Choosing the Right ERP for Your Business

Distribution has always been about making sure that customers get the right products and services they need when they need them.

But as competition intensifies and customers expect more, distributors must invest in increasingly powerful technologies to meet market demands and offer a differentiated value proposition.

For most distributors, an ERP conversion is one of the most important and difficult projects they will ever tackle. It's essential to pick the best solution for your company. This involves correctly establishing requirements, properly configuring the system and converting to the new platform.

It's complex and can be risky, but if it is done well, you'll reap the rewards long into the future.

Where should you start?

We spoke with leaders in the industry about selecting and implementing ERP solutions for their businesses. They shared the good, the bad and the ugly – with the goal of helping you benefit from the lessons learned along the way. We spoke with:

- Della Coffelt, CIO, Distributors Corp. of America
- Jeff Knight, COO, Electrical Equipment Co.
- Steve Levy, Infor

The Basics

There are some common considerations that must come into play, such as cost and complexity. But these should only be the starting point on your ERP selection and implementation journey.

Determining the return on investment can be a challenge, according to Knight, so it's important to really evaluate what you're putting that money toward.

Levy agreed. "Cost tends to be the No. 1 thing that distributors think about," he said. "I believe they put too much weight on cost and not enough weight on the value realized as a result of the cost incurred.

"So, to me, there's only one thing to care about when you're looking for a new ERP: Will this solution help make my distribution company worth more money?" he said.

But how do you measure that? Think beyond the upfront cost. Instead, create a plan that outlines your future needs.

"A project charter with clearly defined objectives and goals will encourage a better ROI," Knight noted. "Considering that the typical ERP system has a 10- to 15-year life, investing in the wrong system would likely be far more costly than a more considerable upfront investment that met defined goals."

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Complexity is another area that Levy thinks distributors think about in the wrong way: "I think when we talk about complexity, it's usually just a subtopic of cost. We talk about it separately, but it is just a cost."

Instead of looking at how complicated the system or the process is overall, consider the value that the user experience creates after implementation, he suggested. "A streamlined, simple user experience decreases mistakes, which saves the distributor money, which helps make the distribution company worth more money."

Knight added: Regardless of how complex the system is, it's incumbent upon the distributor to make sure it has the right team to smooth the process for the organization. "No one manager knows enough to implement the entire system," he said. "However, each function can help specify its required due diligence for selection and lead its own sub-plan during implementation."

Data Migration

Moving data from legacy systems to an ERP system can be complex and time-consuming. It is important to ensure that data migration is properly planned and executed to minimize the risk of data loss or corruption.

Distributors have a wealth of data, culled from several sources and collected over decades. But distributors tend to use the dirtiness of their data as a barrier to progress. They believe that data often isn't all that useful because it is dirty. Levy says it's closer to really having a "crust that must be shaken off" before it moves to the new system.

Getting that "crust" off is important, but does your data have to be sparkling clean? Not so fast, Levy said. It is important, but "some people – like me – get obsessed."

"The first step in any data migration is to take the months and the time and the effort to clean up what you have," Coffelt said. Know when to purge – and when to keep data around.

Still, the data that goes into your new solution doesn't have to be "fresh out of the shower," Levy said, and sometimes, it will be more time- and cost-effective to manually re-enter it into the new system. For example, he had one client that was struggling with cleaning up a 100-record table and reducing it to 80 records. After a few quick calculations, Levy estimated it would only take a few hours to re-enter the whole table – compared with a few weeks trying to automate the process.

Having a shiny new system won't automatically keep your data clean either, so make sure you "implement a governance routine to keep the data clean in perpetuity." That helps you reap the full potential of your ERP system, Levy said.

Customization

Some ERP systems can be difficult to customize to meet the specific needs of an organization. This can lead to a lack of adoption and usage, as well as potential data accuracy issues. Given this, how can you make a system truly work for you? The out-of-the-box structure may serve you well today, but will it continue to do so down the line? Or maybe it just isn't quite right for your specific needs.

"I've been on both sides of the fence when it comes to customizations," Coffelt said, and it's become a critical part of the process for deciding what works for her company. "One of the decisions that really allowed us to make the choice that we made was the fact that we can become basically masters of our own universe. I can do the customizations. I don't have to rely on and pay somebody else to do them," she said.

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That allows for the distributor to adjust the user interface, for example, to put the information it deems most important front and center throughout the organization.

But it can be a double-edged sword. Being able to customize something could translate to changing an application just to maintain a status quo – something that might not be the best for the company overall.

Coffelt advises that before undertaking any customization, ask yourself if it's a "competition issue" or a "culture issue." Is it the way that it should be done in the future, or is it simply how we've always done it? "The reasons that are cultural – those are the ones that I eliminate," she said.

Scalability

As an organization grows, its ERP system may need to scale to accommodate new employees, branches, customers and processes.

Distributors Corp. of America has big expansion goals. As a result, having a flexible ERP is critical. "If, all of a sudden, we end up with a hundred branches, could I scale that?" Coffelt asked. "But we never know exactly where the future is going. What if we're not growing? What if we sell? How do we scale backwards?"

Both of those questions were front of mind during the selection process for an ERP. Coffelt wanted to ensure that she had the flexibility to adapt to the existing environment – regardless of the direction it went.

Going with a partner like Infor meant that if the company reaches critical mass, there's an upgraded platform they could switch to that maintained a lot of the same terminology and interfaces, which would make the transition for users smoother.

Not all systems are created equal in this arena. If they were, it wouldn't be a question. But the differences can come at a variety of stops, according to Knight. "Evaluate the tech stack," he said. "How current are the technologies? What database is it built on?

What is on the roadmap?"

That last point is important because it provides insight into where the ERP provider is focused. Will they be following the same path you are as you grow and evolve?

Security

ERP systems store sensitive information, such as customer and financial data, making security a major concern for distributors. It is important to choose an ERP system with robust security features to protect against cyber threats.

"Cyber defense is very expensive and a continuous improvement exercise," Levy said. "There's no such thing as too much concern on security." Ransomware, phishing scams, configuration errors – the list of potential cyber threats to your business is long.

If CEOs and CFOs are not aware of the dangers and the problems with security, getting a security budget is almost impossible," Coffelt noted. "So one advantage of moving to the cloud is now you put the database security in the hands of somebody who has millions of dollars in their security budget.

"But that doesn't preclude needing to have security at the user level."

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Talk with your ERP provider about the steps it is taking to minimize these threats and its plan to continually adapt. And because the responsibility can't be entirely placed on the ERP provider, ask if it has tools that can be provided to users to educate them on the potential risks.

Support and Maintenance

The lifespan of an ERP can be 10 years or more, so the relationship with the vendor shouldn't stop after the system is implemented. Consider the ERP provider a business partner. Ongoing support and maintenance are essential for ensuring the smooth operation of an ERP system.

"It's important to make sure that you like your ERP partner, that you believe your provider can add value to your company – and part of that is to be able to support your ongoing operations," Levy said.

What does that mean in practical terms?

"There are a couple of key criteria on that one," Coffelt said. "The first one: Does your ERP provider listen to customers, or are they adding features just because the competition can do it?"

If the upgrades listed on the roadmap are more about prettifying the interface without upgrading the functionality, for example, how helpful are they?

"The other piece that I really think is important is to have a strong network group, a strong user group," she said. "There are things that a programmer will write in a vacuum, but they don't work in distribution. They don't know how we use it."

Having a group of users to network with also allows you to learn from – and teach – other people with similar needs and concerns.

It also provides leverage for getting new features and functions on the roadmap. A group like that lets you "have a big voice that says, 'ERP provider, this is what I need you to do,'" Coffelt said.

Another consideration could be the availability of third-party support, suggests Knight. "We significantly benefited from having retained additional third-party support from the dev community, and they offered perspectives that reduced downtime and improved delivery," he said.

The Bottom Line

It's always tough to implement a new system, but laying the groundwork and asking the right questions will help you start on a firm foundation.

"Set realistic expectations at the top," Levy said. "Don't expect unicorns and rainbows on Day One."
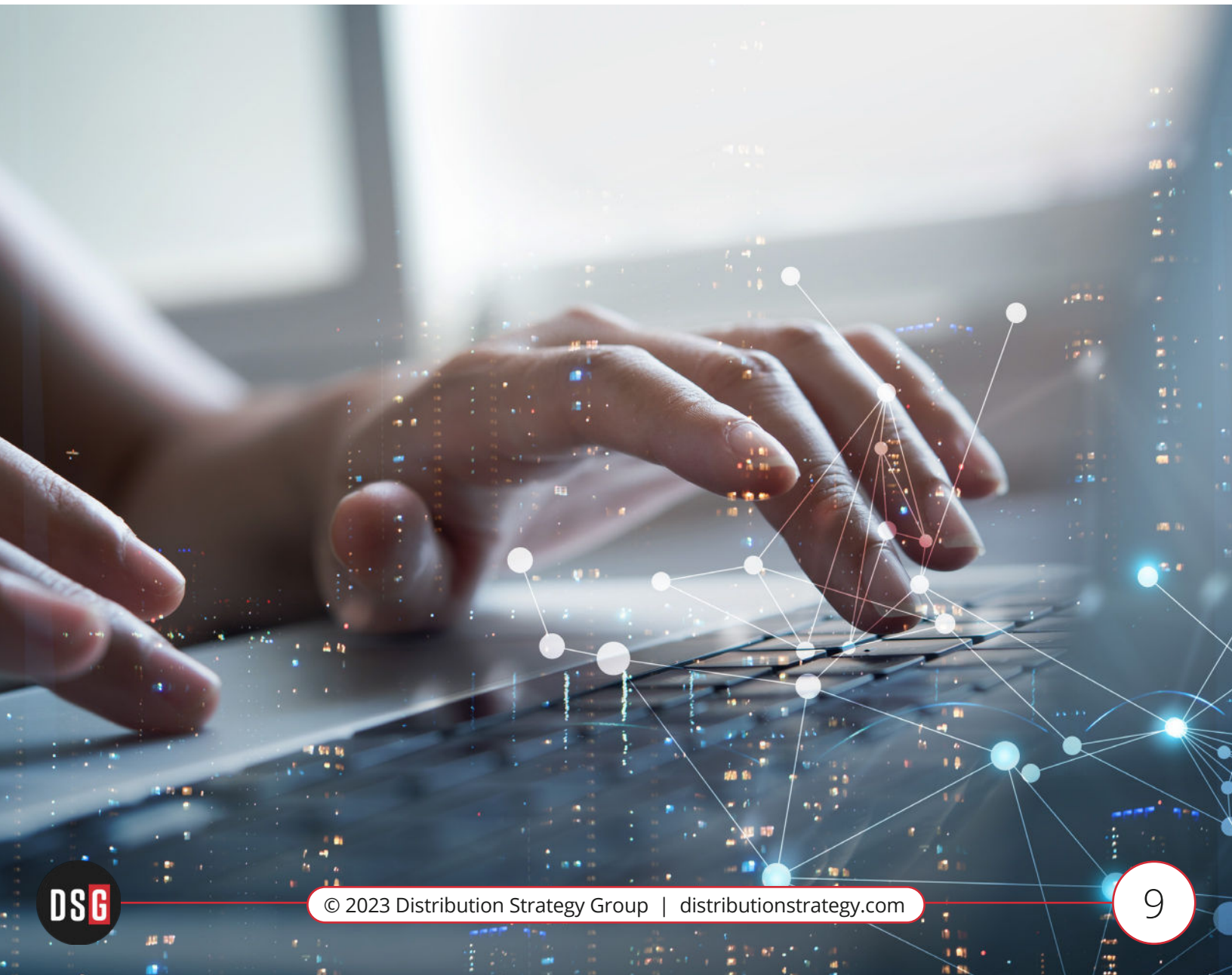
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distributionstrategy.com | 303-898-8626 | contact@distributionstrategy.com

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