



TEC BUYER'S GUIDE 2021 DISTRIBUTION ERP SOFTWARE BUYER'S GUIDE

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WHAT IS DISTRIBUTION ERP SOFTWARE?

Enterprise resource planning (ERP) software for distribution supports the business operations of wholesalers and distributors. The primary operations of a distributor are the procurement, storage, and resale of products. Product procurement entails managing suppliers and vendors to obtain the best product at the best price. The software manages the storage and warehousing of products. ERP software for distributors also supports processing customer orders for the products, regardless of whether the customer is another business (that is, business to business [B2B]) or the consumer (business to consumer [B2C]).

Wholesalers and distributors make money by facilitating the movement of products between manufacturers and the end customers. Figure 1 illustrates the flow of goods from the manufacturer to the wholesaler/distributor and through to the retailer or, ultimately, the customer. Of course, the decline of retail and the subsequent rise of direct-to-consumer (D2C) models have changed how products get to consumers. This change creates not only more challenges but also more opportunities for wholesalers, distributors, and their software solution providers.



Figure 1. Wholesale and distribution business model

These middlemen offer many services beyond warehousing and distribution. They will kit, bundle, and package products for particular markets. They process complicated rebates and chargebacks between market players. In construction industries, distributors provide credit and financing to their professional customers. Distributors can also layer other products and services, such as install and repair, on top of the products sold. The most successful distributor on the planet is Amazon, which has taken over entire market segments by eliminating retail players from the business equation.

The goal of ERP systems is to manage all these business transactions in a single, unified software package. The best ERP systems bring together customer-facing tools that manage all customer marketing, sales, and service touchpoints. These ERP systems track the movement of inventory down to the last nut and bolt in exacting detail. ERPs are also charged with processing the flow of goods to the end customer via whatever route that product takes. The breadth of ERP for distribution system modules covers e-commerce, human resources, warehouse management, procurement, supply chain, demand management, and all underlying financials. The system pulls all these transactions and processes together into one place to have a complete and up-to-the-minute view of the business.

Many offerings fall under the ERP for distribution category. ERP solutions range from small, off-the-shelf products such as QuickBooks to solutions from SAP and Oracle. This guide helps unlock important considerations to understand when evaluating ERP solutions. The first section discusses the importance of ERP platforms. The guide then presents a breakdown of the functional areas of ERP for distribution software, the biggest market trends, and the top ERP solutions. Please visit the TEC ERP Resource Center for more valuable insight and cutting-edge research into the ERP marketplace.

ERP—PLATFORM FOR SUCCESS

The primary focus of ERP systems is managing an organization's business transactions. The ERP holds the name and addresses of all the customers. It tracks the customer's creditworthiness, product orders, and outstanding accounts receivables. Warehouse management stores a virtual, detailed mapping of the warehouses, enabling people and robots to locate, pick, pack, and ship every item in every location across the globe. However, today's ERP systems deliver more than centralized transaction processing. The leading ERP systems and their underlying platform serve as an enterprise digital backbone.

The platform of an ERP system comprises a complex layer of services. The services start with the underlying infrastructure layer. The infrastructure layer provides the underlying hardware and networking support to the system—this infrastructure layer used to be the domain and responsibility of internal information technology (IT) departments. The company would need people and an organization charged with the setup, maintenance, and monitoring of the hardware and software. With cloud ERP software, this layer sits on the vendor's infrastructure services, and it is the vendor's responsibility to ensure uptime, security, and backups of the system. Download the TEC 2020 Cloud ERP Software Buyer's Guide for Wholesale and Distribution for more insights.

The next layers of the ERP platform add other platform services. The first layer of these services comprises the databases, security, development tools, and application programming (API) services. The next layer of services is what TEC Analysts have labeled as business platform services (BPS). The business platform services are where ERP, and other enterprise solutions, bring tremendous value to an organization. The business platform services layer includes business intelligence, workflow, document management, collaboration, and artificial intelligence (AI) tools. The business platform services are important differentiators in ERP software. Large vendors with deep pockets can add significant value to this layer. Figure 2 shows how all these services fit together to form the enterprise resource platform, or erPL.



Figure 2. erPL—Enterprise Resource Platform

The final layer of the platform is the application services. The application services layer is where a user spends their day. It is where people enter data, look up supplier history, or run a report on the day's customer shipments. A significant movement today is exposing the application layer via microservices. The microservices allow folks to access a piece of the functionality of the system via another application. For example, someone might want to write their mobile app to track their customers on a google map to make the day's service visits.

WHAT TO LOOK FOR IN DISTRIBUTION ERP?

Distributors and wholesalers rely on ERP software for running all aspects of their business. The laundry list of business requirements may seem daunting. However, the distribution ERP software is broken down into a standard set of functional modules. TEC's industry analysts define the following primary functional modules within ERP for distribution.

Inventory and Warehouse Management—Inventory and warehouse management processes are of utmost importance to distributors. This ERP module holds the location, quantity, and disposition of every piece of inventory. The warehouse management features facilitate wide varieties of pick, put-away, and shipping needs. Automating inventory processes using robotics and AI is not possible without advanced warehouse management functionality.

Sales, Marketing, and Service—Customer relationship management (CRM) is a central business tool for managing customer contact. A CRM system manages all the customer touchpoints, providing a 360-degree view of the customer. The customer-facing ERP modules for marketing, sales, and service all support a company's relationship with their customers. Sales modules support order placement, product configuration, and pricing. Marketing modules manage email and advertising campaigns. Customer service modules handle post-sales and product complaints, returns, and customer service issues.

Financials—The heart of an ERP system is corporate financials. The Financials module in an ERP system manages all of a company's sales, expenses, cost of goods sold (COGS), and requisite financial reporting. Today, it is imperative that the Financials module support global operations in multiple currencies and multiple countries. The ERP database ensures accurate and visible tracking of all transactions.

Human Capital Management (HCM)—The hiring, managing, training, and retaining of top talent are tracked in the HCM module of an ERP system. Employees are continuing to ask for more from their employers. The HCM module provides self-service tools for employees and management. Managers are better able to manage current and future talent pools. Employee benefits and skills growth are part of HCM.

Purchasing and Supply Chain Management—Purchasing and procurement modules go hand in hand with supply chain management. The procurement modules hold supplier details and ratings. This module tracks purchase orders (POs) generated for one-time and repeated purchases, suppliers' details, and purchasing catalogs. This module is responsible for supporting a distributor's entire supply chain.

Technology Platform—ERP systems get built on top of software platforms. The platform is the underlying foundation and plumbing of the ERP system. Modern ERP application platforms run on cloud infrastructure services such as Microsoft Azure, Amazon Web Services, or Oracle's platform services. Business intelligence (BI), document management, Internet of Things (IoT) processing, e-signature, and open application programming interfaces (APIs) are other services provided by the underlying software platform.

TRENDS SHAPING THE FUTURE OF DISTRIBUTION ERP

Robotics—Robots are a growing component of warehouse operations. These autonomous and collaborative workers are taking over many mundane and backbreaking warehouse tasks. The robots can reduce costs and speed up tasks across a company's warehouse operations. The massive investments in autonomous vehicles have led to the lowering of costs for autonomous mobile machine technologies. Today, there are smaller, easily trained robots to pick and pack orders. Other robots move around the warehouse, pulling product and moving it to the loading dock for shipment.

Internet of Things (IoT)—IoT technologies are beneficial across wholesale and distribution operations. For example, the safe, global transportation of COVID-19 vaccines, which must remain at temperatures approaching minus 100 degrees Fahrenheit, would not be possible without IoT. Temperature monitors are attached to every vial of the vaccines from Pfizer-BioNTech. These smart, connected IoT devices can be applied to many products across the supply chain. IoT benefits for all companies in the supply chain include reduced counterfeiting and theft and tracking the cold chain used for the biologic COVID-19 vaccines.

Artificial Intelligence (AI)—AI is all about getting machines to be smarter and taking on more intelligent tasks. ERP software is a primary target of AI technologies. AI software and hardware include chatbots, digital assistants, image recognition, natural language processing (NLP), robotics, and machine learning (ML) tools. NLP tools make it easier for warehouse employees to interact with systems. Image recognition takes the guesswork out of parts handling to assist factory and warehouse workers. ML tools digest massive volumes of data and determine the optimal warehouse setups for incoming customer orders. Because of their enormous potential, AI applications rolling out today will impact all areas of ERP systems.

3D (Additive) Printing—3D printing opens new opportunities for distributors. The ability to print new automotive, plumbing, and electrical parts is rewriting the rules of the game. A 3D printer creates a new part from a 3D drawing of the part in minutes, making that part available to use in hours. Contrast that to the current business process of a part coming from the manufacturer to the distributor to the retailer/customer, which can take from days to weeks and frankly looks like we're operating in the Dark Ages. Distributors can replace and eliminate many of the burdens of warehousing and supply chains by adding 3D printers.

Human Capital Management (HCM)—Companies report that finding and retaining top talent is one of their top concerns. HCM tools play a vital role in helping to staff, hire, motivate, and retain employees. In the past, distribution ERP providers stayed away from developing comprehensive HCM solutions. This lack of attention was due partly to the complexities of supporting personnel pay, benefits, and leave across diverse geographies. The ERP providers, driven by customer demand, are now putting increased focus on HCM functionality. HCM is an area to expect continued attention from ERP and standalone providers globally.

Big Data and Business Intelligence (BI)—(I)IoT, social media, browsing habits, pictures, and global positioning system (GPS) tracking add up to more data. The data volumes continue to grow as data begets more data. The amount of data collected and stored as structured data in ERP systems is dwarfed by the data volumes created by these other sources. ERP providers need to keep up with the massive data storage and reporting challenges posed by the rivers of data flowing around organizations. Ideally, the ERP provider brings data into their internal controls to manage the security, reporting, and visualization of the data.

BENEFITS OF ERP FOR WHOLESALERS AND DISTRIBUTORS

Customer Service and Retention

Today's customers want more. They want to work with a business that, of course, knows not only their address when they call on the phone but also their order history, shipping address, and other order preferences. The customer wants to know exactly when the order will arrive and to be notified of any issues that may arise. An ERP system integrates CRM, order processing, shipping, and customer service into one unified system, enabling companies to provide high-quality service to their customers.

Improved Inventory and Warehouse Management

Moving and tracking inventory is where every wholesaler and distributor needs to excel. Manufacturers make things, and distributors move them. A primary focus of distribution ERP solutions must in the warehouse. ERP for distribution solutions must have warehouse management system (WMS) functionality that rivals that of top WMS solutions in the market. The ERP solutions for distributors facilitate all manner of put-away, pick, pack, and ship scenarios to meet the rigorous requirements of distributors.

Automation of Manual Processes

Automation is one of the most popular benefits of ERP systems. Instead of staff performing tasks manually, the ERP steps in to perform the work. Repetitive functions such as data entry and report generation are performed with greater accuracy and speed through automation. These automation tools allow workers to focus on high-value tasks. ERP automation will become more sophisticated with the addition of artificial intelligence (AI) and machine learning.

Employee Satisfaction

Finding and retaining top talent is a problem affecting all industries. Like in all other industries, the new generation of workers is putting pressure on companies operating in the wholesale and distribution sector. Today's employees want to work with the latest tools and technologies, be part of a company supporting an environmental, social, and governance (ESG) mission, and have digital access to job duties and benefits. A digital native might be surprised or even shocked when put in front of older software. Today's ERP systems offer the user experiences, collaboration, and visibility that today's workers expect.

End-to-end Busines Visibility

ERP applications connect entire business processes from start to finish. Standard business processes are orderto-cash, procure-to-pay, and hire-to-retire. The single ERP system records and manages all the enterprise's critical processes, end to end. Without an ERP system, an organization's critical data gets spread across many data stores. Having data across multiple systems causes delays or breakdowns in business processes. The single system provides real-time and complete views of business operations.

TOP DISTRIBUTION ERP VENDORS

Many vendors provide solutions for wholesale and distribution. Some solutions target companies in a specific region or country. Other distribution solutions are designed and built for a particular vertical in the distribution business. Many ERP providers market and sell their products to distribution organizations, but distributors require unique features. Here is a list of leading ERP providers for distribution companies:

- Acumatica
- Epicor
- IFS
- Infor
- Microsoft
- Oracle
- Oracle NetSuite
- Ramco Systems
- Rootstock
- Sage
- SAP
- SYSPRO

CONCLUSION

ERP for distribution solutions are available to meet the back-office, warehouse, and customer-facing requirements of wholesalers and distributors. These unified systems centralize data coming from all the company's departments and systems to provide a single version of the truth and enable enhanced visibility into the entirety of a distributor's business operations. Coupled with emerging technologies, ERP solutions for distributors enable streamlined and efficient operations and smart decisions throughout the distribution value chain.

ABOUT THE AUTHOR



Ted Rohm covers the areas of enterprise resource planning (ERP), commerce, customer relationship management (CRM), enterprise asset management (EAM), configure price quote (CPQ), supply chain management (SCM), and IT service management (ITSM), with a particular expertise in manufacturing. He has over 20 years of experience in large-scale selection, design, development, and implementation projects, primarily in the biotech/pharma industry.

Prior to joining TEC, Rohm worked for a number of companies including Oracle, Syntex, and Genentech (now part of The Roche Group). Rohm worked with Genentech for 13 years, starting as a senior programmer analyst responsible for building custom applications using the Oracle Tool suite in support of sales and marketing and product distribution. He then became senior manager

of commercial systems, where he directed the development, deployment, and operations of enterprise-wide applications for the sales and marketing departments. Rohm was the principal systems architect during his last few years at Genentech, focusing mainly on the implementation of SAP ERP and its integration with other systems.

Rohm holds a bachelor's degree in electrical engineering from Columbia University and a bachelor's degree in physics from Allegheny College.

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