

Everything stopped when just one invoice dropped into a black hole

by Delhyan

INFORMATION Technology (IT) companies usually know exactly what their role is, whether it's services, box-dropping (a hardware provider), principal or reseller.

Like travel companies, they tend to do one thing and do it to the best of their ability. If they do two things, they try to make them complementary (like Qantas and Qantas Holidays) so as not to compete unfairly with suppliers or customers.

However, as the following story shows, technology can make things difficult, but only people can make your life absolutely impossible.

The problem started when one company thought it would be a good idea if its supplier and reseller partners were encouraged to deal with each other, and ended when a single lost invoice led to a near melt-down among its Australian customers and those of its partners.

The potential lawsuits were such that phone lines between Australia, Asia, the US and Europe ran very hot for a week and while services were quickly restored, the issue of compensation claims is still live and very sensitive.

The scenario was as follows (names have been changed to protect the guilty):

The principal provider (we'll call it ABC.com, which provides services in a 'thin client' computing environment to markets including the travel, airline and hotel industries) not only sells direct, it also uses Australia's IT distribution system ('the channel').

In this it is not alone. However, where possible, ABC likes to buy from supplier companies that also resell its software, so there's an interlinking supply and distribution chain that provides, in



theory, win-win business for both companies.

In practice, this means that ABC sells through companies that may also sell telecommunications services, hardware, software, help desk, IT consultancy, internet hosting and/or management services.

And just to complete the nightmare, ABC actively encourages its resellers and suppliers to buy from and sell their own (non-competitive) products and services to each other.

Earlier this year, a simple error set off a chain of events that had unforeseen and potentially expensive consequences.

An invoice from one of its key supplier/distributors (we'll call it

WZ.com) became lost in ABC's accounting system.

Because accounts receivable staff at WZ don't also perform accounts payable functions, they became increasingly annoyed by what they saw as ABC staff's "we'll sort it out when we get to it" attitude.

They did not know ABC was not only a customer; it was also an important supplier.

ABC's accounts people, on the other hand, were well aware of the relationship and assumed it would be okay if they simply rolled the unpaid account into the next cycle and paid it with the next monthly invoice.

They should perhaps have told

someone at WZ, because when the invoice remained unpaid, WZ cut off supply.

You'll probably already know what's coming: WZ's service was business critical and ABC was temporarily unable to service its market, including those customers 'owned by' WZ.

A day after they pulled the plug, both the ABC and WZ helpdesks were on the way to meltdown.

Just to keep things interesting, and partly through its relationship with ABC, WZ had also entered into relationships where it did business with other ABC channel distributors. When ABC failed, these other companies' help desks and other support infrastructure also took hits.

In all, more than eight thousand end users were affected.

Supply was restored before permanent damage was done, except to credibility, but the costs to all parties were significant (conservative help-desk costings suggest a range of \$Aust25-50).

The final outcome is still to be decided. If it goes to court, it will in all likelihood make headlines not for the costs but for the unforeseen consequences of the tangled relationships.

Complexity in the travel industry is not new.

In one well-documented case, a Global Distribution System GDS (the travel reservations and information provider) contracted with the local National Management Company (the NMC) to take responsibility not only for the sale of the system to local travel agents, hotels, car rental companies and airlines, but also for the provision of help desk and support services for those customers.

This is a standard procedure and typically, the NMC will set up a sophisticated and expensive help desk with 20 or 30 skilled operators.

Annual communications costs alone for these help desks can easily run into the tens of millions

of dollars, not including hardware, software and staffing.

In addition, there will be a field force of support and technical staff able to trouble-shoot on site at the customers' premises if telephone assistance fails.

Within the help desk, there typically will be three or four levels of support expertise, ranging from the "let's make sure the box is switched on" level, to problems concerning communications networks, accounting and travel management software.

In the case in question, a travel agent site in Tasmania had such slow system responses that the NMC spent more

than two weeks on phone and on-site support, including flight, car hire and accommodation costs for two technicians in Hobart and at the end of it, they found no solution to the problem.

Escalation of the problem to the GDS brought the communications provider into the loop and eventually, three weeks after the problem was first reported, it was discovered that a configuration change in Scandinavia (no, we're not kidding) had somehow impacted on one poor three-man travel agency in Hobart.

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