



# Distributors Seek Edge

## TECHNOLOGY INVESTMENTS DELIVER RETURNS FOR SMALL AND MIDSIZE COMPANIES.

Although small and midsize distribution companies may be growing rapidly, they face distinct challenges in running efficient business processes. As they seek to compete on an equal footing with their larger rivals, these companies are well aware of the issues they face. Topping the list are technology integration, mobile technology, and warehouse logistics, according to a recent IDG Research survey.

### Integration

As small and midsize organizations attain success, the business systems adopted during their initial growth, which are often spreadsheet-based and/or homegrown system databases, many times don't scale easily to meet their needs. Whether due to organic growth or growth by acquisition, these companies face the task of integrating new technology with legacy systems, sometimes through stopgap solutions. Integrating new technology with legacy systems to have a single view of the business was cited as the top challenge by 70% of respondents.

### Mobile operations

Second in priority is the use of mobile technology to make sales and customer service more efficient, with 65% identifying it as a challenge. Mobile technology can help distributors better serve customers by giving sales and customer service representatives information at their fingertips when they visit customer sites or make deliveries.



### TOP 3 CHALLENGES FOR RETAIL, WHOLESALE, DISTRIBUTION

Integrating new technology with legacy systems to have a single view of the business → 70%

Using mobile technology to make sales and customer service more efficient → 65%

Improving the efficiency of warehouse logistics & the accuracy of order fulfillment → 60%

### Warehouse logistics and order fulfillment

Third on the list of challenges at 60% is improving the efficiency of warehouse logistics and the accuracy of order fulfillment. Software that can enable a warehouse to operate at a higher level of efficiency has great value to a distributor.

“We have more than 40,000 part numbers, thousands of customers, and dozens of locations. It is vital to our success that we have the products our customers want, available when and where they want them. Sage ERP X3 helps us do that.”

— RICH UNTERBRINK, IT MANAGER, RUSSELL SIGLER

### Meeting the challenges

Not only are distributors aware of these challenges, they want to address them. According to the survey, the top priorities closely mirror the top challenges. These are:



#### TOP 3 CHALLENGES MOST WANT TO FIX FOR WHOLESALE AND DISTRIBUTION



### Business insights

The survey has an interesting story to tell when it comes to the investments companies make and the returns they receive on those investments. The most popular investment, and the one earning the highest return, is collecting business insights—such as profitability, freight costs, and customer data—to drive decision making. Seventy-eight percent of respondents made an investment in technology to improve in this area, and 100% saw improvement as a result of that investment.

“The software automatically generates and distributes past due reports each day to our sales and customer services reps. As a result of our being able to stay on top of overdue invoices, we’ve decreased our days sales outstanding by 18 full days. Our cash flow is much improved as a result.”

— JOHN BABCOCK, CFO, SATELLITE INDUSTRIES

### Investments in technology deliver results



#### INVESTMENTS AND IMPROVEMENTS FOR WHOLESALE AND DISTRIBUTION

	Made an investment last 1-2 years	Saw improvement as a result of investment
Collecting business insights (e.g., profitability, freight costs, customer data) to drive decision making	<b>78%</b>	<b>100%</b>
Leveraging customer relationship management to manage new sales opportunities	<b>73%</b>	<b>90%</b>
Using mobile technology to make sales and customer service more efficient	<b>68%</b>	<b>89%</b>
Rapidly analyzing/connecting business insights to drive decision making	<b>65%</b>	<b>93%</b>
Integrating new technology with legacy systems to have a single view of the business	<b>65%</b>	<b>63%</b>
Improving the efficiency of warehouse logistics & the accuracy of order fulfillment	<b>65%</b>	<b>77%</b>
Optimizing inventory management & demand forecasting	<b>55%</b>	<b>77%</b>
Automating business processes to shorten payment cycles and better manage cash flow	<b>55%</b>	<b>82%</b>
Ensuring compliance with Sarbanes Oxley and other government reporting	<b>53%</b>	<b>71%</b>
Integrating e-commerce and mobile channels with ERP and other business management software	<b>48%</b>	<b>90%</b>
Improving supply chain visibility and collaboration	<b>45%</b>	<b>89%</b>

### CRM

In second place is leveraging customer relationship management to manage new sales opportunities. Seventy-three percent of respondents made an investment in technology to improve in this area, and 90% saw improvement as a result of investment.

“We can see precisely what is on hand and what is on order. Our customers appreciate the speed and accuracy of our order processing cycle.”

— LUZ CARVAJAL, CONTROLLER, MARATHON BRAKE SYSTEMS

### Mobile

Using mobile technology to make sales and customer service more efficient is in third place: 68% made an investment in technology to improve this area, and 89% saw improvement as a result of that investment.

“We always have updated information about our business operations. We don’t have to wait for the end of the day to know exactly where we stand.”

— FRAN TAGLIA, CHIEF OPERATING OFFICER, POWER DISTRIBUTING

Even in areas that saw less investment comparatively, improvements as a result of those investments are much in evidence. For example,

### SMALL AND MIDSIZE CONTRASTS

The difference in the way that smaller organizations (10–99 employees) and midsize businesses (100–499 employees) grapple with business challenges can be significant, according to the IDG Research survey. For example:

- Integrating legacy systems to have a single view of the business is less challenging for small businesses compared to midsize organizations.
- When it comes to investments and improvements seen, integration is also a greater challenge for midsize organizations.
- Midsize organizations are more likely to invest in integrating new technology with legacy systems to have a single view of the business (80% vs. 53% of smaller organizations) in the next two years.
- Smaller organizations are less likely to invest (53% vs. 76%) in rapidly analyzing/connecting business insights to drive decision making, as well as optimizing inventory management and demand forecasting (49% vs. 71%).
- Lack of clear ROI is a much greater challenge for midsize organizations (35% vs. 14%)

while only 45% of respondents say they invested in improving supply chain visibility and collaboration in the past one to two years, 89% saw improvements as a result of those investments. Similarly, only 48% invested in integrating e-commerce and mobile channels with ERP and other business management software, yet 90% saw improvements as a result.

### Areas of greatest change



#### INVESTMENTS FOR RETAIL, WHOLESALE, DISTRIBUTION

	Made an investment last 1-2 years	Likely to invest in the next 1-2 years
Collecting business insights (e.g., profitability, freight costs, customer data) to drive decision making	78%	73%
Leveraging customer relationship management to manage new sales opportunities	73%	68%
Using mobile technology to make sales and customer service more efficient	68%	75%
Rapidly analyzing/connecting business insights to drive decision making	65%	65%
Integrating new technology with legacy systems to have a single view of the business	65%	68%
Improving the efficiency of warehouse logistics & the accuracy of order fulfillment	65%	85%
Optimizing inventory management & demand forecasting	55%	65%
Automating business processes to shorten payment cycles and better manage cash flow	55%	70%
Ensuring compliance with Sarbanes Oxley and other government reporting	53%	60%
Integrating e-commerce and mobile channels with ERP and other business management software	48%	63%
Improving supply chain visibility and collaboration	45%	70%

## Sage

According to the survey, the biggest barrier to technology investments is not knowing which technology solution will help achieve business goals and determining which vendor is right for the business. Many small and midsize distributors are turning to Sage, which has helped more than 58,000 such companies in North America solve major business challenges and cultivate growth with comprehensive ERP and business management solutions. They are finding that Sage resolves integration issues as companies grow, successfully incorporates mobile technology, and improves efficiency through business intelligence technology.

Sage business solutions for distributors include:

- Finance and accounting
- Supply chain
- Warehouse and inventory
- Customer service
- Sales and marketing
- HR and payroll

The desire for greater visibility is a recurring theme throughout the survey. The investment that is seeing the biggest percentage jump is “improving supply chain visibility and collaboration.” Forty-five percent of respondents say they invested in that area in the last one to two years, but 70% will make an investment in that area in the next one to two years. Other areas showing significant change in investment are:

- Improving the efficiency of warehouse logistics and the accuracy of order fulfillment will jump from 65% over the past one to two years to 85% in the next one to two years.
- Integrating e-commerce and mobile channels with ERP and other business management software will increase from 48% in the past one to two years to 70% in the next one to two years.
- Automating business processes to shorten payment cycles and better manage cash flow will rise from 55% in the past one to two years to 70% in the next one to two years.

## Compliance spending subsides

Initiatives that ensure compliance with Sarbanes-Oxley and other government reporting regulations are receiving a low level of investment, which will tend to diminish further in the future. Such spending ranked ninth over the past one to two years and will fall to eleventh (last place in the survey) over the coming one to two years. This trend indicates that the high-level of compliance spending that resulted from the enactment of regulations following the bursting of the dot-com bubble of the year 2000 and the financial meltdown of 2008 has subsided, and companies are ready, as indeed our survey indicates, to invest in measures that enhance productivity and their competitive posture generally.

## High achievers

Finally, in perhaps the most telling result, the survey reveals that small and midsize businesses with the highest revenue growth year-over-year (over 10% growth) are significantly more likely than their peers to recognize that they are facing challenges in the daily operation of the business. These include rapidly analyzing and connecting business insights to decision making, improving supply chain visibility, integrating e-commerce and mobile channels with ERP, and using mobile technology to make sales and customer service more efficient.

Further, while all companies are investing in technology to address key business challenges, high-performing SMBs are significantly more likely to report seeing an improvement from those investments in their ability to integrate new technology with legacy systems and improve supply chain visibility.

In the next two years, high-performing small and midsize businesses are significantly more likely to invest in technology to address three areas: rapidly analyzing and connecting business insights to drive decision making, integrating new technology with legacy systems to provide a single view of the business, and using mobile technology to make sales and customer service more efficient.

## What's next?

Overall, the survey finds the top priority for wholesale and distribution companies in the next one to two years is improving the efficiency of warehouse logistics and the accuracy of order fulfillment; 85% of respondents rank these investments first. Second is using mobile technology to make sales and customer service more efficient (75%). Following closely behind at 73% is collecting business insights, such as profitability, freight costs, and customer data, to drive business decisions. In a significant shift, investments to improve supply chain visibility and collaboration were at the bottom of the list for the last two years (45%), but 70% now have plans to invest in these technologies.

## Summary

For small and midsize businesses, the need to continually improve business processes is an ongoing priority. There's good news, however. The IDG Research survey reveals these companies are aware of the areas that are most in need of addressing. The survey also finds they have achieved tangible returns from previous investments in these areas, even as they look forward to returns from further investments in the future.

To learn more about Sage business solutions for distribution, please call **866-530-SAGE (7243)** or visit us online at [Sage Wholesale Distribution](#).

