



Enterprise Resource Planning for the Distribution Industry:

The Perfect Vehicle for Delivering Value

Introduction

Enterprise resource planning (ERP) solutions are continuing to gain recognition and approval as an invaluable support to the process optimization and growth needed by wholesale distribution companies to remain viable. But ERP alone is not enough to meet current extended supply chain management and collaboration challenges. This is why Lawson has expanded its offerings with advanced solutions such as customer relationship management (CRM), supply chain management (SCM) and e-collaboration.

With regard to functionality, certainly not all ERP solutions have a clear focus on the distribution industry and are able to cope with the industry's specific issues. Furthermore, even if the functionality offered by some ERP providers is often similar, the actual implementation of such systems may be an event that requires significant changes in organizational structure. The investment of time and resources may be a deterrent to distribution companies that, because of increasing pressure on costs and margins, seek easily implemented solutions with measurable short-term return on investment (ROI).

In large enterprises, the supply chain collaboration challenge is not only with external partners, but also between the different units and companies within the organization. In many cases, putting all units on a common ERP system is no longer a feasible solution, and large enterprises have to live with a variety of ERP and legacy systems. In fact, large enterprises tend to sell or buy units faster than ERP systems can be implemented.

Many companies have therefore abandoned the dream of solving all problems with the installation of one large, enterprise-wide ERP solution. This is why ERP systems today need to be both modular and flexible so they can be implemented incrementally in a manner that does not put operations at risk, and provides short-term return on investment. Flexibility also means that the same software base can be used in large operations such as distribution centers, but also in small units such as local sales offices or warehouses coupled to retail stores. A flexible system must be open for integration with other ERP systems or specific CRM, SCP (supply chain planning), and e-business solutions. As distribution companies become increasingly decentralized, open source technology like Java (which enables easy online access and integration) is becoming standard.

The way forward for distribution companies in this mature market is to look for ERP providers that can offer scalable, value-based solutions and pricing, and that pay attention to the industry's increasing dependence on web capabilities and mobility. Only the perfect combination of in-depth industry knowledge, an excellent software solution and related know-how can lead to solutions that meet these expectations. Vertical focus and business orientation, supplemented with industry-specific ERP functionality and implementations based on pre-configurations or industry-specific best-practice models, are the way to meet the challenge of value-adding ERP implementations. With the right provider, ERP can become the basis for a company's growth and viability.



“When you introduce an ERP system, you find out so much about your own company. You are forced to face your own problems. We did this and we now have much more transparent processes.”

Henrik Gommans,
IT manager for Maxi-Cosi supplier Dorel

In the highly competitive wholesale distribution market, the best strategy for presenting a company profile that offers customers unique advantages is the ability to offer value-added services that fit neatly with the distribution company's core business while adding both value and efficiency to the customer relationship. This is where ERP for the wholesale distribution market continues to develop and realize its potential as the perfect vehicle for delivering value.

Enterprise management—without borders

True multisite enterprise management is a basic requirement in order to manage enterprise resources in increasingly globalized distribution. Resources must be managed for optimal use throughout the entire organization and the flow of goods and services must be controlled throughout the complete logistics network, encompassing multiple sites as well as multiple legal entities. From a logistics point of view, this means that the logistics flow can proceed unhampered by legal borders. The appropriate financial transactions are generated automatically into the right accounting system where each legal entity can be fully managed and controlled according to local legal requirements. This way the financial system automatically presents a full image of the operations. This not only provides efficiency gains by reducing the administrative burden, but also enables your financial system to be used as a true control instrument rather than just a bookkeeping tool.

With the ever-increasing pressure on costs and margins, value-chain optimization and cost monitoring are paramount for the distribution industry. This requires a good and reliable cost calculation up front. Multiple costing models that reflect different calculation methods for different product lines or sourcing rules can be set up. These models contain an unlimited number of user-defined cost elements that reflect relevant purchase, sales and distribution related costs. Multiple cost versions and fast simulations enable you to evaluate, for example, alternative suppliers and subcontractors in an early stage in order to minimize costs or work towards a targeted cost. Cost of sales and/or sales prices can be differentiated for the same product depending on different distribution and market criteria. Finally, traditional direct costing has been extended with full ABC support, with cost elements including indirect and overhead costs based on a variety of cost drivers. These are tightly linked with both supply chain execution and financial data for automatic allocation of overhead burden per unit and closed-loop budgeting and costing.

Integrated supply chain execution

Supply chain execution (SCE) solutions are optimized to manage and streamline the flow of goods and services throughout the supply chain. The goal is to provide optimum balance between cost and service in the typical distribution environment with its low margins, high transaction volumes, and high demand for on-time accurate deliveries in a global business context with complex networks. However, as important as the quality of the SCE solution itself is, the integration between advanced front-end solutions (such as e-commerce, CRM, SCP and the SCE back end) is even more important. Supply chain execution must be driven by up-to-the-minute information from the front end and, vice versa, up-to-the-minute feedback from SCE must trigger actions in the front end.

Procurement

Optimal management of supplies is essential for the distribution industry, since purchasing normally represents the major part of the product cost. The complete procurement process can be managed as an integrated part of supply chain execution. The system automatically informs purchasers of what should be purchased, when, and at what price. For low-value materials, the process can be almost completely automatic, including full electronic collaboration with suppliers. Some of the features designed to both increase procurement efficiency and lower the overall purchase cost are: extensive supplier quotation and agreement management, inbound logistics monitoring and procurement milestone tracking, flexible configurable receiving processes with integrated quality control, traditional purchase invoice matching or supplier self-billing, and advanced supplier evaluation.



“Hewden will benefit by providing better service to its customers. We will have instant, online and fully up-to-date information by equipment, location or site. The standard use of Lawson’s roll-based portals will enable users to enjoy their own customized solution.”

Colin Hotchkiss,
Systems and Process Development Manager,
Hewden Stuart

Warehouse management

Within the supply chain execution application area, a whole range of advanced functions support the optimal use of the available inventory and warehouse resources during the order fulfillment process. Advanced warehouse resource and location management help increase efficiency and result in better utilization of warehouse space.

Starting with the receiving process, system-directed put-away will, based on user-defined rules, guide warehouse personnel to the best available location. Automatic pick-location replenishment, wave-pick management, pick-resource management, and automatic packing routines are just some of the useful system functions that help optimize outbound logistics, getting the most out of the available resources to provide the best delivery service possible. In order to optimize all human interaction, the system is fully prepared to use bar-coding and scanning, mobile equipment, and so on, or to interface with a variety of automated warehouse equipment.

One of the developments in the distribution industry is the blurring line between wholesale distribution and retail. This is due to wholesalers or retailers expanding their own activities down or up in the supply chain, or working together in a collaborative environment. SCE and warehouse management functionality has been expanded accordingly to manage the flow of goods between warehouses and retail stores, and reciprocally between stores. This includes complete stock management for stores in a vendor-managed inventory (VMI) context, or for fully-owned stores.

Distribution and transportation management

In the preparation of the delivery process, companies can effectively control who gets what with the help of advanced rules and related priority settings for automatic stock allocation. Even expected receipt of goods not yet in stock can be pre-allocated to outstanding requirements. Buy-to-order is one of the concepts increasingly used to extend the wholesaler’s assortment and increase sales volumes without facing the risk of obsolete goods and tied-up capital. To implement this concept, the system supports both direct deliveries from suppliers to customers and extensive cross-docking functions to speed up the flow of goods from receiving to dispatch.

Before the actual dispatch, automatic controls can be performed to check the completeness of a delivery. Based on user-defined joint delivery rules, the system will check whether a sufficient share of the requested quantities can be shipped within an order; assortment, category, and so on. This way, returns and refused deliveries can be avoided and stock made available for other requirements.

In some sectors of the distribution industry, containers are reused over and over again. Full system support is available to manage and track these containers since they are often far more expensive than the goods they contain.

Transportation planning can be automated to a large extent. Automatic shipment assembly, truck assignment and route planning are crucial. New deliveries are automatically assigned to open shipments or, if required, new shipments can be created automatically. This is based on a number of criteria, including transport capacity control. Shipment document handling includes automatic document assignment with the possibility for manual overrides and content management. Finally, using traditional EDI or the latest Internet technologies, the system fully supports collaboration with forwarding agents for transport reservation, tracking, invoicing, and so on.

Delivering value

The evolving fusion of wholesale distribution and retail is just one way in which distribution companies are developing a competitive difference through adding value. Other value differentials are in combining distribution with equipment rental capabilities, equipment maintenance and servicing, product refinement (kitting, packing and labeling), product assembly, manufacturing, and so on. As the industry develops, it becomes exceedingly difficult to define its boundaries. This ultimately is the most positive development of all—and has in large part been enabled by integrated industry-specific ERP systems like that offered by Lawson. Through its modular

“Lawson Java technology and thin clients will gradually shake up the company's entire organization because it's a solution that is tailored to our business as a distributor and it's going to evolve with the market.”

Olivier Van Ruymbeke,
Chairman and CEO,
Autodistribution

approach, and Java technology enabling web-based integration with both internal and external systems, Lawson ERP for the wholesale distribution industry puts collaboration and growth immediately within reach.

Conclusion

Distribution companies must optimize use of their enterprise resources in order to get the best out of their invested capital. At present, that task is more difficult than it used to be, as companies are confronted with the double challenge of lowering the cost of ERP implementations while simultaneously increasing their value.

As a solutions provider to the distribution industry, Lawson is convinced that the only way we can help you meet these challenges is to focus on your business, both in terms of the software functionality we offer and in terms of the ongoing development of our industry-specific know-how. We also realize that many companies may not be ready to implement an enterprise-wide ERP system. This is why we offer modular, flexible and open solutions with demonstrable value. By following a stepwise approach that leverages from existing investments and does not put operations at risk, we have found a reliable way to optimize the return on investment of ERP and supply chain engineering projects.

Finally, as collaboration, differentiation and growth become key words in the development of viable distribution companies, Lawson ERP continues to focus on the use of web-based Java technology and the benefits of flexibility, mobility, and interoperability that this enables. ERP has come to address the most important requirements not only for running a distribution company, but more importantly, for ensuring its viability and growth through delivering value.

Headquarters:

Lawson
380 St. Peter Street
St. Paul, MN 55102-1302
USA
Tel +1 651-767-7000

info@lawson.com
www.lawson.com