AltSource

> **The Case for Custom Software**

What Companies Need to Know About Their Digital Technology Choices

Contents

> Business Software: Custom vs Off-the-Shelf

Digital transformation is happening at all levels of organizations and across all industries, accelerating the pace of business and even redefining businesses and markets. At its core, digital transformation puts innovative digital technology to work to solve critical business problems. It goes beyond driving efficiency and productivity to enabling companies to fundamentally change the way they do business.
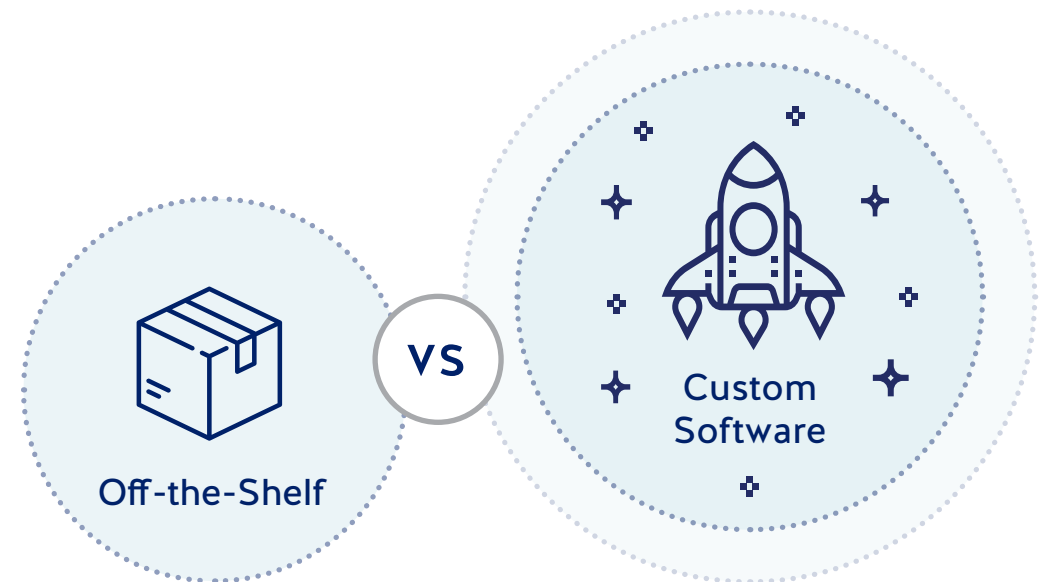
Software is an essential part of the digital transformation journey. It is the enabler of business efficiency and transformed customer experience. The right solution builds loyalty among customers and employees, and separates a company from its competitors. This may be a single point solution focused on one business function or a multi-prong solution that works across an organization's key functions.

When evaluating software options, companies must choose between packaged, off-the-shelf software, and custom applications.

Packaged software programs are based on processes and methodologies that have been identified as beneficial to many businesses in many situations. This often results in solutions that are not quite right for any one individual business. One-size-fits-all solutions force businesses to adapt their process to the software, wade through unneeded features, and eliminates opportunities to create differentiation in the marketplace, among other pitfalls

This e-book shares insights and real-world examples about why custom software is a must for any business serious about leveraging the power of technology to drive measurable business impact.

Software is an essential part of any transformation journey as it is the interface via which work is done, transactions are made and experiences are crafted.
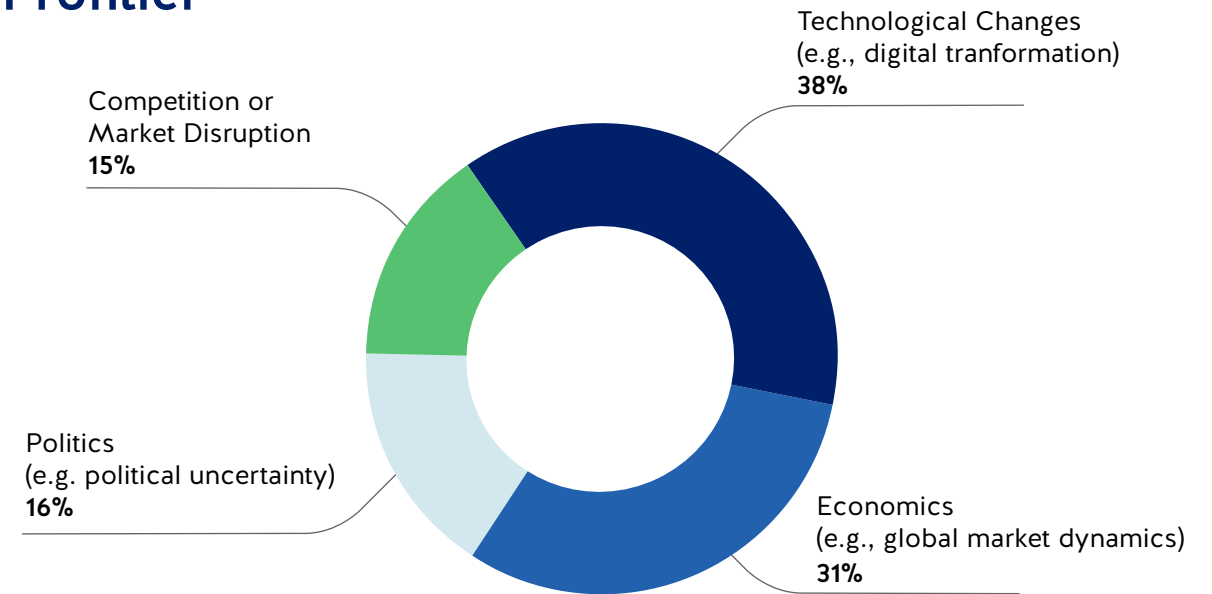
Off-the-Shelf **VS** Custom Software

> Digital Transformation: The New Business Frontier

Some companies today still look at technology as simply a tool to complete tasks. Competitively strong companies embrace technology as a true driver of the business. Digital transformation involves a fundamental shift in how companies conduct business and bring value to their customers through strategic technology implementations.

Modernizing systems, workflows and products with agile digital solutions positions companies to innovate and lead today and in the future.

A 2018 Forrester Research survey found that today, digital transformation is a must versus a nice-to-have.[1]

Digital transformation and market disruption ranked as two of the top four factors impacting business decisions—with digital transformation ranking as #1. According to one respondent, "It's a war between old-school, technophobe leaders and the technology innovation that represents a completely different way of doing business."[1]

Technological Changes
(e.g., digital tranformation)
38%

Competition or
Market Disruption
15%

Politics
(e.g. political uncertainty)
16%

Economics
(e.g., global market dynamics)
31%

"Which of the following will have the greatest effect on your business decisions over the next 12 months?"

The Sorry State of Digital Transformation in 2018, Forrester, April 2018

"It's a war between old-school, technophobe leaders and the technology innovation that represents a completely different way of doing business."

– The Sorry State of Digital Transformation in 2018, Forrester, April 2018

In a Deloitte survey, 58% of respondents identified digital disruptions as the most significant external risk to their companies.[2]
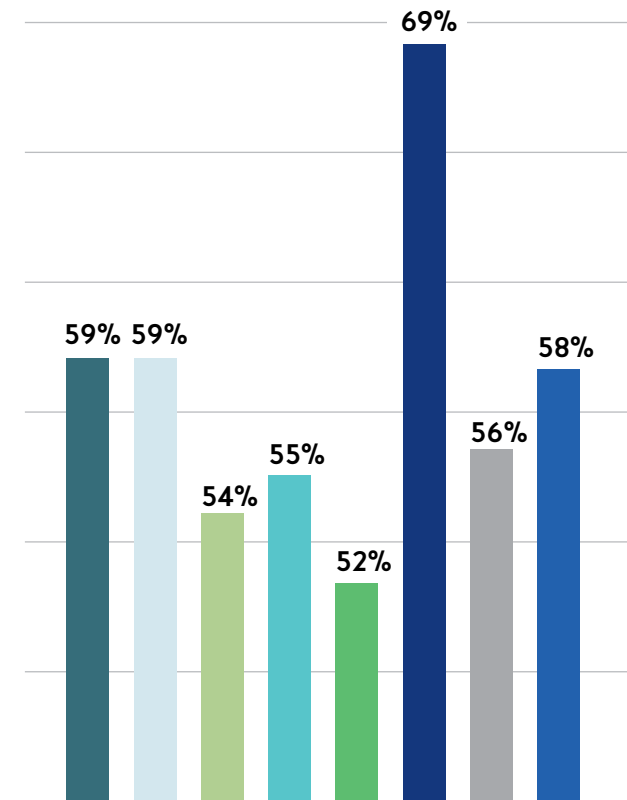
As more and more companies disrupt their markets, overtake prior market leaders and even create new markets, others must retool and find new ways to compete. Effective use of technology is essential to making this happen. That entails the right technology used in the right way at the right time.

Nearly three-fourths of respondents to the Deloitte survey indicated digital enablement / transformation and technology implementation as their top strategic priorities for at least the next two years. Other initiatives included sales growth, cost reduction, balance sheet management and improved profitability—all of which can and should be fueled through technology.[2]

While admittedly challenging, a true digital transformation can be successful. What is required is the right leadership and partnerships guiding the development and use of the technologies—and the right mindset.

Companies must adopt a spirit of continuous innovation when embarking on a digital transformation journey. This effort is not a one-and-done but a permanent state of being.

Digital transformation should not be a one-and-done effort, but a permanent state of being.

External Risks Identified by U.S. Executives
Deloitte's 2019 Biennial Global Cost Survey, April 2019

Legend:
- Political Climate
- Macroeconomic Concerns
- Currency Fluctuations
- Commodity Price Fluctuations
- Credit Risks
- Cybersecurity Concerns
- New Market Entrants
- Digital Disruption

Values: 59%, 59%, 54%, 55%, 52%, 69%, 56%, 58%
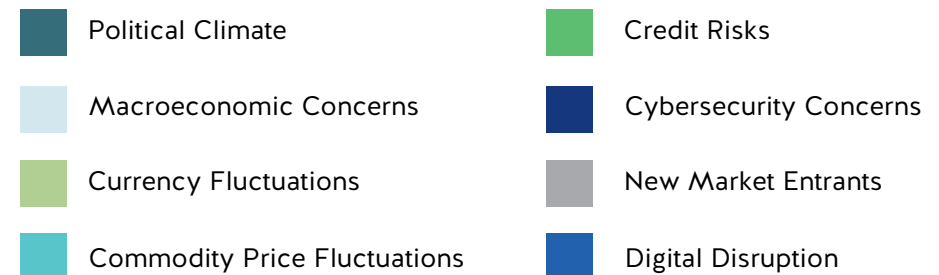
Digital Transformation Journey Choices

Digital enablement through software requires companies to make important choices, starting with whether to use prebuilt or custom applications. When evaluating custom software, businesses may choose to build solutions in-house or with an external partner. It is important to compare these options before making a final decision.
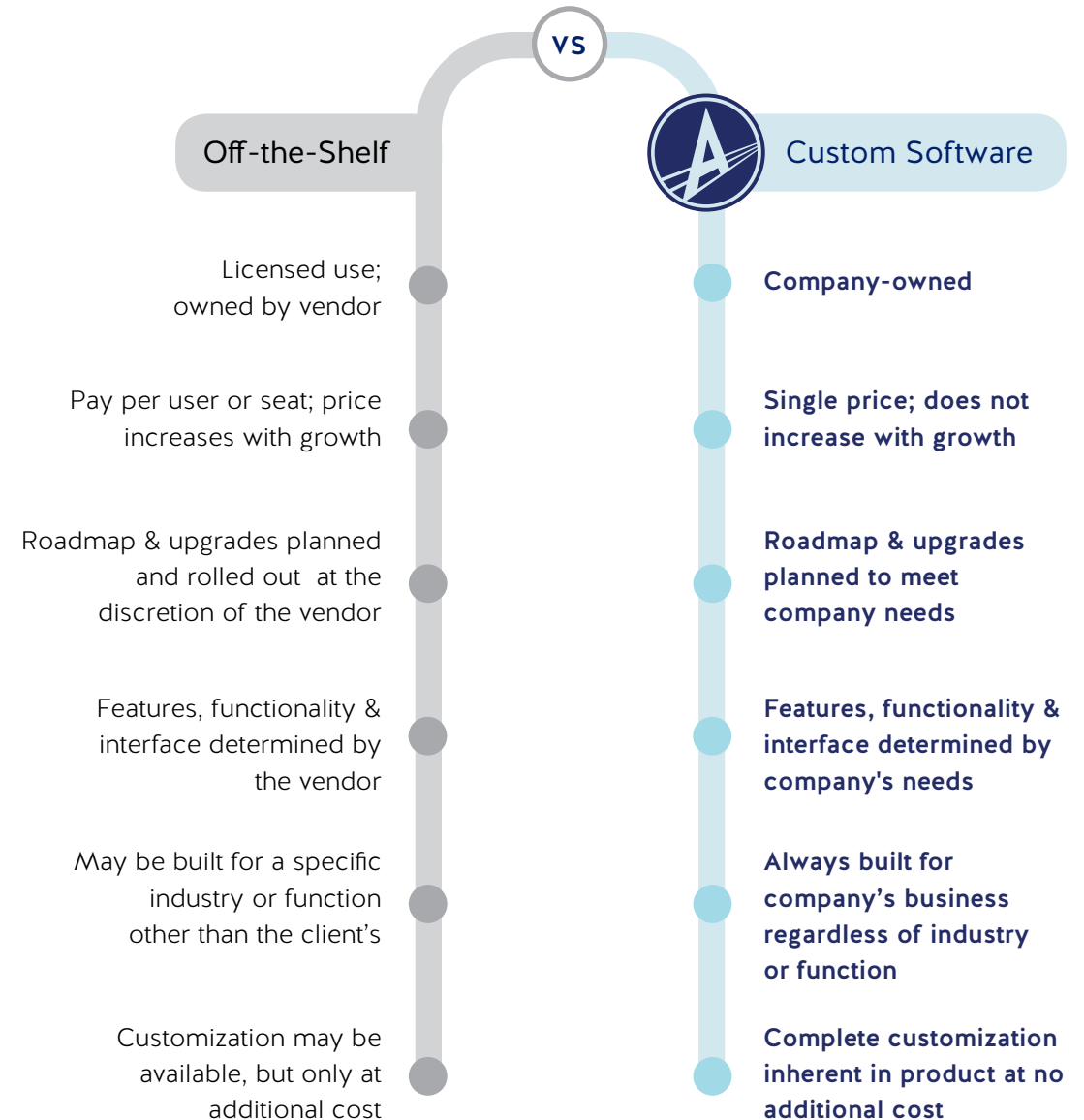
Prebuilt vs Custom Software

Off-the-shelf software programs may be used for many reasons, one of which is setup time. This is an advantage if no customization or additional integration work is required, which is rare. Packaged software is also based on a per-license user fee structure, which can force businesses to make the tough decision to limit use as a means of controlling costs. Standard programs may offer many of the features a company will use but may lack desired functionality—and include some features that a company will never use.

Companies may be concerned that custom software will have a longer time to implementation, but the opposite is true if the right development method is utilized. A phased approach that leverages frequent feedback cycles, provides companies the ability to realize value in a short amount of time. Essential features are rolled out early while ongoing iterations deliver additional features and value. This also makes custom software ideally suited to support an enterprise-wide digital transformation.

Custom software can be a complement to some off-the-shelf solutions, allowing businesses with existing applications to get more value of them rather than having to start over from scratch.

Off-the-Shelf vs Custom Software

vs

Off-the-Shelf	Custom Software
Licensed use; owned by vendor	**Company-owned**
Pay per user or seat; price increases with growth	**Single price; does not increase with growth**
Roadmap & upgrades planned and rolled out at the discretion of the vendor	**Roadmap & upgrades planned to meet company needs**
Features, functionality & interface determined by the vendor	**Features, functionality & interface determined by company's needs**
May be built for a specific industry or function other than the client's	**Always built for company's business regardless of industry or function**
Customization may be available, but only at additional cost	**Complete customization inherent in product at no additional cost**

In-House vs External Technology Partner

Companies that want the benefits of custom software may consider building solutions in-house. Using internal IT teams may save on vendor costs but many companies lack sufficient in-house staff or skill sets to complete work at the pace or scale needed.

Leveraging the expertise of a trusted technology partner provides immediate access to a dedicated team with experience in the exact technologies or solutions needed. The partner teams are able to scale to meet exact staffing needs. Some partners also include a strategic consulting component as part of their engagement to increase value to the organization and ensure alignment to business goals.

Recent research from Forrester highlighted that the percentage of companies using external partners to accelerate their digital transformation journey correlated to their level of advancement. The companies that are the most advanced in their digital transformation are using external partners at the highest rate. Accelerating digital transformation empowers companies to expedite time to market and realize value on their investment sooner.

In-House vs External Technology Partner

In-House

- Development time may be increased due to lack of bandwidth or competing
- IT resources may be unavailable for other business needs
- Potential skills gaps
- Includes costs for employee salaries & benefits as well as recruiting efforts
- Problem solving becomes myopic & limited due to single point of view
- 100% of the risk & responsibility for success is on the company

Technology Partner

- **Dedicated team for fast time to build & implement**
- **Client's IT team remains available to serve other business needs**
- **Access to expertise in every necessary functional area**
- **Keeps costs limited to solution development**
- **Problem solving is strategic & more effective due to the expanded points of view**
- **Risk & responsibility for success shared with partner**

External Technology Options

There is a broad range of options to select from when considering external technology development. One option is the stereotypical "dev shop" or small development agency that often farms work out to offshore resources. These firms may provide little to no post-implementation support.

At the other end of the spectrum are global technology consulting firms that specialize in enterprise-scale engagements. Their focus on large technology deployments may preclude the ability to phase-in new solutions. It may also be cost-prohibitive for some businesses.

A mid-sized technology partner works hand-in-hand with a company to understand their strategic vision or business challenges at the outset. A detailed plan facilitates the business processes and experiences necessary to achieve company goals. Support teams provide continuous improvements and innovation to support ongoing transformation. These development and technology firms offer the ability to work at a pace aligned with their client's business needs, while also providing the long-term support needed to maximize a technology investment.

Simply put, working with an outsourced dev shop is a limited, project-based engagement. Working with a technology partner is a deeper collaboration that gives companies access to unmatched expertise & long-term commitment.

External Technology Options

Dev Shop	Technology Partner	Global Tech Firms
Contracted project-based engagement	**Collaborative partnership focused on company goals**	Enterprise-wise engagement
Heavy reliance on outsourced freelancers, either onshore or offshore	**Work performed by on-staff technical experts**	Work usually performed by in-house staff
One-and-done approach; little to no post-implementation support	**Ongoing, iterative approach; supports phased rollout mapping to business needs**	Focus on sweeping, broad-scale rollout
Low-price oriented	**Results- and value-oriented**	Change-oriented; highest cost option

Benefits of a Technology Partnership

Software must support business goals and return clear business value. Creating high-value business software requires flexibility, creative problem solving and collaboration. Off-the-shelf programs or custom applications created using outsourced dev shop resources are not set up to provide this level of value.

Custom software solutions developed with a trusted technology partner have the power to fuel digital transformation journeys, solve critical business problems, improve operational efficiency and customer experiences. In short, they deliver measurable results to a business. The benefits of custom solutions can touch every aspect of a business whether the application is used by employees, customers, vendors or other parties.

Productivity & Efficiency

- Business-Led Software vs Software-Led Business
- Simplified Adoption
- Limitless User Base
- Integration-Ready

Value on Investment

- Lack of Waste
- License-Free, Built for Growth
- Rapid Time to Market
- Reduced Training Needs & Costs
- Iterative Business-Dictated Enhancements

Increased Customer Value

- Customer-Centric Design
- Market Differentiation

Technology Partnerships: Productivity & Efficiency

> **Business-Led Software vs Software-Led Business**

In a 2019 Deloitte Global Cost Survey, 34% of respondents indicates the inability of essential systems to properly support business functions was a primary internal risk to their companies.[2] This often results when using off-the-shelf software that is not fully aligned with a company's operations, forcing a business to adjust its practices to adapt to the software. By its very nature, custom software eliminates these sacrifices, enabling workflows that truly work for the organization. In this way, custom applications drive improved efficiency and productivity.

> **Simplified Adoption**

In Deloitte's Global Cost Survey, 82% of respondents experienced failures with their cost reduction efforts, with 55% citing lack of tool adoption as a primary factor.[2] Custom applications built to meet the exact specifications and needs of a business are naturally more intuitive for employees to use, reducing training time and frustration associated with programs that are not as well-aligned to the business. This, in turn, increases adoption rates and compliance with processes for improved productivity.

> **Limitless User Base**

Custom software does not penalize growth but is instead built for it. Free from costly user licenses, companies can roll out solutions to all users and scale use with growth without additional expense. This reduces the cost per user and promotes consistent use across the organization that contributes to greater efficiency and productivity among teams.

> **Integration-Ready**

Companies must often use multiple applications for different functions. While each solution may work well on its own, a challenge arises when these disparate systems need to communicate but cannot. This requires employees to move between programs to get work done, reducing their efficiency.

Instead of scrapping all existing programs, companies can leverage those investments that offer value to their organizations by connecting them through custom solutions. Custom software can incorporate a wider set of APIs, allowing integrations that streamline workflows. Employees can work from a single application that automates more tasks, consolidates cross-functional data and analytics, and enables greater efficiency and effectiveness. A custom solution can also be built with future integrations in mind, reducing or eliminating the need for after-the-fact work down the road.

Technology Partnerships: Value on Investment

> ### Lack of Waste

Off-the-shelf software is commonly marked by a broad feature set to accommodate an equally broad user base—including businesses in disparate industries or markets. Most companies only use a subset of the features included or may not use them as they were intended. This means they pay for functionality they don't need or want, reducing their return on investment. It can also hinder adoption if users are forced to wade through unneeded features. Companies may end up paying more for customization to make a program more closely fit their needs. Custom software provides everything companies need—and nothing they don't.

> ### License-Free, Built for Growth

Custom software comes without the licensing costs associated with its prepackaged counterpart. By not bumping companies into higher pricing tiers as they add users, it delivers ongoing value on the original investment as the company grows.

> ### Rapid Time to Market

The best technology partners deliver applications that are iterative and deliver value quickly. Custom solutions only return value when used so rapid implementation time is a must. Custom solutions can be rolled out in phases to expedite time to value.

> ### Reduced Training Needs & Costs

Software designed to perfectly fit a company's processes and its users' needs will inherently be easier for people to learn and adopt. Increased adoption is one route to strong return on investment.

> ### Iterative, Business-Dictated Enhancements

Companies that use custom software do not have to blindly accept whatever "improvements" a vendor makes to software. Many times, updates to a prepackaged application force companies to adjust processes or make the painful choice to start all over again when the updates break their previous customizations. This can be costly to a business, especially when factoring in purchase price, staff training and downtime during the transition. A technology partner develops a roadmap that rolls out the updates required by the business, when the business needs them.

Technology Partnerships: Increased Customer Value

> Customer-Centric Design

Every interaction customers and sales prospects have with a company is an opportunity to delight them, increasing their preference for and loyalty to the brand. Businesses need the right solutions to deliver exceptional customer experiences across all channels.

Custom applications deliver the exact features and resources needed at every step of the customer journey, customized for the company and their unique customers.

> Market Differentiation

A custom solution by nature allows companies to differentiate themselves from their competitors. From the customer perspective, experiences are not simply "more of the same" but something truly unique.

Custom digital solutions can enable the introduction of new products or services that deliver even more value to existing customers—and attract new customers.

> Use Cases:
Custom Software Solutions, Real Business Results

AltSource is a digital technology consulting firm. Our value-driven software addresses key pain points and opportunities, driving efficiencies and results for companies of all sizes, across multiple industries.

Legacy Modernization Success: Accelerated Efficiency, Accuracy & Profits

Scenario

Northwest Generics, a supplier of generic prescription medications to regional pharmacies across multiple states, realized their legacy system had become a roadblock to success. A cumbersome ordering process and lack of visibility into key accounting processes made it difficult to serve customers and manage vendors. Warehouse errors contributed to customer frustration, inventory waste and lost revenue. A custom enterprise-wide solution was developed to address these challenges and more.

Solution Features & Benefits

- POS ordering via customers' management system simplifies order placement.

- Barcode scanner with double scan process increases order accuracy.

- Product tracking by code, lot number and expiration date improves audit compliance.

- Daily order queueing and real-time inventory data visibility empowers staff to make decisions that maximize warehouse efficiency.

- Lot tracking allows implementation of first-in-first-out product rotation, reducing product losses.

- Accounting system provides visibility into billings and purchase orders at every step.

Business Impact

- Cut warehouse picker errors by 99% within 1 quarter.

- Expedited accounting functions and reporting.

- Reduced written-off product losses.

- Exponentially increased speed and ease of order submission.

Optimized Performance: End-to-End Solution Delivers Insights, Compliance & Profits

Scenario

A national supplier of custom spice blends for restaurants, grocery stores and food manufacturers knew it was time to upgrade. They were unable to view inventory at the lot level or access real-time inventory data, contributing to processing delays. Audits were completed manually in a time-intensive process that took employees away from other tasks. A new solution provided the business with the insights and efficiency needed to reduce costs and improve productivity.

Solution Features & Benefits

- Inventory management software provides real-time insights into stock levels.

- Lot auditing tool expedites auditing and provides multiple ways to complete audits.

- Data collection and reporting functions allow business to make data-driving decisions.

- Integration with accounting software streamlines financial processes.

Business Impact

- Reduced written-off inventory losses by 99% within 1 year.

- Slashed audit completion time from 1 week to 5 minutes.

- Improved data and auditing accuracy.

- Increased profit margins by 2% within 1 year.

> End-to-End Legacy Modernization: Productivity, Efficiency & Sales

Scenario

A commercial nursery that developed and sold new types of fruit and flowering trees and rootstock to farmers and orchards was still using a 20-year old PC-based system to run every aspect of its business. The outdated system was no longer supports and was unable to keep pace with current business demands. The solution ran every aspect of the company's business from field planning to business analytics to HR and more.

Data relating to research and development, crop management, product pricing, expected loss ratios and more was inaccurate and cumbersome to access, impeding the ability to make the best decisions. Customers could only get visibility into inventory levels by calling salespeople directly. Order taking and fulfillment were time-consuming and overly costly to the business. AltSource built an enterprise-wide application and new public-facing website to replace the legacy system.

Solution Features & Benefits

- New website reduces sales staff load and makes it easier for customers to get product availability data.

- Inventory management feature streamlines warehouse staging for shipment of millions of trees in a matter of weeks.

- Provides real-time data on inventory, sales, projected loss ratios and crop management to drive decisions regarding R&D, planting, pricing and more.

- Tracks royalty rates and coverage for patents and licensing, protecting intellectual property and reducing payouts associated with expired royalties.

- Increased customer visibility into available product reduces waste and lost product and increases sales.

- Allows row-by-row management of current crops, historical research on the performance of past crops and planning of future crops.

- Secure firewall keeps sensitive data protected from competitors.

- Streamlines and expedites all accounting and financial processes, including taxes.

- Manages all HR operations including employee payroll and benefits tracking.

Business Impact

- Increased sales.

- Reduced product loss.

- Improved timeliness and accuracy of analytics for data-driven decision making.

- Strengthened customer loyalty and satisfaction.

- Strengthened IP protection.

- Reduced royalty costs.

Selecting a Custom Technology Partner

Custom software solutions offer clear benefits to companies that are well on their way to a digital transformation journey and to those just getting started. Selecting the right technology partner is an important step that can greatly impact the outcome.

Software partners must have deep expertise in the technology space, but they must also be able to assess the business landscape. The best custom software should meet immediate needs and be built with evolving business needs in mind. Companies will want to find a partner that offers both the technical and business savvy necessary to develop solutions with a long-term roadmap designed for optimal performance at every step.
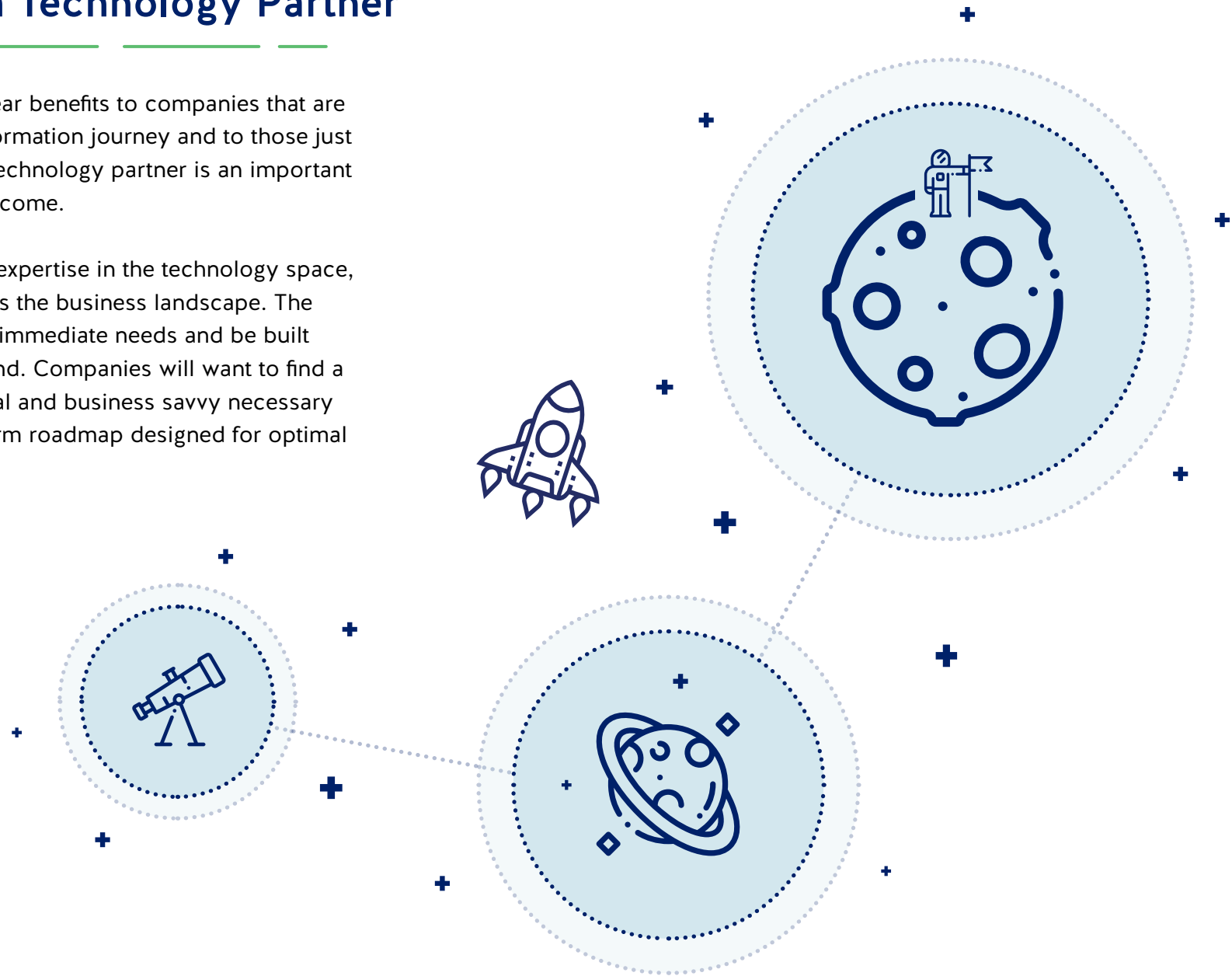
Factors to Assess When Selecting a Custom Software Partner

An understanding of how business works – and how it can work better – is needed to create digital tools that fuel improved performance and results. Cross-functional and multi-market experience demonstrates a broad understanding of how businesses operate and what solutions can have the biggest impact across the organization.
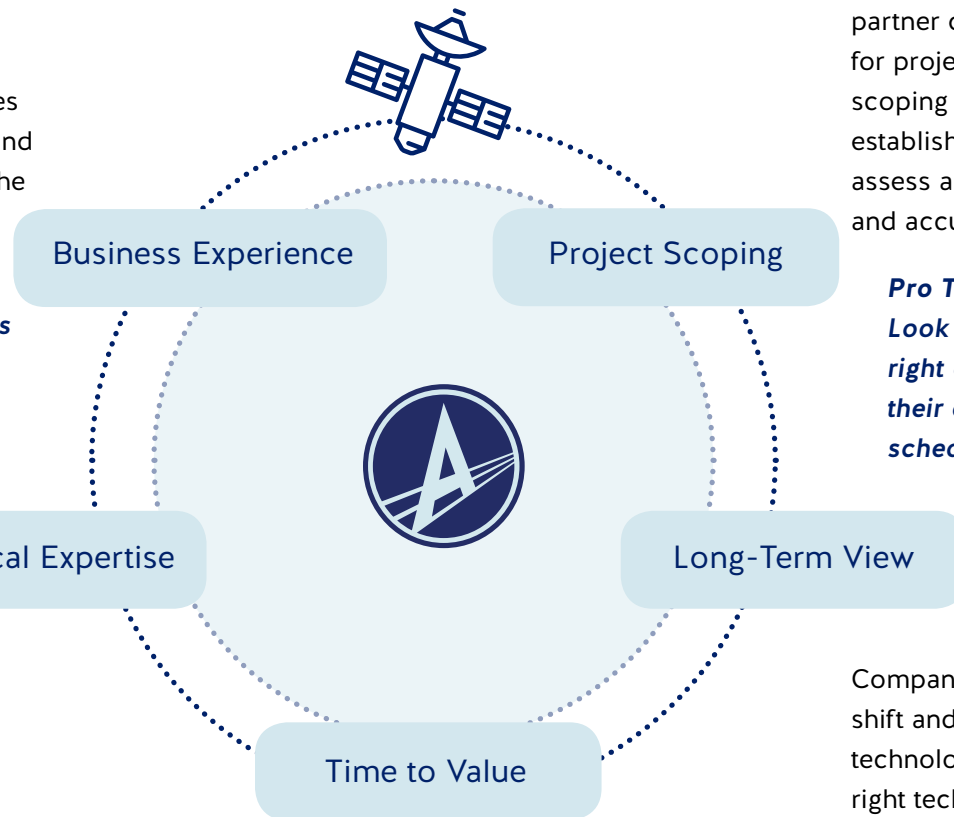
Pro Tip:
Look for partners with proven experience across multiple business domains and industries.

Some companies are hesitant to work with an outside partner due to concerns about budget and potential for project overruns. This is where proper project scoping comes into play. The best partners have established processes through which they thoroughly assess a company's needs to develop solution plans and accurate budget and time estimates.

Pro Tip:
Look for a partner who takes the time to ask the right questions about your business as this shows their ability to develop accurate budget and schedule plans.

Business Experience

Project Scoping

Technical Expertise

Long-Term View

Time to Value

Every software application is multifaceted, and the underlying technologies are constantly changing, while new ones emerge. Building the best solution requires a team of technology experts who are invested in staying current on the best technologies available for the job.

Pro Tip:
Look for a partner with in-house specialties across the software development arena, and evaluate how they keep up with the never-ending changes in this space.

A true partner is committed to returning rapid value to the organization. This starts by delivering solutions iteratively and on time. Slow development times translate into lost productivity and unnecessary costs to the business.

Pro Tip:
Look for firms that have sufficient internal staffing and bandwidth to support the project scope and timeline.

Companies should undergo their own paradigm shift and adopt a long-term view on the power of technology to improve business performance. The right technology partner will become a valuable resource and invest in the business' future.

Pro Tip:
Look for a firm that emphasizes not only an initial solution but ongoing DevOps support, or continuous delivery, to maximize usability and future potential.

> The Time Is Now

Business growth, market disruption and increasing costs are just some of the challenges businesses experience, driving the need to change and innovate. The demand for new software solutions is high, as companies strive to keep pace with the digital transformation of business, leveraging technology at the scale and pace needed to compete in the evolving marketplace. Worldwide spending of digital transformation is up, expected to reach $1.18 trillion in 2019, according to IDC[4].

Some companies may choose to continue with business as usual, instead of innovating, and improving processes and tools. The status quo can be one of the biggest hurdles to future success, especially when competitors opt to move forward and change the game. For companies intent on staying competitive, the time to act is now.

Technology offers an unparalleled ability to address the issues facing businesses today and to give them the critical competitive advantages they seek.

Finding the right technology solutions is best done in collaboration with a trusted partner who learns a client's business and embraces client success as their own. This approach, backed by a deep technology bench, can put the power of digital technology to work for a company in ways it may never have thought possible.

Let's Talk
See how custom digital solutions can transform your business.

AltSourceSoftware.com
Connect@AltSourceSoftware.com
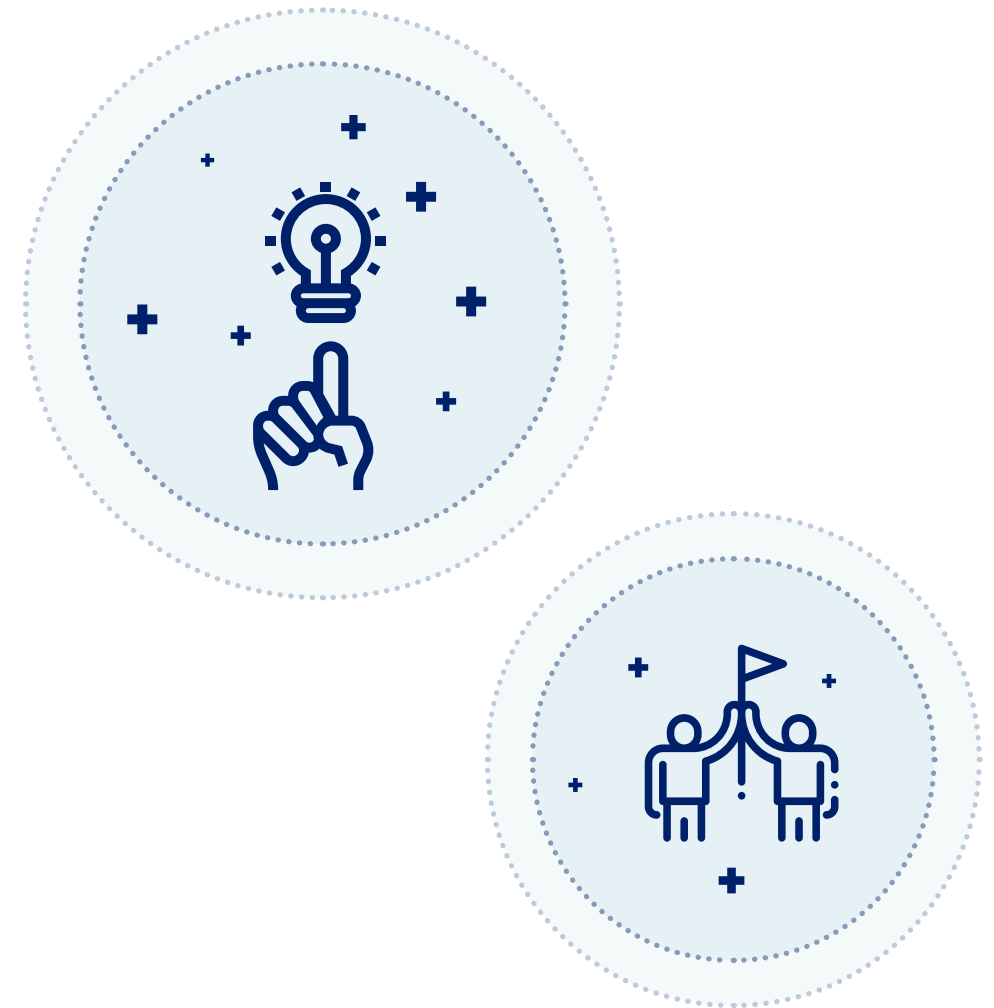
[1] Forrester – "The Sorry State of Digital Transformation in 2018," Ted Schadler. https://www.forrester.com/report/The+Sorry+State+Of+Digital+Transformation+In+2018/-/E-RES142239, April 24, 2018.

[2] Deloitte's Second Biennial Global Cost Survey – "Save-to-transform as a catalyst for embracing digital disruption." https://www2.deloitte.com/cn/en/pages/strategy-operations/articles/2019-global-cost-survey.html, April 2019.

[3] Forrester – "Learn From The Best In Your Digital Transformation Journey," Ted Schadler and Mike Chirokas. https://www.forrester.com/report/Forrester+Infographic+Learn+From+The+Best+In+Your+Digital+Transformation+Journey/-/E-RES151376, April 3, 2019.

[4] IDC - "Businesses Will Spend Neearly $1.2 Trillion on Digital Transformation This Year as They Seek an Edge in the Digital Economy, According to a New IDC Spending Guide," https://www.idc.com/getdoc.jsp?containerId=prUS45027419, April 24, 2019

Icons made by Eucalyp from www.flaticon.com

To learn more about how custom software developed by a true technology partner can power your business, visit AltSourceSoftware.com.

AltSource

AltSourceSoftware.com
Connect@AltSourceSoftware.com