



# USING ERP TO BECOME A BEST-IN-CLASS DISTRIBUTER

## INTRODUCTION

A good ERP system should streamline all of your processes from one single database, including financials, HR, distribution, supply chain, and more. Having a properly implemented ERP system in place that can alert you immediately of issues inside the company could potentially save you thousands a year. ERP systems are intended to rapidly report to new business demands and can be simply changed or updated without disturbing the course of business.

Key reasons why most Wholesale Distributors implement an ERP system are outlined in this white paper. Aberdeen Research does an annual survey benchmarking the performance of over 644,000 companies across the wholesale distribution industry. The results illustrate where companies need improvement and what separates the best in class companies from the industry average and the laggards as well as the advantages of having a ERP system that best fits your business needs.

When it comes to ERP selection and implementation, the reasons are similar for wholesale distributors across the industry. In this whitepaper you'll learn several facts outlining why properly implementing an ERP solution is important to:

- Improve your profit margins
- Streamline workflow
- Advanced report capabilities
- Enhanced department collaboration
- Improved regulatory compliance
- Advanced quality of data
- Enriched customer service
- Maximize supply chain
- Complete visibility into business processes

### [Spotting the Gaps Between Best-in-Class, Average, and Laggards](#)

Aberdeen conducts an annual survey to study how an ERP solution benefits the wholesale distribution industry. This study used five key performance indicators (KPIs) to distinguish best-in-class from industry average, and laggard ERP implementations including:

- On-time delivery
- Accurate inventory levels
- Ability to make quick decisions based on accurate forecasting information
- Operating margins

Findings from the survey (below) show the performance gaps between best-in-class, average, and laggard companies in the wholesale distribution industry and later we'll discuss how any company has the potential to see best in class results when using the right ERP system.

Definition of Maturity Class	Mean Class Performance
<b>Best-In-Class: Top 20% of aggregate performance scorers</b>	97% inventory accuracy 98% complete and on time shipments 19% increase in operating margins over the past two years 40% decrease in time to decision over the past year
<b>Industry Average: Middle 50% of aggregate performance scorers</b>	95% inventory accuracy 94% complete and on time shipments 7% increase in operating margins of the past two years 12% decrease in time to decision over the past year
<b>Laggard: Bottom 30% of aggregate performance scorers</b>	86% inventory accuracy 87% complete and on time shipments 2% decrease in operating margins over the past two years 11% decrease in time to decision over the past year

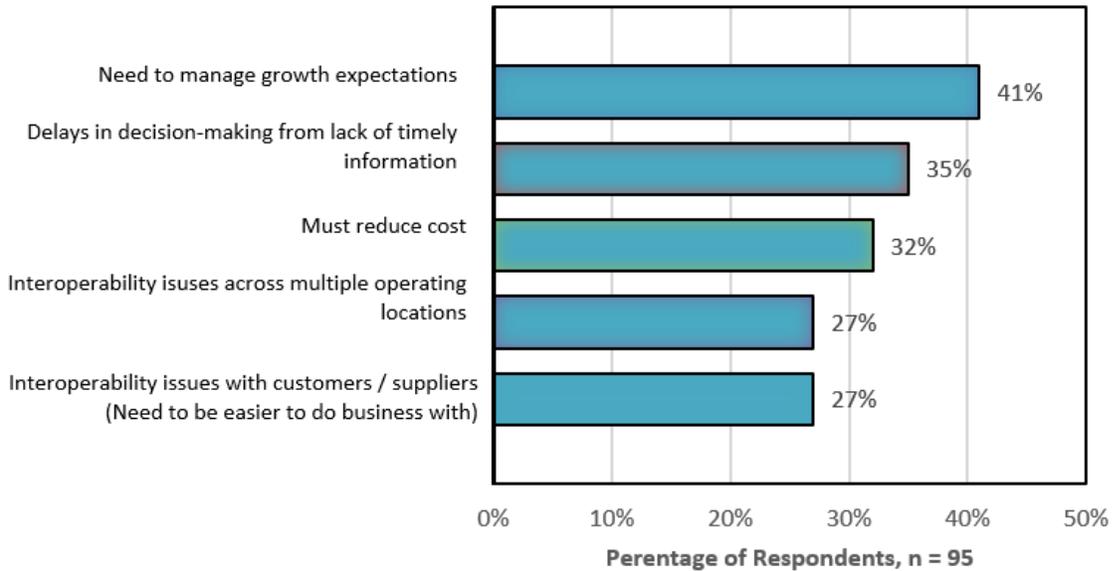
By taking advantage of the efficient processing and visibility enabled by their ERP, top wholesalers and distributors are effectively able to plan for customer demand changes & increasing global competition by providing dependable experience to customers and delivering products on-time.

Having a distribution ERP system well-suited to their specific purposes can help laggard or average organizations, regardless of their size, perform like a best-in-class organization. Which would in turn help them reduce overall cost, help give timely and accurate information at a glance, and show where growth is possible. A customizable ERP system that can allow the user interface to be personalized to specific need of the company can help with the consistent flow of high quality data. Users having access from mobile devices can also allow data entry at the point of activity which can help eliminate errors in reading copied paperwork.

### [Top 5 Challenges Impacting Wholesale Distributors](#)

The top business challenges impacting ERP strategies in wholesale and distribution is managing growth expectations. Figure 1 highlights the top five drivers according to the survey.

**Figure 1: Top ERP Drivers in Wholesale Distribution**



Source Aberdeen Group, July 2013

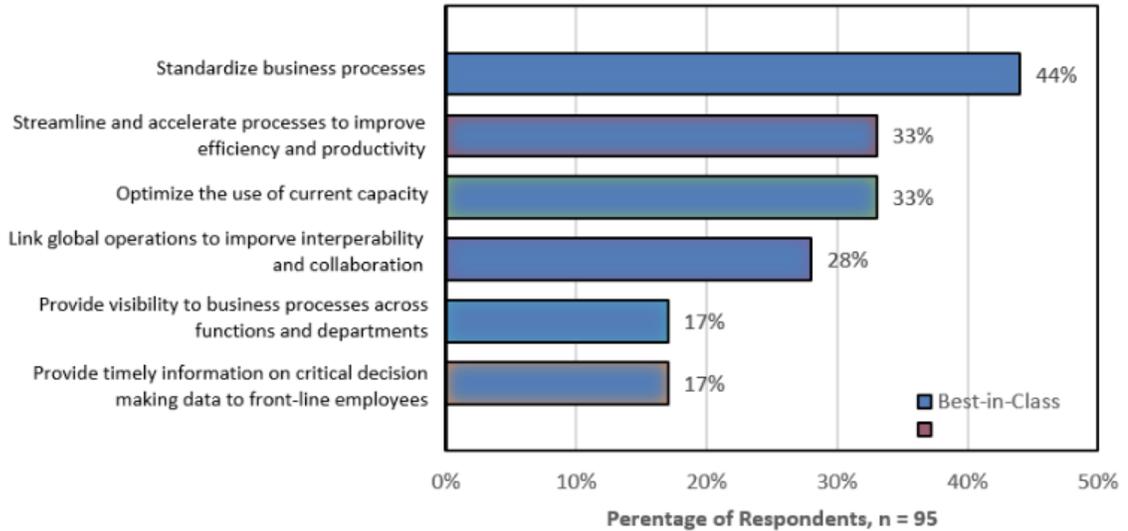
Most of the companies show that they need to manage growth, retrieve information timely to make quicker decisions, and reduce cost. This can be done by implementing an ERP system. Some of the companies may already have a system in place, but just do not utilize the system to best fit their needs. In this case, system reconfiguration, additional end-user training, or system add-ons may help an organization get the most out of their current system.

For those who do not have a Wholesale Distribution ERP system in place, researching which ERP software would best suit the company needs while drawing out a full implementation schedule will help start the process to gain the much needed knowledge. Learn more [here](#).

### [Using ERP to Overcome Major Challenges](#)

Figure 2 shows how ERP systems have helped organizations overcome the challenges noted in the above graphic. When the best-in-class companies were asked which tactics helped them decide to implement an ERP system, they said the following:

**Figure 2: Top Strategies of the Best-in-Class**



Source Aberdeen Group, July 2013

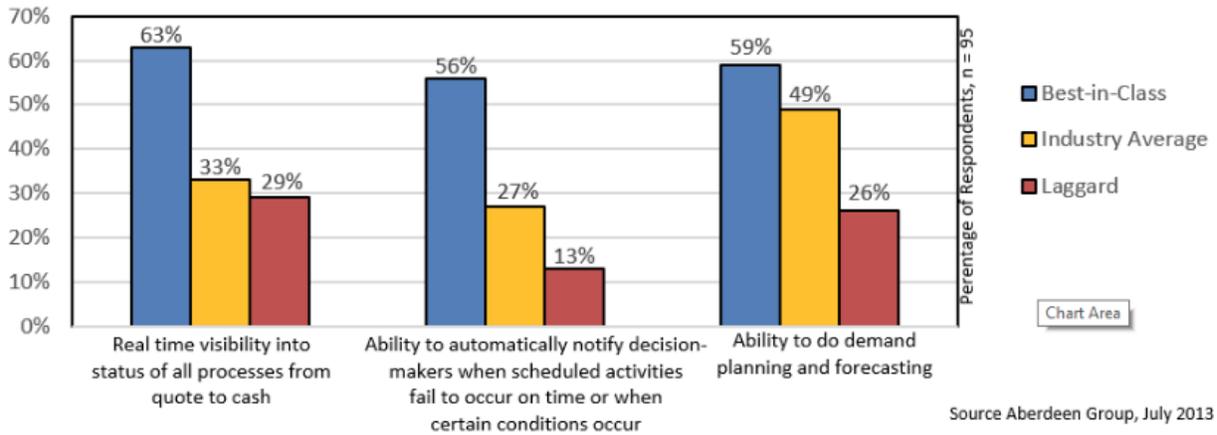
Standardizing and streamlining business processes across the organization is a must. By doing so, organizations have a better understanding of their current business and insight into data that can help them address their business needs, demands, customer needs, and create a “one-stop shop” for all information.

The impact of data effectiveness using an ERP solution improves the overall knowledge, growth, and profitability of the company. You will not have to wait hours or days to be notified of any issues. With the on-the-go capability you can see everything at a glance. You can take care of any issues while being able to access reports on depreciation, expenditures, operating costs, net cash flow, and more at your convenience. Even though the chart above listed visibility and timely information as lesser prompts for having the ERP system, it remains a critical factor for increased performance.

### Increased Visibility

Having an ERP system that has a traceable system of records allows the business to visibly see each step as needed. The ability to observe all activity in real time allows the organization to make necessary adjustments to stay on track while keeping costs down. This advantage permits those organizations to make quicker decisions and see the process through to the end. With full visibility they were able to see their financials, inventory on-hand, shipments, and manufacturing processes at a glance. This allows them to see their own cost effectiveness and efficiency of the overall company. The right ERP system incorporates all information and workflow into one system so the company operates off of one central hub of information. Having this ability at your disposal will allow you to evaluate the risks, at a glance, to see what would be best for your company in the future.

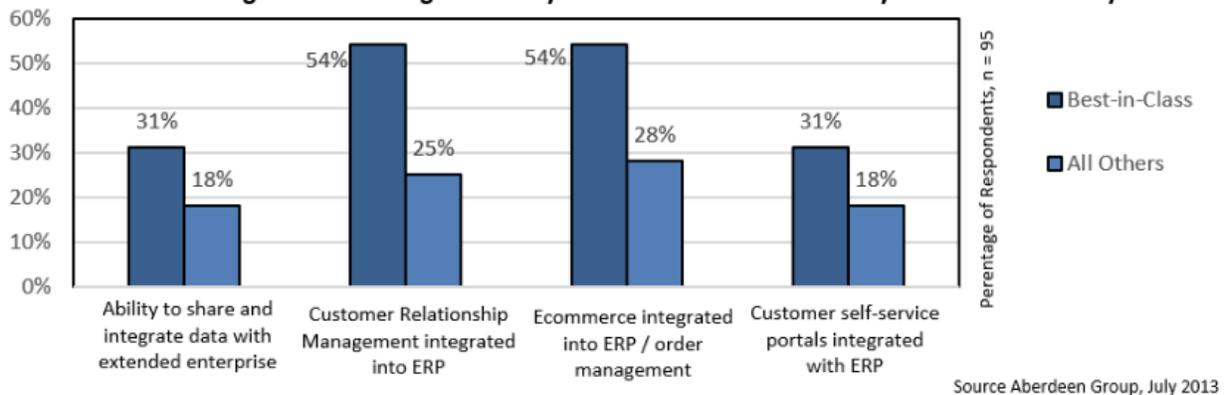
**Figure 3: Visibility for Decision-Making**



### Improving Customer Service & Employee Experience

Having an integrated ERP system also gives the ability for organizations to share data with the extended enterprise and with customers.

**Figure 5: Integrated Systems Enable Visibility and Flexibility**

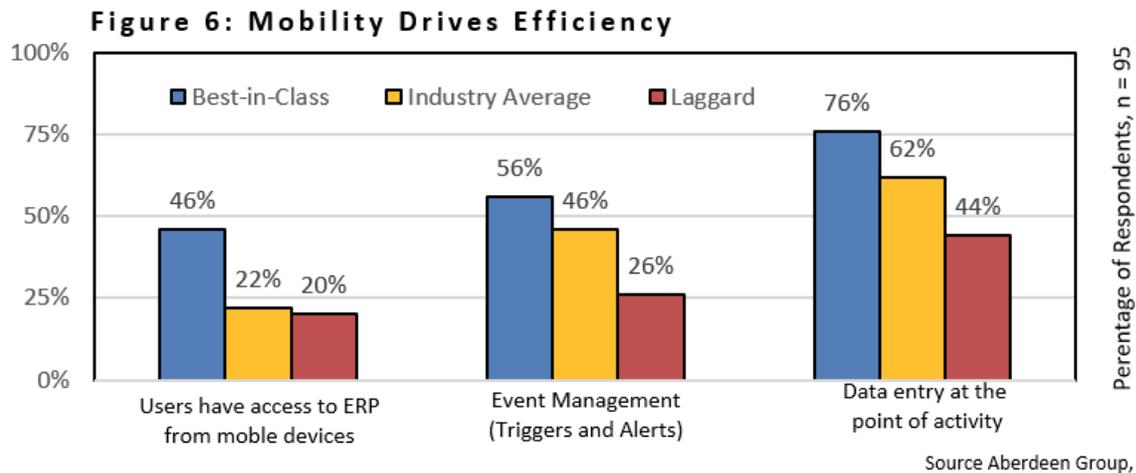


Using CRM and Ecommerce modules, along with other technologies, continues to make it easier to communicate and work with customers. Having an ERP system that is set up with a fully functioning customer portal will allow your customers a seamless customer experience; giving them the availability to view old orders, order new stock, pay invoices, and view arrival estimation. Granting your customer to have control at their fingertips of order, restock, and returns giving you the upper hand and a more stable endurance in wholesale distribution industry. Using a customer portal allows a seamless customer experience and can lead to keeping customers happy.

ERP systems are not just for improving customer satisfaction, but also offer a substantial impact on employee performance. Enabling employees to view the data that is most essential to them results in increased productivity. This allows for a better work flow throughout the organization. Furthermore, having an ERP system that can allow the user interface to be personalized to suit the company or division helps with this data stream. The ease of data flow is essential for understanding where the organization is and how it can improve.

## Mobile Access Drives Continual Improvement & Efficiency

Having mobile access can be important to keep track of efficiency. For the executive on the go, having the ability to pull up immediate updates, financials, statistics, projections, or any alerts for stock flow allows for a smooth flow of information. No need to worry about traveling and not being able to answer a question or concern at the same time.



The ability to input the information into the ERP system directly and capture any signatures and certificates needed can help eliminate any human errors when trying to type in later after the fact. With point of entry data availability employees can upload information into the system when it is given, further reducing mistakes in data entry. This step helps eliminate human error. No need for one person to obtain the information then pass it along to another person to input into the system. It can be entered and verified from the beginning making all processes from order to collecting payments run smooth.

## Proven Measurable Advances from an ERP Solutions

The results from the Aberdeen study show that the benefits of an ERP system can be extensive to any company. The top 6 benefits of an ERP solution chosen by participants in the survey are shown below.

<b>Benefit Achieved with ERP</b>	<b>Best-in-Class</b>	<b>All Others</b>
Improvement in inventory turns	51%	39%
Reduction in operational costs	20%	9%
Reduction in administrative costs	17%	11%
Improvement in complete and on-time shipments	17%	16%
Improvement in internal schedule compliance	15%	11%
Improvement in cycle time of key processes	19%	16%

By taking advantage of the efficient processing and visibility enabled by their ERP, top wholesalers and distributors are effectively able to plan for customer demand changes and increasing global competition by providing dependable experience to customers and delivering products on-time.

### Conclusion

Standardizing and streamlining business processes across your organization is a must. By doing so, your company will have a better understanding and insight into your needs, demands, customer needs, and create a “one-stop shop” for all information. Having the availability to see real time visibility into status of all processes from quote to cash allows you to see where your debt to equity is, your sales to inventory ratio, and your overall profit margin percentage. It can help keep track and show up-to-date information for trends, forecasting, taxes, cost, profit margins, financing, sales, purchasing, CRM, HRM, inventory, & WMS. An ERP system is a valuable and important part of any company but these projects are not easy. Choosing the right ERP software can take time but when properly selected and implemented, it will help your company grow leaps and bounds. Learn more about ERP selection and implementation best practices [here](#).