



SYSTEM DEVELOPMENT PROJECT

PROFESSOR MESHKOVA

IS 451



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Executive Summary

Overstock.com, Inc. is an American internet retailer that offers discounted brand name merchandise purchased from the surplus inventories of manufacturers and retailers. Despite facing massive competition from other internet retailers like Amazon and Ebay, Overstock.com has managed to build itself critical mass in the form of web-estate, trade relations, and technology. In 2010 it crossed over the one-billion dollar revenue mark and achieves about 2.2 million quarterly orders. However, Overstock.com has many obstacles to overcome in order to prove that it is able to grow profitably, given that a huge percentage of its targeted market is dominated by the huge brand equity built by Amazon, Ebay, Walmart, and many other competitors.

Before 2003, Overstock.com was using a homegrown ERP package which recorded customer transactions in batches. As the company expanded, this method of handling transactions proved to be inefficient and hindered the company from providing real-time income statements for transactions. In 2005, the company began to implement an ERP package made by Oracle. This new ERP system would allow Overstock.com to record transactions as they occurred in real time, which would allow the company to not only provide real-time income statements, but also tweak promotions, sales/customer programs, and marketing campaigns instantly. All of the functional areas of Overstock.com were meant to be integrated under this new ERP system. Unfortunately, bad managerial decisions, compounded by undertaking too many technological projects, prevented the new ERP system from being rolled out cleanly, and it left entire functional areas, like the Accounting department, from being integrated successfully. The defective new system left customers unable to track their orders or receive shipment



confirmations for extended periods of time, and reduced the company's overall revenue by 12.9 million over the course of five years.

With competition constantly on the rise, Overstock.com once again has the opportunity to improve and integrate their business, in order to increase the efficiency of company processes. A new ERP system that fully integrates all functional areas under one unified database would greatly improve business-to-customer transactions, inter-functional area processes, and allow the company to form the strong brand name necessary to compete against massive competitors within the industry.



Industry

Analysis

Industry Classification

Overstock's primary Standard Industrial Classification (SIC) code is 5961. This SIC code is specifically assigned to Catalog and Mail-Order Houses which is sometimes referred to non-store retail industry. This industry is made up of establishments primarily engaged in the retail sale of products through television, catalog, and direct mail whose services are then delivered through the mail. The companies associated with those establishments are companies that sell book club memberships, magazines, and retail consumer and business products. This classification does not encompass direct-mail advertising firms or stores that are operated by catalog companies for the purpose of on-site retail sales.

The primary North American Industry Classification System (NAICS) code for Overstock is 454111 which is the code specifically assigned to Electronic Shopping. The secondary NAICS code for Overstock falls under Mail-Order Houses code 454113. The industry flourished during the 1980s when mail-order selling activity jumped more than 300%. Between the years 1990 and 1996, mail-order sales grew at a rate of 10% per year, which is about 1.7 times the average growth of general merchandise, apparel, and furniture store sales. According to the U.S. Census Bureau's Statistical Abstract of the United States, by the year 2000, there were around 11,800 electronic shopping and mail order houses in operation. At that time, the industry generated approximately \$68.1 billion in revenues which is a huge increase from 1990's \$19.3 billion revenues.

Income Statement and Financial Analysis

In this section, the financial analysis of Overstock.com will be explain. Some of the financials to pay attention to are going to come from the Income statement, balance sheet and cash flows statement all of the data used is dated from their last end of year report date and is in United States Dollars (USD). The information used from the income statement includes: revenue, expenses, and net income. Total assets, total liabilities and shareholders' equity will be taken from the balance sheet. And lastly, cash flows from operations, investing, and financing activities will be taken from the cash flows statement. The financial ratios will be constructed using Overstock.com's last year end of year report. However, for the third quarter of 2016 they reported revenue as 1,754 million, net income as 8 million, and total assets and liabilities 424 million and 263 million respectively (mergentonline).

Now, below are the key or most common financial ratios, this report will explain each ratio and why it is important.

Profitability Ratios

Return on investment, otherwise known as ROI, is a performance measure that is often used to evaluate the efficiency of an investment. Generally speaking, a positive and higher ROI



is good news. An ROI is measured in percentage and it allows for easy comparison with other investment opportunities. The ROI for overstock.com is (.36), although this number is low and negative the last three previous years they have been trending positive and high (mergentonline).

Return on Assets, also known as ROA, is an indicator how profitable a company is relative to its total assets. This ratio will give an idea as to how efficient overstock.com's management is at using its assets to generate earnings. The formula for ROA is quite simple, it is only Net Income/Total Assets. Just like ROI, a positive and high measurement is best. The ROA for overstock.com is 0.3% meaning that this year management isn't using their assets as well as last year (2.53%) and the year before that (35.28%) (mergentonline).

Last but not least of the profitability ratios is the ROE, return on equity. ROE is the amount of net income returned as a percentage of shareholder's equity, meaning it shows how much a company's profit is relative to how much money shareholders have invested. The ROE is calculated by dividing net income by shareholder's equity. The ROE for overstock.com is .87%, just like the previous profitability ratios discussed the previous years were higher.

Liquidity ratios

The quick ratio is an indicator of a company's short-term liquidity. It measures a company's ability to meet its short-term obligations with its most liquid assets. The better the company's position in terms of liquidity is. The quick ratio for overstock.com is 0.69, meaning that overstock.com has 69 cents of liquid assets to cover each \$1 of current liabilities.



The current ratio measures a company's ability to pay short term and long term obligations. Calculating the current ratio is fairly simple, it involves current assets divided by current liabilities. If overstock.com might have a harder time to pay off all of its obligations if it ever came to that point.

Asset Management

Asset turnover ratio can be used as an indicator as to how a company uses its assets in generating revenue. How it's calculated is by taking sales and dividing by average assets. Asset turnover is fairly high but it to be expected for retail type companies.

Receivable turnover is used to measure how effective a company is in extending credit as well as collecting debts. This ratio is calculated by dividing the net credit sales by the average accounts receivable. This ratio is usually calculated on an annual basis. The receivable turnover ratio for overstock.com is 94.49 (mergentionline). This ratio means that overstock.com's customer's quickly pay off their debts and the company is able to efficiently collect accounts receivable and that overstock generally operates on a cash basis.

Report Date	12/31/2015	12/31/2014	12/31/2013
Currency	USD	USD	USD
Audit Status	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes

Scale	Thousands	Thousands	Thousands
Cash & cash equivalents	170,262	181,641	148,665
Restricted cash	430	580	1,580
Accounts receivable, other	9,023	11,292	10,098
Credit card receivables	7,570	8,182	6,101
Accounts receivable, gross	16,593	19,474	-
Less: allowance for doubtful accounts	465	511	152
Accounts receivable, net	16,128	18,963	16,047
Product inventory	12,710	17,117	18,841
Inventory in-transit	7,332	9,091	8,202
Inventories, net	20,042	26,208	27,043
Prepaid inventories, net	1,311	3,214	1,804
Deferred tax assets, net	26,305	14,835	13,854

Prepaid maintenance	8,340	6,872	6,949
Investment in precious metals	-	-	1,993
Prepaid other	4,401	4,231	-
Prepaid advertising	1,244	1,518	1,356
Total prepaids & other assets	13,985	12,621	10,298
Total current assets	248,463	258,062	219,291
Computer hardware & software, including internal-use software & website development	175,701	156,700	170,702
Construction in progress - building	44,811	5,810	-
Land	10,861	10,861	-
Furniture & equipment	11,396	10,605	14,457
Leasehold improvements	7,753	7,630	6,539
Fixed assets, gross	250,522	191,606	191,698

Less accumulated depreciation & amortization	-	139,535	164,504
Less: accumulated depreciation	156,826	-	-
Fixed assets, net	93,696	52,071	27,194
Precious metals	9,722	10,905	9,678
Deferred tax assets, net	37,891	50,331	58,797
Intangible assets, net	14,656	-	-
Goodwill	15,387	2,784	2,784
Cost method investments	7,000	-	-
Other long-term assets	840	-	-
Prepaid expenses, long-term portion	778	1,156	1,585
Capitalized debt issuance costs	696	849	-
Prepaid other	-	707	438
Other long-term assets, net	9,314	2,712	2,023

Total assets	429,129	376,865	319,767
Accounts payable	122,705	112,787	90,582
Accounts payable accrual	22,128	20,682	10,870
Allowance for returns	17,896	15,531	13,232
Other accrued expenses	13,620	13,497	9,934
Accrued marketing expenses	13,373	12,167	13,715
Accrued compensation & other related costs	8,295	6,682	8,558
Accrued freight	3,868	5,115	4,276
Accrued taxes	1,463	2,639	1,833
Accrued professional expenses	1,115	954	824
Inventory received but not invoiced	828	3,048	864
Credit card processing fee accrual	607	776	700
Facility lease accruals	194	473	567

Short term portion of restructuring accrual	-	-	306
Accrued liabilities	83,387	81,564	65,679
Deferred revenue	50,944	48,451	37,321
Finance obligations, current	1,059	-	-
Other current liabilities	676	-	-
Total current liabilities	258,771	242,802	193,582
Long-term debt	9,488	-	-
Finance obligations, non-current	4,535	-	-
Other long-term liabilities	6,974	4,843	3,294
Total liabilities	279,768	247,645	196,876
Common stock	3	2	2
Additional paid-in capital	370,047	366,252	361,706
Retained earnings (accumulated)	(166,420)	(153,864)	(158,587)

deficit)			
Accumulated other comprehensive income (loss)	(1,430)	(621)	-
Treasury stock, at cost	51,747	82,531	80,230
Equity attributable to stockholders of Overstock.com, Inc	150,453	129,238	122,891
Equity attributable to noncontrolling interests	(1,092)	(18)	-
Total equity	149,361	129,220	-

As Reported Annual Income Statement

Report Date	12/31/2015	12/31/2014	12/31/2013
Currency	USD	USD	USD
Audit Status	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes

Scale	Thousands	Thousands	Thousands
Direct revenue, net	137,783	147,460	156,032
Fulfillment partner revenue, net	-	1,349,643	1,148,185
Partner & other revenue	1,520,055	-	-
Total net revenue	1,657,838	1,497,103	1,304,217
Cost of goods sold - direct	128,077	129,253	136,282
Cost of goods sold - fulfillment partner	-	1,088,791	920,275
Cost of goods sold - partner & other cost of goods sold	1,225,107	-	-
Total cost of goods sold	1,353,184	1,218,044	1,056,557
Gross profit (loss)	304,654	279,059	247,660
Sales & marketing expenses	124,468	109,461	91,609
Technology expenses	98,533	86,258	71,788

General & administrative expenses	82,187	71,777	68,169
Restructuring	-	(360)	(471)
Total operating expenses	305,188	267,136	231,095
Operating income (loss)	(534)	11,923	16,565
Interest income (expense)	155	152	127
Interest expense	140	39	113
Club-O rewards & gift card breakage	5,911	2,439	1,187
Other income (expense), net	(120)	(1)	35
Ineffective portion of loss of cash flow hedge	124	-	-
Termination costs of cryptobond financing	850	-	-
Loss on precious metals	(1,183)	(1,269)	(1,457)

Other income (expense), net	3,634	1,169	(235)
Income before income taxes - United States	3,358	-	-
Income before income taxes - Foreign	(243)	-	-
Income (loss) before income taxes	3,115	13,205	16,344
Current provision (benefit) for federal income taxes	75	210	196
Current provision (benefit) for state income taxes	293	385	239
Current provision (benefit) for foreign income taxes	44	68	51
Total current provision (benefit) for income taxes	412	663	486
Deferred federal income taxes	1,808	3,777	(63,012)
Deferred state income taxes	(324)	(36)	(9,639)

Deferred foreign income taxes	(1)	-	-
Deferred income taxes	1,483	3,741	(72,651)
Provision (benefit) for income taxes	1,895	4,404	(72,165)
Consolidated net income (loss)	1,220	8,801	88,509
Less: net loss attributable to noncontrolling interests	1,226	53	-
Net income (loss) attributable to stockholders of Overstock.com, Inc.	2,446	8,854	88,509
Weighted average shares outstanding - basic	24,612	23,999	23,714
Weighted average shares outstanding - diluted	24,703	24,317	24,294
Year end shares outstanding	25,234	24,037	23,785
Net income (loss) per share - basic	0.1	0.37	3.73
Net income (loss) per share - diluted	0.1	0.36	3.64

Number of full time employees	1,900	1,700	1,500
Number of common stockholders	157	166	171

As Reported Annual Retained Earnings

Report Date	12/31/2015	12/31/2014	12/31/2013
Currency	USD	USD	USD
Audit Status	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes
Scale	Thousands	Thousands	Thousands
Previous retained earnings (accumulated deficit)	(153,864)	(162,718)	(247,096)
Deficiency in cost of treasury stock issued	15,002	-	-

Retained earnings (accumulated deficit)	(166,420)	(153,864)	(158,587)
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As Reported Annual Cash Flow

Report Date	12/31/2015	12/31/2014	12/31/2013
Currency	USD	USD	USD
Audit Status	Not Qualified	Not Qualified	Not Qualified
Consolidated	Yes	Yes	Yes
Scale	Thousands	Thousands	Thousands
Consolidated net income (loss)	1,220	8,801	88,509
Depreciation & amortization	-	18,064	14,522
Depreciation of fixed assets	23,516	-	-
Amortization of intangible assets	1,581	-	-
Realized loss (gain) on marketable securities	-	-	(33)

Stock-based compensation to employees & directors	3,526	4,035	3,251
Deferred income taxes	1,483	3,741	(72,651)
Amortization of debt issuance costs	21	-	-
Amortization of debt discount & deferred loan costs	-	-	18
Loss on investment in precious metals	1,183	1,269	1,457
Loss on investment in cryptocurrency	152	-	-
Restructuring charges (reversals)	-	(360)	(471)
Ineffective portion of loss on cash flow hedge	124	-	-
Termination costs of crypto bond financing	850	-	-
Other adjustments	9	(8)	-
Restricted cash	-	1,000	200

Accounts receivable, net	3,463	(2,916)	3,226
Inventories, net	6,166	835	(579)
Prepaid inventories, net	1,903	(1,410)	108
Prepays & other assets	-	(1,455)	(536)
Prepaid & other current assets	(1,338)	-	-
Other long-term assets, net	66	26	2
Accounts payable	10,482	21,652	28,180
Accrued liabilities	(4,153)	15,607	17,959
Deferred revenue	2,493	11,130	(1,090)
Other long-term liabilities	1,769	823	1,573
Net cash flows from operating activities	54,516	80,834	83,645
Purchases of marketable securities	(14)	(23)	(132)
Sales of marketable securities	35	77	292

Purchases of intangible assets	(225)	(135)	(13)
Investment in precious metals	-	(2,496)	(8,080)
Investment in cryptocurrency	-	(300)	-
Equity method investment	(152)	(250)	-
Disbursements for note receivable	(5,000)	-	-
Cost method investments	(7,000)	-	-
Acquisitions of businesses, net of cash acquired	(10,601)	-	-
Expenditures for fixed assets, including internal-use software & website development	(59,513)	(41,346)	(18,067)
Proceeds from sale of fixed assets	39	43	-
Net cash flows from investing activities	(82,431)	(44,430)	(26,000)
Payments on capital lease obligations	(362)	(325)	(2,563)

Paydown on direct financing arrangement	(309)	(282)	(258)
Payments on finance obligations	(104)	-	-
Payments on interest swap	(57)	-	-
Proceeds from finance obligations	5,698	-	-
Proceeds from short-term debt	5,500	-	-
Payments on short-term debt	(750)	-	-
Proceeds from long-term debt	9,488	-	-
Change in restricted cash	150	-	125
Proceeds from exercise of stock options	270	511	1,560
Purchase of treasury stock	(2,367)	(2,301)	(1,391)
Payment of debt issuance costs	(621)	(1,031)	-
Net cash flows from financing activities	16,536	(3,428)	(2,527)
Net increase (decrease) in cash & cash equivalents	(11,379)	32,976	55,118

Cash & cash equivalents, beginning of year	181,641	148,665	93,547
Cash & cash equivalents, end of year	170,262	181,641	148,665
Interest paid	224	47	71
Taxes paid	273	76	546

Porter's Five Forces

1. Threat of New Entrants

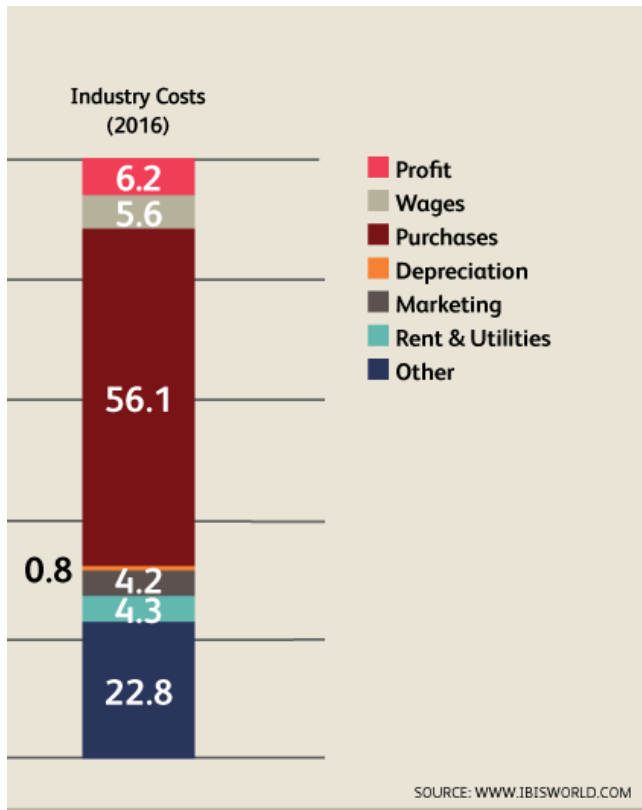
Barriers to Entry - This section outlines factors that can prevent a new company from entering the industry and indicates the extent to which this occurs. Overstock.com is primarily part of the E-commerce and Online Auctions industry that comprises of establishments that sell merchandise online. In this particular industry the barriers to entry are low and decreasing. What makes this industry have low barriers to entry are the low levels of concentration and the fact that it is highly fragmented (IbisWorld). In today's day in age it is relatively easy for one to develop an e-commerce site, which lowers barrier to entry. Since the current players have a well-established customer base, new players would have to heavily invest in developing excellent customer experience, marketing, and advertising to direct traffic to their site. In addition, the brand equity of heavy hitters (Amazon) in this industry have tremendous brand equity which can

be seen as a barrier to entry. Regulation and Policy is medium, which would add to the barriers to entry but wouldn't be a problem for most serious and well equipped players.

Cost Structure Benchmarks- This section details the average cost for a company operating in this industry as a percentage of total revenue. Purchasing is a portion of this industry's activity and acquiring inventory at an excellent rate is detrimental to the company's success. Here purchases consist of buying from manufacturers and wholesalers which is expected to account for 56.1% of industry revenue in 2016 (IbisWorld). Employees keep the gears of all companies running and IBISWorld estimates that for 2016 wages will account for 5.6% of total industry revenue. Most of these wages are mainly allocated to customer service, and labor for order fulfillment. Lastly other cost benchmarks are depreciation, rent and utilities and finally marketing. Depreciable assets such as furniture and fixture for offices, heavy equipment for warehouse, and technology account for an estimated 0.8% of total industry revenue (citation). IbisWorld states that rent and utilities are estimated to make up 4.3% of total revenue with marketing trailing at 4.2% of total industry revenue.

Regulation- According to IbisWorld, the level of regulation is medium and the trend only seems to be increasing. The biggest regulation that this industry faces is the Streamlined Sales and Use Tax agreement organized by the Sales Tax Governing Board. This agreement states that retailers must collect sales tax from customers living in the states that have passed the agreement (IbisWorld). The companies in this industry are subject to the rules and regulations of the Federal Trade Commission, some of these rules include abiding by the privacy laws and require the products to be sent to the consumer within a reasonable time frame.





2. Buying Power of Customers

Major Markets- This section breaks down which groups within the industry are most important. Here the groups are consumers that are separated by yearly income. The segment that contributes the total revenue the greatest is the consumers with incomes ranging from \$50-99k. This segment is anticipated to contribute 40.1% of industry revenue. Consumers with incomes of \$100k or



more have been estimated to account for 34.4% of the industry revenue, and lastly consumers with incomes below \$50k are expected to account for 25.5% (IBISWORLD).

Demand Determinants- This section lists the key factors that are likely to cause demand rise or fall. The forces that influence buyers to spend more or less on products in this industry will also be illustrated. This section will let us know if overstock.com is prepared for competition from other industries. Since the recession consumers have had more disposable income and are willing to spend on nonessential items such as clothing, electronics, etc. Consumer confidence in the economy is a factor that has caused demand to increase in the recent years. In addition to the economy getting better, the rise of technology has allowed consumers to shop from home or anywhere they can connect to the internet. This convenience plays an enormous factor because it allows customers to shop for the best prices, and read reviews in a very short amount of time. A well designed website, with great security and mobile compatibility would greatly contribute to a company's revenue and reputation. Lastly a company with fantastic product availability will earn a reputation for being reliable, this will attract consumers when they are on the search for items that are harder to find.

3. Supplier Power

Supply chain- This section will determine the details of the industry's supply chain. In this industry the key buying industries are consumers. This consumer industry can be broken down to the average person, carpenters (who purchase for projects additions, renovations, maintenance and repairs), and interior designers (who purchase for use in client projects) (IbisWorld). The key



industries that sell to this industry are cardboard box & container manufacturing, wholesaler's such as clothing, electronic, etc. postal and delivery services.

4. Threat of Substitutes

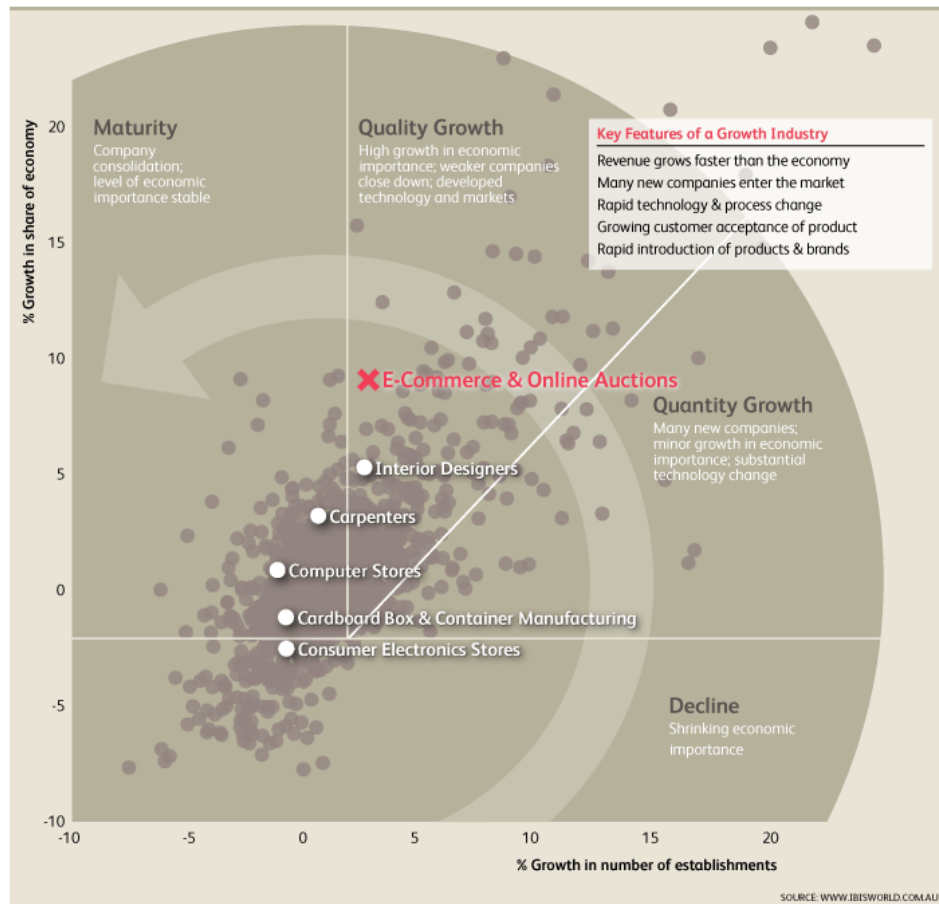
Threat of substitutes are any industries with similar or substitute product or services. These industries can be threatening through substitute products, and price competition. A substitute industry that competes with the E-commerce & online auctions are the industries that are structured as brick and mortar department store, boutiques, and big box retailers. The advantage of a physical store front is that consumers can physically touch and examine the product as opposed to relying on photographs when they shop online. In addition, delivery of the product plays a big role in the influence of substitute industries. One instance could be that a consumer needs the product right away and is unwilling to wait a couple of days for the product to be shipped.

5. Industry Competitors
















Currently there is one well known major player in this industry and that company is Amazon. According to IbisWorld, Amazon currently has 19.9% of the market share, and is listed as one of the top 100 companies in *Fortune* magazine. The remaining market is composed of a variety of players from overstock.com, eBay, Apple, Walmart and Target. In order to compete with Amazon operators in this industry must successfully capture customer's attention. This can be done with customer tracking, personalized marketing, and superb customer service. This industry's growth is related to the advancement of technology, so that means that the life cycle of the E-commerce & Online auctions industry is growing. This industry is still experiencing new

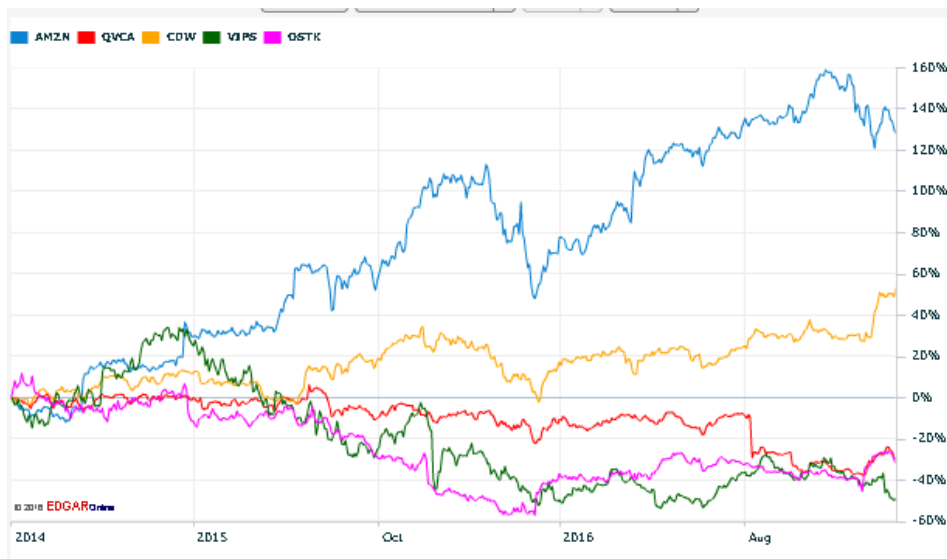


entrants, and is also experiencing rapid innovation. Big data allows companies to analyze trends and adjust to meet the needs of the customer base.



Industry Averages

Symbol	AMZN	QVCA	CDW	VIPS	OSTK
Company	 amazon.com Amazon.com, Inc.	 QVCA Liberty Interactive Corporation	 CDW CDW Corporation	 VIPS Vipehop Holdings Limited	 overstock.com Overstock.com, Inc.
Market Value	\$352M	\$9M	\$8M	\$5M	\$418,242
Price Information					
Current Last Sale (CLS)	\$743.65	\$20.48	\$52.84	\$11.47	\$16.5
Net Change / % from close	▼ 8.92 / 0.92%	▼ 0.23 / 1.11%	▲ 1.80 / 3.12%	▲ 0.25 / 2.23%	▼ 0.45 / 2.65%
Target Price (TP) / CLS % of TP ?	\$ 177.5 / 419%	\$ 177.5 / 12%	\$ 177.5 / 30%	\$ 177.5 / 6%	N/A
52 Week High / % Change ?	\$847.21 / -12%	\$27.58 / -26%	\$52.48 / 1%	\$17.53 / -35%	\$18.20 / -9%
52 Week Low / % Change ?	\$474 / 57%	\$17.88 / 15%	\$30.40 / 74%	\$10.21 / 12%	\$10.03 / 85%
Trade Information					
Beta ?	1.35	1.01	1.03	1.45	1.23
Volume	4,880,027	3,185,581	1,207,854	12,785,387	44,564
Avg Daily Volume	4,331,373	3,224,239	780,692	7,188,398	53,040
Short Interest	5,908,156	4,753,433	5,450,928	N/A	1,041,057
% of shares outstanding	1246%	1084%	3338%	0%	4107%
Days to cover ?	1.000000	1.211975	5.275972	N/A	11.413222
Earnings					
EPS	\$ 4.37	\$ 1.01	\$ 2.44	\$ 0.44	\$ 0.37
P/E ?	170.17	20.28	21.66	26.07	44.59
PEG ?	N/A	N/A	N/A	N/A	N/A
Dividend Information					
Annualized Dividend	N/A	N/A	0.64	N/A	N/A
Dividend Yield ?	N/A	N/A	1.25	N/A	N/A
Analyst Information					
Mean Recommendation ?	2.32	2.32	2.32	2.32	N/A
Forecast Earnings Growth	22.70 %	22.70 %	22.70 %	22.70 %	N/A
Industry Forecast Earnings Growth	16.23 %	16.23 %	16.23 %	16.23 %	16.23 %
Growth rate relative to industry	6.47 %	6.47 %	6.47 %	6.47 %	N/A
Guru Analysis					
P/E/Growth Investor Peter Lynch	 0%	 0%	 56%	 0%	 0%
Growth Values Investor James O'Shaughnessey	 60%	 50%	 100%	 75%	 50%



Stats in the regard of Competitors

OverStocks shares and market value has been steadily decreasing over the years. This is not a industry depression, but rather a company's (Overstock). As you can see Amazon is increasing in value, while overstock has been decreasing in value. People and third party vendors are making the switch to amazon. When compared to the industry statistics, they are in tied or near to last place, in terms of competition.

Competitors

The online services market is fairly new but it is evolving rapidly. It is becoming intensely competitive and has relatively low barriers which makes it easy to enter the following:

- Price
- Product quality and selection
- Shopping convenience
- Order processing and fulfillment
- Customer service
- Company brand recognition

Not only does Overstock have to compete with other online retailers but also traditional liquidation “brokers”, some of which may adopt similar methods as Overstock. This may cause the brokers to target Overstock’s customers as well. Overstock competes with a variety of companies that can be divided into several broad categories such as:

- Liquidation e-tailers such as SmartBargains
- Online general retailers with discount departments like Amazon.com Inc, ebay Inc, and buy.com Inc
- Online specialty retailers such as BlueNile and BackCountry
- Traditional retailers and liquidators such as Ross Stores, Walmart Stores, Costco - - Wholesale Corporation... most of which also ha

There are many well known companies that fall under the NAICS codes of electronic shopping and mail-order houses along with Overstock. One of Overstocks top competitors would be none other than the online retailer Amazon.com Inc. Amazon.com sells their products through the website which provides services. Some of the services that Amazon provides include advertising services and co-branded credit card agreements.





As this industry expands, companies involved in both online and traditional retail as well as liquidation brokers are more likely to increase their efforts in creating services that will compete with Overstock's online services. Not only that, but many of Overstock's competitors have greater brand recognition and have been operating for much longer periods of time. Because of this, these competitors are able to target a larger client base which increases their financial, marketing and other resources status. With that much publicity and hierarchical standing, some of Overstocks competitors can enter into exclusive distribution arrangements with vendors that do business with Overstock which jeopardizes Overstock accessibility to these vendor's products. Technology also plays a role in Overstock's competition because when new technology gets introduced, these companies are going to jump on what the latest trend is and leave the rest of the companies like Overstock behind in ranking.

Company

Analysis





Company Description

Overstock.com, Inc. is an American internet retailer that was founded in 1997 but wasn't launched until May of 1999. Overstock initially was focused solely on selling surplus merchandise and merchandise that was returned on an online e-commerce marketplace, liquidating the inventories of at least 18 failed online companies at below wholesale prices. The company continues to sell home decor, furniture, bedding, and many other goods that are closeout merchandise, but it does however market new merchandise. Overstock strives to provide its customer with quality products at the best prices possible, all the while, making all efforts to give them a level of service that they will never forget, making customers want to come back for more.

In early 1999, Dr. Patrick M. Byrne, the founder and current CEO of Overstock.com, recognized the potential in liquidating excess inventory through the internet. Before Overstock,





consumers had to rely on far crowded outlet centers with limited product selections. In addition to this, small retailers did not have access to the world of closeout merchandise. In a time where internet marketing was still young, Overstock.com was launched with almost no funds with the mission of being the premier company of selling excess inventory through the internet. Within six months, Overstock.com quickly became an online leader in a market valued at \$60 billion in the United States. From 1999 to 2013, Overstock's revenue grew from \$1.8 million to nearly \$1.3 billion. Overstock.com employs over 1,500 people, offer over one million products on their site, and since it's October 1999 launch, have saved millions of dollars off manufacturers' recommended retail prices. Overstock.com continues to serve millions of people worldwide to this day.

Company History

Overstock.com is a United States based company, more specifically, they are based in the state of Utah. According to Overstock.com's official website it all started back in the spring of 1999 when Patrick Byrne took over a company named Deals.com. Overstock.com describes Dr. Patrick Byrne as a smart man who recognized the potential in liquidating excess inventory through the internet. Byrne capitalized on the online shopping wave early, with no outside funding Overstock.com was born. Soon after its inception Overstock.com became a leader in the online market by collectively saving customers millions of dollars off manufacturers' recommended retail prices. Soon after the takeover of Deals.com sales reached \$100,000 in September, and then the following month Deals.com was renamed to Overstock.com and ended the year of 1999 with 1.8 million dollars in revenue(Overstock.com). But this Cinderella story does not stop there, fast forward ten years to the year 2009 Overstock.com states that the





company widened their international reach to include Australia, Hong Kong, and Singapore. In addition, the company also aired a Super Bowl commercial, and launched TV ads in Canada. As the story of Overstock.com approaches the year 2016, they had a handful of accomplishments and innovations. In 2013 Overstock.com celebrated its 14th birthday, as well as surpassing one million in support for the Wounded Warrior Project. Aside from charitable contributions, the year 2014 gave way to innovation and niche markets. According to MarketLine Overstock accepted Bitcoin as a form of payment on its online shopping site they also launched a farmer's market section to cater to the customer's interest and demand for farmer's markets. Soon after the company the implementation of the Bitcoin payment, in January 2015, Overstock.com installed a Bitcoin ATM at its headquarters(MarketLine). Since its inception Overstock.com has always made a strong effort to recognize trends in their early stages and capitalize on them to become and maintain its relevance and competitive presence.



SWOT Analysis

Strength

- Low cost items - selling at a higher profit
- History within the market & Legacy
- Diversified products for sale

Weaknesses

- Weak overseas presence
- Lawsuits

Opportunities

- Overseas market can be tapped
- New Products and services can be offered
- Physical Stores

Threats

- E-competition
- Digital threats

Strength

Low cost items - selling at a higher profit

Overstock's core values reside in buying low and selling high. This means that profits are high for most items sold, which cause the margins high. This core belief is rooted within the business and has yielded positive results.

History within the market & Legacy

Overstock was one of the pioneers of E-commerce and continues to do so to present day. While their business practices stay the same, many people continue to visit Overstock due to their ability to adapt to modern merchandise and price.

Diversified products for sale

Throughout its history, Overstock is grown its library of products for sale and continue to do so to remain within a competitive market. This has caused immense growth within the company as customers can buy virtually everything.

Weaknesses

Weak overseas presence

Overstock is an US based company and still lacks proper visits from overseas market. If Overstock is able to capitalize this market, then it would generate more profits.

Lawsuits

There have been a several lawsuits including allegations, counterclaims and unfair business practices which hurt the company's image.

Opportunities

Overseas market can be tapped

Overstock does most of it's product purchases from China but primary sells to the American market. By expanding their marketing and presence overseas, profits may rise.

New Products and services can be offered

The companies that Overstock works with vary from one to the other due to the fact that it only buys overstocked merchandise at discounted price. There are usually no brand new launched products offered, as well as small top brand products.

Physical Stores

Physical stores can be more reassuring to people as they can receive support if their items are not up to par. If Overstock can open physical stores, they have a chance of making more of a presence and potentially more profits.

Threats

E-Competition

Overstock has a lot of competition across various retailers as well. To set themselves apart,





Overstock must have good products for lower prices or more unique products.

Cyber Threats

The threat of being hacked or exploited is high due to the fact that Overstock has to be reached over the World Wide Web. If Overstock does not use the latest security systems, they risk sensitive information leaking.

Key Employees

Overstock currently has around 1,500 employees. Most employees are situated in the supply chain management area.



Dr. Patrick M. Byrne
CEO, Co-Founder,
Board of director

Patrick M Byrne is an American entrepreneur, e-commerce pioneer. He co-founded Overstock.com in 1997 and became CEO in 1999. Dr. Byrne's experiences with Overstock and his proven ability to lead the ongoing development of Overstock's business model have lead to positive growth within the company.





Jonathan E. Johnson III
President, Medici
Chairman of the Board of Directors

Jonathan E. Johnson III joined Overstock in 2002 and currently serves as president of Medici and as the chairman of the Board of Directors for Overstock. He has been an integral part of Overstock's meteoric growth from a small start-up to its current stature.



Carter Lee
Senior Vice President,
Technology and People Care

Carter Lee joined the company in 2001 as a systems administrator in the IT department. He was then named director of internal systems, before being appointed vice president of technology. During his time in these positions, Lee played a key role in implementing and maintaining solutions for the corporate office, customer care and fulfillment centers. Currently, he oversees all technologies for both Overstock.com's internal systems and shopping website, as well as all human resource and facilities functions, including spearheading the recently completed corporate headquarters, the Peace Coliseum.



History of ERP and Failures

Overstock.com, since its founding in 1999 by current CEO, Patrick Byrne, had used a homegrown ERP package which recorded customer transactions in batches. Every time a business-customer transaction would occur, an invoice of the transaction would be placed in a holding container until enough invoices were collected to make a batch. The batch would then be collectively uploaded into the database at a certain intervals depending on the amount of invoices created, but all invoices were eventually uploaded. Up until 2003, this method was sufficient for the company as Overstock didn't receive large quantities of traffic or transactions, and the number of suppliers was miniscule. As the company expanded however, customers and suppliers grew in number, thus it became necessary to keep real-time statements on products and transactions available at all times, because the old homegrown ERP system could not keep up with the rise in demand.



In 2005, Overstock decided to implement an ERP package created by the company, Oracle. The new ERP system was intended to create a system that would maintain the reliability of current business functions, but provide a malleable system capable of keeping up with the predicted futuristic growth of Overstock.com. Specifically, the new ERP system would allow Overstock to record transactions in real-time, which would allow the company to keep updated tabs on suppliers, maintain customer transaction information reliable and constantly available as soon as transactions would occur, and it would give functional areas, like Marketing and Sales, the leeway required to tweak promotions, sales and customer programs, and marketing campaigns as soon as shifting tides in customer sales were detected. All of Overstock's functional areas were to be integrated under the new ERP system, with each functional area's information unified under one singular database.

Unfortunately, Overstock failed to adequately roll-out its new ERP system in a manner that ensured its long-term success. Bad managerial decisions, compounded by prioritizing too many technological projects, prevented the new ERP system from being implemented correctly. Overstock's CEO, Patrick Byrne, summarized the situation to his shareholders, "The short version is: when we upgraded our system, we didn't hook up some of the accounting wiring; however, we thought we had manual fixes in place," he wrote. "We've since found that these manual fixes missed a few of the unhooked wires." The resulting system was defective and it left customers unable to track their orders or receive shipments confirmations for extended periods of time. This cost the company a revenue loss of over 12.9 million over the course of five years. The company slowly began to fix the problems with the defective system, but lingering issues still plague them system to this day.



Enterprise Resource Planning

Proposal



Enterprise Resource Planning

Enterprise Resource Planning (ERP) software has strong potential to improve the efficiency of the operations for business when successfully implemented. ERP business process management software that allows an organization to use a system of integrated applications to manage the business and automate many back office functions related to technology, services and human resources. The ERP systems successfully implemented result in overall improvements, from analytical system, improved operations, and increase in forecasting.

Overstock's Functional Areas	Description
Supply & Inventory Management	The supply chain management is responsible for general operations of the goods bought and sold. They are crucial to ensure that the business can continue to operate and goods and materials can continue to move from the place of origin to the customer's doorstep.
Human Resources	Human Resources are responsible for compensating, training, recruiting, and evaluating employees.
Accounting and Finance	Financial Intelligence is responsible for planning,

budgeting, cash flow management, and controlling accounts. They are also crucial to forecast what direction that goods the company needs to invest in and sell.

Marketing and Sales

Overstock needs to employ ad campaigns to generate presence in their website. Because Overstock is not a brick and mortar store, sales reps should be in the form of large business orders and customer service.

Ecommerce/Online Management

This category is special to this business as Overstock needs to ensure that its ERP system can successfully communicate with the website and it's catalog to make sure that the online transaction is successful. Also because of the nature of the business, there needs to be various digital security features also in place.

Integration of proposed systems

The proposed ERP system must be able to communicate through all fields of business. If any critical part of the business requires another system, productivity and efficiency may decline. The chart below contains scenarios for an unintegrated system as well as an integrated system. Ideally, we aim to have an ERP system that is almost all integrated to maximize it's effectiveness.

Overstock's Functional Areas	Unintegrated System	Integrated system
Supply Chain Management	Any orders for buying or selling goods are done through their own system and require a lengthy process to record any changes. This then has to be shared across the company which may cause issues with records not being accurate for a certain period of time. For buying new goods to fulfill inventory, the other functional areas have to reference the data store of the supply chain management and ensure that there is enough space and budget for inventory. This causes inefficiency and has the potential to cause a loss of profit as well.	In our proposed ERP system, there will be a module that focuses on supply chain management and allows the people who work within it to record and store information that is readily updated. This allows all other functions the ability to reference it and make the best decisions or forecast. This aspect will also help the company grow in the future due to the fact that inventory and how it is managed can be referenced by using just one system.
Human Resources	Human resources has to tabulate performances and maintain guidelines when in motion to avoid having untrained staff or stragglers that underperform on the job. Currently, there is not a good	For HR, there will be a specific module that will allow HR employees to see the performance of each staff and make sure that they are within company guidelines. Also due to this, if an

sustainable method of ensuring that employees and staff are well reprimanded for the performance that they show.

employee goes above and beyond the call of duty or has exceptional performance, it would be easier to track and make sure that that employee is rewarded. This will cause employee satisfaction to rise.

Accounting and Finance

Customer information is currently maintained by accounting and finance but is not utilized by the current staff. This may cause a lack of planning for the future which may lead to a loss of profits. Overstock is not properly utilizing the data that it has due to website not properly displaying secure information like items ordered and payment information with the department as a whole.

With an integrated ERP system, the accounting and finance staff can have at their disposal, accurate purchase information as well as forecasts for the future quarters. This will allow the accounting and finance to approve a more stable budget to marketing and sales to provide better margins.

Marketing and Sales

Marketing and sales are responsible for getting the visitors attention with products and hopefully their money with a sale as well. Because Overstock is an online retailer, the lack of marketing can lead to a lack of sales. Currently, Overstock does not market as it did in the prior years. With new technology in the internet, it is more easy to gain a presence but Overstock does not do a good job with that. This is partly because they do not have a big enough budget to run on ad networks and lack of finance. Another issue is with customer Service having low effort and power over orders. Because customer service runs it's own software, it is hard for the higher ups to distinguish why customer service is bad within the company.

With an integrated system, it would be more easy to implement ad revenue into the budget and website should have the top priority in terms of conveying products for the potential customers. Another important aspect that the new ERP will supply is one central module that displays a user's orders, and customer service history in one place. This will ensure that if the customer has had a positive or negative experience, then executive staff can see it. This will spike up customer satisfaction and ensure that they will come back for more purchases.

Ecommerce

The integration of ERP into Overstock's core system allows for complete automation of tasks within the business such as the 24/7 availability of products and services, and updating product information. Transactions in real time allow for instant Business to Business transactions allowing for increased reliability of service offered by the company. The ability to purchase from suppliers via web allow for increased efficiency and real time information available considering market strategy analysis.

ERP Modules

With the interconnection and integration of Enterprise Resource Planning (ERP) software will lend a hand with the assistance with all activities that the business throws at it. The following list of modules should be implemented to accommodate the functional areas of the company. We as a group believe the following will assist and task the business with the acquirable skills and functionality for a successful integration.

Modules

- **SAP FI Module** – Financial Accounting
- **SAP HR Module** – Human Resources
- **SAP FSCM Module** – Financial Supply Chain Management
- **SAP PS Module** – Project Systems
- **SAP SCM Module** – Supply Chain Management
- **SAP CRM Module** – Customer Relationship Management
- **SAP QM Module** – Quality Management
- **SAP SD Module** – Sales and Marketing

Technical Modules

- **SAP BI Module** – Business Intelligence
- **SAP Basis Module** – Basis Admin, Administration of SAP

Modules Clarification

SAP FI and CO Module

The SAP FI CO (Financial Accounting & Controlling) Module has the capability of meeting all the accounting and financial needs of an organization. It is within this module that Financial Managers as well as other Managers within your business can review the financial position of the company in real time as compared to legacy systems which often times require overnight updates before financial statements can be generated and run for management review.

SAP HR Module

Human capital management (HCM) is an approach to employee staffing that perceives people as assets (human capital) whose current value can be measured and whose future value can be enhanced through investment.

An organization that supports HCM provides employees with clearly defined and consistently communicated performance expectations. Managers are responsible for rating, rewarding and holding employees accountable for achieving specific business goals, creating innovation and supporting continuous improvement.

SAP FSCM Module

Financial supply chain management (FSCM) is a set of software tools and processes designed to enhance an organization's product flow, maximizing profitability and minimizing expenses. To accomplish this objective, FSCM takes advantage of principles that have proven effective in supply chain management (SCM) for decades

SAP PS Module

is an integrated project management tool used for planning and managing projects. It has several tools that enables the project management process such as cost and planning budget, scheduling, requisitioning of materials and services.

SAP CRM Module

Customer Relationship Management (CRM) Module planned and structured means of managing the relations with your customers. A CRM tool allows a business to manage customer relationships

	in a structured and organized way using software
SAP SCM Module	Supply chain management (SCM) software, which is made up of a variety of modules, is essential to running a smooth supply chain. In this guide, you'll find introductions to SCM system modules, including supply chain planning and execution, supply chain visibility, inventory management, demand planning, value chain, transportation and logistics, network design, event management, proof of delivery, forecasting and asset management.
SAP QM Module	controls the quality of products. While other SAP software's may be able to run your warehouse efficiently and ensure the flow of goods and services are optimum, they cannot be able to guarantee the quality of the products that you handle. So to maintain quality of the products it better to use SAP quality Management system (QM).
SAP SD Module	Sales and Distributions handles all the process of order to deliver. Sap SD executes the business process used in the selling, shipping and billing of products and services

Software or SaaS solution

Overstock is a fully functional company that spans across the open internet, therefore it should be open to the global market. Because the revenue of the company is grand, each business function should be able to be integrated with the rest of the functions. Due to the company being so large, there are many functions that need to be implemented. So taking in consideration, we as a group would install and deploy software rather than taking the SaaS solution route. This route is more costly to build but more easy to maintain.

Approximate ERP Rollout

Roll out for ERP is advised to begin in the middle of the year, September 6st of 2016. If the plan is followed accordingly and correctly, the roll out is to be completed within 5 months, January 27th , 2017 being the desired integration date. This report includes a detailed breakdown structure. Within the breakdown, an accurate Gantt chart has been successfully introduced to maintain progress throughout the deadline. Costs and dates are subject to alter at any time during the implementation.

Description	Cost
Hardware	\$106,638,416
Software	\$69,560,546
Consultation	\$12,342,435
Training	\$5,564,546
Data Migration	\$18,435,345
Total:	\$212,541,288

Financial Analysis

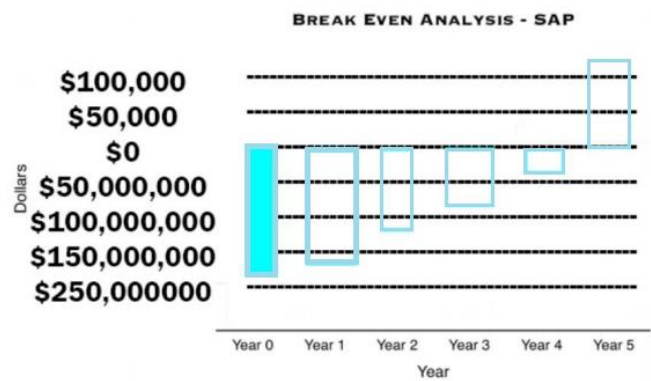
We have decided to go with SAP for the desired modules required for the project. Cost estimates for ERP rollout will range from \$200,000,000.00 to \$250,000,000.00 and should be completed within the given time frame of 6 months. We determined many systems were outdated beyond repair, forcing the replacement of all incompatible hardware. For a comprehensive financial cost please see the figure below, which depicts all benefits throughout the 5 year span. The software needed for the SAP modules will require extensive work and time resulting in steep costs. After the software and hardware installation, user GUI and customization can be added to properly suit users with a friendly design. According to the data migration, the transition will vary depending on the legacy data to the SAP database. Once all stages are complete, training will be initiated on the new modules for proper operation. Training will take the most time, but is required when viewing the ROI.

Cash flow	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Development Cost	\$212,541,288.00						\$212,541,288.00
Annual Costs		\$100,000.00	\$75,000.00	\$50,000.00	\$50,000.00	\$25,000.00	\$300,000.00
Total Cost	\$212,541,288.00	\$100,000.00	\$75,000.00	\$50,000.00	\$50,000.00	\$25,000.00	\$212,841,288.00
Discount Factor 10%	1	.92	.82	.70	.58	.50	
PV of System Cost		\$92,000.00	\$61,500.00	\$35,000.00	\$29,000.00	\$12,500.00	\$230,000.00
System Benefits		\$50,000,000.00	\$62,000,000.00	\$70,000,000.00	\$75,000,000.00	\$85,000,000.00	\$342,000,000.00
Discount Factor 10%	1	.92	.82	.70	.58	.50	
PV Of System Costs		\$41,688,800.00	\$50,840,000.00	\$49,000,000.00	\$39,000,000.00	\$42,500,000.00	223,028,800.00

Completion at the 5th year after the initial investment, we are projected to make a ROI of \$129,458,712 As shown in the Figure below the system benefits counterbalance system costs. Although the ROI will require 5 years, the benefits will increase exponentially.

ROI Analysis - SAP	
System Benefits	\$342,000,000.00
System Costs	\$212,541,288.00
Overall Gain/Loss	+129,458,712
ROI%	62.14 %

Break Even Analysis - SAP



System Implementation

Part B

Project Charter

Background





This project what taken, due the the mismanage of operations of Overstock. The company has been on a steady decline.

Goals

- To develop and implement an SAP ERP system for Overstock
- Improve the efficiency and productivity of the company
- Keep customer satisfied with a speed rollout of product
- Get all business functions in sync with each other/

Scope

So the scope of the whole thing, is to turn the company upside down, in terms of profit. We as a group believe that overstock need a new system of cross functional integration. The company is out of rhythm. So how would we do this? Well, placing a full integrated and fast paced SAP ERP system, we believe that profits will increase. The company will see some grow in the following years, if do indeed the system was integrated with operations.

Key Stakeholders

Client	Overstock
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Sponsor	Team Supreme
Project manager	Pranab Sharma
Project team members	Carlos Gonzalez, Pranab Sharma, Eileen Noriega, Joshua Aguirre, Jonathan Rea, Miguel Tovar

Project Milestones

- Create Project Proposal
- Obtainment of adequate funding from angel investors and venture capitalists, grants or loans
- Create Project Charter
- Completion of all deliverable
- Rollouts of prototypes or samples
- Rollout full functional SAP Erp system

Constraints, Assumptions, Risks and Dependencies

Constraints	<ul style="list-style-type: none"> • Results • Time frames • Cost • Activity performance • Resources • Quality (<i>Poor quality/ Good quality</i>) • Consult with our audiences
Assumptions	<ul style="list-style-type: none"> • Communications • Integration across business functions • Deadlines of task • Confidence • Lead time • Impact • Translation

- Performance
- Beta Testing

Risks and Dependencies

Risk	Likelihood	Impact
Mismanagement of data	High	High
Failure of integration	Medium	High
Cost (over the budget)	Low	Medium
Delays of rollout	Low	Low
Failure of communications	Low	Low
Past due task	Low	Low

Approvals

Dr. Patrick M. Byrne	✓
Jonathan E. Johnson III	✓



Carlos Gonzalez	✓
Pranab Sharma	✓
Eileen Noriega	✓
Joshua Aguirre	✓
Jonathan Rea	✓
Miguel Tovar	✓

Project Scope Statement

Project Title: SAP ERP Module Rollout

Date: 9/3/2016

Project Summary and Justification:

The goal of this project is to develop an ERP system for Overstock.com, Inc. that will remedy the previous ERP system's issues and provide a new content management system that will meet the company's performance standards in order to maintain its excellent management capabilities as the company





carries out its products to a worldwide market. In developing this system, it will allow Overstock to focus continuously on its commitment to sound business practices whether it's dealing with internal business functions or working on external projects. The less the company struggles with inefficient system issues, the more it can focus on its corporate goals. Over time, Overstock will continue to adopt policies that will assist in the implementation and compliance of its own principles. The new ERP system will streamline this process and ease the transition in order to reduce the time the company takes on this endeavor and allow Overstock to continue to adhere to its policies without hinderance.

Project Characteristics and Requirements:

As Overstock grows and obtains economic and international growth in the world's commerce, it pledges to maintain its standards of fairness and ethics. 7 stage. The positive impact on Overstock's global relations will help countries and international businesses confide in Overstock and help improve the company's international recognition as it takes on the responsibilities of a global market competitor. By maintaining non-political relations with international entities and respecting host countries' laws and regulations, Overstock can increase the confidence in its brand. Overstock must pay particular attention to each country's economic and social development priorities, including the country's industrial growth and regional growth, environmental quality, employment and training activities, and the transfer and advancement of technology and innovation. Our new ERP system will aid in this by further enhancing Overstock's commitment to its global communities. In order to continue as the industry leader, Overstock must provide customers with exceptional service, and the most effective way in doing this is creating a system that can provide customer data accurately,



reliably, and in real time. A CRM module cross application ERP system will allow the following:

- One to One Marketing
- Sales Force Automation
- Sales Campaign Management
- Marketing Encyclopedias
- Cost Effective Solutions

Summary of Project Deliverables

1. Business Analysis
2. Industry Analysis
3. ERP Proposal
4. ERP Project Charter
5. Work Breakdown Structure
6. GANTT Chart
7. PERT Analysis
8. Stakeholder Analysis
9. Scope Statement
10. Implementation Schedule
11. Final Product Implementation

12. Project Presentation

Project Success Criteria

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Project rollout will be successful if it is completed by 12/16/16. The following constraints apply:

1. Project rollout must be completed within a 4 month period (September 12, 2016 through December 16, 2016)
2. Project should pay for itself within 5 years
3. Project must meet user requirement
4. Project budget should not exceed 10%

Work BreakDown Structure

Task Name	Duration	Start	Finish
1. Project Initiation	11 days	Mon 9/12/16	Mon 9/26/16
1.1 Assign Project Manager	2 days	Mon 9/12/16	Tue 9/13/16
1.2 Identify List of Potential Candidates	2 days	Wed 9/14/16	Thu 9/15/16

1.3 Create Project Team	4 days	Fri 9/16/16	Wed 9/21/16
1.3.1. Identify List of Potential Candidates	1 day	Thu 9/22/16	Thu 9/22/16
1.3.2 Find Candidates With Different Talents and Points Of View	2 days	Fri 9/23/16	Mon 9/26/16
1.3.3 Organize Chain Management	2 days	Tue 9/20/16	Wed 9/21/16
1.4 Identify Key Stakeholders	1 day	Thu 9/22/16	Thu 9/22/16
1.4.1 Meet Key Stakeholders	1 day	Tue 9/20/16	Tue 9/20/16
1.5 Business Analysis	1 day	Tue 9/20/16	Tue 9/20/16
1.5.1 Evaluate Current System	2 days	Sun 9/18/16	Mon 9/19/16
1.5.2 Identify Requirements	2 days	Fri 9/23/16	Mon 9/26/16
1.6 Create Project Proposal	3 days	Tue 9/20/16	Thu 9/22/16
1.7 Create Project Charter	2 days	Tue 9/27/16	Wed 9/28/16
1.7.1 Design Charter	2 days	Tue 9/27/16	Wed 9/28/16
1.7.2 Identify Key Responsibilities and Roles	1 day	Tue 9/27/16	Tue 9/27/16
1.7.3 Sign Off with Stakeholders	1 day	Tue 9/27/16	Tue 9/27/16
2. Project Planning	46 days	Mon 9/26/16	Sun 11/27/16
2.1 Create Project Scope	2 days	Mon 11/28/16	Tue 11/29/16

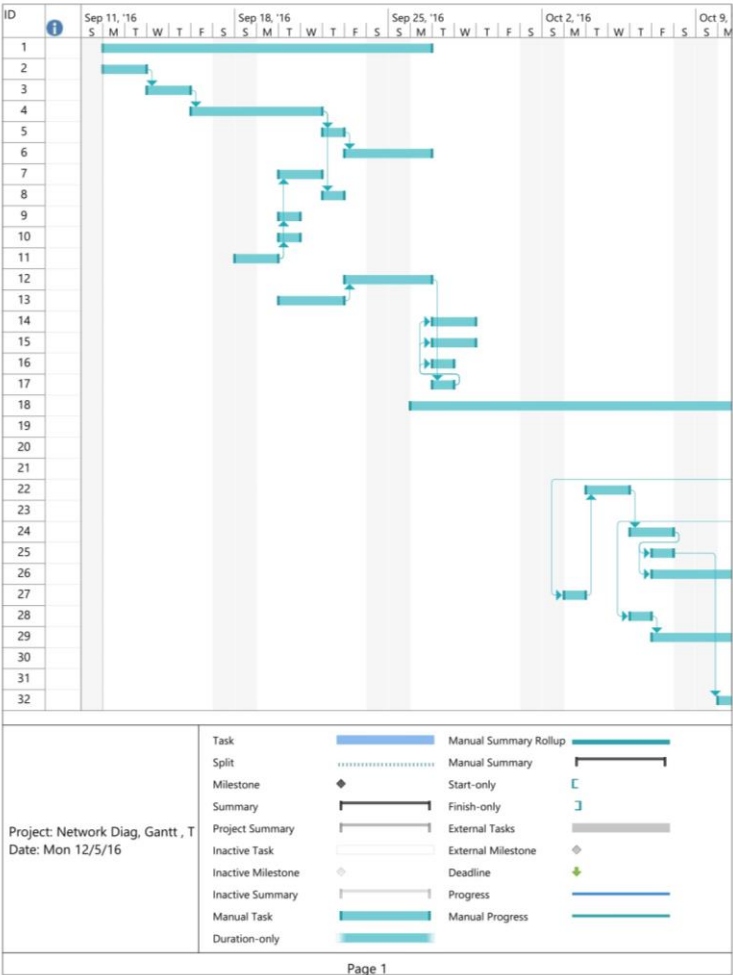
2.1.1 Project Statement	2 days	Wed 11/30/16	Thu 12/1/16
2.2 Develop Project Objectives	3 days	Mon 11/28/16	Wed 11/30/16
2.1.3 Identify Project Milestones	2 days	Tue 10/4/16	Wed 10/5/16
2.2 Assign Project Activities	2 days	Thu 12/1/16	Fri 12/2/16
2.2.1 Define Activities	2 days	Thu 10/6/16	Fri 10/7/16
2.2.2 Determine Duration	1 day	Fri 10/7/16	Fri 10/7/16
2.2.3 Create Activity Work Breakdown Structure	2 days	Fri 10/7/16	Mon 10/10/16
2.3 Estimate Time & Hours	1 day	Mon 10/3/16	Mon 10/3/16
2.3 Create Gantt Charts	1 day	Thu 10/6/16	Thu 10/6/16
2.4 Analyze Current System	3 days	Fri 10/7/16	Tue 10/11/16
2.5 Determine New System	3 days	Wed 10/12/16	Fri 10/14/16
2.5.1 Define New Hardware	2 days	Mon 10/17/16	Tue 10/18/16
2.5.2 Define Upgraded Software	2 days	Mon 10/10/16	Tue 10/11/16
2.5.3 Define Improved Database	2 days	Wed 10/12/16	Thu 10/13/16
2.5.4 Define Upgraded Network	2 days	Fri 10/14/16	Mon 10/17/16
2.6 Project Sign-Off	1 day	Tue 10/11/16	Tue 10/11/16

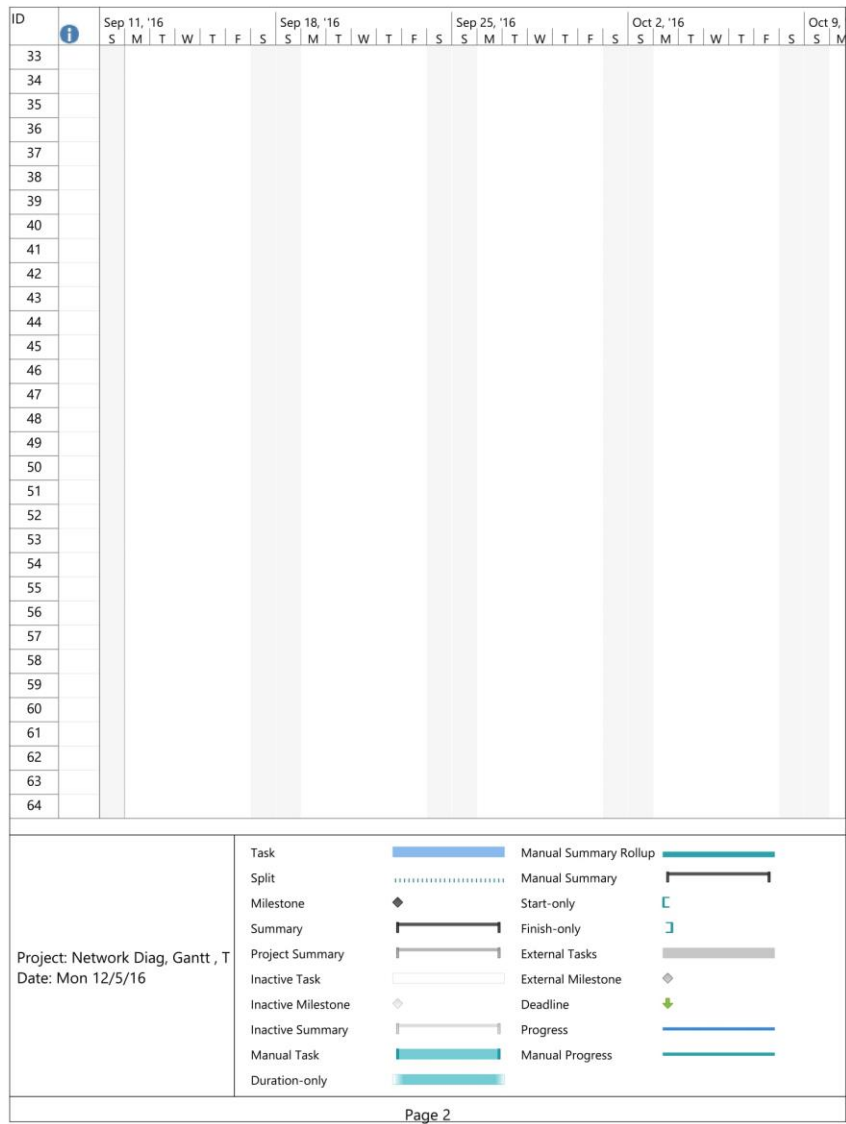
2.6.1 Present Project Plan to Stakeholders	1 day	Wed 10/12/16	Wed 10/12/16
2.6.1 Project Initiation Authentication Confirmation	1 day	Thu 10/13/16	Thu 10/13/16
2.7 Review Final Project Plan	2 days	Fri 10/14/16	Mon 10/17/16
3. Project Execution	1 day?	Mon 10/24/16	Mon 10/24/16
3.1 Survey Users and Employees	2 days	Tue 10/25/16	Wed 10/26/16
3.2 User Inputs	2 days	Thu 10/27/16	Fri 10/28/16
3.3 Design	8 days	Mon 10/31/16	Wed 11/9/16
3.3.1 Initial Software Design	3 days	Tue 10/25/16	Thu 10/27/16
3.3.2 Test Implemented Software	2 days	Wed 11/9/16	Thu 11/10/16
3.3.3 Obtain User Feedback	1 day	Fri 11/11/16	Fri 11/11/16
3.3.4 Use Feedback to Modify Software	1 day	Mon 11/14/16	Mon 11/14/16
3.3.5 Design Physical System	3 days	Tue 11/15/16	Thu 11/17/16
3.3.6 Test Physical System	2 days	Tue 11/15/16	Wed 11/16/16
3.3.7 Analyze User Feedback	1 day	Thu 11/17/16	Thu 11/17/16
3.3.8 Modify Physical System to Meet Requirements	2 days	Thu 11/17/16	Fri 11/18/16
3.4 Develop Training	2 days	Mon 11/21/16	Tue 11/22/16

3.4.1 Create User Manuals	2 days	Fri 11/18/16	Mon 11/21/16
3.4.2 Establish Minimum Qualifications for Users	1 day	Wed 11/23/16	Wed 11/23/16
3.4.3 Develop Procedures	2 days	Thu 11/24/16	Fri 11/25/16
3.4.4 Make FAQs	1 day	Mon 11/28/16	Mon 11/28/16
3.4.5 Obtain User Feedback	1 day	Tue 11/29/16	Tue 11/29/16
3.4.6 Modify Training Program	1 day	Wed 11/30/16	Wed 11/30/16
3.5 Implementation	11 days	Mon 11/28/16	Mon 12/12/16
3.5.1 Install New Hardware	9 days	Tue 12/13/16	Fri 12/23/16
3.5.2 Install New Software	9 days	Mon 12/26/16	Thu 1/5/17
3.5.3 Ensure Documentation	1 day	Fri 1/6/17	Fri 1/6/17
3.5.4 Testing and Reconfiguring	2 days	Mon 1/9/17	Tue 1/10/17
3.5.5 Provide Training for Users	3 days	Wed 1/11/17	Fri 1/13/17
3.6 Deployment	1 day	Mon 12/12/16	Mon 12/12/16
3.6.1 Provide User Support	1 day	Tue 12/13/16	Tue 12/13/16
3.6.2 Provide Further Training By Setting Up a Training Room.	1 day	Tue 12/13/16	Tue 12/13/16
4. Project Controlling	4 days	Tue 12/13/16	Fri 12/16/16

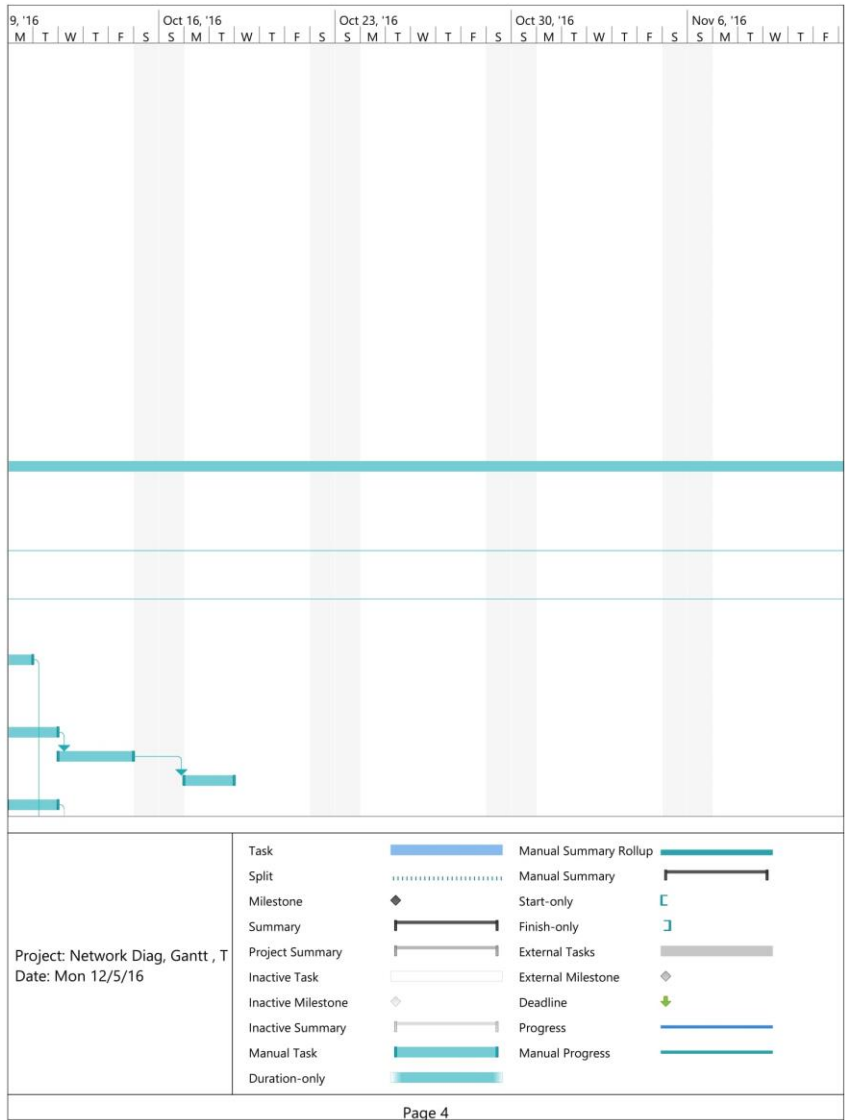
4.1 Confirm and Ensure User Knowledge is Up-to-Date	1 day	Mon 12/19/16	Mon 12/19/16
4.2 Check If Software is Updating	1 day	Wed 12/14/16	Wed 12/14/16
4.3 Systems Maintenance	1 day	Wed 12/14/16	Wed 12/14/16
4.4 Project Benchmarking	1 day	Wed 12/14/16	Wed 12/14/16
4.5 Stakeholder Analysis and Feedback	1 day	Wed 12/14/16	Wed 12/14/16
4.5.1 Evaluate and Change Stakeholder Feedback	1 day	Wed 12/14/16	Wed 12/14/16
5.1 Receive Organization & Company Feedback	1 day	Wed 12/14/16	Wed 12/14/16
5.2 Continue Maintenance Of Hardware and Software	1 day	Thu 12/15/16	Thu 12/15/16
5.3 Review Project	1 day	Thu 12/15/16	Thu 12/15/16
5.4 Review Project Deliverables are Present	1 day	Fri 12/16/16	Fri 12/16/16
5.5 Present Project & Deliverables	1 day	Fri 12/16/16	Fri 12/16/16

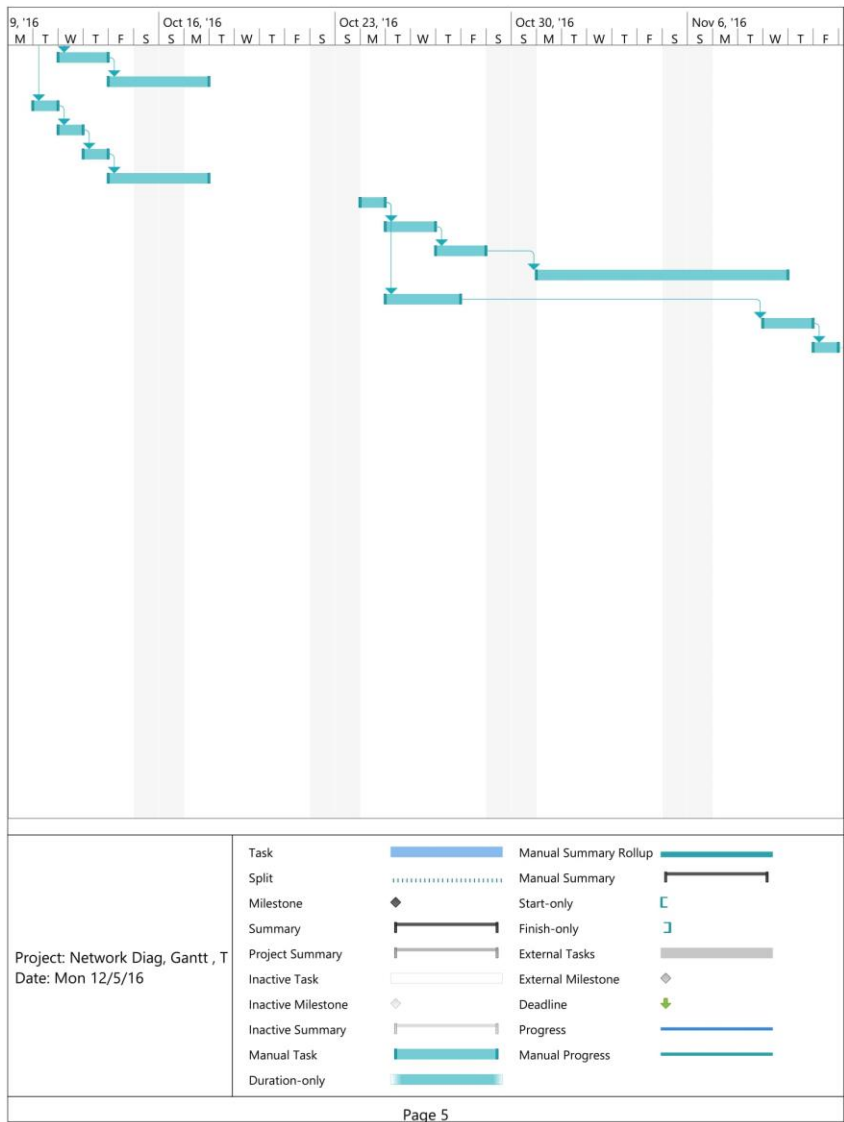
Gantt Chart(s)



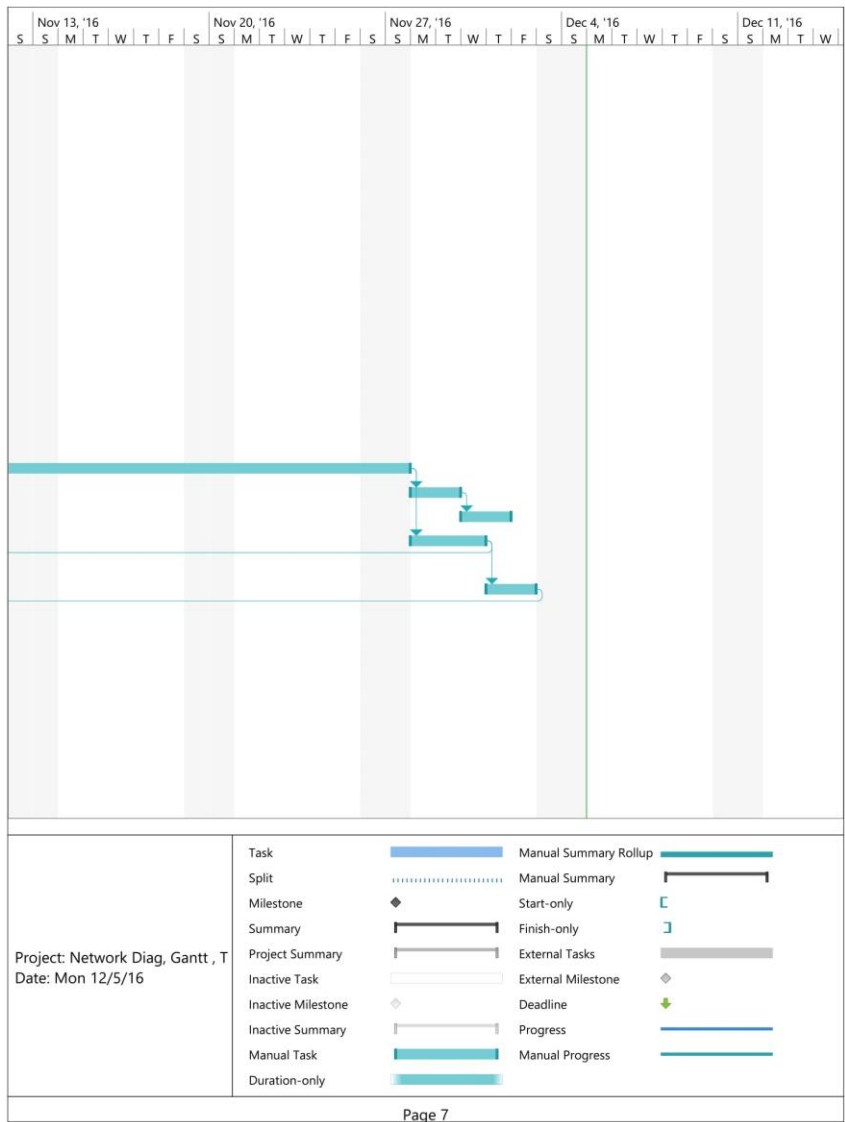


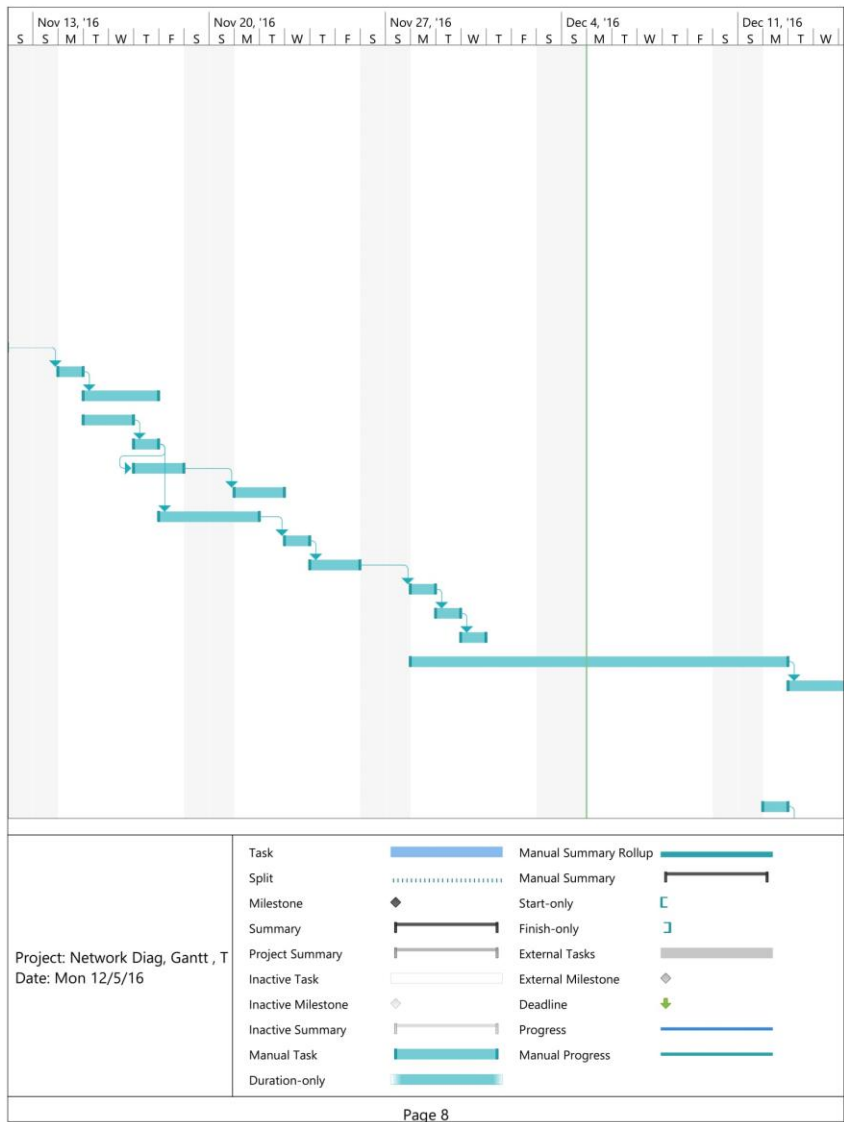


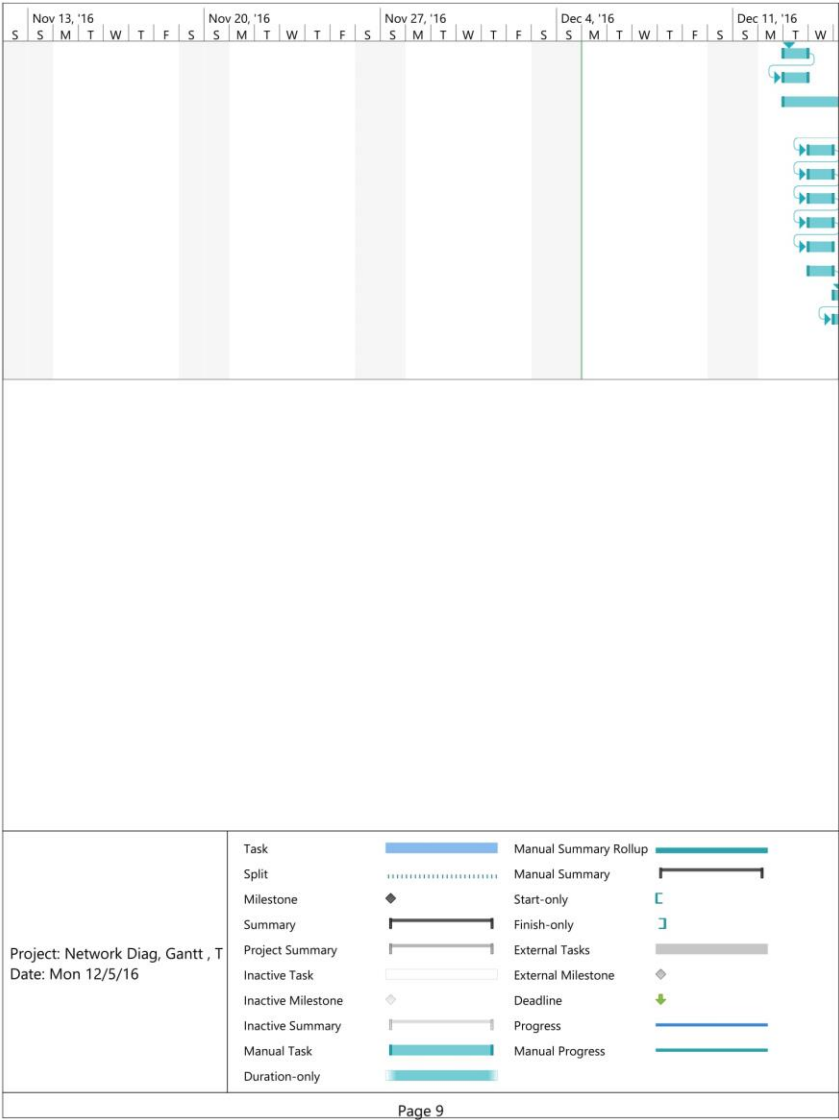


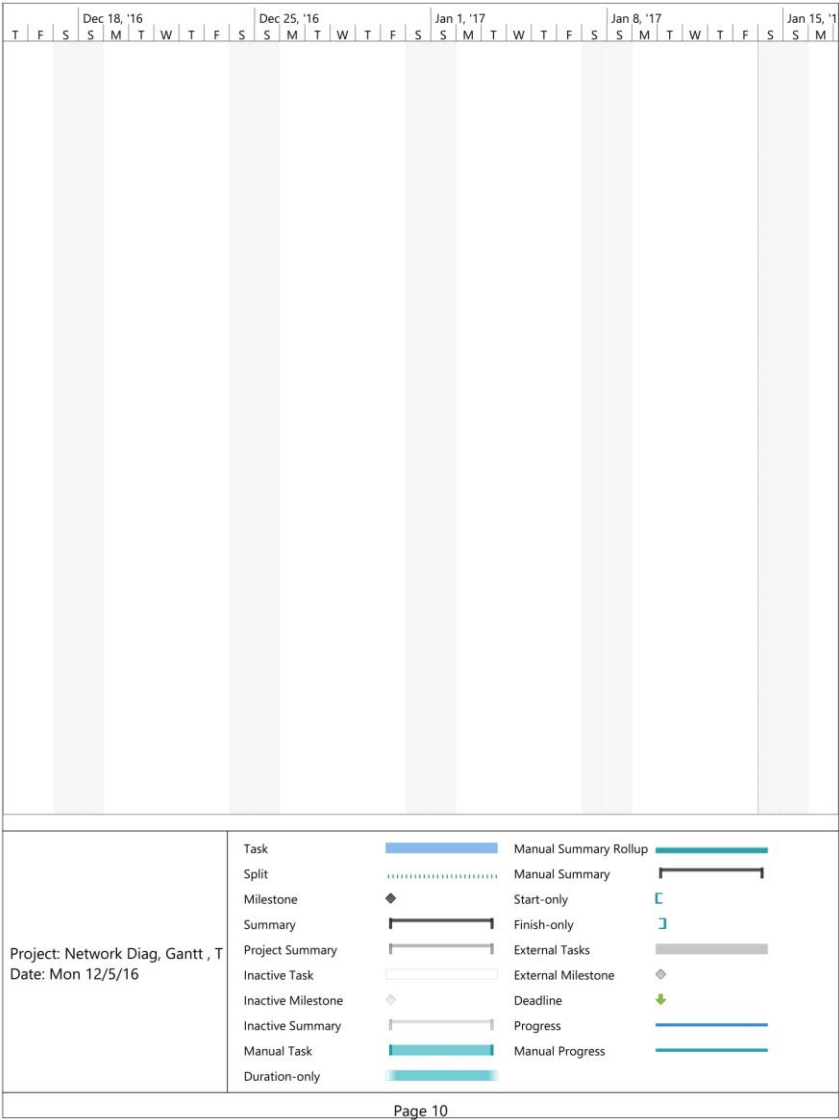


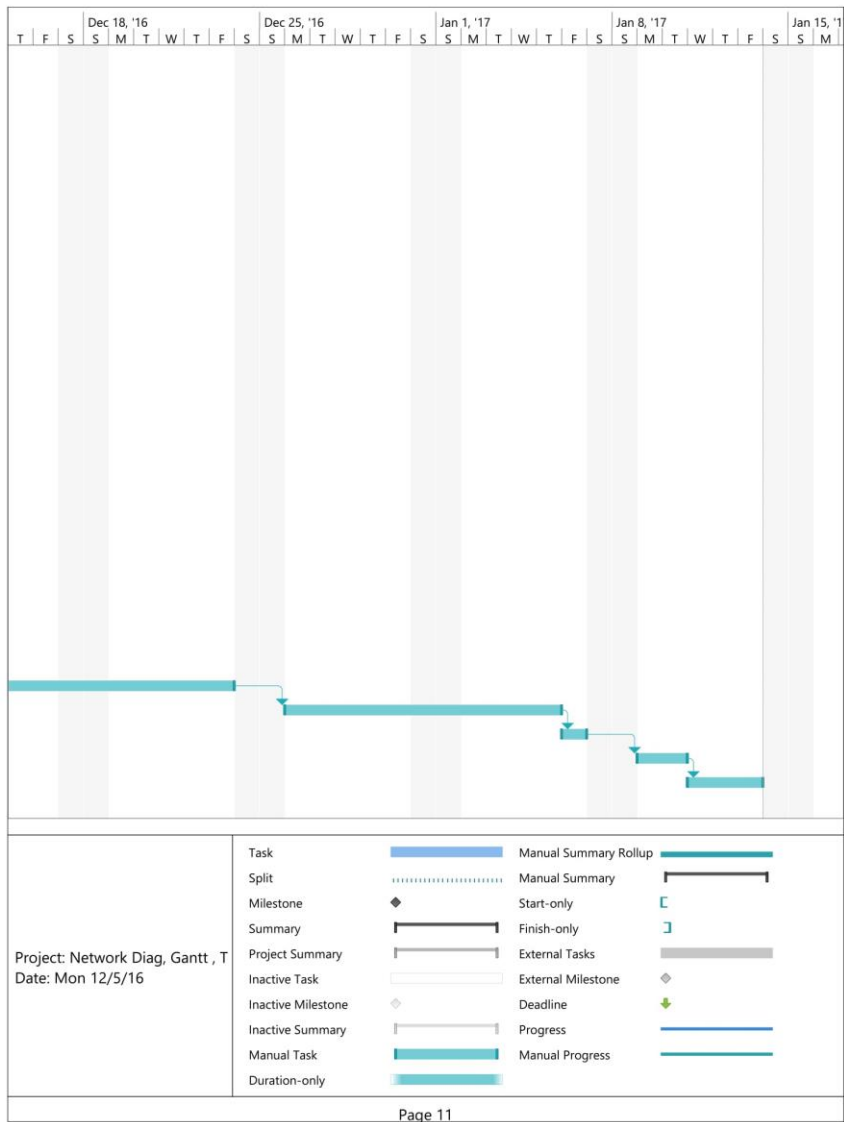


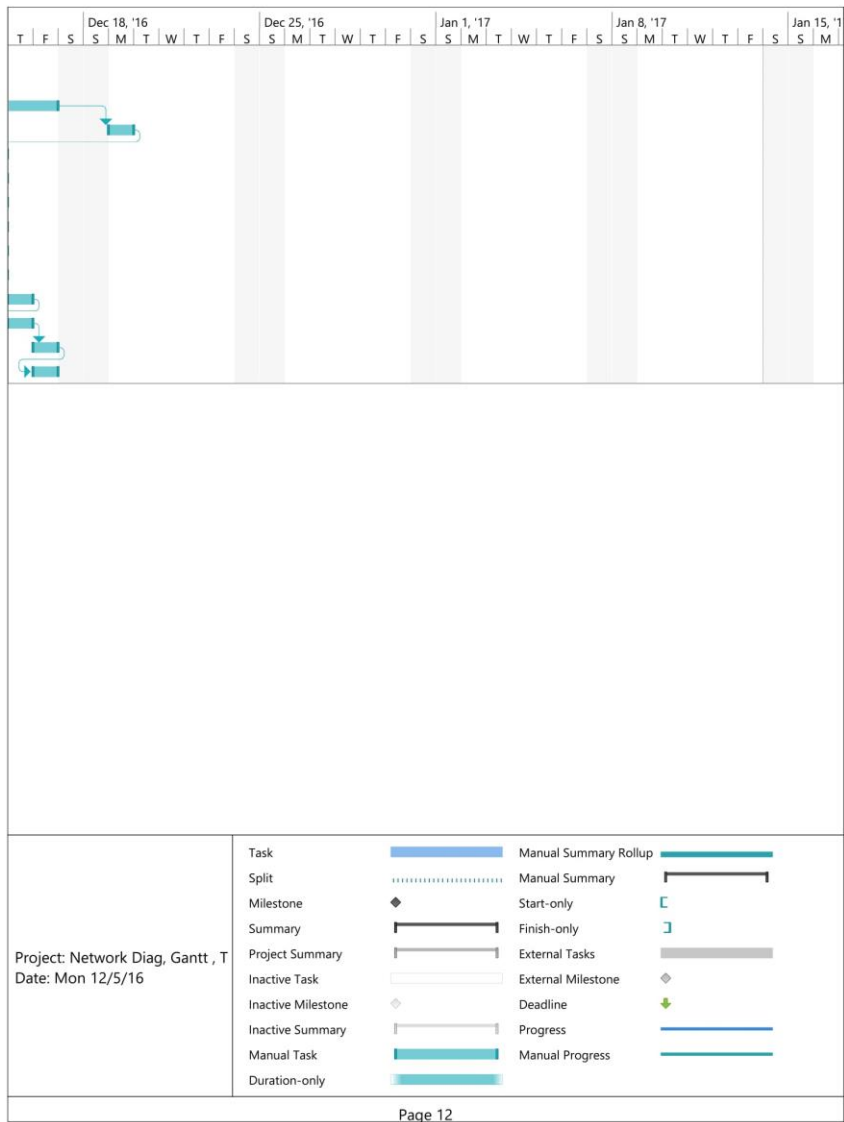




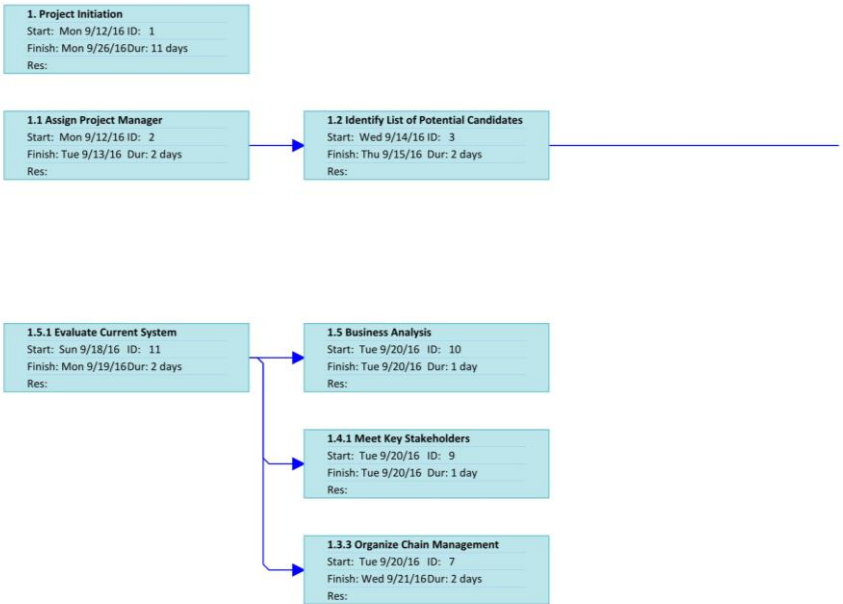


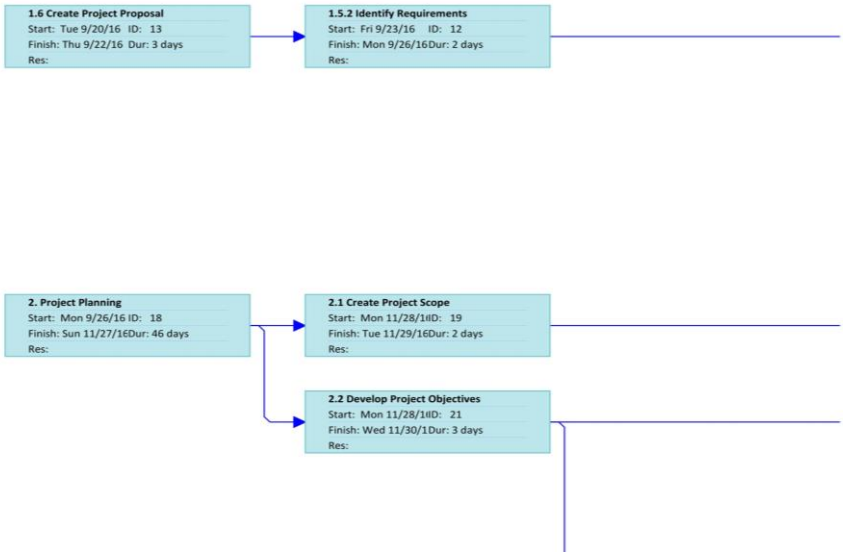


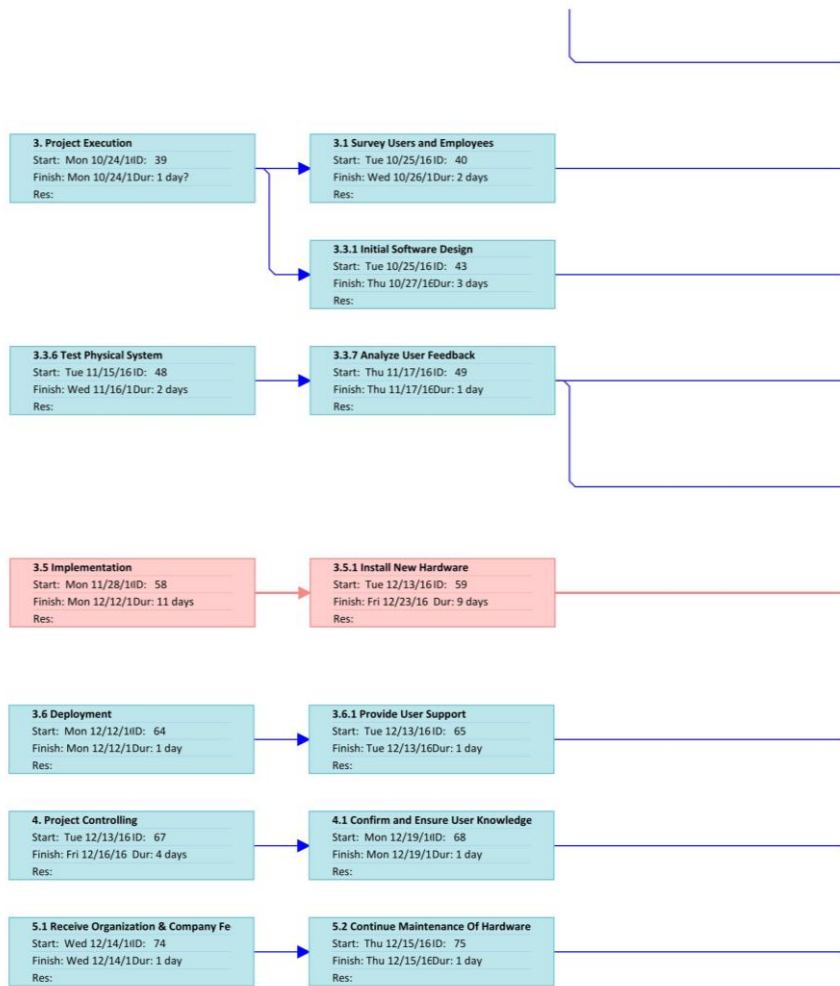


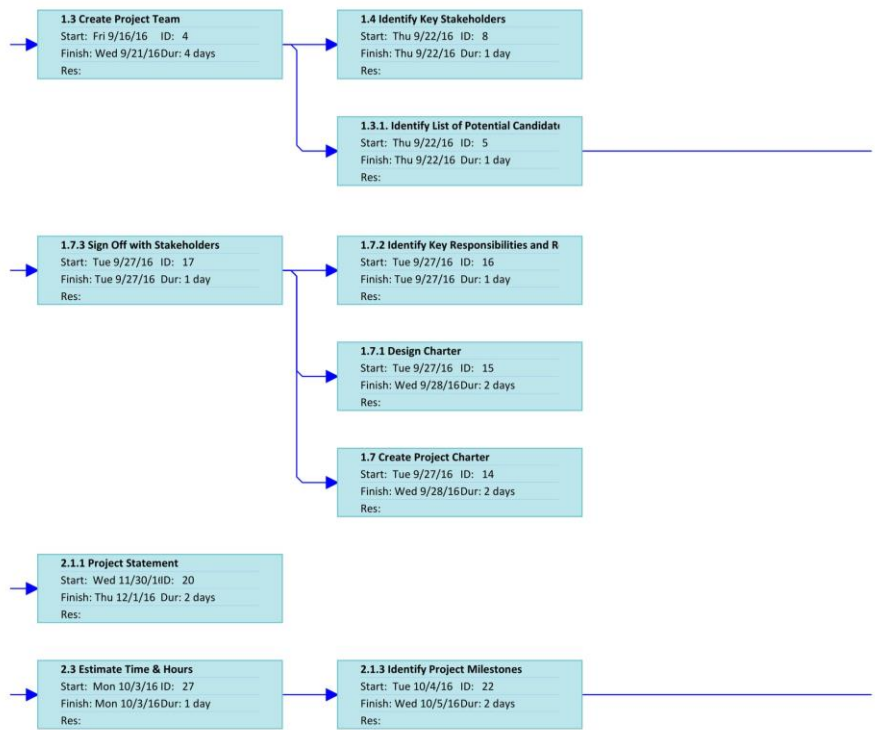


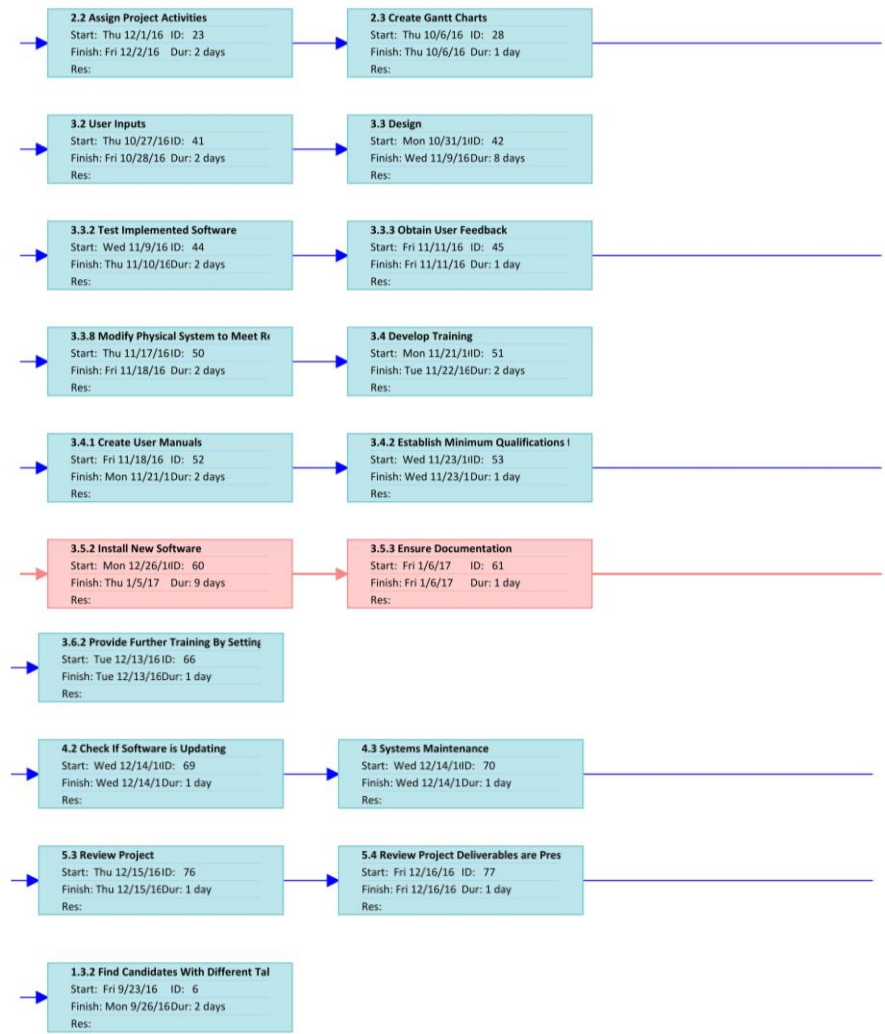
Network Diagram

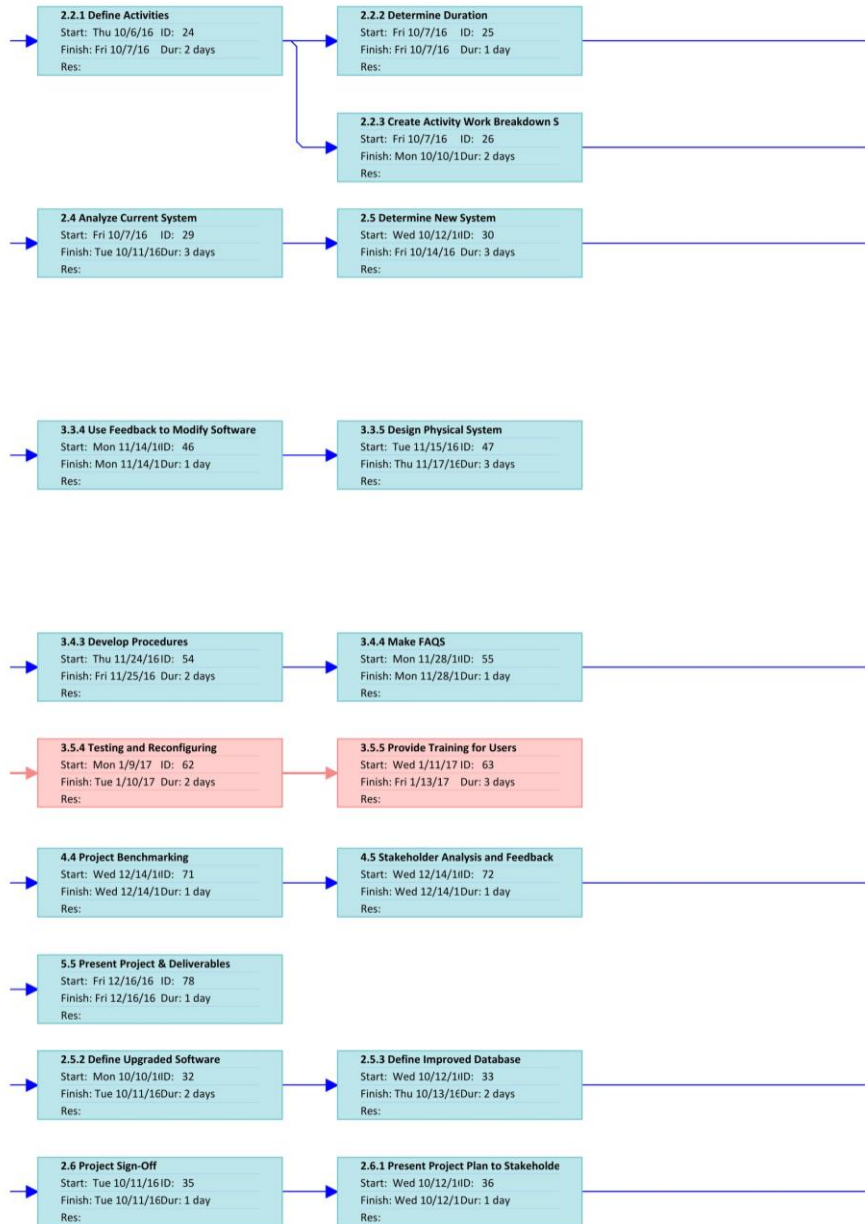












→ 2.5.1 Define New Hardware
Start: Mon 10/17/16 ID: 31
Finish: Tue 10/18/16 Dur: 2 days
Res:

→ 3.4.5 Obtain User Feedback
Start: Tue 11/29/16 ID: 56
Finish: Tue 11/29/16 Dur: 1 day
Res:

→ 3.4.6 Modify Training Program
Start: Wed 11/30/16 ID: 57
Finish: Wed 11/30/16 Dur: 1 day
Res:

→ 4.5.1 Evaluate and Change Stakeholder I
Start: Wed 12/14/16 ID: 73
Finish: Wed 12/14/16 Dur: 1 day
Res:

→ 2.5.4 Define Upgraded Network
Start: Fri 10/14/16 ID: 34
Finish: Mon 10/17/16 Dur: 2 days
Res:

→ 2.6.1 Project Initiation Authentication C
Start: Thu 10/13/16 ID: 37
Finish: Thu 10/13/16 Dur: 1 day
Res:

→ 2.7 Review Final Project Plan
Start: Fri 10/14/16 ID: 38
Finish: Mon 10/17/16 Dur: 2 days
Res:

Project: Network Diag. Gantt , T Date: Mon 12/5/16	Critical		Summary		Critical External	
	Noncritical		Critical Inserted		External	
	Critical Milestone		Inserted		Project Summary	
	Milestone		Critical Marked		Highlighted Critical	
	Critical Summary		Marked		Highlighted Noncritical	

Cost Analysis

Cost Analysis							
Initiation Stage							
Cost Estimates	1.1	1.2	1.3	1.4	1.5	1.6	1.7
\$	\$10,000.00	\$12,000.00	\$13,000.00	\$11,000.00	\$8,000.00	\$5,000.00	\$11,000.00
Project Planning							
Cost Estimates	2.1	2.2	2.3	2.4	2.5	2.6	2.7
\$	\$11,000.00	\$11,000.00	\$8,000.00	\$9,000.00	\$14,000.00	\$10,000.00	\$12,000.00
Project Execution							
Cost Estimates	3.1	3.2	3.3	3.4	3.5	3.6	
\$	\$7,000.00	\$10,000.00	\$11,000.00	\$13,000.00	\$11,000.00	\$15,000.00	
Project Controlling							
Cost Estimates	4.1	4.2	4.3	4.4	4.5		
\$	\$6,000.00	\$5,000.00	\$7,000.00	\$7,000.00	\$6,000.00		
Project Closing							
Cost Estimates	5.1	5.2	5.3	5.4	5.5		
\$	\$7,000.00	\$5,000.00	\$5,000.00	\$6,000.00	\$6,000.00		
Total Costs				Total Project Cost			
Cost Estimates	1.0	2.0	3.0	4.0	5.0		
\$	\$70,000.00	\$39,000.00	\$67,000.00	\$31,000.00	\$29,000.00	\$236,000.00	

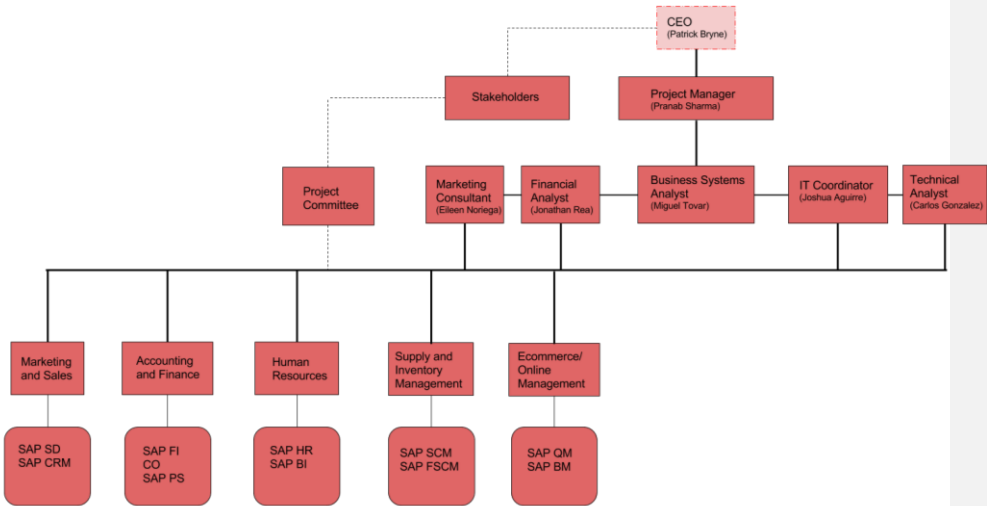
Business System Project Cash Flow Analysis

(In Thousands)

	FY 2016	FY 2017	FY 2018	3 YEAR TOTAL	Future Annual Cost/ Savings
Oracle software	922	500	0	1492	0
60% Discount	595			595	
Oracle Credits	397	0		397	
Net cash for Software	0	500		500	
Software maintenance	0	90	250	340	250
Hardware & Maintenance	0	270	270	540	270
Consulting & Training	205	320	0	525	0
Tax & Acquisition	0	1850	1200	3550	50
Total Purchased Cost	205	1330	600	2135	570
Information Services & Technology (IS & IT)	500	1850	1200	3550	0
Finance/Other Staff	200	990	580	1770	
Total cost	905	4170	2380	7455	570

Savings					
Mainframe		(101)	(483)	(584)	597
Finance/Asset /PM		(160)	(1160)	(1320)	2320
IS & IT Support/Data Entry		(88)	(384)	(472)	800
Interest		(0)	(25)	(25)	103
Total Savings		(349)	(2052)	(2401)	3820
Net Cost (savings)	905	3821	328	5054	(3250)
5 Year Internal Rate of Return	35%				

Organizational Chart



Responsibility assignment Matrix

After the creation of the work breakdown structure has been completed, we need to determine the responsibilities for the individuals involved in the project. Utilizing the RAM, we will be able to determine and hold each individual accountable for their job in either one particular function or multiple. This helps determine the expectations in regards to the deliverables tasked for production in each assigned group. Every participant will be assigned a particular responsibility or responsibilities in order to segment the work required. The sections of the work breakdown structure are directly correlated with the individuals listed, which is supported by the parties responsible for work sign-off. The WBS also helps determine the status or progress of particular tasks with the purpose of monitoring the completion status of the project.

Deliverable	Executives (C-Level)	Project Managers	Analyst(s)
Project Approval/Sign-Off	X	X	
Project Report		X	
Stakeholder Relations	X	X	X
Project Design		X	X
Implementing Project		X	X
Gather business requirements		X	X
Requirements within Scope		X	X
Facilitating Outcome		X	X

Roles and Assignments: Encoded using RACI

RACI

Responsible - The owner of the work and the one responsible for the individual activity.

Approval - The person who approves of the activity or deliverable.

Consulted - The person that delivers information necessary for completing the particular activity.

Informed - The person necessary to inform of the activity's progress for update or documentation.

Deliverable	Project Manager (Pranab Sharma)	IT Coordinator (Joshua Aguirre)	Financial Analyst (Jonathan Rea)	Technical Analyst (Carlos Gonzalez)	Marketing Consultant (Eileen Noriega)	Business System Consultant (Miguel Tovar)
Responsibilities	RAI	RA	RC	RAC	RCI	RI
Project Report	A	A	ACI	CI	I	I
Stakeholder Relations	C	C	RC	CI	CI	I
Project Design	RA	RA	R	CI	I	ACI
Implementing Project	RA	RA	ACI	C	CI	CI
Gather Business Requirements	A	AR	R	R	ACI	I
Requirements within Scope	A	A	RCI	RCI	I	CI
Facilitating Outcome	R	R	A	ACI	I	I

Project Communications

Stakeholder Communication Analysis

Stakeholders /Audience	Objective	Medium	Responsibility	Date or Frequency
Project Teams	Functional area Dependencies States of key project deliverables Issues project milestones and Risks	Project Schedule Issue log Team meetings	Project Manager	weekly
Project sponsor	Summary of progress Slipping critical tasks Issues Risks Financials	Project Report Card Schedule Summary Issues Log Launch Checklist Project Review Budget Summary	Project Manager Functional Team Leads Finance Lead	Weekly Monthly Monthly
Functional Directors	Summary of progress Functional Issues Functional Risks Functional Financials	Functional status Project Report Card Stakeholders Review	Functional Team Leads Project Manager Project Sponsor	Weekly Weekly Monthly
Executive Team	Milestone Progress Cross-Functional Risks Financials Launch Status	Executive Review Voicemail Updates	Project Sponsor Project Manager	Monthly Weekly

Project Procurement

Introduction/Background

Team Supreme Consultants (TSC) has been hired by Overstock to implement a new Enterprise Resource Planning (ERP) System that will replace their existing one. In order to increase the efficiency of the companies processes and provide time efficient feedback to the client, this new ERP system must fully integrate all functional areas under one unified database. This will improve Overstock's business-to-customer transactions which will allow for a larger customer bases and significantly greater financial standing.

Scope of Work (SOW)

The scope of implementing this new ERP System includes the overview of the current system being used. From there, TSC will focus on planning the redesign and integration, followed by the testing and training of the use of the new ERP system. Before being able to move on from an assigned task, all stages of the project must be approved by TSC. Specifics of the deliverables and milestones will be listed under the Work Requirements and Schedules and the Milestones Section of the SOW.

Period of Performance

The period of performance for the implementation of the new ERP System is about 3 months (95 days) starting on September 12, 2016 through December

Place of Performance

For this project, the majority of the work will be done at Overstock's Headquarters. TSC will be required to meet with Overstock once a week (day and time)



TSC will be providing and arranging for meeting spaces within its facility for all training sessions.

Work Requirements

As part of the implementation of the new ERP system, TSC will be responsible for performing task throughout various stages of the project. To successfully

Project Initiation:

- TSC will assign a Project Manager
- The Project Manager will create a Project Team
- Evaluate the current system that is implemented
- Sign off with Stakeholders

Project Planning Phase:

- Work with Overstock to gather requirements and establish metrics.
- TSC will create and present a detailed project plan which will include work breakdown structure, schedules, testing plan, implementation plan, training plan and execution plan.
- TSC will present the project plan to the client for review and approval
- Identify project Milestones
- Create Activity Work Breakdown Structure
- Define Hardware/ Upgrade Software/Improve Database
- Project Sign Off
- Review Final Project Plan

Project Execution

- Survey Users
- Initial Software Design



- Test the Implemented Software
- Obtain Feedback
- Design Physical System
- Test Physical System
- Develop Training
- Create User Manual

Implementation

- Installation of Hardware and Software
- Test and Reconfigure
- Start training for users

Deployment

- Provide User Support
- Provide an extensive training course
- Check for software update
- Maintain the system

Project Controlling

- Receive Feedback from Client
- Maintain Hardware/Software
- Review Project/Deliverables
- Present Project and Deliverables

Schedule/Milestones

Below is the list of initial milestones identified for the implementation of the new ERP system:

Project Phase	Start Date	End Date
Project Initiation	September 12, 2016	September 26, 2016
Project Planning	September 26, 2016	November 27, 2016
Implementation	November 28, 2016	December 12, 2016
Deployment	December 12, 2016	December 12, 2016
Project Controlling	December 13, 2016	December 16, 2016

Acceptance Criteria

For the implementation of the new ERP system project, all deliverables will have to be accepted by the assigned Project Manager. The Project Manager will manage the project until the phase is completed, the Project Manager will either sign off and approve the project to continue to the next phase or comment on what tasks still need to be accomplished.

Any discrepancies involving completion of project tasks or disagreement between TSC and Overstock will be referred to both organizations' contracting

Other Requirements

All Project Team members will submit security forms to Overstock for clearance and access badges to the facility. All Project Team members will be granted access to Overstock's servers and all necessary IT functions. They will also be given temporary accounts which are to be used only for work pertaining to the new ERP system project. Upon completion of the project these accounts will be closed.



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