

ERP VENDOR UPDATE

Distribution

9 Software Companies, 12 Solutions

Insight on Today's Top ERP Providers



ULTRA
CONSULTANTS

ABOUT THIS REPORT

ERP Vendor Update: Distribution is compiled by Ultra Consultants from interviews with software company product experts, product documentation and product briefings, independent research and Ultra internal documents.

Ultra's Insight is the opinion of our expert consultants, is based on interviews with software company product experts, project experience, sales experience and product knowledge, and is not intended to provide a complete review or comprehensive analysis of the products or companies described.

Note: This report covers selected ERP vendors, which were chosen based on solution suitability for the distribution vertical, market presence, and Ultra's most-recent product information and project experience.

Company and product information in this report has been reviewed by the software vendors featured.



Today, in what many are calling “the new now,” distributors are challenged like never before: Supply chain networks remain exceptionally complex and unpredictable, competition is tougher every day, and customer expectations are escalating. And, most important (and concerning), margins are slim (and getting slimmer).

It’s critically important to do everything that can be done to shave costs, increase revenue and boost profitability. The challenge is identifying the processes and functions where new efficiencies, a couple of pennies and a tenth of a percentage point of improvement can be found.

How can your organization get more efficient? The answer: By driving change in virtually every function.

Fix broken business processes. Eliminate workarounds and manual make-dos. Integrate core systems. Optimize purchasing. Maximize warehouse efficiency. Streamline logistics and shipping. Shorten the order cycle. Improve supply chain management. Accelerate invoicing. Enhance cashflow. Upgrade analytics. Enhance transparency and visibility into operations.

To do these things, you need the right ERP solution. But what is the best solution for your organization?

That’s a difficult question. Because every company is different. Because no company handles any phase of operations the same way. Because business processes are built around the unique requirements of each organization.

Start by asking a different set of questions: What new capabilities does your organization need and want? What problems are you trying to solve? What do you want your core processes to look like? How can new tools enable your organization’s digital transformation?

5 BEST PRACTICES FOR ERP VENDOR SELECTION

Whether your company is implementing an ERP system for the first time, or replacing a legacy implementation, it's critically important to make the right choice.

We asked our expert consultants to give us their thoughts on best practices in ERP selection for distribution organizations, and this is what they told us:

1. Emphasize Industry Experience

Focus on distribution industry experience when choosing an ERP vendor, including (and especially) your particular segment. Here's why this expertise is important: An ERP vendor may have broad distribution experience but may not have deep knowledge of the unique needs of your segment. Look at its overall presence in distribution, too. Is its toolset widely used by companies like yours?

Ask your potential vendors to tell you how they plan to be a leading solution in your marketplace. Evaluate its features and functions to see how well they align with the industry's challenges. Read the case studies and success stories provided by the vendor – they are a good source of insight into how they build solutions for companies like yours. Ask for the product roadmap for your industry segment.

2. Assess the Total Cost of Ownership

Establish a budget in terms of implementation and total cost of ownership (TCO), then ask potential vendors if your budget and their solution are a fit.

A solution quote usually includes software (subscription or license), first-year support and implementation consulting. (Additional sites and add-on modules will be extra.) TCO, however, is broader, and takes into consideration per-user license costs, training, maintenance, customizations, upgrades, internal costs and other fees.

If the system is cloud or software as a service (SaaS), take a hard look at the Service Level Agreement (SLA) for any hidden costs, such as system enhancements and upgrades.

The scale and complexity of most ERP projects make it difficult to get, and stick to, a fixed price. Be aware that ERP vendors that offer a fixed price might exclude necessary work and training. Identify and note all inclusions and exclusions.

3. Consider Technology Strategy

Know that an ERP solution must fit the overall IT strategy of your organization. And because the IT department plays a key role in deciding whether an ERP system is feasible, it should determine and provide any technology requirements at the outset.

If on-premises ERP systems are a consideration, the IT department will need to have the resources to maintain and upgrade the software, as well as be able to provide the necessary infrastructure, servers, databases and security.

If the company is going with a cloud-based system, it's still essential to have the IT department involved in the ERP vendor selection process. There may be connectivity and integration issues with existing systems, particularly legacy on-premises systems.

4. Put the Vendor Under a Microscope

Where will the vendor be in the next five or 10 years? Many niche players have been acquired or merged with other ERP vendors – with both positive and negative results.

What's important to your company? The major ERP vendors offer big, broad solutions that will meet most of your needs, but come with greater complexity, risk and investment. Specialized vendors offer “smaller” solutions that will meet your industry-specific requirements but may not be as strong in some core functions.

5. Speak with Real Customers

Don't let your ERP vendor get away with giving you a list of hand-picked customer references in a variety of industries.

To get the best idea of how a solution will perform for you, ask for references that have been on the solution for at least a year, are in the same industry as your company, are roughly the same size, and have similar requirements. Then make the effort to speak with these customers (particularly their ERP professionals) to get their insight, opinion and feedback. Choose one for an on-site visit.

By applying these best practices, your company will better understand the strengths and weaknesses of potential ERP vendors. And it will be easier to narrow down the list and choose a software solution that will deliver greater efficiency, improved visibility and a competitive advantage.

Top 10 ERP Selection Criteria

- **Functional fit**
- **Industry experience**
- **Software price, TCO and ROI**
- **Vendor viability**
- **Implementation project considerations**
- **Technology**
- **Risk**
- **Scalability**
- **References**
- **Post go-live support**

EXPERT Q&A:

LESSONS LEARNED FROM THE PANDEMIC - AND SMART CHANGES TO MAKE

Many distributors struggled amid the uncertainty of the COVID-19 pandemic. But that is old news.

What's interesting – and important – now is to look closely at how distributors reacted and adapted to a suddenly (and fundamentally) changed business environment, determine the lessons learned from the unprecedented disruption, and identify the changes forward-looking companies should make to their business, strategies, processes and technologies to prepare for the (inevitable) disruptions to come.

We asked one of Ultra's experienced distribution consultants, David Saunders, for insight into the effects and after-effects of the pandemic from the distributor's point of view – and the transformations smart organizations are making to ensure they're ready to handle the unexpected. Here is an edited version of the conversation:

Let's start by setting the stage for our conversation. What were the most significant pandemic-related disruptions for distributors?

David Saunders (DS): The biggest problem distributors encountered was major disruptions to their supply chains. Distributors couldn't get product from their vendors and suppliers, and if they were importing anything, some countries were

shut down for a period, and manufacturers and suppliers in those countries were unable to provide items that were ordered.

Obviously, that was a big challenge. Even though U.S. distributors were back at work, they experienced significant supply disruptions domestically and internationally, and then ran into secondary problems like manufacturing shutdowns, driver shortages, travel restrictions and lockdowns. At some points it was impossible to get resupplied.

And there was another disruption, too, which was not any less significant: Because of lockdowns, people were unable or afraid to go anywhere – including the office. Most distributors rely on their sales team to sell products, but salespeople were unable to go out and sell. So, for a lot of distributors, their sales model was disrupted. And, on top of that, if they had an on-premises ERP solution, they couldn't access it to get orders into the system.

All of this was, well, not at all optimal. Distributors were challenged getting sales orders, and when they could, they struggled getting product to fulfill them.

How did distributors adapt to those difficult circumstances?

DS: There's only so much you can do if you can't get product from overseas. For a distributor, the next option is to source

what we need locally and domestically and go with a multi-vendor strategy. But that presents its own problem: Are we set up to find and utilize multiple sources for the same or similar product?

Not all ERP systems, especially older ones, are designed to handle an item with multiple suppliers associated with it. As a result, you end up having to manage things manually, including manually overriding orders. Again, that's not optimal.

Setting old-technology issues aside, the pandemic pushed distributors to reduce their risk by finding additional and backup sources, and by establishing new supplier relationships.

The pandemic also created an opportunity for their purchasing team to step back and revisit the products they're sourcing, where they're sourcing them from, and look at alternatives. Their most important questions: How can we create an effective supplier strategy and evaluate vendors, so that we know we can always get the product we need? Which products are critical to our business?

As a workaround to lockdowns, and to combat manufacturers bypassing them with direct sales, smart distributors shifted their focus to ecommerce – a change that brought in critical revenue and a renewed emphasis on their value-add.

The value-add can be speed, product offering, product knowledge, customer service, customer support, single-source. Sure, customers could go to the manufacturer to get the product. But if they go to their distributor, they can choose from a broader offering, they can pay one invoice, they can access deep product knowledge and, if they have an issue, the distributor is there to resolve it. A distributor is a one-stop shop. And they'll take care of you.

What are distributors doing to accommodate B2B customers' increasing preference to buy online?

DS: That's a challenge. The trend is that B2B buyers are becoming more like B2C buyers. It's the "Amazon effect." Many of today's B2B buyers want the Amazon experience. They don't want to talk to or interact with a sales rep. They want to go online, see all the options, know what's in-stock, place an order, get an email confirmation, and know when it's going to show up on the dock. That's what they're used to as consumers, and that's what their expectation is when dealing with a distributor in B2B.

It doesn't mean there isn't a role for salespeople going forward. In fact, there is a critical role for them. But what they do needs to be redefined. And companies need to transform the service they're providing through their sales team, and need to change their focus from being order-takers to becoming true partners and product experts who help their customers' businesses be successful.

With the worst of the pandemic behind us, what are the lessons distributors learned, and how are they adapting their businesses to the new now?

DS: One of the things we're seeing is that distributors are wondering what they want to be from a strategic perspective. The world's changed, and this is not going to be the last disruption.

What can they do to prepare their organizations to be proactive and be able to respond and quickly adapt to changes as they come? Do they have the right people, processes and systems in place?

How do they compensate for labor shortages going forward? Who's going to fill their open positions? Or are we looking

at a new dynamic in the marketplace where we rely more on systems to process basic sales orders?

Is their ERP solution current enough to enable more automation, leverage advanced technologies and accommodate change? And is their ecommerce solution integrated enough to be efficient, effective and successful? Can they utilize sales order processing technologies to automate the intake of emailed, PDF and printed orders, and handle invoice and payment, with minimal human interaction?

There are a lot of technologies available to drive sales, mitigate disruption and eliminate basic, manual, non-value-added activities, processes and decisions. But you've got to have a modern ERP to take advantage of them.

Many distributors are moving to a cloud-based ERP solution to enable their people to work remotely. We had a client that went live on a cloud solution right before the pandemic hit, which was fortunate. Their first comment was, "I don't know what we would have done if we hadn't migrated to a new solution." Their old ERP was a stuck-together, very manual, on-premises solution. And now they're on a modern, cloud-based solution. And they didn't miss a beat in the pandemic. They were lucky and smart, with our help.

What should distributors do to prepare for future disruptions? Or how can they change their business so disruptions are not disruptive to their business?

DS: There is always going to be some sort of disruption. Are you prepared? Are you thinking strategically about how to react to them?

It's all about evaluating the three core pieces: people, processes and systems. Do you have flexible processes in place, and

will your technology enable greater agility? Are you able to quickly react to unforeseen circumstances?

And labor shortages will only get worse as the Baby Boomers continue to leave the workforce. Who's filling their jobs? Maybe no one. The answer may be increased automation, artificial intelligence (AI) and machine learning.

It's important to remember, too, that disruptions can be something other than a pandemic. Tomorrow's disruptions may be technological - artificial intelligence, the Internet of Things (IoT), machine learning, etc. These are potentially tremendously disruptive technologies. And for distributors, success may depend on whether they are ready to leverage the advantages and opportunities they offer.

Today, it's important for distributors to have the right systems to manage effectively, operate efficiently and thrive in the future - no matter what happens. It's necessary to have the right processes in place to quickly adapt to marketplace changes. And it's critical to be able to take advantage of advanced technologies.



David Saunders is a Senior Consultant for Ultra Consultants, with more than 25 years of experience helping wholesale distribution companies and manufacturing organizations

leverage modern ERP technologies, optimize their operations and accelerate their business processes.



Ultra's Insight: Flexible Solution for Complex Businesses

Sage X3 is a well-established ERP solution that has been serving customers for more than 20 years. Sage X3 has 600 North American customers, with 80% of those customers being in the United States, and the balance in Canada.

Sage X3 focuses on the manufacturing and distribution industries, and particularly companies with the "multis." Any company with the complexity of being a multi-national, multi-language, multi-currency operation, or has multiple entities is an excellent fit for the Sage X3 solution.

The ideal company size for Sage X3 are companies with around \$30 million in revenue or higher, and have at least 50 employees. Companies with international supply chain complexity are a particularly good fit, such as furniture distributors managing the flow of inventory from manufacturing locations overseas (or having a vendor manage it but have access to their ERP system) and then handling distribution from warehouses in the United States or Canada.

Sage X3 used to be primarily an on-premises solution. But over the past few years, Sage has seen its customer base shift to being 80% cloud. Sage X3 offers a

single-tenant cloud solution using Amazon Web Services (AWS) or a third-party hosting provider.

The competitive advantage that Sage X3 provides to customers is the ability to collect and access data and then share it across the entire enterprise. The WMS portion of Sage X3 is a strong out-of-the-box solution that often exceeds the functionality of the competition. Sage X3 continues to develop their WMS solution and is adding even more functionality to strengthen its inventory management functionality around barcoding, license plate tracking and picking.

Sage X3 releases updates to its ERP on a quarterly basis, which, compared to semi-annual updates, provides customers with faster access to new functionalities.

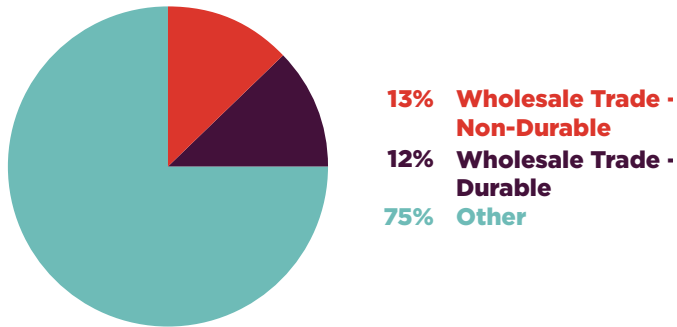
Sage Customer Service and strong ecosystem of Value-Added Resellers provide the support customers need to make the most of their investment. Customers should expect not only to have great customer service, but reduced inventory carrying costs, access to an extensive ISV ecosystem and strong WMS functionality.

For Sage X3, the more complex the customer's business the better, as its flexibility is an advantage over the competition.

KEY ERP SOFTWARE CAPABILITIES: Sage X3

| CATEGORY | FUNCTIONALITY | CLASSIFICATION | DEMONSTRATED INTEGRATIONS |
|--------------------------------|-------------------------------------------------------------------------|----------------|---------------------------|
| Customer Management | CRM - Pipeline Management | Core | |
| Customer Management | CRM - Marketing Management | Core | |
| Customer Management | Customer Quotes | Core | |
| Customer Management | Customer Case Management | Core | |
| Customer Management | Automated Sales Order Processing | Core | |
| Customer Management | Pricing, Rebates and Promotions | Core | |
| Customer Management | Customer Returns | Core | |
| Customer Management | Omni Channel Support | Core | |
| Customer Management | Point of Sales Support | 3-P | Ivend |
| Customer Management | Sales Tax Calculation and Reporting | 3-P | Avalara |
| eCommerce | B2B Customer Portal | 3-P | Commerce Build/Magento |
| eCommerce | B2C Customer Website | 3-P | Commerce Build/Magento |
| Field Service | Field Service Mobile App | Core | |
| Field Service | Field Service Management | Core | |
| Field Service | Warranty Management | Core | |
| Supply Chain Management | Qualitative Forecasting | Add-On | Sage Inventory Advisor |
| Supply Chain Management | Demand Planning | Core | |
| Supply Chain Management | Distribution Resource Planning (DRP) | None | SAGE MRP |
| Supply Chain Management | Product Costing Methodologies | Core | |
| Supply Chain Management | Global Supply Chain Visibility | Core | |
| Procurement | Alternative Product Sourcing | Core | |
| Procurement | Automated Payables | 3-P | AI-Tec OCR |
| Procurement | Vendor Returns | Core | |
| Product Management | Product Lifecycle Management (PLM) | None | |
| Product Management | Product Data Management (PDM)/Product Information Management (PIM) | Core | |
| Product Management | GS1 GDSN Data Synchronization | 3-P | True Commerce |
| Product Management | Product Profitability | Core | |
| Quality Management | Serial and/or Lot Control Track-and-Trace | Core | |
| Quality Management | Quality Compliance | Core | |
| Quality Management | Non-Conformance Management | Core | |
| Transportation Management | Small Parcel Processing | Core | |
| Transportation Management | Freight Bill Auditing | 3-P | Process Weaver |
| Transportation Management | Freight Asset Management | 3-P | TEMA |
| Transportation Management | Routing | 3-P | TEMA |
| Transportation Management | Dock scheduling | Core | |
| Transportation Management | Yard Management | Core | |
| Transportation Management | State Gas Tax Settlement | None | |
| Warehouse/Inventory Management | Device/Mobile Scanning & Equipment Supported | Add-On | ADC |
| Warehouse/Inventory Management | Real-Time Labor/Order Reporting | None | |
| Warehouse/Inventory Management | Robust Cycle Counting | Core | |
| Warehouse/Inventory Management | Cross-Docking | Core | |
| Warehouse/Inventory Management | Warehouse Optimization | Core | |
| Warehouse/Inventory Management | Integration with Conveyors/Robotics (Whse Execution System integration) | Add-On | With Web Services |
| Warehouse/Inventory Management | ASN Receiving | 3-P | |
| Warehouse/Inventory Management | Directed Putaway and Replenishment | Core | Available Q4 2021 |
| Warehouse/Inventory Management | Shelf Life Management | Core | |
| Warehouse/Inventory Management | Variable/Catch Weight Management | None | |
| Warehouse/Inventory Management | Task Interleaving | None | |
| Warehouse/Inventory Management | Voice Enabled Picking | None | |
| Warehouse/Inventory Management | Put/Pick to Light | None | |
| Warehouse/Inventory Management | Value Add Services | None | |
| Warehouse/Inventory Management | Kitting and Assembly | Core | |

Customers by Industry



Targeted Distribution Verticals

- Wholesale Trade - Non-Durable
- Wholesale Trade - Durable

Distribution Customers

(Data not provided)

Sage's Pitch

Sage X3 provides faster, more intuitive and tailored business management solutions for product-centric organizations looking to thrive and stay competitive in the face of growing complexity. Sage X3 transforms how organizations manage people, processes and operations, allowing them to embrace change at speed.

Sage X3 helps your business to thrive and stay competitive by providing users with the information they need to serve their customers better, to take back control over quality, and to eliminate inefficiencies across the organization. It streamlines your core processes - from manufacturing to distribution and financial management to business services - while adapting to your industries best practices.

Deployment Options



Profile

Sage Group plc (sage.com) is headquartered in the United Kingdom, and its U.S. office is in Atlanta, Ga. Sage is the world's third-largest supplier of ERP software, with \$2 billion in annual revenue, 6.1 million customers worldwide, products/ services available in 160 countries, and offices in 24 countries.

FIVE MISTAKES THAT DERAIL ERP SOFTWARE SELECTION

The enterprise software selection process can be a long and complicated process – for several good reasons. The solution you choose will affect the way you conduct business for years to come. It will impact virtually every function. It's a significant investment. And with as much as half of ERP implementations failing to achieve their goals, it's critical to find a solution suited to your business and its unique needs.

But many organizations get off-track right at the start when they go into the selection process believing in some common myths about the process – misconceptions that can result in the wrong choice for your business.

Here are the five mistakes and misconceptions that will – inevitably – result in the selection of the wrong ERP solution:

1. Thinking that technology is the most important consideration.

Many companies replace their enterprise software because it's outdated or no longer supported by the vendor. While these are valid reasons to make the move to a new system, they shouldn't be the only ones. The software selection process is the perfect time to evaluate business goals and map them to your new solution. For example, you may want to reduce operating costs, increase productivity and streamline business processes. If you have these goals in mind, you're better able to narrow down your choices and request relevant demos from vendors.

2. Assuming that all ERP solutions are the same.

If you've ever bought a new car, you know that every model is different, even those built on the same platform. Each includes various features and benefits, including subtle differences in appearance. It's the same with ERP software. At first glance, it may seem like two solutions are exactly alike. But once you look under the hood, you may learn that one is more powerful. As you test drive it with a demo, you may find that one is more comfortable. The differences often may seem small, but looking critically at them is the key to finding software that fits your business.

3. Believing that a highly detailed RFP is required.

Many companies think they need to create lengthy RFPs, which often amount to hundreds of pages. But since most vendor offerings address core pain points, such as automating reports, these documents don't need to be nearly as long. Instead, you should look at the business problems you want to solve and processes you want to improve with the new software, not core functionalities that typically are the same across multiple vendors.

4. Thinking that an ERP project is an IT project.

While the IT department provides critical input, companies need to get various viewpoints from across the organization when they gather requirements in the software selection process. All too often, important stakeholders are left out of the conversation. Before looking at different systems, assemble a team with employees who work with and manage core processes, particularly those who use workstreams that span functions and departments. Whether it's accounting, sales, marketing, shop floor, warehouse, logistics, operations or any other department, it's important to know the challenges they have and what they need to do their jobs better.

5. Assuming that big-name solutions are always the best solutions.

Corporate executives used to say, "No one ever got fired for buying IBM." And that mindset persists today.

Many organizations start their ERP selection with a list of the biggest and best-known companies in the ERP software marketplace. And the big-name vendors offer excellent choices for small, medium and large enterprises in a variety of deployment models. But their powerful products may not be right for your organization. Extensive customization may be necessary to meet the requirements of your segment and company. Or you may have to purchase specialized industry add-ons to get it to function the way you want. Instead, consider all the options available.

There are many ERP vendors that offer distribution-specific toolsets and broad industry expertise. But there is no one-size-fits-all solution. The functionalities and capabilities required are unique to each subvertical. And finding the best fit starts with evaluating software solutions and functions based on your organization's unique needs.



Ultra Consultants is an independent ERP consulting firm serving the manufacturing and distribution industries. Since 1994, we've helped hundreds of clients streamline their business processes, select ERP software, and implement a complete ERP solution that meets the unique needs of their industry, specialty and organization.



Why Ultra?

It's critically important to choose an ERP consulting partner with deep experience in your industry, expertise in your ERP solution, and experts who have worked in businesses like yours. And you will want to work with a firm that is independent, flexible and able to help you find the right solution for your organization.

For more than 27 years, Ultra Consultants has utilized its proven methodology, ERP knowledge and industry intelligence to deliver measurable business performance improvements to manufacturers and distributors in virtually every vertical.

- Our services are built for your industry. **We understand your processes and requirements.**
- Our solutions leverage our expertise. **We help you choose software to meet your unique needs.**
- Our results reflect our ERP experience. **We maximize benefits, minimize risk and deliver success.**


Regional Offices


Midwest


939 W. North Avenue
Suite 750
Chicago, IL 60642

West

1980 Festival Plaza Drive
Suite 300
Las Vegas, NV 89135

 contact@ultraconsultants.com

 312-319-1411

 ultraconsultants.com

© 2021 Ultra Consultants