

ERP IN WHOLESALE AND DISTRIBUTION: IMPROVING CUSTOMER INTERACTIONS AT A LOWER COST

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Report Highlights

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Leaders prioritize collaboration with customers.

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Leaders are more likely to have integrated e-commerce and customer self-service portals with ERP.

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Leaders are 46% more likely to be able to share data with both customers and suppliers.

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Leaders saw a 15% improvement in time to decision over the past two years.

This report illuminates how top performing wholesalers and distributors rely on technology in the new business environment.

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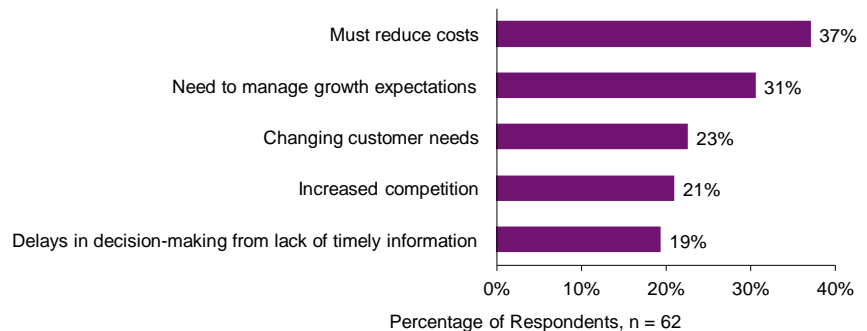
Online sales, and new delivery channels, have changed customer demands and brought increased competition from organizations that can now serve new markets. Is your organization equipped to meet customer demands, without sacrificing profit margins?

In wholesale and distribution, the customer is king. Online sales, and new delivery channels, have changed customer demands and brought increased competition from organizations that can now serve new markets. Is your organization equipped to meet customer demands, without sacrificing profit margins? This report illuminates how top performing wholesalers and distributors rely on technology in the new business environment.

Managing Customer Demands in a New World

In a recent survey, wholesalers and distributors were asked to indicate the top two challenges they face in the coming year (Figure 1). Along with the typical year-over-year pressures of cost control and growth concerns, today's wholesalers and distributors are faced with a competitive market, filled with demanding customers. Online sales have opened new channels that customers use to get their products, and have also enabled competitors to enter markets that they were unable to service in the past. Therefore, to differentiate, top performers must get the right products, at the right price, to the right customers when they need them. Unfortunately, many just do not have access to the information they need in order to act accordingly.

Figure 1: Top Challenges in Wholesale and Distribution



Source: Aberdeen Group, February 2017

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In this report, Aberdeen groups respondents into two maturity classes:

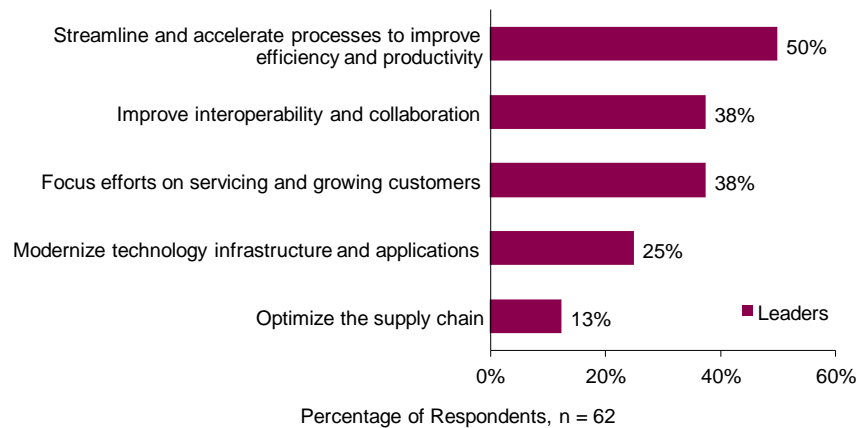
- **Leaders:** Top 35% of respondents based on performance
- **Followers:** Bottom 65% of respondents based on performance

In this report, respondents were ranked on the following criteria:

- **Complete and on-time delivery:**
 - Leaders – 95%
 - Followers – 86%
- **Inventory accuracy:**
 - Leaders – 97%
 - Followers – 86%
- **Improvement in profitability over the past two years:**
 - Leaders – 9%
 - Followers – 3%
- **Improvement in productivity over the past two years:**
 - Leaders – 12%
 - Followers – 0%

As they attempt to lower costs while improving communication with customers, leading wholesalers and distributors have enacted a series of strategies for the coming year:

Figure 2: Top Strategies of Leaders



Source: Aberdeen Group, February 2017

When it comes to lowering costs, and improving margins, Leaders are looking to streamline processes as well as optimize their supply chains. Streamlined processes mean that organizations can do more with lower impact on their resources. Optimizing the supply chain means that they can more effectively manage inventory, as well as keep prices for products in check.

When it comes to pleasing customers, Leaders have prioritized collaboration and service. This means getting a better understanding of customer needs, making it easier for them to interact with the business, and changing the way the organization delivers products, often requiring updates to workflows.

But for many wholesalers and distributors, new delivery methods, interoperability, and efficiency have proven difficult to implement. Therefore, another top strategy for Leaders is the modernization of the technology used to support operations. Enterprise Resource

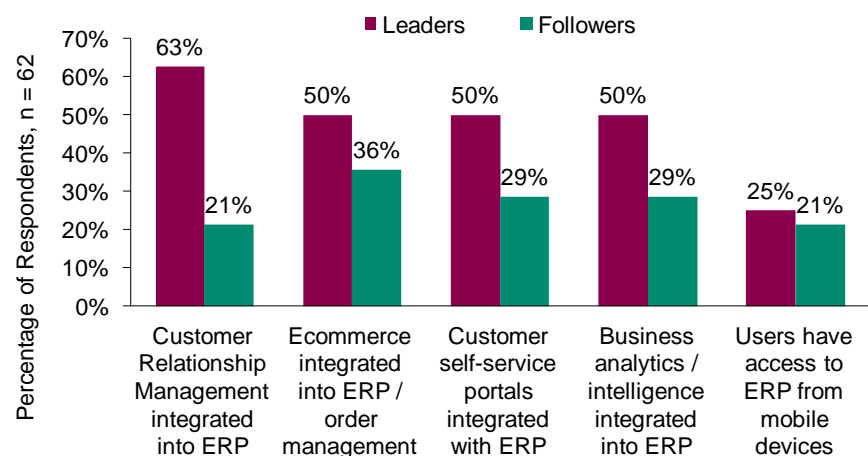
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Planning (ERP) is the foundation for this change, but top performers truly differentiate themselves in the actual emerging capabilities that ERP delivers for their organization.

ERP as a Customer Success Portal

Since success in wholesale and distribution is all about getting products, to customers, when they need them, and working with the supply chain, top performers choose ERP solutions that integrate with technologies that support these goals (Figure 3). For example, Leaders are three times as likely to have Customer Relationship Management (CRM), combined with ERP. This creates a centralized portal for customer data that interacts with supply chain functionality. At the same time, Leaders are more likely to have implemented e-commerce and customer self-service portals. These technologies facilitate communication with customers, making it easier for them to order from your organization, hopefully leading to more sales.

Figure 3: Improving Customer Management



Source: Aberdeen Group, February 2017

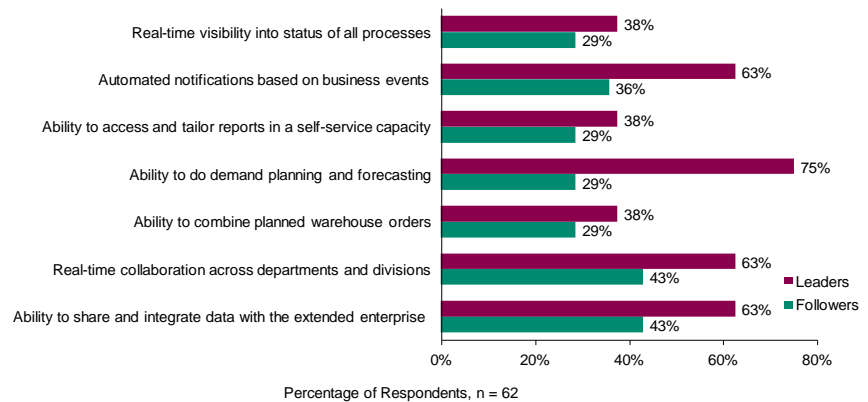
Combined with better access to customer information, top performers utilize the data, contained within ERP, to make better

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decisions and to become more agile. Notably, Leaders are 72% more likely to have business analytics integrated into ERP. This enables business leaders to make informed decisions, such as more accurate demand planning. Further impacting this agility is the ability to access ERP from mobile devices. Employees in the warehouse or out on the road can immediately access information, improving accuracy and enabling immediate reactions.

In fact, leading wholesalers and distributors are more likely to have implemented a series of capabilities that improve their ability to make decisions, as well as work with customers and suppliers, as illustrated below:

Figure 4: Visibility and Collaboration Capabilities



Source: Aberdeen Group, February 2017

For example, Leaders are 31% more likely to have real-time visibility into the status of all processes and data. For an organization with a lot of moving parts, such as a wholesaler or distributor, this is essential for handling logistics in an agile manner. In particular, automated alerts can inform actions based on changes in demand or other factors. Further, utilizing easy to consume data, in conjunction with analytic capabilities, top

performers can better plan and forecast demand (improving customer service and reducing costs) as well as informing changes in workflows, such as combining shipments.

Truly, interoperability is the key to success for wholesalers and distributors. As such, Leaders have prioritized collaboration capabilities in their ERP systems. Internally, Leaders are 46% more likely to have real-time collaboration across departments and divisions. Connecting functions, such as supply chain, sales, and finance, can help organizations meet their efficiency goals. Externally, Leaders are more likely to be able to share data with both customers and suppliers. This will improve service, reduce costs, and increase margins.

The Benefits

By prioritizing technologies and capabilities that lead to a more collaborative, informed, and analytical organization, top performing wholesalers and distributors have driven significant improvements, in performance, across a variety of metrics. For instance, due to easier access to data and better analysis capabilities, Leaders saw a 15% improvement in time to decision, over the past two years. (See Table 1, next page.) Not only is inventory data more accurate, but top performers can adjust their actions to deliver products more efficiently to customers. For Leaders, this has contributed to a nine percent improvement in profitability over the past two years. Ultimately, the technology noted previously in this report, provides a foundation for success for wholesale and distribution in a changing market.

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Table 1: The Results

| Performance Metric | Leaders | Followers |
|---|---------|-----------|
| Improvement in time to decision over the past two years | 15% | 6% |
| Improvement in profitability over the past two years | 9% | 3% |
| Complete and on-time delivery | 95% | 86% |
| Inventory accuracy | 97% | 86% |

Source: Aberdeen Group, February 2017

Key Takeaways and Recommendations

By combining ERP, with the actions and capabilities illustrated above, top performing wholesalers and distributors help their enterprise work together with their customers and suppliers, making them easier to do business with and keeping costs low. Additionally, Leaders provide visibility across the organization, to make the entire business run smoothly and cohesively. Of course, this is easier said than done. To succeed, wholesalers and distributors should prioritize the following criteria when selecting an ERP:

- **Support for customer interactions.** Customers expect to be able to get the products they need more quickly and easily than ever before. They also expect you to be able to tailor your interactions with them. Top performers integrate their ERP solutions with ecommerce and customer portals to meet customer expectations.

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- ➔ **Improved analytical capabilities.** Demand management, and quick thinking, is essential for success in wholesale and distribution. ERP provides a location for this data, analytical capabilities make it consumable.
- ➔ **Operational flexibility.** There are a lot of moving parts in this industry; access to data and tailorable solutions enables agility.

A modern ERP implementation facilitates customer service in a competitive environment for wholesalers and distributors.

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[Top Performers Know It's Time to Migrate to Cloud ERP: Here's Why and How](#); October 2016
[Create a Foundation for Competitiveness with ERP and CRM](#); August 2016

[Cloud ERP in Wholesale and Distribution: Driving Success Across a Wide Network](#); October 2015
[ERP's Impact on Demand Planning: Crucial Capabilities for Accurate Forecasts](#); August 2015

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