

# 7 STEPS TO SELECTING DISTRIBUTION ERP

Your comprehensive guide to selecting the best ERP software for your distribution business

## GUIDE HIGHLIGHTS



Tell-tale signs that you need a new distribution ERP



Requirements analysis of key distribution disciplines



Finding the right ERP for your distribution processes



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Written by experienced distribution ERP project managers, this guide will give you a headstart on your ERP selection, including:

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## SIGNS YOU NEED A NEW DISTRIBUTION ERP

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You turn the crank. The music plays. Suddenly, Jack pops out of the box. Once upon a time, things moved along in an orderly fashion to the expected conclusion. Business just isn't that simple anymore and knowing when to replace your distribution ERP and upgrade your business systems is one of the complexities of modern commerce. In this guide we look at the steps you can take to find the right ERP for your distribution business, starting with sure-fire signs that your legacy system is in need of an overhaul.

### FREQUENT INVENTORY SHORTAGES OR EXCESS

Look around your warehouse. Are your shelves full but lacking the correct products to complete orders? Distribution runs on having the inventory a customer wants and nothing more. A new distribution ERP can help achieve that goal.

Fast and efficient order entry allows checking of product availability immediately. On the shelf now? Check. Available now, or has another customer asked for it? Distribution ERP provides this data in a second. Not on the shelf? No problem. Where did you buy it last time? How long did it take to arrive? Is there a comparable product you have already that will satisfy the customer? Modern purchasing and supply chain modules will have the answer.

*“Knowing when to replace your distribution ERP and upgrade your business systems is one of the complexities of modern commerce”*

A good distribution ERP should work in reverse too. Too much on the shelf? Can you return it? Who bought it last? Maybe they want a few more still. It might be best to simply clear the shelf and make room for something that will sell. A new distribution ERP can help make those decisions and many others through accurate “inside-out” reporting.

### YOUR DISTRIBUTION ERP CANNOT BE INTEGRATED WITH OTHER SOFTWARE

Today's distribution ERP systems can connect to and use data from many other systems. As an example, many distributors have conveyors in their warehouse and these fill boxes as they move along the line. The conveyor weighs the filled box and connects directly with the carrier system to

prepare the shipping documents and get tracking numbers before the box is taped closed. That is integration. At the same time as the box is closed and signed-off for dispatch, the customer is charged through your ERP payment processor integration.

Imagine one more SKU is due this afternoon to complete that big, important order. Your inbound trucker carrying that item has already made an appointment for your dock to unload. Your new distribution ERP identified all the products on that truck, calculated the best dock and prepared a cross-dock movement of that last SKU so it gets on the outbound carrier with no delay.

## **YOU STILL HAVEN'T SET UP AN E-COMMERCE PORTAL**

Allow customers to place their own orders and pay for them right away. The web portal links directly to your new distribution ERP so you can schedule a delivery or purchase the items desired. Even complex orders are handled with ease. You can deliver specific lots to fill the order. You can track shelf life of your product to ensure your inventory is good and to provide the maximum shelf life to your customer. Distribution ERP will also control inventory using FEFO or FIFO rules as needed for your business.

Once you have decided to take the plunge and start looking for a new distribution ERP, you'll need to know what features to look out for and what benefit they can bring. The next five chapters will highlight key functionalities and how they can help your business.



## REQUIREMENTS ANALYSIS: INVENTORY

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Distribution is a fast moving business. The margins are often low and a product that isn't available when an order comes in can lead to an order that never transitions to a completed sale. Because of this, there is often a myriad of pressures exerted on distribution inventory processes and the ERP system you choose to manage them.

Distribution ERP provides the tools you need to keep inventory accurate and constantly in motion. Inventory data that is 100% accurate, or very nearly at that level, is a must. That kind of accuracy comes from transactions that are easy to record as they occur and difficult to record incorrectly. This data accuracy is also a result of constant data auditing and cleansing and relies on a system which supports your inventory management.

### SUPPORT FOR WIRELESS SCANNERS

The benefits of barcoded transaction technology have been proven over time and is relatively inexpensive. In the past, a warehouse worker would move a product to a put-away stock location and then fill out a paper record of this transaction. Later, another individual would key that transaction into the ERP system. During that time delay, the actual level of inventory is only a best guess.

Today, ERP users can scan the product SKU, the purchase order number, and the stock location ID. With a wireless scanner, the transaction is recorded within seconds of the physical movement and accuracy is nearly certain; a barcode reader never copies down numbers incorrectly.

### AUTOMATED CYCLE COUNTING

Your distribution ERP system should also select a statistically valid sample of inventory products to check every day. You will work with your ERP to set the sample size at a level that is small enough to ensure system load is not excessive and large enough to be meaningful. With this in place, a worker can locate and count the sample in as little as fifteen minutes a day.

Location of the sample is quick because the inventory is already known to be somewhat accurate. The count is recorded using a wireless device so the inventory count is immediately updated. The most important value your ERP can provide here is the reason for the difference between expected inventory and recorded inventory. Over time you will find that 80% of variances are caused by 20% of possible reasons. Correcting a few processes will quickly resolve a large number of variances.

Accurate distribution inventory management allows your sales department to quickly decide if they should take a customer order and gives them the ability to make a commitment with confidence that the order can be delivered. Accurate inventory counts also allow confident reporting of inventory values and cost of sales on financial statements.



## REQUIREMENTS ANALYSIS: CRM

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You go home after another hard day at your distribution facility. Your customer commitments are made and all is ready for the next day. In the morning, the order that could previously wait a few days has been reclassified as a top priority and the incoming delivery that was due at 7 AM is stuck on the highway behind a storm. This story will be all too familiar to many of you.

Your customers expect you to be flexible at every possible moment to meet their ever-changing requirements, even if this does not always seem possible. That is the nature of distribution. A distribution ERP system CRM module that fits your business needs will provide the visibility you need to make real-time decisions on customer accounts. It will help you become easier to do business with and provide the tools you need to stay ahead of your competition and enable best practices.

### REAL-TIME ORDER STATUS

Your customer calls to ask if the delivery scheduled for 5 PM can be made at 4 PM instead. You check your ERP CRM module and see the real-time status for every line on the order. Some lines are already picked and waiting in shipping, other lines are scheduled for picking in the next couple of days. The line expected to be received today is already on hand. Two lines need to be picked earlier than scheduled, but there is picking capacity to meet this change.

*“Your customers expect you to be flexible at every possible moment to meet their ever-changing requirements, even if this does not always seem possible.”*

In only a few seconds, you can review the status of the entire order and reply to the customer that a 4 PM delivery will be made. Your customer is saved from a jam in his business and happy they selected your distribution business as a partner.

### ORDER ENTRY TAILORED TO YOUR PROCESSES

Customer orders come in over the telephone all day. Other customers place their orders online using your self-service portal. Your drivers call in from a customer site while making a delivery with new orders for that customer. Emails hit your inbox with order queries and bookings every day. You are, of course, happy to have all this business, but that doesn't mean it is without its challenges.

If telephone sales are a primary source of orders, you should look for a distribution CRM module with a simple user interface that allows your customer service team to quickly go through order entry while on the phone. If your remote staff are responsible for the majority of your sales orders, then a distribution ERP with mobile CRM support and offline mobile access may be a priority.

Each of your customers has their own style and preferred way to communicate their requirements. A comprehensive distribution ERP will work with any of those styles, making it easy to place an order. Your competitors require each order to be on their internal paper order form before acceptance. Who would customers rather do business with?



## REQUIREMENTS ANALYSIS: DEMAND MANAGEMENT

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Demand is rarely something that just shows up when your customer places an order. Distribution ERP should have a database of past orders with customer and order data in an 'easy-to-query' format. If this is the case, you will have spotted some clues to future demand as you listened to your customers talk about their plans and upcoming promotions. But these clues don't equal a true forecast; to achieve that, you will need to select a distribution system which has the latest demand management functionality.

### FLEXIBLE AND AUTOMATED DEMAND MODELING

Distribution ERP can collect and summarize your data by products and customers, process the data and find a model that fits to create a demand forecast. Using historical data and the latest statistical models, your ERP software could change many of your previous hunches into well-informed decisions.

You may also want to look for an ERP which allows you to test different models and datasets within the demand forecasting module. Group your products to see if the demand model is better than your results for individual products; group your customers into categories as well. The results for "all restaurants" might be more valuable than any single restaurant client.

*"Distribution ERP should have a database of past orders with customer and order data in an 'easy-to-query' format"*

### SUPPLIER INTEGRATION

If the pressures in your business reside at the supply, rather than demand, end of the scale, a good solution is to find an ERP that can integrate with your supplier systems. If your suppliers can provide all you need on time to meet your demand, you are in good shape. But when your ERP system finds a disconnect, you can take action. Can you find an alternate product you might not carry now that will satisfy your customers? Can you help your customers reshape their orders by moving promotions earlier or later in your schedule? Managing distribution demand means you are working on both the demand and supply side to keep them in balance, your ERP system should be helping you.

## DEMAND FINANCIALS

If you implement an ERP system which provides a managed demand model (as discussed earlier), you can predict revenue, cost of sales, and cash flow with reasonable confidence. Will you have excess cash for a time? Will you need to borrow to maintain your current assets? The answer to these questions can have such a big impact on the financial health of the business that a return on this feature is a strong possibility.

## WORKFORCE SCHEDULING

If business is light today but a spike in demand is approaching in three months, ERP can suggest workforce schedules to accommodate the peaks and troughs in labor demand. If you see you will be short of the number of workforce required to meet demand forecasts, you will be able to take action to correct the situation. Should you arrange for temporary workers? If you plan to hire people, begin early, as it takes time and effort to find the right people and then more time to train them properly.

On every level, distribution ERP can help your demand management. These are just a few features to look for in during your system selection process, so remember to tailor your search to your requirements.



## REQUIREMENTS ANALYSIS: MOBILE

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In our modern world, we are all on the move. Business doesn't stop and wait for us, and in no sector is this more accurate than distribution. With this in mind, an ERP for distributors must have a whole raft of mobile features designed to support the mobile workforce.

### SUPPLIER & CUSTOMER PORTALS

Using mobile ERP provides the agility you need to serve your customers. You get a call with a request and can reply immediately with an intelligently made decision. There is no need to place the customer on hold while querying data only accessible in the head office.

Customers can have the same access through their devices. You may have told the customer that delivery of a certain order would be very close to their deadline. Naturally, they are nervous. But this is not a problem; they can check on the status of that order through the customer portal in your mobile ERP app while on route to their customers.

### MOBILE & SOCIAL PROJECT COLLABORATION

That mobile connectivity extends to social collaboration as well. Our own employees can join with suppliers and customers to track projects and share and spread information on the go. No longer do you need to call a meeting and ask everyone to participate at the same time or place.

You may have a complex distribution project ongoing. There are products from several suppliers on the way from around the globe. Parts are stored in third-party warehouses and need final customization for particular customers. All this is part of a worldwide rollout for your customer, and precise timing is important, as fulfillment has to match their advertising.

*"The distribution business moves quickly. Decisions require real-time data and need to be made rapidly and communicated just as rapidly."*

ERP remains the system of record. You can display important data within the stream of collaboration taking place on our mobile ERP app as transactions are processed. Everyone working on the project can see the up-to-the-minute status of the overall project, as well as their particular piece of the project. All can see the same information and discuss what has happened and next steps on their own devices when they are ready to join the conversation.

## WAREHOUSE MANAGEMENT

On a smaller scale, an employee who normally uses their desktop computer might get a request while walking through the warehouse. There is no need to find the nearest computer, since they can just log into the ERP from their mobile device. Whatever warehouse data is necessary is immediately at hand from fill rate to inventory turnover.

The distribution business moves quickly. Decisions require real-time data and need to be made rapidly and communicated just as rapidly. The right mobile distribution ERP can make those decisions possible.



## REQUIREMENTS ANALYSIS: WAREHOUSE

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“The monkey chased the weasel”... so goes the venerable rhyme, Pop Goes the Weasel.

Does that line describe your warehouse management processes? Do your people spend time moving a lot of products you can't sell and looking for the product your customer wants that is supposed to be on hand and ready to ship out? Do you think a new distribution ERP system can help?

Warehouse management aims to make every action in the warehouse a value-adding action. An ERP for a distribution business is the toolset you need to accomplish this goal.

### SLOTting AUTOMATION

A product arrives from your supplier. ERP warehouse management modules can tell you what orders require that product and when they are due to ship out. ERP can also suggest the best place to move that product to from the receiving dock. It might even suggest splitting the receipt so the part is close at hand for a shipment tomorrow and the remaining balance is stored for another shipment next week. The best warehouse logic is stored in a good distribution ERP, so your workers can almost always simply follow the suggestions it provides.

### ORDER PRIORITY

A customer places an order. ERP should quickly evaluate whether all the items are available now and, if not, when they should be based on expected incoming deliveries. Depending on the expected time of the delivery, the ERP might suggest you begin to pick the order now or suggest the time is better spent picking another order that can be shipped on time. Some orders must be shipped complete and others allow shipping of lines that are available now. Some customers will always have priority and orders for those customers should be scheduled for picking to ensure on-time delivery, perhaps even to the detriment of another customer's order.

### PICKING PRIORITY

Your warehouse crew gets orders for picking throughout the day. The picking orders generated by ERP warehouse management modules will be based on planned customer shipments, but should be seen by the pickers as sorted by stock location for more efficient work planning. Optimizing labor efficiency is important as it allows costs to be reduced and optimized.

## SURPLUS INVENTORY MANAGEMENT

You place purchase orders for products based on your best demand forecasts. But customers will change their requirements and inventory will deteriorate – that is just a part of the distribution business. A thorough distribution ERP will help monitor your entire inventory including products that do not sell or cannot be sold, so quick action can be taken on these items. Can it be returned? Should you move it to the dumpster? Whatever needs to be done, inventory should never sit passively on the shelf.

A distribution ERP with the right warehouse management tools will help keep the right products in the right locations and keep your crews working efficiently to serve your customers. That sounds better than chasing a weasel, doesn't it?



## IDENTIFYING THE RIGHT ERP FOR YOUR BUSINESS

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Once you have figured out which features your distribution ERP should have, you can then begin the process of looking for new software. The final part of this guide sums up how you can start making a shortlist.

The distribution business will always be slightly unpredictable, but the right ERP can help increase profitability and decision making in the face of uncertainty. However, the wrong distribution ERP system can leave you out of pocket and in the mire.

### INVENTORY ANALYTICS

Distribution inventory must turn constantly, so be sure the ERP you choose has excellent inventory analytics. You may want to look at overall inventory to be sure the financial turnover meets your plans. You may want visibility for every SKU as well. Before buying 500 kg of product for a customer, you need confirmation that they placed an order for this amount. And, if you made a mistake and realize that the customer does not need 500 kg, you need to find another customer immediately or arrange to return the surplus while it still has value.

### SALES VISIBILITY

You may have multiple sales orders in process at any moment, which come quickly from a variety of channels. Your distribution ERP has to help manage those orders. Orders must be in your system quickly and accurately and must be immediately visible to the people who perform the fulfillment activities.

Your committed stock must also be visible to salespeople and customers who might want the same products; this ensures no one tries to place an order that cannot be filled. Some orders have special qualifiers attached, such as all lines delivered at once. Your pick and delivery crews must see those qualifiers and never miss a customer requirement.

*“The key to a successful ERP selection is identifying the differential system characteristics that matter to you and your business.”*

## CALCULATING ROI

Like anything you purchase, a distribution ERP must provide a sufficient return on your investment. The cost of ownership, including up-front costs and ongoing expenditures, must be less than the benefits provided. You will need to forecast those benefits. How many more orders can you accept and fulfill on time? What costs could you save through the ERP? Are you able to work in any new business areas because of the ERP? Could you increase your revenue? Could your financial statements become available more quickly and more accurately?

## INTEGRATION REQUIREMENTS

Your distribution ERP must support integration with other core systems you utilize. You might have an automatic weighing system in your conveyor now. It should link to the ERP with little difficulty and post the weights and calculate shipping costs as if they were a single system. You could have a transportation management system in mind for next year. ERP integration should allow you to connect future systems in your technology roadmap.

These are just a select few areas which allow distribution companies to differentiate ERP systems from one another. The key to a successful ERP selection is identifying the differential system characteristics that matter to you and your business.

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