

REAL WORLD CASE 3

Aviall Inc.: From Failure to Success with Information Technology

Joseph Lacik, Jr., doesn't try to measure the return on investment of his company's e-business website. The fact that Dallas-based Aviall Inc. (www.aviall.com) was saved from financial disaster by a controversial multimillion-dollar IT project that included developing the website as one key element is all the return he needs to see. That investment, in the words of Larry DeBoever, chief strategy officer at the IT consulting firm Experio Solutions Corp. in Dallas, "turned Aviall from a catalog business into a full-scale logistics business" that hundreds of aviation parts manufacturers and airlines large and small depend on for ordering, inventory control, and demand forecasting. He says the new approach ties Aviall more tightly to customers such as Rolls-Royce PLC. "Aviall is now the logistics back end for the aviation firms," says DeBoever, whose company was retained to help with portions of Aviall's systems integration work. "And they did it even though the airline industry shrank over the last three years."

In early 2000, with quarterly sales dropping and Aviall on the ropes, "We invested \$30 million to \$40 million to build this infrastructure," says Lacik, vice president of information services at Aviall Services, a unit of Aviall. "Our competitors thought we were insane. Some investors asked for my resignation." But the results of the project have been extremely successful and represent a huge comeback from Aviall's recent business/IT problems, which sprang from a failed enterprise resource planning (ERP) system that had been designed to automate and integrate the company's order processing, inventory control, financial accounting, and human resources business systems. However, there were major problems in implementing the new ERP system that resulted in Aviall's inventory getting out of control.

Lacik joined the company in early 2000. "You couldn't properly order or ship things. My job was to bring back operational stability," he says. To do so, he implemented the CEO's vision of transforming Aviall into a provider of supply chain management services through the integration of a range of Web-enabled e-business software systems. Aviall bought and installed a BroadVision online purchasing system, Siebel Systems sales force automation and order entry software, a Lawson Software financial system, a Catalyst Manufacturing Services inventory control and warehouse management system, and Xelus product allocation, inventory management, and purchasing forecasting software. All of these systems were integrated by using common business databases managed by database software from Sybase, Inc.

Of course, even with planning, some of the systems integration was more difficult than expected. One major reason was the sheer size of the project. The new combined system has to properly access and deal with customized pricing charts for 17,000 customers who receive various types of discounts, and it has to deal with an inventory of 380,000 different aerospace parts.

The development of Aviall.com was one of the least expensive parts of the project, at a cost of about \$3 million, Lacik says. But it provides big benefits. When customers order products on the Aviall website, it costs the company about 39 cents per order, compared with \$9 per transaction if an Aviall employee takes the order over the phone. New supply chain functions are also possible, such as the ability for customers to transfer their orders from an Excel spreadsheet directly to the website. Customers can also receive price and availability information on aerospace parts in less than five seconds—a real-time feature that hadn't been available before the BroadVision system was installed, Lacik says.

The process also frees the company's sales force from routine order taking and follow-up, thus allowing them to spend more time developing relationships with customers. What's more, the website helps Aviall build relationships with suppliers by providing them with customer ordering data that enables them to better match production with demand. The website now generates \$60 million of the company's \$800 million in annual revenue, or 7.5 percent, up from less than 2 percent a year ago. "Over the next three to five years, it could become more than 30 percent," Lacik says.

Case Study Questions

1. Why do you think that Aviall failed in their implementation of an enterprise resource planning system? What could they have done differently?
2. How has information technology brought new business success to Aviall? How did IT change Aviall's business model?
3. How could other companies use Aviall's approach to the use of IT to improve their business success? Give several examples.

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