

Epicor® White Paper

How to Choose the Best Enterprise Software for Your Distribution Business



EPICOR

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Introduction

If you're a distributor considering replacing or implementing an enterprise resource planning (ERP) system, there are several key questions to ask before you begin, including:

- How will current and future changes in the industry reshape the company?
- What are your strategic priorities and how will the ERP system help with execution?
- What are the outcomes or goals you want to achieve and measure through an ERP system, and will the ERP software provide the right outputs to achieve these goals?
- How do you prepare for the change required with new technology from a people and process perspective?

Implementing a new ERP system is a big decision and the last thing you want to do is select a system that doesn't fit your needs well, or will require constant—and costly—customization to adapt to changing industry and business dynamics. There are many key differences among ERP systems. Some contain robust functionality and feature sets, while others are designed to address more specific business needs. Some are designed to apply to a broad set of industries, while others contain more industry-specific capabilities.

It's important for distributors to have a solid vision for both their immediate and their anticipated needs to select a system that meets all your requirements. Finding a solution that can perform 100 percent of what you need is nearly impossible, especially as businesses become more specialized but with thoughtful planning you can confidently select the best option for your distribution business. This white paper will help you identify the most important characteristics to examine when evaluating ERP systems.

Finding the Best Fit

How do you know the software you're evaluating is right for your organization? Start with this four-step plan:

1. Compare platforms to find the best out-of-the-box fit for your business.
2. Learn how far your preferred system can be

customized without requiring costly and ongoing development.

3. Ensure that the software will integrate with other technology you utilize.
4. Select a solution with a clear upgrade path for future versions.

First Things First—What's in the Box?

Finding the software with the closest out-of-the-box fit for your business

Selecting and implementing a new business system is a tremendous investment of time and money, so your expectations are—and should be—high when it comes to the system's capabilities. You're searching for a perfect fit right out of the box—everything you need to run your business efficiently and effectively on day one and beyond.

No ERP software will be the perfect match for your specific business processes and culture right out-of-the-box. Some will come closer than others when it comes to standard capabilities, but nothing is truly plug-and-play—no matter how much the software provider might assure you. You'll be hard-pressed to find a top software provider that doesn't claim to offer a fit-for-purpose solution. Some companies strive to build software solutions for a specific market or industry, while others pride themselves on their ability to create one for you—at a cost. Depending on the nature of your business, some customization may be inevitable. Your objective should be to identify the solution that can deliver the most value with features and functionality before customization comes into play.

Large software companies have the third-party vendor partnerships and bandwidth to build you the perfect system—for a while. However, what you need today will certainly differ from what you need down the road. While

your ERP provider might have a strong track record of evolving their solutions to meet the changing needs of the marketplace, you could find yourself stuck in the past and unable to easily upgrade. Once you're running a highly customized system, you could be looking at increasingly expensive customization every time you want to take advantage of updates and improvements to the base product.

It doesn't take long for a distributor's needs to evolve. Between market changes, increased competition, and business growth, a perfect system can become imperfect quickly. Even homegrown or on-premises systems that were designed specifically for your business can become a huge burden over time. That's exactly the issue LH Industrial Supplies faced after several years on their on-premises software.

LH Industrial Supplies, a general MRO supplier and industrial supply house headquartered in Lafayette, Indiana, realized that they needed their company to remain relevant in the technological landscape. They were facing off against big box giants like Amazon® and were struggling. Eventually, their president, Kregg Cheek, realized that they needed a technology partner. He didn't want to deal with maintaining the servers or infrastructure of his site. He knew how much it cost to buy his own company server—and how much work it would take to maintain it—so going to the cloud was a no-brainer.



“It made a heck of a lot more sense for me not to have to worry about maintaining all that equipment and everything on my end. I like being able to log into my systems anywhere I want to—whether we work at home, on the road, or on vacation.”

Kregg Cheek, President | LH Industrial Supplies

After integrating into the cloud, LH Industrial Supplies processes orders much more quickly. This is largely due to being able to access their data—like their entire inventory—in real-time. As a result, their team can effectively manage sales wherever they are.

In addition, the company has had their sales go up a few percentage points after getting on the cloud. Even with fewer employees, they were able to process orders more efficiently—a 3 percent increase in revenue and overall productivity.

“As a small company, having a top-notch software program helps us compete with the bigger companies in the marketplace,” said Cheek. “Moving to the cloud with software takes away the cost and burden of maintaining our server and allows us to fully focus on the business. We’re now able to access the system anywhere—allowing us to be more productive.”

Christian Rescate, COO from ALP Supply, had similar experiences when his company looked to replace their ERP system. The company’s search was driven by the need for standard functionality that didn’t require costly customization or significant programming work.

In Rescate’s words, they needed a vendor that “... provided us the best-of-breed solution with significant off-the-shelf capabilities. We’re an industrial distributor, so we don’t have an army of programmers who can take care of a complex system.”

It’s not easy to determine which vendor has the most standard functionality to meet your needs. Vendor websites will idealize their solution and assure you a perfect fit, but it takes a lot of research—and usually a demo—to determine what’s standard and what’s custom.

You can find guidance with your buying groups or industry associations. Do they have preferred vendors? Which systems are other members using? Which software solutions are other businesses in your space running?

Regardless of how you determine which vendors to explore, when you’re ready to engage, tell them to clearly define what’s included and what’s going to require third-

party involvement or add-on costs. You may find a provider can cover 75 percent of your needs before any customization is even discussed.

It takes thorough due diligence to understand which system can match the depth of your needs, but first, you need to determine which solution can best cover the width of your project. When the vendor's core functionality resonates with your business and covers a majority of your needs, odds are the process and cost for any customizations will be smoother. Asking for details and pushing back on the vendor's assurances that they can meet all your needs is critical. For example, if you're an industrial distributor, knowing your potential vendor can support things like scheduled orders, VMI, lot tracking, rebate management, contract pricing, and similarly specific functionality is a good sign that they will understand the depth of your business, too.

Next—Outside the Box

Ensuring the system can be personalized and adapted without extensive customization

Finding the solution with the right functionality is one thing, making it work for your business without expensive customization is another. One way to accomplish this is to ensure that you can adjust some of the functionality to complement your business processes and workflows. You need to find a solution that has tools for modifying the system and adapting it to your processes without changing the application code, which can cause expensive problems over time. Just as important as ensuring that your system offers the right functionality out of the box, you need to ensure the right tools are available to tailor your system to fit your business processes and improve efficiency.

Some systems allow you to tailor the application's appearance and logic to your company's needs. Your users can customize windows, create user-defined fields, edit or add new tabs of data, personalize menus, adjust pop-up searches, add metrics, and even create customized portals for each employee. In some cases, you can even write your own business logic to conform to your company's unique processes. Key business data—such as sales performance against goals—should be easily accessible via dashboards that adjust to fit the needs of different users. As more and more solutions shift their focus to the cloud, these tools are expanding and improving.

Royal Corporation, a distributor of janitorial and sanitary maintenance supplies based in Santa Fe Springs, California, selected the Epicor Prophet 21[®] software solution in part because of the system's flexibility.

Questions to ask ERP software vendors:

How many of your customers are distributors?

Distribution is different from other businesses. You don't want to teach a software vendor how the distribution industry works.

How long has the company been serving distributors?

Longevity in a technology provider can indicate whether the company has the proper experience, and whether they will be around in the future to support your business.

Who will implement your software system?

Remember, you're not only investing in software, you're also investing in people. The weakest link in IT implementations is typically consulting expertise, so make sure a vendor's staff—design professionals; systems analysts; financial experts; and application, technical, and industry consultants—all understand distribution inside and out.

They should be able to recommend strategies and processes for achieving best-in-class performance, while demonstrating proven ability to complete implementations on time and on budget.

“The ability for Epicor Prophet 21 solution to adapt to our business needs without custom programming...has increased our efficiency, which translates to better service and value to our customers.”

*Jonathan Soon, Vice President of Operations
Royal Corporation*

Links Unlimited, a wholesale distributor of promotional products, also uses the Epicor Prophet 21 solution system. As CTO Brian Shank stated, “Prophet 21 software has a rich set of developer tools that give us the ability to modify it

for our needs—whether that’s through tools...or simply the flexibility it gives us as a SQL-based solution, we know Epicor is a reliable solution for us.”

At Productivity, Inc. in Minneapolis, Minnesota, a business rules engine allows for myriad ways of streamlining operations. “For example, we created a rule that if someone cancels an item, they must enter an explanatory note, and a checkbox on the front of the order indicates the note exists so no one has to go into tabs,” explained senior programmer Cathy Arbuckle.

She continued, “In Item Maintenance, we receive hundreds of new parts each week, and must track the bins, so we created a rule that double-checks it’s not a duplicate bin. And for credit card orders, we automatically populate the invoice class field as to whether we should invoice that customer by mail, email, or other means. We are seeing significant time savings from these streamlined processes.”

Every ERP system offers a different level of personalization features. It is critical to know how much you can adapt the system to your distribution needs without building a custom solution from the ground up.



Questions to ask ERP software vendors:

Is there an annual user conference focused on the needs of distributors?

You will benefit tremendously from being able to network with your business peers and share best practices for profitability. Be sure the software vendor provides a forum for continuing education and networking with a significant user base of companies like yours. Also inquire if their customer base has any independent user groups, and the number of distributors in those groups.

Is the company a member of associations and buying/marketing groups in your industry?

Does the solution provider attend or speak at tradeshows, annual meetings, and other events in your industry? Do they work closely with advisory groups to develop functionality that meets your industry needs?

Then—Connecting with Everything

Ensuring the ability to integrate with other technology

Perhaps the most important—and most challenging—consideration when selecting your next enterprise software solution is ensuring it can integrate with all the technology you leverage in your business. Every ERP company has a wide range of partnerships with third-party software companies, but you need to know that the system has a history of integrating effectively with any technology you utilize. That means selecting a tool that works with your customer relationship management (CRM) system, your marketing automation software, your eCommerce solution, and any other standard system that's become core to your business.

At Industrial Mill and Maintenance Supply, integration works hand-in-hand with adaptability and personalization features to improve communication and contribute to the success of the business. IT Director Bobby Brannon explained, “The flexibility...has allowed us to do several things we previously couldn't, such as launch an eCommerce site that's fully integrated with our inventory levels...and the SQL-based databases allow us to write scripts that feed information to salespeople on the road who may not always have access to the system.”

Besides integration with other systems you use, you also need to work effectively—and securely—with other third-party systems. That means ensuring your ERP has a strong application programming interface (API), which simply means a connector or intermediary that allows two software applications to communicate.

Brian Shank at Links Unlimited gave this simple example of API usefulness: “By leveraging the...API, we are able to take in orders from virtually any source, ranging from a file sent through an FTP site to an email, to reduce any uncertainty in the order. This means we can ship out orders faster, and in turn make our customers excited about the turnaround time for their orders.”

All these examples are relatable to any distributor, but the importance of focusing on integration potential is not limited to the basics. There's no precedent for the rate at which technology is evolving. When you implement a new business system, you need to trust that the provider will adapt to innovations you may not even be thinking of today. More and more distributors are embracing new technologies for greater efficiency—like robotics, artificial intelligence, and the Internet of Things (IoT).

Jergens, Inc., of Cleveland, Ohio has garnered much attention in the distribution world for their innovative approach to inventory management, which they call JIS Express. JIS Express was conceived and developed as part of the selection and implementation process for their ERP (Epicor Prophet 21 software). Matt Schron, general manager for Jergens's Industrial Supply Division, said that the project came from a desire to improve productivity for customers.

“JIS Express came out of a need we saw at many customer facilities. JIS Express is an inventory management solution that allows our customers to manage their inventory in a new, unique way,” Schron explained. “It is a WiFi-enabled button that is installed into our customer's facility. When they press the button, it connects directly into the Prophet 21 solution.”

Why go to such great lengths for an easy button? Schron said the results were significant and quick. “Since we've launched the solution, we have been doubling the amount of buttons we have in the field, the amount of orders we are receiving, and our sales volume every two months. The openness of [Prophet 21 solution] and the ability to connect instantly into our Epicor system is what has made this solution come full circle.”

Radwell International offers another example of innovative inventory management syncing with the ERP solution¹. Their unique automated storage system uses fast-moving robots to manage millions of new and used

1 <http://www.dvelocity.com/articles/20170829-22-million-skus-no-problem/>



industrial parts with ease. Using Swisslog's AutoStore solution, Radwell manages 50,000 stacked bins of small parts in a grid system worked by 34 robots for picking. All this is managed by Swisslog's SyncQ system, integrated with the warehouse management system in their Epicor

Prophet 21 software ERP solution.² The integration has been a tremendous benefit to Radwell. Among other efficiencies, Radwell employees say they have increased performance in pick productivity by 400 percent.²

Finally—Think Ahead

Knowing there is a clear upgrade path

In an unpredictable supply chain environment, with erratic supply and demand, ongoing challenges include the need for expanding supplier diversity, opening up an eCommerce channel for B2B customers and equipping employees to be mobile, work remotely and access information at any time and any device. Automating routine daily processes will be needed for improving efficiency. Personalized information for every organizational role and predictive insights will guide employee decisions in processes such as exception handling.

Consider whether the distribution ERP technology you are evaluating will help you keep pace now and into the future. An enterprise software system will have to adapt to new business and technology strategies that few of us can anticipate today. You need to be sure that your company's distribution software solution will be able to grow with the organization and adapt to changes in the business and marketplace, as well as continue to offer the best in ERP functionality as the technology landscape continues to evolve.

To ensure the solution provider has a strategic vision for distribution technology, ask these questions of your prospective vendors:

- What's on the technology roadmap?
- How does customer feedback impact your product roadmap?
- What percentage of development is for innovation versus bug fixes or incremental improvements?
- What's your cadence for releasing new versions of the software? Every other year, every year, every six months? (Use their previous two years' track record as proof.)
- What is your vision for business mobility?
- Can I access business information in environments outside of the ERP?
- Do the business applications run on mobile devices?
- How customizable is the software to your users' specific needs?
- Are you in the cloud? If not, do you have a vision for moving applications to the cloud?
- How are you addressing the changes brought on by IoT and Artificial Intelligence (AI)?

² <https://www.swisslog.com/en-us/warehouse-logistics-distribution-center-automation/case-studies-and-resources/case-studies/2017/11/radwell>



Summary

Implementing or replacing your ERP system is no light matter. It may appear to be a difficult and painful process, but, if executed correctly, it can open business opportunities and make your life easier. The cornerstone of this effort is finding the partner that can show you how to make this transition work—a partner with clear and demonstrable history of helping other distributors successfully reach their goals.

Your enterprise software provider must be part of your vision. They must have faced these challenges many times in their history and learned how to help distributors adopt new technologies. The future of your business

depends on whether they have successfully made the leap from one technology curve to the next and continue to innovate and deliver to help companies like yours lead the change.

Selecting the right software provider for your business can be a daunting task for those who lack experience in this process. No one wants to discover too late that they've invested in the wrong technology and chosen the wrong vendor partner. Arm yourself with information and references from prospective solution providers to ensure the choice you make is one that will help your business compete and grow well into the future.

EPICOR

We're here for the hard-working businesses that keep the world turning. They're the companies who make, deliver, and sell the things we all need. They trust Epicor to help them do business better. Their industries are our industries, and we understand them better than anyone. By working hand-in-hand with our customers, we get to know their business almost as well as they do. Our innovative solution sets are carefully curated to fit their needs, and built to respond flexibly to their fast-changing reality. We accelerate every customer's ambitions, whether to grow and transform, or simply become more productive and effective. That's what makes us the essential partners for the world's most essential businesses.

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