infrastructure without sacrificing functionality. Johnson Products is an ethnic hair care products company with a proud history. Brown shares his frank views on what it was like to purchase the company and lean heavily on By Design to get his business off the ground.

### Podcast Highlights

(:52) Eric shares the background on Johnson Products and how his company was launched. Eric's investment group acquired Johnson products from Proctor and Gamble in March of 2009.

(1:50) Jon: As far as I know, you're the only ethnic hair care products company amongst SAP's 80,000 or so customers. As it turns out, Johnson Products has some interesting history - can you shed some light on that?

Eric: The company was started in 1954 by George Johnson in Chicago. Johnson Products was the first African-American owned company on the New York Stock Exchange. Johnson Products was also famous as the leading sponsor of the legendary show Soul Train, and Johnson Products was connected to the history of that time.

(3:43) Jon: Eric, you made quite an impression at the Influencer Summit with your story about how your Business by Design selection and installation was literally wrapped up in the fate of your business itself. For those listeners who weren't able to hear your talk in person, tell us about the unique business circumstances you were facing.

Eric: We didn't acquire any infrastructure (such as IT and customer service) that typically carries over into an acquisition. We closed the deal on March 31, 2009. On April 1, we had to hit the ground running with a new organization. I literally had less than six months to transition the entire business. For software selection, we were looking at cloud computing options, and we made the decision to go with Business by Design in August of 2009. We were up and running on Business by Design in less than 30 days.

(6:05) Jon: And how high were the stakes here? Would you have been able to move forward if the by Design installation had not been successful or completed on time?

Eric: Pressure is not strong enough to describe what we were dealing with. There was a huge financial poison pill if we didn't have the system of P and G by end of September. None of the retail outlets were going to wait on us - they weren't going to cut us any slack because we acquired from Proctor and Gamble. What we told our retailers is that we would meet or exceed the expectations that had been established, and I told that to SAP as well.

(8:15) Jon: so you held SAP's feet to the fire as well. That was a big vote of confidence to SAP for a new product like By Design.

Eric: When you start out a new business, everything is predicting where you're going to fall down. In our case, we went out and worked very hard to give our retailers confidence that we can execute at the same level. To say that, I had to have confidence with SAP both during the By Design implementation and afterwards - with all the logistics of running a business after that install.

(10:22) Jon: One thing that surprised me: at the time of your last talk, you only had ten employees, but you never even looked at SAP Business One, which is the product I would have thought was best for a company of your size - what drew you to by Design? Was it the cloud-based option? What capabilities and features drew you to by Design?

Eric: This wasn't a situation of throwing more people at the project we could get things done in our timeframe. We needed a solution that we could implement in a very short period of time. But we didn't want to lose out on the functionality we wanted because of our short timeframe. With SaaS, I saw the chance to eliminate the hardware-software overhead costs, and remove it from the timeline. This would allow us to focus on the functionality.

I also had limited infrastructure support - I had one guy in IT. I saw SaaS with the potential to shorten my implementation timeframe. One determining factor in selecting SAP was the planning piece. We implemented in 30 days, but we took another 30 days to plan, and determine the feature sets we needed in each phase of our install.

Business By Design was not on my list - so we were fortunate to find each other. I knew about SAP; anyone who has touched corporate IT has heard some horror stories around SAP. I did not think I'd be talking about SAP and Johnson Products at the same time. But I did want either a hosted or SaaS-based system. I was also worried about cost - once I found out about By Design, I assumed it was not only five times the functionality, but five times the cost. All those myths were quickly debunked as I started peeling back the layers in the onion. Yes, we were aware SAP didn't have a ten year maturity on the product, we are early adopters. But so far, so good.

(17:50) Jon: Tell us about the process of implementing by Design. Were there outside experts involved? What kind of in-house training or support was needed to get it done in 30 days?

Eric: It was all internal, across finance, IT, and supply chain - those were the guys who had the weight on their shoulders to make this functionality work. One of the things SAP did to win us over was to say, "We'll do what we need to do to meet your timeline."

Our internal team of four people worked very well with the team at SAP. We interfaced with about six or seven people from SAP during that process, during the scoping, test database, data migration, and production. When we went live, SAP had three people here on site - one on finance, one on the IT side, and one as the project lead.

(20:25) Jon: Now another interesting chapter in your business and the possible use of by Design has emerged. Last time you and I spoke, you were considering taking on the manufacturing side of your business and possibly using by Design's manufacturing functionality to do so. Where do you stand on this now?

Eric: With Business By Design, we were able to get the full suite of functionality and selectively turn that functionality on when we needed it. That was a major plus when we purchased the product. We thought we would always outsource the manufacturing, which we outsourced to Proctor and Gamble. But we see the need to expand with new products and make changes to existing products.

Protecting our margins moving forward leads you down the path of considering manufacturing the products yourselves. We have the opportunity to purchase the equipment used to produce these products from Proctor and Gamble. Initially, we didn't spend a lot of time evaluating by Design's manufacturing capabilities, but we're pleased with what we see so far in terms of by Design's functionality. We're still looking at this opportunity, but by Design will not be the limiting factor. If you can take the risk out of the systems side of things, that's a huge piece of it.

(26:03) Jon: SAP's by Design rollout is moving towards general release as we head towards Sapphire Orlando. As SAP learns from its flagship customers prior to broadening by Design into general release, what advice would you give SAP based on your experience?

Eric: I've said this to SAP directly, but I think SAP has a huge opportunity on the marketing side that they haven't taken advantage of. I found SAP, not the reverse. It may be that SAP is holding back the reigns, so to speak, but SAP has not done as well on the marketing side as they could. The other challenge is debunking all the myths that I saw about the perceptions of SAP being appropriate for small businesses.

This is not R/3, though some of the functionality SAP has developed in R/3 certainly made it through to by Design. It doesn't come with the enterprise anxiety of a big on premise solution. It has a lot more flexibility, and the ability to manage it is straightforward. I still have the one IT guy I had before.

(30:40) Jon: most of the companies I interview that are truly successful have a recognizable corporate culture and leadership philosophy. What drives your success at Johnson Products?

Eric: You hire people that are smarter than yourself, and you make sure that they are recognized and rewarded through future growth. I put demands on my people to be a little selfish and develop their talents and learn something new. To me, leadership is not a one person job - it's something that has to filter through and engage throughout the entire organization. I want to be a leader in customer service, I want to be a leader in innovation. We are a young company and there's a lot of passion here to win. We did our year end close in March, and we came in 17 percent higher than Johnson Products did at P and G the year before.

(34:09) Jon: What you said just now reminded me of something you said at the Influencer Summit - that one thing you liked about running SAP is that you didn't feel there was any limits to your growth.

Eric: When someone asks what kind of ERP system are you running, whatever their motivation was, when I say, "I'm running SAP," the question got answered. To be able to say that means that we're serious. There's other smaller, less complex systems - so when we choose SAP, we're saying, "We have put together a platform, we can play with the big players."