



Warehouse Management 4.0

A guide to seamlessly connecting with your data-driven consumer



Introduction

Today's competitive markets demand that wholesale distributors evolve their business processes more quickly, become more efficient, and open new channels to distribute products. To thrive, growing small to mid-sized enterprises need to rethink processes and how they can leverage data from their operations. This has led wholesale distributors to adopt enterprise technologies to improve efficiencies and remain competitive. Changing business systems comes with risk, but also presents many opportunities for the businesses that embrace it.

The Modern Wholesale Distributor

Technology continues to be instrumental in supply chains as new standards require wholesale distributor industries to evolve or lose out on business. The landscape has changed a great deal. To continue working with customers in omnichannel retailing, or food and beverage industries for example, requires meeting differing customer needs. While the products you carry and the prices you charge are certainly important considerations, another consideration is the robustness and flexibility of the technology that supports your business.

For the modern wholesale distributor, success means overcoming the hurdles by finding ways to run operations more efficiently. To achieve this, you need to gain a single, transparent view of all your warehouse and distribution operations – helping you deliver goods on time, boost customer satisfaction, and optimize inventory. This is where siloed programs like accounting software fall short, but enterprise technology excels.



Business Challenges Facing the Wholesale Distributor

Wholesale distributors are faced with many challenges which govern their operations. The following eBook outlines the top challenges facing wholesale distributors as reported by Vision33's wholesale distribution customers and offers useful explanation as to how technology can be leveraged to overcome these challenges.

1) Increased Competition, Turning to Lower Price to Remain Competitive with Lower Margins

Wholesale distributors are no stranger to thin profit margins. But when your margins are lower than you calculated, it may signal that you have inefficient workflows, low inventory turns, or data entry redundancy. Not having a solid forecasting tool as part of your business system reduces ability to foresee spikes and dips in inventory. You're going on guts, intuition, and spreadsheets; this is a pain that any wholesale distributor faces as they look at product lifecycle management (PLM). As a product gains market acceptance, the variances in demand changes. This could be anywhere from six months to an even longer lifecycle of 10-years, making sound forecasting very important.

2) Inefficiencies Due to the Use of Disparate Non-Integrated Software

In a disparate business system environment, small to mid-sized enterprises (SMEs) may use a combination of accounting applications like QuickBooks supplemented with spreadsheet software like Microsoft Excel to manage their inventory. Alternatively, some businesses may use QuickBooks with an inventory management application that does not possess strong integration.

Data is in multiple locations, with paper forms being an additional component that the company's employees need to enter or reenter to reconcile in the system. Entering an order requires printout pick tickets, and packing slips. The company will put these pick tickets on the shop floor and separate them into bins or baskets. Next, a picker will go through the folder and choose the ones they want to pick. This results in added manual labor and manual sorting. Because the system is manual, once a product is sold, the inventory must be updated; then a separate task must take place to update the accounting tool to create an associated invoice. Duplication of effort ultimately leads to costly data entry errors.



3) Lack of Visibility and Poor Business Reporting Capabilities

A sure sign that it's time to move to a new business management solution is that an SME can't meet customer demand even though its inventory may be growing. There may be a higher inventory level than ever before, but it is nonetheless difficult to meet customer requested ship dates. Spreadsheets alone can no longer help forecast demand, lean out inventories, or produce products on time.

Non-Standardized Business Data

Business data should be used to forecast and predict, not reminisce. For many wholesale distributors, however, data is spread across multiple systems making reporting on a standardized set of information simply not possible. SMEs observe that they're not in complete control of their business. Reporting is done annually because of the associated downtime. Data is scattered across desktops and transferred between people by hand – adding more risk of human error.

Limited Inventory Visibility

Lack of inventory visibility is another area for poor business reporting capabilities inventory turns. There's a lack of reporting around financials A/R (accounts receivable). These are all critical because margins are slim, and they need to be sure DSO (Days Sales Outstanding) is managed tightly. Financial and inventory reporting is critical; to get this info, the users must go back through multiple solutions to extract the data put into excel, and then manipulate. If they make a mistake, it skews everything in the system, and the rest of the operation feels the ripple effect.

4) Inadequate Inventory Management and Control

Inventory management needs to help growing companies manage detailed warehouse data, while tracking and recording stock movements. If you use an inventory management solution that is separate from other applications used to run your operations, it may be difficult to obtain reliable, real-time information about inbound and outbound inventory shipments at a moment's notice. Extracting insights from customers may be difficult as well.

In a non-integrated business management solution, managing inventory using an inventory control system made up of QuickBooks and Microsoft Excel results in a system that must be constantly updated and it's the constant updates that cause issues. In a manual manipulation environment, a business must remember every single order and go into the inventory control application to update the inventory. Next, a sales invoice needs to be created. The human element results in data entry error and duplicated orders.

In an integrated environment, everything happens based on a single transaction, and the likelihood of errors entering the system is very low. Whereas a non-integrated environment there are multiple separate transactions required and the potential for data entry errors at each juncture.

5) Inaccurate Cost and Profit Margin Estimations

Inadequate costing is a challenge for any growing SME including the wholesale distributor. When considering the landed costs of a product, whether it's freight, import tariffs, or insurance, some business management systems can affect the actual profit margin. Take for example the following scenario. A business purchases 1,000 units of a product at \$1 each. Several weeks after the units have been added to inventory, invoices start coming in. The landed costs for the inventory have now been effectively increased to \$1.25 each. This raises the initial cost from \$1,000 to \$1,250. If the product was priced at \$2.00, the actual profit margin has effectively dropped by 25% once the landed cost becomes apparent.

If the company in this example hasn't sold any of the inventory, then the adjustment is simple. If the margin is set at 50%, then the price can be increased to \$2.50. But if it is standardized at \$2.00, then the margin goes down. In an unintegrated system, if the product has yet to be sold, these landed costs need to be manually entered in a cost variance account and spread across all your product lines. However, some products have low freight costs; others have higher freight costs which will skew the margin of the products as a result.

Margin impacts everything from the pure gross profit margin on the product and your sales team's commission, to the net profitability of the company. If your business system doesn't account for the costs like freight etc. and you pay the sales team a commission based on the initial price, your realized margin can be much lower than expected when the true costs become apparent.

6) Meeting Product Traceability and Other Industry Regulations

For businesses that operate in supply chains of industries such as pharmaceuticals, the hot topic today is traceability. The Medicines and Healthcare Products Regulatory Agency (MHRA) of the United Kingdom and the Food and Drug Administration (FDA) of the United States are the regulatory authorities responsible for authorization, renewal, and suspension related to any pharmaceutical product. Many SMEs throughout the supply chain are struggling to meet deadlines set by the US Drug Supply Chain Security Act (DSCSA), the EU False Medications Directive (FMD), and other traceability directives.

The challenge facing the wholesale distributors is that as the pharmaceutical industry moves towards adopting technology to support compliance, there is a growing expectation that those you do business with are also compliant.

Difficulty Realizing Product Traceability

But the implementation of product serialization faces several challenges before realizing traceability: How do you enable collaboration with thousands of stakeholders throughout your supply chain? How do you keep pace with changes in the regulatory environment? Lastly, how do you share unstandardized data your supply chain partners need to do business with you?



7) Lack of Integration with Online Retailers Like Amazon

The retail industry is no stranger to change. SMEs, specifically those focused on distribution engaged with retail channels or influenced by Amazon, have been particularly affected by business technology. While their offerings may be drastically different, these businesses all face similar challenges.

At regular intervals, wholesale distributors receive reports from Amazon, that tells them how many products have been sold. It's the wholesale distributor's job to invoice Amazon for the products sold. The downside is that this arrangement extends the level of days outstanding for invoicing. Amazon pays net 60, however, it takes two weeks to get an invoice to them and another 3 to 4 days to get that invoice back to them. Wholesale distributors effectively extend their payment terms from 60 to 75 days, and every day that the invoice is sitting out there it costs the company more money.

Additionally, in non-integrated business system environments, you need to ensure that Amazon has enough product to fulfill their orders as they're coming in. Otherwise, they'll look to another vendor to fulfill the need. As product demand starts to grow, an SME's sales can go to 100 units a week to 1000 units a day. If a wholesale distributor is behind that market trend, it could be a disaster; meaning that if inventory runs out, then the company can't capitalize on it - the end consumer isn't going to wait around either.

8) Consolidation of Technology Tools to Run Your Business

Is technology leaving you behind? You're growing, and you'd rather invest in new revenue-generating opportunities, not in aging overhead to keep it running. However, you can't respond to the demands of your trading partners, customers and suppliers, you can't respond to the demands of the digital economy. It's likely time to upgrade. In a disparate business management system, technology consolidation is a real problem.

When one application receives an update, the wholesale distributor may be held back from upgrading because of compatibility issues with the other applications that remain at their current iteration. Moreover, software customizations written to create integration between multiple applications is managed manually. This means that the integration must be rewritten to accommodate new versions of an application.

System Performance

Over time, as a business adds more manually integrated applications to meet their need for business processes, these applications each come with their processes, features, reports, and dashboards - all competing for CPU or server resources to render on a computer monitor. For the wholesale distributor, this means understanding the system requirements for these applications and staying on top of the change in the spec as new versions of the applications are released. Ultimately its incumbent of the company to understand the information displayed for it to be meaningful and accurate for decision-making purposes.



Key Technologies to Overcome Wholesale Distributor Challenges

To overcome the challenges facing the wholesale distributor today requires embracing the digital economy. To capitalize on new opportunities wholesale distributors are now partnering with qualified technology partners to equip them with transformative business technologies. These integrated solutions will help wholesale distributors rethink their business models and leverage their vast wealth of data, by sharing it with partners in their channel and using it to inform better decision making. The following are several essential technologies being employed today to overcome the industry's key business challenges and how they can be used to help your business.

Enterprise Resource Planning (ERP) Solutions

You may be familiar with the term ERP, or enterprise resource planning software. But what are the key difference between the system that currently runs your business and ERP? As your company continues to grow, so too will the need for support of additional processes and functions. However, the trouble with accounting programs that run many growing SMEs is that they are designed primarily to support the accounting function. At this stage of growth, the next logical step is for a wholesale distributor to move to an ERP solution.

How Does ERP Work?

ERP is a category of robust business management solutions and it is designed to help you manage all your day to day operations from a single integrated solution. ERP represents a growing SMEs' next stage of advancement. By moving to an ERP solution, businesses can access real-time information about their operations from a single system. They no longer need to convert and standardize data from a multitude of sources such as spreadsheets and multiple disparate applications.

Unlike other business management applications, world-class ERP solutions are anything but basic. The right ERP solution provides visibility, analytics, and efficiency across every aspect of a business. ERP solutions facilitate the flow of real-time information across departments, so businesses can make data-driven decisions and manage performance. With an ERP solution, wholesale distributors can manage every aspect of their operations, including areas such as customer relationship management (CRM), inventory management, financials, and manufacturing planning. Some ERP software can also be scalable. This means that it natively supports all essential business functions. As your business grows, you won't have to constantly export entire databases of customer data to a new solution with features to match with your business' size. In short, the right ERP solution will grow with your business.

Electronic Data interchange (EDI)

Electronic data interchange or EDI is another essential technology tool for the modern wholesale distributor interested in opening up new channels. Using EDI, companies can send information digitally from one business system to another, using a standardized format. The term EDI describes both the transmission of the data as well as the translation into a standard data format. EDI allows companies to exchange data electronically rather than by paper. It's an important component for automation in business processes.

Why Do Wholesale Distributors need EDI?

By using a standard data format for order communications, EDI enables wholesale distributors to electronically exchange order information with a supply chain partner without the need to manually enter, and re-enter data. This effectively automates a process. The result is that companies have less data entry errors, orders are completed faster, and customer satisfaction is higher.

How Does EDI Work?

EDI replaces order processes, transactions and communications that were done with paper or fax in the past. For example, if a supply chain partner wants to place an order with you, they will create a digital purchase order. The EDI software that connects to your business management system will then make an EDI standard version of the purchase order and sent it to you. Even though your business is using a different technology than the buyer, their order system will be able to accept and receive information from you because it's in a standardized format.

You can then send back an acknowledgement that the order was received, and later an invoice for the items purchased in a format that is compatible with your supply chain partner. All these transactions are facilitated through EDI and its standardized electronic communication formats including documents such as outbound invoices (810), inventory inquiry/advice (846), inbound purchase orders/cross docking (850), purchase order acknowledgement (855), outbound shipments (856), warehouse shipping order (940), and warehouse shipping advice (945).



Data Integrations with ERP Solutions

Sales, invoicing, production, scheduling, and shipping data – all your backend data can be fully integrated through EDI – eliminating any manual process associated with sharing data with a business partner in a format that they accept.

Connect with Trading Partners

Standardized document formats widen your business reach with companies like Amazon and enables your business to overcome challenges.

Connectivity with any System or Solution

EDI works in tandem with application-to-application integration (A2A) between applications and ERP.

Industry and Micro Vertical Add-On Software

Intelligent wholesale distributors thrive in the context of the industries that they compete in. ERP offers industry and micro-vertical support helping wholesale distributors run better with best practice business processes and intelligent technologies. While no software developer can create the depth of product that works well for every type of business, ERP is designed for customization. ERP has deep functionality ideal for vertically enhanced integration with software from partnered software solution providers (SSPs).

So regardless of the industry that a wholesale distributor competes in, there are technology solutions designed to specifically address your business process requirements. Whether it's the need for quality assurance checks for the food and beverage industry or its traceability for the life sciences industry. Technology has a role to play in the supply chains that wholesalers and distributions operate in including:

- Produces & beverage
- Clothing
- Medical devices
- IT equipment
- Components supply
- Pharma & life sciences
- Third Party Logistics (3PL)
- Consumer goods



SAP Business One – Affordable and Scalable Solution for Wholesale and Distribution Companies

Now that you're familiar with the technology that wholesale distributors employ to overcome these key challenges, familiarize yourself with the single, integrated solution of choice for growing distributors – SAP Business One. Whether you distribute soft goods, hard goods, heavily-regulated pharmaceutical products or fresh produce, SAP Business One has all the features you need to gain control of your inventory with improved planning strategies and control processes.



As a distributor, you may be dealing with big-box retail stores, online retailers such as Amazon, or you may have an eCommerce platform to sell directly to your customers. Operations that were once complicated can become simple as SAP Business One helps you communicate with customers and suppliers through EDI or a fulfillment platform. With SAP Business One, you can integrate with major retailers worldwide and benefit from 3PL logistics integration. Inventory planning will allow you to forecast demand, optimize inventory and easily know when it's time to re-order.

A Single Integrated Business Management System

A single, integrated solution provides clear visibility into your entire business and complete control over every aspect of your operations. It captures all critical business information for immediate access and use companywide. Unlike accounting packages and spreadsheets, it delivers what you need to manage your key business areas. By integrating this data into one system instead of multiple disconnected spreadsheets, it eliminates duplicate data entry, costs, and related errors.

Greater Visibility and Reporting

Imagine being able to tell your customers which products they will need and when they will need them, well before they are even aware of a potential shortage. However, for many wholesale distributors, their current business management solution doesn't enable them in the digital age to obtain the key information needed at a moment's notice. SAP Business One gives you an integrated and extensive reports module that you can configure to match the needs of your wholesale distribution business.

By allocating costs based on information in SAP Business One's vendor billing document, a wholesale distributor could make costs more visible and provide a more accurate evaluation of profitability. Sophisticated business intelligence tools in SAP Business One provide deeper insight into business processes, helping you make sound business decisions.

Greater Inventory Management

The software also offers an affordable way to manage your supply chain and enhance customer satisfaction. With SAP Business One, you get reliable, real-time information about inbound and outbound shipments and inventory data, so you can extract insights and meet customer demands and expectations.

Whether you stock and ship hard or soft goods, food, or other items with complex serialization and lot tracking, or your services are a mix of drop ship, 3PL, and stock and ship, SAP Business One will smooth your operations and improve your operating margin. With integrated solutions for EDI, shipping logistics, and supply management, Vision33 can automate your warehouse in ways you had only previously imagined.

Product Traceability to Meet Industry Regulation

SAP Business One gives companies the opportunity to create user-defined fields (UDFs) to ensure that they are gathering all the information needed to meet compliance with industry regulation. There are also several industry-specific extensions and validation protocols that will further help companies with quality tracking needs. For example, companies in the pharmaceutical industry can create UDFs on goods receipts to improve their quality control. When an item is received, and an employee does not fill out all the required line items, an alert will be prompted and additional information will be required before continuing. This allows for more accurate and complete reporting in the future and gives executives insight on how their vendors are performing.

Electronic data interchange (EDI) is more important than ever before. As more and more of these systems are phased in over the next decade, wholesale distributors will be expected to meet the requirement of data sharing, have an active role in the product, and take on the onus of product visibility throughout the supply chain with a system that supports the exchange of information.

Key Benefits

Secure your leadership position in the wholesale distribution value chain with SAP Business One. Plan, source, stock, sell, recover, and analyze – all on one, unified IT platform. By integrating workflows and technology with your customers, suppliers, workforce, business processes, and the Internet of Things, you can find hidden ROI within your business and deliver meaningful customer experiences. Here are some of the benefits of moving to SAP Business One for wholesale distributors.



Greater Efficiency

Through automated processes and integrated production functionality.



Improved Customer Service

Thanks to on-time delivery, fewer shortages, and stock-outs, you can ensure that your customers get their orders when expected.



Reduced Inventory Costs

Forecasting customer demands with material planning tools and by improving inventory control.



Increased Profit Margins

Adopting a lean approach to operations and distribution to grow the company without additional overhead costs.



Better Visibility

Having a single, transparent view of operations and inventory across multiple locations.



Faster Time to Delivery

Streamlined order entry processing with real-time available to promise, instant pick-list generation help companies achieve same day delivery goals providing a competitive edge.

Key Features

The following are key features and benefits available as standard in the SAP Business One solution for wholesale distributors.

Business Function	Benefit
Demand and supply planning	Improve service levels while reducing stock and lowering capital investment across supply chain networks.
	Improve the quality of forecasts.
	Optimize transportation capacities to reduce costs and increase customer retention.
Procure-to-pay management	Bundle purchases to maximize purchasing power and improve profit margins.
	Manage contractual agreements to optimize quantities ordered and reduce the cost of goods sold (COGs).
	Time orders to take advantage of price changes and limited offers from suppliers.
Supply chain execution	Manage the rebate process efficiently and accurately.
	Manage and allocate warehouse tasks to avoid resource bottlenecks.
	Support direct store delivery.
	Help ensure compliance with regulations.
	Support a variety of trading practices.
Order to cash management	Streamline processes to improve customer satisfaction and reduce costs.
	Optimize processing of back-to-back orders and act as a broker of products and services.
	Support direct price agreements between suppliers and customers, and the subsequent settlement of price differences.
	Manage chargeback and commission processes efficiently and accurately.
Financial management and analytics	Manage general and industry-specific processes in finance, human capital, operations support, and corporate services.
	Develop insight and visibility with business intelligence and analytics functionality.
Integration for information, people, and processes	Operate with a uniform technical architecture and solution platform.
	Create a flexible IT infrastructure encompassing SAP and third-party applications.
	Leverage existing IT infrastructure and reduce total cost of ownership.

Cloud EDI for SAP Business One

Cloud EDI is designed and built exclusively to connect SAP Business One to network of over 55,000 retailers, manufacturers, suppliers, 3PLs and more. The integrated EDI solution available on both Microsoft SQL Server and SAP HANA. Cloud EDI is your gateway to building your business' trading partner relationships by becoming compliant with today's industry-specific EDI standards.

Cloud EDI technology and SAP Business One work seamlessly together to provide businesses of all sizes with the powerful EDI compliance capabilities that large enterprise enjoy – allowing you to connect and do business with more trading partners. Regardless of where your organization sits in the supply chain, the end-to-end EDI solution reduces the complexity and cost of manually coordinating your EDI with your trading partners. Cloud EDI helps you build, manage and improve your supply chain operations by making it easy for you to integrate with trading partners around the world.

Benefits

Capable of both customer and supplier-facing EDI in a single environment, Cloud EDI combines the cost savings of a fully hosted EDI solution with the technological capabilities of solutions that were thought to be unavailable to small and medium-sized enterprises.

- Produce standardized document formats that widen your business market to more than 55,000 trading partners.
- Increase cash flow by reducing your invoicing and payment cycles.
- Effortlessly send and receive real-time catalog, inventory, order, and shipping information from SAP Business One.
- Eliminate the need for building individual point-to-point connections with each trading partner - saving considerable time and financial resources.

Wholesale Distribution Industry Solution for SAP Business One

The Vision33 Wholesale and Distribution Solution for SAP Business One is built upon warehouse management solution from SAP's ecosystem of certified software solution providers (SSPs) who specialize in industry solutions for logistics and manufacturing. To date the wholesale and distribution technology under the hood of SAP Business One has been implemented as part of ERP solutions in more than 30 countries worldwide.



Logistics Functions

In addition to the core business functionality you'd expect in single, integrated solution your business also gains the following functions:

- Location management – bulk locations, pick locations, cross docking
- Inbound logistics – goods receipts, put away
- Outbound logistics – multiple picking algorithms, shipping
- Additional logistic processes– cycle counting, return logistics, intercompany warehouse transfers
- Automatic replenishment
- Route planning

Quality & Traceability

The regulatory framework regarding product safety assigns specific responsibilities to all businesses in the supply chain, including suppliers, manufacturers, and distributors. To efficiently and reliably fulfill these obligations, Vision33's wholesale distributor solution for SAP Business One offers industry-specific functions for quality management and traceability (tracking and tracing). With these functions you can manage the quality of the goods you have traded and ensure the dock-to-dock traceability of product flows and the associated information – so you can act fast and focused in case of incidents such as product recalls. Vision33 offers a fully-integrated solution that streamlines administrative and financial processes and integrates them with the logistic operations in your warehouses and on the shop floor.



The Role of an Implementation Partner in Technology Selection and Implementation

Choosing the right technology for your business will not only ensure that you meet the industry's strict regulations but will also give you the time and money to focus on what's important: quality products and customer satisfaction. Selecting the right wholesale distributor software solution for your business is an important decision. Vision33 provides experienced project managers, senior software developers, and implementation consultants to help coordinate and implement the solution and get you up and running.

Vision33 Your Business Partner for Success

Vision33's in-depth experience with wholesale distribution companies, including regulated industries, means that you get world-class expertise working for you. Vision33 Wholesale and Distribution Solution for SAP Business One can quickly and easily identify all steps throughout the supply chain, from purchasing, goods receipt and storage, labeling, route planning, inventory management, production, and packaging to the eventual dispatch of your products.

Vision33 has the largest and most qualified team of SAP Business One consultants located across North America with a local team of certified consultants that will provide personalized service to distributors in your area. Vision33 has delivered hundreds of successful implementations to distributors in the US, Canada, and Europe.

Vision33 helps you challenge your business processes and find efficiencies to attain your business goals and vision for growth and success. Whether you're a growing business with one location, expanding into new markets, or a large enterprise running SAP with subsidiary operations, you can rely on Vision33 to bring extensive business process knowledge, detailed product expertise, and innovative strategies to unlock the potential of SAP Business One for your business. We're here to help you leverage the best of technology for your business and to ensure you get superior value from your technology investment today and into the future.

Conclusion

Whether you are a manufacturer or distributor, understanding challenges and trends in the industry, and adopting an ERP solution, can help you remain competitive in this highly competitive market. Vision33's ERP solution offers an opportunity for progressive food industry enterprises to position their business at the forefront of the market. Through implementation, SMEs can manage customer demands, traceability requirements, and food fraud. The right ERP solution can serve as a point of differentiation among the competition. By identifying risks, and gaining better visibility into the supply chain, businesses can maintain customer confidence and improve their level of satisfaction.

About Vision33

Vision33 Inc. is a global IT professional services consultancy that solves customer business challenges through the promise of technology and the value it delivers. We partner with growing and large organizations in both the public and private sectors to understand their vision and help them reach it with the right blend of strategy, consulting, and technology. Vision33 global team of results-driven resources provide world-class experience through our office locations in North America and Europe. For more information about Vision33, visit www.vision33.com.



For More Information

When you're ready to take the next step, speak with a local, qualified Vision33 consultant in your area.



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