Building a Better Tomorrow With ERP

How Digitalization Can Help Your Distribution Business Grow
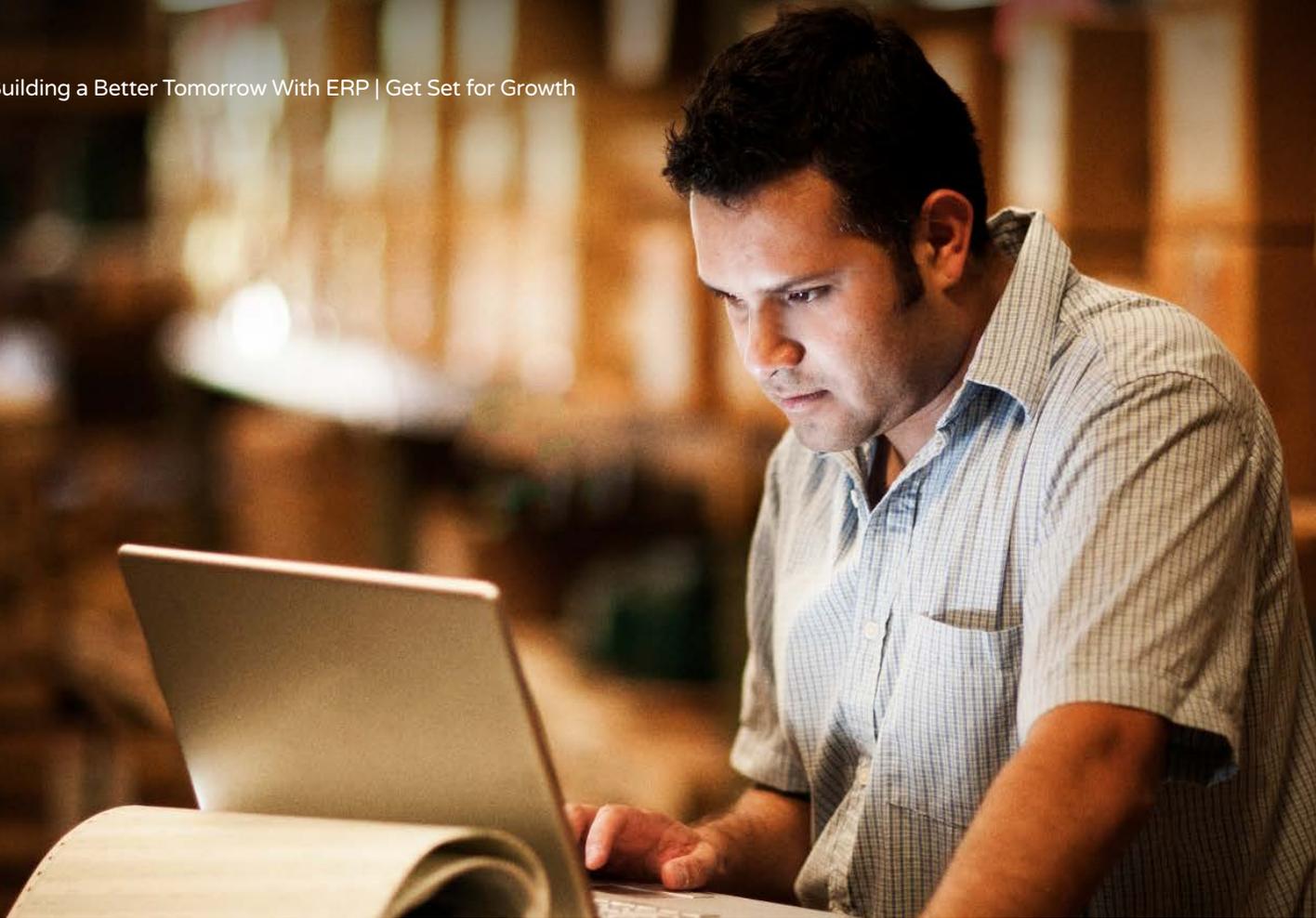
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Executive Summary

Digitalization is essential to the longevity of your business. It presents significant opportunities to address key operational issues, align products and services to the demands of today's market, and achieve growth.

However, growth looks different for every company, and with the vast array of digital technologies available, it can be hard to know where to start. Which technologies offer the biggest opportunity for your company to grow? How can you successfully embrace the digital revolution?

This eBook will help you:

► Understand the technological challenges facing your business

► Assess the capabilities needed to support your digitalization journey

► Highlight some best practices to implement your digitalization strategy

► Exploit growth opportunities with speed and conviction

How Digitalization Gets Distributors Set for Growth

Digitalization is disrupting the distribution sector as large distributors move to take advantage of emerging technologies including advanced analytics, cloud and mobile, Internet of Things (IoT), and artificial intelligence (AI). To compete effectively, every distributor must embrace digital technologies to improve operational efficiency, better understand their customers, and differentiate their offerings.

The digital reality

Digitalization is becoming increasingly important in the distribution industry. It enables companies to address two key concerns—competitors and customers.

Distributors face the threat of increased competition from adjacent sectors. Retailers are looking for ever-lower prices. Manufacturers are looking for faster delivery to satisfy customers. This means distributors are being squeezed or sidelined altogether as manufacturers and retailers transact directly—a dynamic enabled by digital technology. If distributors don't embrace new technologies and ways of working, they will become irrelevant or invisible to buyers, and won't be able to grow. Before the digital era, location was a crucial success factor for distributors. Now, they must offer digital convenience.
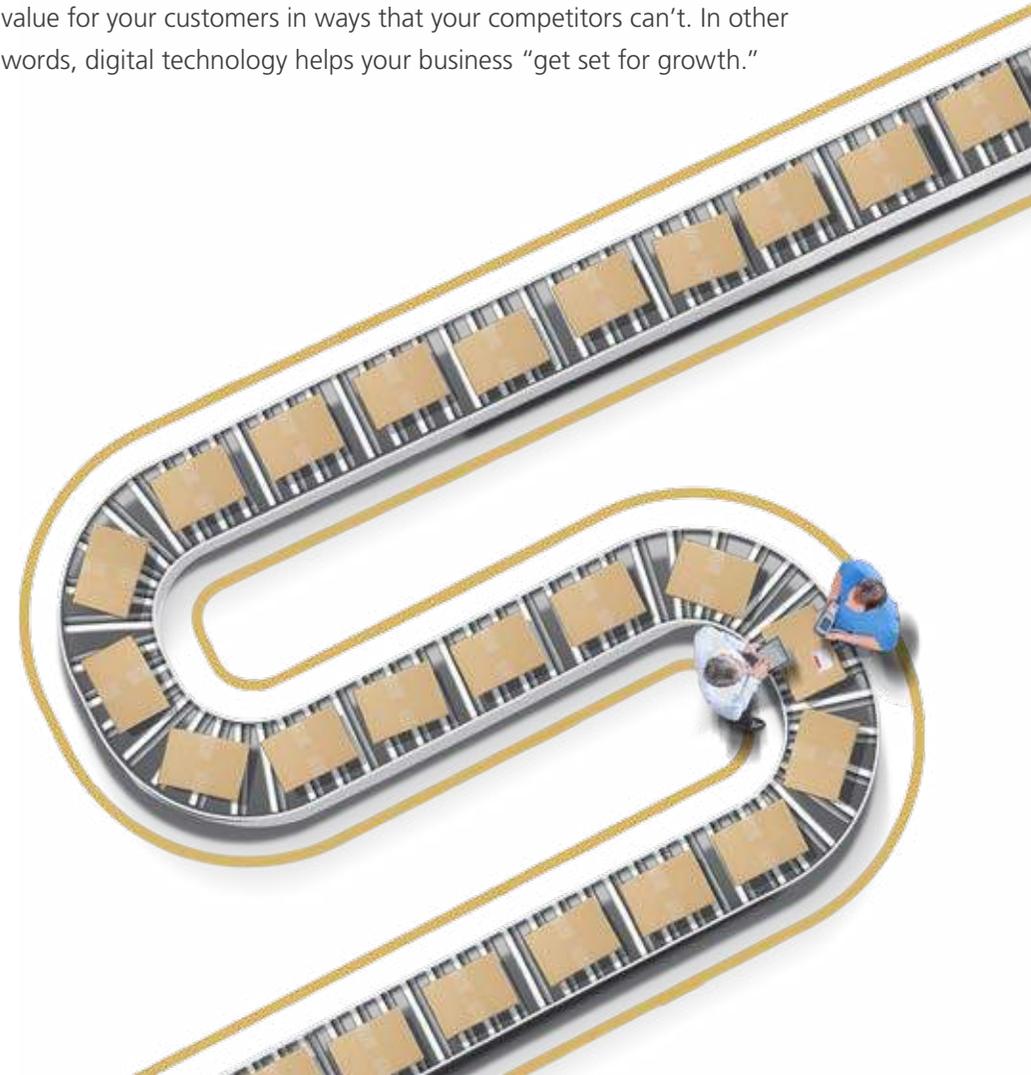
The digital revolution in the consumer world has created much higher expectations among business customers. They don't want to search through a catalogue and pick up the phone to place an order. They want the same simplicity and 24/7 convenience they enjoy every day, such as ordering in a few clicks. The greatest opportunity digitalization affords is the connection from business to buyer. It's not just one thing– it's a set of technologies that make it easier to do business with you, like finding you and searching your products online, enabling your salesforce to take customer orders on a tablet, and offering convenient payment methods.[1]

> "Epicor gives us the tools, and then works with us to make sure the tools all work well."
>
> —Kathy Johnson, Manager of Customer Satisfaction
> Electro-Matic Products, Inc.

A journey, not a destination

Digitalization does not exist in its own discrete context. It is not an end destination or state of being, but a combination of applied digital technologies and processes that accelerate your business toward its strategic objectives. It also doesn't happen overnight, and it looks different for each distributor. Digitalization gives you the opportunity to better understand your business, your competitors, and your market, and create value for your customers in ways that your competitors can't. In other words, digital technology helps your business "get set for growth."

[1] "Today's Challenges Facing Wholesale Distributors," Dale Allardyce, Allen Austin Consulting, 2016

Understanding the Role of Digitalization in Business Growth

High-growth companies invest time in strategic planning

For many distributors, the biggest barrier to digitalization is the fear of disruption to their business. They worry that changes to long-established ways of working will mean upheaval for staff and customers, which could pose a risk.

For those willing to embrace change, there is still a hurdle—how to begin. Many competing technologies profess to drive digitalization—however, any given digital solution depends almost exclusively on context. You need to understand where you are in your digitalization journey and how specific technologies will add value to your business.

Against a backdrop of fierce competition and rapid evolution, this means identifying the areas in which you can make the smallest change for the maximum return on investment (ROI). This approach also lets you phase in changes at a speed that doesn't disrupt your workflow as you build the foundations for further growth.

The starting point in the journey toward growth is to understand your market and business inside out. We refer to this as a company's ability to "get growth."

> **Recent research from MORAR Consultants found that high-growth businesses are two times more likely to invest time in strategic planning.[1]**

Define your growth strategy

Where will growth come from for your business, and how is your business positioned to grow? How will you measure success? Once your business goals are defined, you can start to identify the digital tools that offer the greatest opportunity to achieve them and set investment priorities. That starts with establishing what works, what requires immediate attention, and where digitalization can add real value.

[1] Research conducted by MORAR Consulting, surveying 1,824 managing directors and heads of finance, operations, and IT in businesses with 100+ staff spanning the manufacturing, distribution, and service industries—and in businesses of all sizes in retail—in Australia, Canada, China, France, Germany, Hong Kong, India, Mexico, Singapore, Sweden, the UK, and the U.S. (MORAR, Growth Survey, 2016).

With larger players setting the benchmark for service expectations, small- to medium-size distributors should give priority to digital technologies that focus on improvements for customers, such as customized quotes and integrated payments. Today's customers expect a seamless experience wherever they interact with your business. This requires connecting all parts of your operation and extending visibility across your network of suppliers as a priority.

Derive new operational efficiencies

For some distributors, digitalization will start with improving inventory control and the accuracy, relevance, and immediacy of information within their business—enabling them to make smarter decisions. Strengthening inventory management capabilities is the foundation of a successful eCommerce operation. This will mean replacing and automating back-office systems that require a lot of manual input, plus introducing mobile or wireless warehouse technology. Streamlined processes boost employee productivity and reduce errors, giving employees more time to focus on building customer relationships.

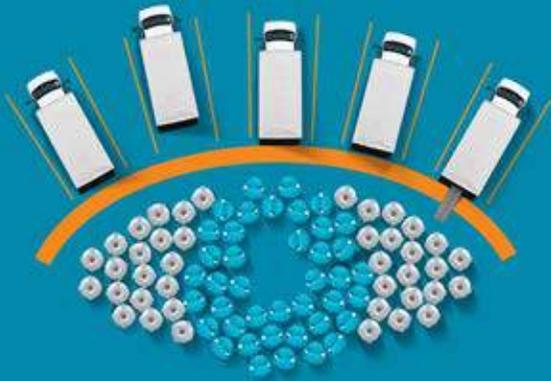## Differentiate the customer experience

Digitalization will ultimately involve satisfying customers who expect a consumer experience in their B2B transactions. They demand a faster, frictionless service tailored to their personal requirements. Digital technology enables distributors to strengthen their role in the B2B2C chain by leveraging customer data to identify and retain their most profitable customers, and spot opportunities to provide a differentiated service, such as assembly and kitting services.

Visibility and insight are key

Distributors have access to—and are producing—more data than ever before, but very few possess the technology to truly understand and derive value from that data. They need an enterprise resource planning (ERP) system that offers industry-specific analytics and delivers real-time, actionable insight, while investing in transformative digital technologies that enable them to act on insight and deliver growth opportunities for their business.

Better visibility into all areas of your business is essential to making smarter and faster decisions, deriving new operational efficiencies, and transforming the customer experience. Whatever digitalization looks like for your business, applying the right tools can mean the difference between merely competing and thriving.

Where to Invest for Growth

Developing your digitalization strategy

In today's fiercely competitive marketplace, holding onto old processes, siloed systems, and yesterday's way of thinking will make it increasingly difficult for you to compete. Change is necessary to ensure your products, services, and processes are relevant in the digital world.

Whether growth for your business means building your customer base, establishing value-added services, refining your eCommerce operation, or boosting customer relationship management (CRM), you need to develop the structural capabilities to make that vision a reality. More importantly, you need to collaborate across the company and along your supply chain to effectively prepare your business to act upon your growth strategy. We call this being "fit for growth."

Invest in the right technologies

Investing in new and innovative technologies is important, but the key is investing in technology that adds strategic value for your business. High-growth distributors are investing in inventory management, mobile, and eCommerce.

The biggest breakthrough they stand to make is in creating a new level of connection to their customers. The starting point for achieving this is integrating and connecting all aspects of their business—supplier relationship management (SRM), financial management, distribution requirements planning (DRP), assembly, and more—to achieve better visibility and agility.

Wholesalers and distributors were asked to name the top challenges they faced for the coming year:[1]

37%	31%	23%	21%	19%
Reducing costs	Managing growth expectations	Adapting to customer needs	Facing increased competition	Making timely, informed decisions

Leading distributors plan on investing in:[1]

50%	38%	38%	25%	13%
Streamlining and accelerating processes	Improving collaboration	Servicing and growing customers	Modernizing technology infrastructure	Optimizing the supply chain

[1] "ERP in Wholesale and Distribution: Improving Customer Interactions at a Lower Cost," Nick Castellina, Aberdeen Group, February 2017

Invest in the cloud and mobility

Interest in cloud-based ERP—the number one enabler of companywide collaboration—has soared in recent years, growing from 23 percent to 59 percent between 2009 and 2016.[2] Ideally, that extension to the cloud should come without the need to learn anything new—a simple web-enabled, mobile extension of existing desktop ERP software.

While traditional ERP systems offer the capability to manage complex orders and inventory, cloud-based systems can enhance real-time visibility into customer orders, supplier performance, and global distribution operations. Moving on-premise systems to the cloud helps simplify and expedite collaboration—capabilities that may be extended upstream to suppliers or downstream to customers, enhancing the distributor's view of the entire value chain. In real terms, this means giving your employees access to the information they need to do their jobs, any time, any place, from any device. With mobile and cloud capability, your teams can be providing quotes on site without having to return to the desktop.

> High-growth businesses cited better technology (57%) and more efficient working practices (33%) as the two most important considerations in achieving business growth.[3]

Invest in analytics

To grow, you need end-to-end visibility across your business—and that comes back to analytics.

High-growth distributors understand the business benefit of turning raw data into actionable information. Analytics enable better decision-making, providing insight into who your best customers are and what trends are emerging in their purchasing behaviors. Strategic pricing can then process your invoice data to determine the best price for each product and order. By focusing value-add services around analytics-based forecasting and pricing strategy, distributors can better compete with the manufacturers and retailers creeping into their marketplace.

On the horizon is the wireless warehouse. Combining analytics and IoT technologies such as sensors, smart beacons, automation, and machine learning, distributors are promised streamlined workflows and substantial cost savings. By investing in analytics now, distributors will be well placed to integrate IoT technology later.

[2] "Top Performers Know it's Time to Migrate to Cloud ERP: Here's Why and How," Nick Castellina, Aberdeen Group, 2016
[3] MORAR, Growth Survey, 2016

Turn Insight Into Action

Investing in technology alone isn't enough. To achieve your digitalization ambitions, you need the people, processes, and culture to empower your business and foster change. You need the ability to identify opportunities both within and outside your business, and you need an unwavering focus on the customer. We call this having the ability to "act for growth."

Right people, right culture

To implement your digitalization strategy, you need individuals who embrace change and are committed to delivering that vision. Leaders and employees must play their part in creating a culture conducive to change. A shift in habits is more likely to happen when new technologies help employees become more effective in their roles, such as allowing staff to enter quotes, check stock, search price, and expedite orders from one screen.

You also need to be ready for the generational transformation, as older employees retire from the workforce. Attracting the next generation will be much easier if you've established a forward-looking culture, underpinned by technologies they are familiar with—such as cloud-based mobile solutions. Tomorrow's talent pool aren't looking to join an environment of green screens and character-based systems. They expect innovation, employee experience, and online, on-demand training.

[1] MORAR, Growth Survey, 2016

95% of high-growth companies are optimistic about achieving growth in the coming year.[1]

76% of high-growth businesses favor constant innovation over business stability.[1]

High-growth companies are two times more likely to look outside their business for growth opportunities.[1]

Focus outside the business

Deriving new operational efficiencies and developing core competencies are great places to start your path to digitalization. However, true growth is only achieved when competency meets market opportunity. High-growth distributors embrace digitalization and focus outside the business. Integrated ERP solutions, data, and predictive analytics provide the platform for identifying new external growth opportunities—whether that means working with new suppliers to extend your product range and fulfill an emerging demand, diversifying into a new sector, or entering a new geographic market.

Focus with insight

Data alone is insufficient. To achieve growth with digitalization, you need actionable business insight and complete visibility into your business operations. The ability to act for growth and take advantage of market opportunities will depend on the accurate application of business insight.

ERP solutions can give you the visibility and insight you need across the value chain to ask the right questions and make fast, informed decisions. Companies that achieve their vision for digitalization will be those making faster, smarter business decisions and applying digital technologies with strategic intent.

Focus on the customer

Distributors can set themselves apart from the competition by offering an exceptional customer experience. With modern ERP solutions, you can predict when and where products are needed, so you can put your inventory in the right place to meet customer demands, faster. Integrated ERP systems, inventory management, analytics, and IoT technologies hold the key to complete value-chain visibility. GPS and RFID technologies will provide real-time tracking, while IoT sensors and bots preempt and resolve shipment issues to assure customer satisfaction.

Cloud connectivity provides instant access to sales data, online showrooms, and availability. Orders can be processed faster, with less paperwork—meaning your customer's account is always up-to-date, and quotes, sales, and reports can be made on the move.

> 80% of high-growth businesses cite changes in customer demands as having a critical impact on their ability to achieve growth in the next 12 months.[1]

Get Set for Growth With Epicor ERP Solutions

Once you have a clear strategy, understand your path for achieving growth, and have the people and technologies in place to support digitalization, what's next?

Epicor has the industry-specific experience, expertise, and a total business management system to make your vision a reality. Whatever the shape of your business—wherever you are on your digitalization journey—the Epicor ERP can take you forward with confidence, at a cost point you can afford.

We help you define your digital strategy

Our consultants leverage more than 40 years of Epicor experience, industry expertise, and knowledge from partnering with distributors to foster growth. Once you establish your company's needs and priorities, we can help you define a clear strategy and a practical roadmap for digitalization—with ongoing education, training, and support to implement that strategy.

We give you real-time visibility

Epicor offers a unified ERP suite that provides real-time, integrated data, analytics, reporting, and personalized dashboards—enabling you to make faster, smarter business decisions. With better visibility, global connectivity, and an open API, Epicor ERP enables you to combine actionable insight with the latest technologies to release the true power of your data.

We're leaders in cloud collaboration

Our cloud capabilities give you the same rich functionality as when you deploy on premises. If you're already migrating to cloud, we'll join you on the journey. Alternatively, choose an on-premises model now, and be confident that you'll lose nothing by moving to cloud later. With a single, unified solution and a range of function-specific add-ons, you can integrate new technologies such as mobile, social, and IoT as you transform your business.

We get you mobile

Epicor ERP introduces anytime, anywhere connectivity—supplying a powerful analytics, productivity, and inventory management tool without being tethered to a desktop. Your employees can view, edit, or create orders and quotes while in the field, and quickly understand the current state of their customer's account.

We're ready for the future

Epicor ERP is designed to scale with your business. We understand that digitalization looks different for every business, so we give you the platform you need to accelerate growth and let you add extra services or features later. As your needs evolve, so can your ERP solution.

Whether growth for your business means gaining new operational efficiencies or transforming the customer experience, Epicor helps you turn digitalization into a set of achievable, growth-focused goals—improving productivity, creating more profitable customer relationships, and eliminating unnecessary operational complexity.

Your benefits at a glance

▶ Grow sales by using Epicor Commerce Connect to provide your customers a fully integrated cloud and mobile experience

▶ Increase your gross margins—use Epicor Strategic Pricing to review your database for customer and order information and recommend optimal discount structures

▶ Improve inventory management for single and complex multilocation businesses with wireless warehousing

▶ Drive efficiency and productivity with distribution-focused functionality like work queues, wire cutting, reconciliation management, kitting, production orders, job management, and vendor-managed inventory

▶ Increase sales with Customer Buying Trend Analysis to know which customer/item combinations have had a measurable sales trend up or down over a certain number of days

▶ Improve inventory turns and fill rates through advanced forecasting

▶ Receive insights from your data with our powerful business intelligence tool, Epicor Data Analytics (EDA)

▶ Improve supply-chain efficiency with Prophet 21® software—manage inventory at your customer's location to increase loyalty, handle multilevel bills of materials, and centralize purchasing with multibranch transfer management

▶ Get full control of your inventory with the Epicor® Eclipse™ solution—with Mobile Showroom, you can even walk your customer through your product and build out orders on a tablet

How These Grow Getters Made Digitalization Work

The companies forging ahead are those with a strong vision of where digitalization needs to take them. They invest in the right systems and technologies, rethink ways of working, and build a culture conducive to growth—all with the customer in mind.

These distributors are the Grow Getters™—individuals who understand why digitalization is essential for their business to grow and have the vision and drive to see it through.

Grow Getters share a set of core characteristics and values. They believe in strategic planning, embrace change, and have an unswerving focus on the customer. They have the complete picture of the internal, external, and technological factors that affect their business. They have a clear growth strategy, and they're taking action.

Grow Getters invest time in strategic planning[1]

By investing in the development of a clear digitalization strategy and ERP partner that understands their industry, these distributors are forging ahead with business growth.

"With the Epicor Prophet 21 solution, we can move our company forward. We were limited by our technology before; now it's limitless—there are so many creative ways we can use the system to promote our growth. We can dig in and take costs out of the system, and take our business to the next level."

—Tammy Brooks, Systems Administrator
Gericare Medical Supply, Inc.

Grow Getters invest where it counts[1]

Epicor allows distributors to introduce incremental change, giving priority to those areas of the business that afford the quickest ROI.

"Prophet 21 was the most practical of all the systems we reviewed. It certainly was the most impressive program available in the marketplace from our perspective. We especially liked the ability to drill down to different data layers and access real-time inventory information. Subsequently, we've automated many of our business practices, enabling us to service customers more quickly and efficiently than any time in the past."

—Scott Mahaffey, President | Cohn and Gregory

Grow Getters believe in their capabilities[1]

Whatever your ambitions for the future direction of your business, trust Epicor distribution software to support you all the way.

"Because Epicor is developing the technology solutions that we will need 5–10 years from now, this frees us up to do what we do best. With Epicor, we know we have a partner that will support our growth and profitability, and allow us to stay ahead of the competition. I feel totally comfortable that we're in the right place, and will have a relationship for many years to come."

—Vicki Hafele, Chief Financial Officer | Duncan-Parnell Inc.

Grow Getters turn information into insight, and insight into action[1]

Epicor customers were able to react quickly to changes in the business landscape, with the agility and visibility to implement effective solutions.

"With Eclipse, we have the capacity to rapidly accommodate customer needs by completing orders placed anytime of the day or night. On one occasion, we received an urgent request at 5:00 p.m. Eclipse enabled us to search the databases of every branch, find the product, do the logistics, and have the item at the jobsite by 9:00 a.m. the following day. We could not have done this without Eclipse."
—Scott Miller, President | Munch's Supply

[1] MORAR, Growth Survey, 2016

Get Your Business Set for Growth

About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software that is designed around the needs of our manufacturing, distribution, retail, and service industry customers. More than 40 years of experience with our customers' unique business processes and operational requirements is built into every solution—in the cloud, hosted, or on premises. With a deep understanding of your industry, Epicor solutions spur growth while managing complexity. The result is powerful solutions that free your resources so you can grow your business.

We're here to support you each step of the way—helping to define your transformation roadmap, ensuring a successful ERP implementation, and partnering with you to make sure you derive value and growth from our technology. It starts with a conversation. For more information, connect with Epicor or visit www.epicor.com.

EPICOR

Talk to our team and take the first step in getting your distribution business set for growth:
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