WHAT'S NEXT FOR DISTRIBUTION MANAGEMENT

7 KEY AREAS FOR MODERNIZING DISTRIBUTION WITH HEADSTART

SIKICH

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Worldwide, distribution and supply chain management are straining as never before to predictably meet customer demand and allow companies to remain viable. In this eBook, we discuss distribution issues that you can address with the right technologies, refined and deployed by industry experts at Sikich.

PANDEMIC CHALLENGES IN THE SUPPLY CHAIN

A recent survey* finds that **93 percent** of companies responding experienced supply chain challenges as a result of the pandemic. The three main issues were:

73%
Late deliveries from suppliers

63%
Inventory shortage

61%
Missed or late deliveries to customers

*IndustryWeek and Sikich, "Industry Research: Supply Chain Resiliency," April 2021

GETTING AHEAD OF SUPPLY CHAIN CHURN

Distributors' supply chain management has reached a turning point where it has become so highly exposed and fragile that the world's attention turns to it when it is threatened by disruptions. Distribution companies are challenged to modernize their supply chain management or fall behind in the competition for customer spending. Several concurring factors drive the urgency of doing so:

› **The global pandemic has highlighted vulnerabilities and constraints** in how companies source goods and materials and distribute them to customers or reselling trading partners. Just-in-time procurement and production and the need to scale to increased demand can be at odds. This is exacerbated as many more customers are purchasing certain products in record volumes and rely more strongly on ecommerce channels to receive them as quickly as possible.

› Aiming to capitalize on high demand, **many distributors ally themselves with the industry's ecommerce leaders** to increase their market share and revenue generation. They can potentially connect with many more customers, but also need to manage their inventories and shipping to follow the business rules set by Amazon and other ecommerce enterprises. That may present its own supply chain management challenges.

› **Consumers are used to a high service quality** with shipments arriving predictably at promised times. They expect their suppliers to communicate proactively to alert them of possible delays or other issues, and they also want to engage with them on their own terms, using digital channels to take care of business at their convenience.

> Distribution and logistics companies have for decades pursued tightening resource and cost efficiencies. One consequence of this is that **many of their processes and systems have become brittle.** When unexpected events like a giant container ship running aground in the Suez Canal interfere with the flow of goods, these businesses lack alternatives that allow them to recover quickly and meet customer needs.

> Without early visibility and planning supported by all the data sources that matter, **distributors can find it challenging to mitigate looming shortages of certain materials and product components.** Not even their preferred suppliers may be able to anticipate delays or underproduction. For instance, as a current semiconductor shortage broadly affects the many industries that rely on microchips, some manufacturers have to prepare for production slowdowns and limited distribution of their products.

> Climate change and dramatic weather events can cause scarcities of essential resources like water or energy, resulting in often **sudden disruptions to production, logistics, and distribution activities across the world's regions.** Some distributing manufacturers are reshoring their production or finding alternate locations, but those adjustments may not always be timely.

THE DIGITAL SUPPLY CHAIN **IS COMING**

Gartner finds* that, while **24 percent** of companies surveyed have some elements of a digital supply chain in place, only **1 percent** operate with a completely digital ecosystem. However, **23 percent** expect to get there as soon as 2025.

*Gartner, Future of Supply Chain

HOW CAN TECHNOLOGY HELP?

Allowing a strategic, immediate response to these trends, digital technology has come a long way when it comes to managing supply chains and distribution businesses. For many years, companies primarily looked to technology to help them make their supply chains as efficient as possible and ensure accuracy in inventory management and shipping. Specialized software applications and broad, all-in-one ERP solutions served these goals.

Today, technology can be transformative for distributors and help them achieve the best possible outcomes in managing their business. With software systems and data from many different sources in the cloud, accessible from anywhere, technology can help distributors—

› Gain wider, earlier visibility and more reliable control

› Scale and flex to respond to changes in demand

› Manage supplier relationships and vendor quality for best outcomes

› Boost customer satisfaction and retention

› Address supply chain and compliance-related risks

Powered by the right digital solutions, supply chain management can help distributors realize their unique vision instead of playing an important, but secondary, enabling role. This is a similar change to what began happening in corporate finance departments several years ago, when the ability to translate business data into relevant insight allowed CFOs and finance managers to become key business partners instead of supporters.

WHAT ARE DISTRIBUTORS' PLANS?

Our survey* finds that **77 percent** of responding organizations have made changes in their supply chain management, prompted by the global pandemic, including the following measures:

17%
Investing in technologies to increase supply chain visibility

15%
Consolidating suppliers

8%
Hiring or considering hiring external supply chain consultants or managers

*IndustryWeek and Sikich, "Industry Research: Supply Chain Resiliency," April 2021

BOOSTING DIGITAL CAPABILITIES

Following the pandemic, **63 percent** of the companies we surveyed* are planning on increasing their investments in supply chain management technology.

*IndustryWeek and Sikich, "Industry Research: Supply Chain Resiliency," April 2021

POWERFUL COMBINATION OF INDUSTRY EXPERTISE AND SOFTWARE SOLUTIONS

Sikich consultants have assisted distribution companies succeed and evolve their businesses for three decades. On our industry team you find supply chain experts who had rewarding careers in businesses before they came to our organization. Keeping close watch on supply chain trends and technological opportunities, we help companies weather change to their advantage.

More recently, we often work with businesses, such as manufacturers, that are new to distribution or want to explore new models. Many of them see the volume and reach of companies like Amazon, Walmart, or Wayfair, and want to find the best way to distribute their offerings by partnering with them. Some manufacturing companies are also looking to segment their products and distribute a subset of their portfolio directly by establishing an ecommerce channel of their own.

Engaging with global online retailers and standing up new ecommerce venues both come with risks that Sikich can help you anticipate and address. We will also collaborate with you to elevate your visibility and avoid vulnerabilities resulting from dangerously strained processes.

The Sikich technology arsenal includes several cloud-based solutions that can make a big difference for distributors, including:

› **Microsoft Dynamics 365 Finance and Supply Chain Management**, the powerful, widely adopted ERP system

› **Microsoft Power BI** for business insight and analytics

› **Microsoft Power Apps** to build apps on your own

In the cloud, these technologies can be universally, securely available wherever people are. Distribution, supply chain, and logistics managers and teams can also access the ERP and analytics capabilities through their preferred mobile devices.

ALIGNING TECHNOLOGY WITH DISTRIBUTION MANAGEMENT GOALS

When we deploy Microsoft Dynamics 365 in your business, you get a lot more than the standard solution, competently and efficiently implemented. We put our own intellectual property to work and follow a proven, fast-paced methodology to keep your software project running predictably and shorten the time-to-benefit. We call this approach HEAD**START**. It could be described as a standardized, working model of Dynamics 365 that can meet most of the needs of distributors, manufacturers, and other companies without customizations. **For some Sikich clients, the opportunity of a smooth, predictable ERP deployment with** HEAD**START is a key consideration in their choice of ERP software and deployment partner.**

We invest ongoing research and development efforts in HEAD**START**, so you can replace legacy software and disparate systems and processes with a unified, streamlined technology and elevate supply chain management to be state-of-the-art. HEAD**START** includes a large portfolio of preconfigured business processes based on best industry practices, including several thousand distribution and supply chain management workflows. Because HEAD**START** incorporates the experience of distribution and supply chain leaders and the learnings from hundreds of Sikich deployment projects, it also minimizes any risk that your software deployment might go awry and not deliver the outcomes you look for.

ENHANCING DYNAMICS 365 FOR YOUR BUSINESS

In HEAD**START**, we have **fully preconfigured the Supply Chain Management and Project Management modules within Dynamics 365.** For example, for wholesale distributors, we provide capabilities for high-volume distribution, warehousing, and transportation. Another set of capabilities addresses the needs of equipment manufacturers that handle some of their distribution themselves and also work with trading partners.

3 KEY FACTS ABOUT SIKICH HEADSTART

› On average, **Sikich clients reduce their ERP project costs by 25 percent** when they choose the HEAD**START** approach.

› HEAD**START deployments save roughly 42 percent of ERP deployment time.** If a traditional implementation takes 12 months, clients taking advantage of HEAD**START** can complete it within 7 instead.

› HEAD**START** usually **reduces CRM deployment time by one-third.**

HEAD**START**

Sikich refines and adds to the process library in HEAD**START** as the industry changes and new de-facto standards emerge. We also update HEAD**START** whenever new capabilities become part of Microsoft Dynamics 365.

DELIVERING CRITICAL CAPABILITIES

Some businesses require deep functionality in certain aspects of supply chain management. To meet these needs in the most effective and streamlined manner, HEAD**START** includes **solutions from independent software vendors (ISV) that are tested to work reliably with Dynamics 365.** They are integral components of the deployment methodology. You can thus maintain a coherent ERP environment without making everyday management or upgrades more complicated. For example, ISV technology in HEAD**START** makes it possible to use electronic document interchange (EDI) communications or move and automate paper-based processes in the digital realm with optical character recognition (OCR) functionality.

In distribution and supply chain management, business processes differ from company to company more than they do, for instance, in finance. That particularity drives much of Sikich research and development in this discipline. In deployments, we usually prioritize important processes that are not yet part of HEAD**START** to enable them within your schedule and with minimal solution changes. Typically, they also become part of our development backlog.

7 KEY AREAS FOR MODERNIZING DISTRIBUTION

What are the opportunities for beneficial changes when we apply HEAD**START** to deploy Microsoft Dynamics 365 Finance and Supply Chain Management for you? Seven closely connected areas of supply chain and distribution management are often high priorities for Sikich clients.

01 | ENSURING THE RIGHT INVENTORY LEVELS

Keeping enough inventory on hand to meet the demand that you can expect, based on the history of your business, and avoiding tying up funds in overstock, is still a common-sense practice—but it's no longer enough.

For one thing, **demand changes can happen surprisingly quickly.** When unforeseen circumstances prompt consumers or businesses to stock up on certain products or find alternatives to them, your offerings may suddenly be attractive to more customers, in larger quantities than you might have expected.

Also, **when you distribute through Amazon and similar retailers, you may need to have certain inventory levels always on hand.** You may face penalties if you cannot maintain that minimum inventory, run out of stock, and won't be able to deliver within the turnaround time you committed to. You may have to maintain minimum inventories in the retail partner's warehouses as well as your own, which can make management more challenging.

In Microsoft Dynamics 365 as deployed by Sikich, you always have full visibility and meaningful analytics to tell you what inventory levels currently are and how they are trending.

Regaining customer goodwill after a bad experience can take much more effort and expense than winning it the first time. Recovery gets even more difficult when unfavorable online reviews remain discoverable by search engines and on retailer sites, throwing a long shadow across your best sales and marketing efforts.

Your customer ratings can take a quick downturn even if your delivery is late just once, eating into new sales and repeat business. And if you cannot consistently meet the retailer's inventory-level conditions, you may be unable to continue doing business on that platform.

In Microsoft Dynamics 365 as deployed by Sikich, **you always have full visibility and meaningful analytics to tell you what inventory levels currently are and how they are trending.** The master planning module in Dynamics 365 is the critical engine for helping you manage inventory. All inventory information resides in a single repository, so you don't have to navigate data silos.

You can see where goods in transit are—including containers on ships—and whether their lead times conform to your projections or not. You can take shipping times from and to your own and your trading partners' warehouses into account as you plan inventory. As soon as historical reporting or current events alert you to possible shortages or shipping delays, you can activate alternative procurement and logistics options in time to avoid issues and ballooning expenses.

HEAD**START** augments Dynamics 365 with an **inventory analytics dashboard** to make it easier for distributors to understand and plan inventory movements and financials.

02 MAKING IT EASY FOR VENDORS TO DO BUSINESS WITH YOU

What if dealing with your company is what people in supplier and trading partner businesses were to think of as the favorite part of their day?

You can go far on the strengths of your products. But you can extend your market reach and brand value even more if it's also easy to do business with your company. And, when you interact with organizations that are much larger than your own, or which buy from or deliver to multiple businesses similar to yours, this can generate the kind of attention that make you stand out.

Customer relationship management (CRM) tools in Microsoft Dynamics 365 help you document and manage commitments, conversations, and experiences with vendors and trading partners. Team members working with vendors can always be fully informed regarding the details of contracts, delivery schedules, discounts, requests, or other business conditions without digging into the company's files or asking colleagues for help. Neither your associates nor your trading partners have to depend on someone who has information others don't.

In Sikich-led deployments of Microsoft Dynamics 365, **we often integrate a secure vendor portal with your ERP system.** The portal's functionality can meet your requirements for what matters most in vendor relationships. Anytime and without requiring other assistance, vendors can, for example, submit invoices, provide shipping updates, look up orders, or provide proposals.

Some vendors and trading partners set their own business conditions, such as making EDI communications obligatory when you deal with them. **Sikich often incorporates EDI into the Dynamics 365 environment** so they can meet that requirement. We use a third-party software product called SPS Commerce for EDI, fully vetted for smooth interoperability in the Dynamics 365 environment.

Smaller vendors may not have made a full transition to doing business electronically, so they may provide invoices or other documents on paper. You may not want to revert to inefficient, paper-based processes. We use an optical character recognition (OCR) software add-on called ExFlow from SignUp Software to transform paper documents into electronic files that you can use with Dynamics 365.
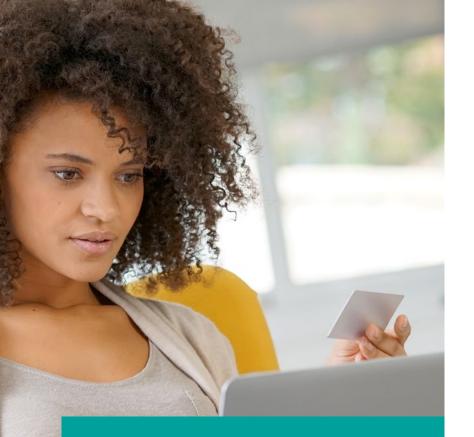
Both EDI and OCR processes, as well as the specialized EDI and OCR software tools, are preconfigured within HEAD**START**. We therefore can implement EDI and OCR for you in a standardized, predictable manner without slowing or complicating your deployment.

03 MANAGING AND TRACKING VENDOR QUALITY

Some distribution companies take **quality risks** when they engage with the industry's leading online retailers. They may be motivated to source less expensive products in an attempt to secure sustainable margins, and quality may be compromised. Other distributors realize that they may have inadvertently risked damaging their business when they learn from customers that a vendor-provided product or component does not meet expectations.

How do you assess your company's customer experience today? What are your protocols for improving it? By the time you work with one of the large online retailers, you should have a strong track record of keeping customers happy from their first contact through to delivery of your products at their facility or home.

MIGRATING TOWARD ECOMMERCE AND SERVICES

Gartner found* that **69 percent** of the supply chain leaders they surveyed expect that consumers will be less willing to visit physical stores and that **46 percent** see product-to-service offerings as a critical new business model.

*Gartner, Future of Supply Chain

Regaining customer goodwill after a bad experience can take much more effort and expense than winning it the first time. Recovery gets even more difficult when unfavorable online reviews remain discoverable by search engines and on retailer sites, throwing a long shadow across your best sales and marketing efforts.

Your vendor contracts may already stipulate certain base levels of acceptable product quality, but that does not guarantee that quality will be consistent or flawless. You may want to test sample shipments at random when you're dealing with high volumes. If vendor products or components are essential for your manufacturing and distribution of high-ticket, partly customized items, you're probably already testing them.

In addition to product quality, pricing, on-time delivery, and professional communications also play into a vendor's overall performance. The scoring tools in Microsoft Dynamics 365 allow you to record and track such metrics over time. You can review the performance of individual vendors or group them in categories. You see how they trend and can hone in on data points to understand them better. Sikich can provide dashboards and reports for this purpose to augment Dynamics 365.

If you need to switch to another source when a supplier has gone beyond the pale in terms of poor quality, the vendor relationship functionalities in Dynamics 365 can help you make that transition quickly.

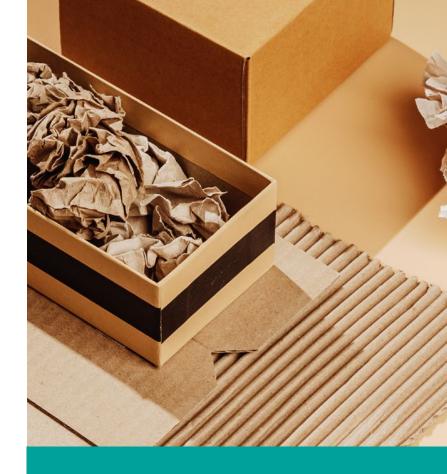## 04 | DELIVERING GREAT CUSTOMER EXPERIENCES

When you partner with Amazon and similar retail leaders, you outsource customer experience to a degree. Customers transact business, are billed, and direct initial inquiries in case of any issues to them, not you. **When you work with a retail organization that describes itself as fanatic or obsessed with customers' experiences, you have to align with their high standards, or the collaboration won't work out.** You need to uphold your end

of the business by honoring your customer promises and delivering quality goods on a tight schedule, with accuracy and speed in all of your processes. When customers need to return items or ask for assistance, you have to be responsive and easy to deal with, or they might stay away and give you an unfavorable review.

On the other hand, if you treat customers well and garner praise, your search visibility on retail sites may improve and you have a better opportunity to win repeat and referral business.

How do you assess your company's customer experience today? What are your protocols for improving it? By the time you work with one of the large online retailers, you should have a strong track record of keeping customers happy from their first contact through to delivery of your products at their facility or home. **You can use the CRM capabilities in Microsoft Dynamics 365 to manage your customers and commitments, and have a complete, realtime view of your performance to KPIs for customer experience and service levels.** Sikich can also help you apply and achieve common industry benchmarks.

For most distributors, satisfying the needs of customers who repeatedly order the same products in similar quantities is not a challenge, but they find it difficult to adjust when demand shifts. **Analytics and insight tools like Microsoft Power BI can complement your Dynamics 365 environment to give you early visibility of market volatility, so you can be ready to adjust quickly.** The same resources can help you identify issues and drive improvements in the last segment of the supply chain, when goods are on their way from the last distribution facility to customers' homes or business locations. When customer expectations and the flagging performance of shipping services need you to jump into action, you can do so before the quality of the customer experience slides.

Customers and suppliers may be ready for you to assist them in becoming more environmentally responsible. Some distributors offer recycling of products at the end of their lifecycle or of bulky packaging and containers that they cannot reuse or store. In Microsoft Dynamics, you can manage this as a valuable, profitable service that, currently, can still create a powerful competitive distinction for your company.

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05 | LAUNCHING AN ECOMMERCE DOMAIN

Some distributors offer products through online retail partners and decide to market others through their own channels. You will have your own criteria—profit margins, market share, brand building, customer segmentation—for doing so, and reporting through Microsoft Dynamics 365 can help you target the right product for the right market and channel.

If you want to stand up your own ecommerce venue, **Sikich can deploy and configure the Microsoft Dynamics 365 Commerce module. We can also help you launch the new channel to customers and manage it efficiently.** You can use dashboards developed by Sikich in conjunction with the analytics tools on the Microsoft Azure cloud to gain a realtime view of events in your ecommerce channel and make rapid course corrections.

Some Sikich clients market a small percentage of their products through their own ecommerce venue, while online retail leaders handle the lion's share of their distribution. Some manufacturers generate considerable revenue by selling parts or supplies online. For other companies, ecommerce is an effective way to remain connected with certain customers and capture their interest when they are ready to offer new services or product upgrades. In any case, **the Dynamics 365 environment Sikich implements for you has the scalability, flexibility, and intelligence to manage any number of transactions and profitably serve customers.**
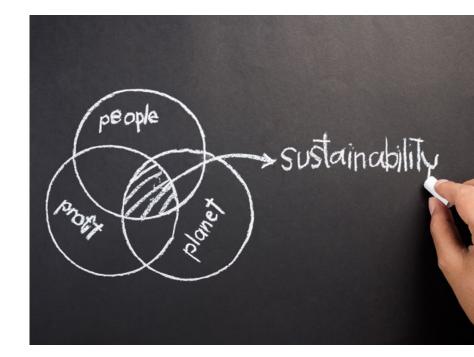
06 PRACTICING AND DEMONSTRATING SUSTAINABILITY

For many distributors, recalling the history of their business may bring back memories of siloed data sources and disjointed processes. Sustainable practices, too, often used to be isolated in certain domains. Maybe the company had a great sustainability message for its customers and was environmentally responsible in its office environment, but extending this effort to production and logistics may have been more difficult and costly. Some businesses found that their customers and employees were enthusiastic about sustainability, but it was challenging to have vendors join the green momentum.

Today, many business customers and personal consumers prefer to do business with a distributor that matches their environmental values and can demonstrate pervasive sustainability practices. When you distribute through online retail leaders, these enterprises may expect you to align with their often well-publicized, companywide sustainability initiatives and values.

Microsoft Dynamics 365 can help you advance sustainability throughout your supply chain. For example, **you can make environmentally sound production, packaging, and shipping part of your vendor evaluations.** Reports based on these findings can be invaluable for planning procurement weighted toward the vendors which meet your standards and provide transparent disclosure of their accomplishments in sustainability. Similarly, you can plan engagements with shipping and logistics providers based on their track record of minimizing their carbon footprint and using energy from renewable sources.

Conversely, when trading partners or customers ask you about your company's sustainability programs and progress, you can rely on data and insights based on data in the ERP system to show them how you achieve the benchmarks and KPIs that drive your environmental performance.

Customers and suppliers may be ready for you to assist them in becoming more environmentally responsible. Some distributors offer recycling of products at the end of their lifecycle or of bulky packaging and containers that they cannot reuse or store. In Microsoft Dynamics, you can manage this as a valuable, profitable service that, currently, can still create a powerful competitive distinction for your company.

07 | EASING COMPLIANCE WITH REGULATIONS AND BUSINESS RULES

Complying with the business conditions of your retail trading partners may be demanding enough. When you also have to follow regulatory mandates for financial management, sustainable sourcing and distribution, end-to-end tracing of components and materials, or product safety, compliance can become a risky, costly undertaking. If you extend your distribution to other countries, compliance conditions can become yet more complex. For example, many countries have requirements for managing sensitive customer data that are more strict or differ from U.S. practices.

Your Sikich team can work with you to review the strength and resilience of your compliance processes and make adjustments before we implement Microsoft Dynamics 365. Hundreds of clients in compliance-intense industries have collaborated with us to mitigate compliance risks and efforts. While compliance typically requires an additional layer of reporting and control, we know how to create this in such a way that the business as a whole benefits from it. Improved efficiencies, faster workflows, and better visibility can serve compliance as well as the company's overall goals.

When we deploy Dynamics 365 for your distribution business, we maintain the integrity of compliant processes in the ERP environment. Compliance and quality management dashboards and analytics tools can help you gain assurance that the company's activities meet the required standards, or else allow you take corrective action.

A SUPPLY CHAIN PARTNER YOU CAN COUNT ON

As we hear sometimes from clients, the Sikich ERP and supply chain management practice offers a unique combination of assets:

› **Other consultancies may deploy powerful, state-of-the-art solutions, but don't offer an efficient, low-risk deployment approach** optimized for supply chain and distribution management like we do with HEAD**START.**

› **Even some larger consultancies and systems integrators lack end-to-end, modern, unified supply chain management capabilities in their arsenal.** To address clients' supply chain concerns, they need to deploy and integrate several software products. Clients have to invest significant effort for updating and managing the integrations and applications in the complex environments that result, which drives up their total cost of technology ownership (TCO).

› At the same time, **we build on decades of experience of supporting distributors,** accompanying them throughout their journey from startups to industry leaders. Sikich consultants have frequently assisted companies make a successful transition to partnering with online retailers to extend their distribution. We have also helped them shift rapidly when business rules or market conditions changed without advance warning. Our deep bench of expertise includes distribution disciplines like warehousing, barcode scanning, voice picking, conveyor automation, radio frequency (RF) technology, and others.

HIGHLIGHTS FROM A SIKICH CLIENT'S EXPERIENCE

In a recent project with a distribution client, we replaced a balky, management-intense legacy ERP system and several specialty software applications with Dynamics 365. We used Microsoft Power BI and other Azure analytics tools, together with dashboards we developed, to enable business insight for key roles in the company. We set the organization up for engaging with a large online retailer and provided EDI and process automation to simplify vendor transactions.

THE OUTCOMES? The company—

› Doubled its revenue during the pandemic

› Gained the flexibility and scalability to manage 500-percent same-day order volume changes without any slowdowns

› Reduced staffing needed for managing distribution

We start with the current state of your business, but we don't stop there. We learn your company's unique vision, value proposition, and direction. When we deploy your Dynamics 365 platform, we ensure that it is extensible and flexible to support change and growth. Some technologies may not be called for right now, but they may make a difference in the future. Using the internet of things (IoT) for anytime, anywhere tracking of products, materials, containers, and vehicles may be a next step for you. Or, machine learning and artificial intelligence to anticipate demand, optimize logistics, or determine best-fit suppliers. On your ERP foundation, you can manage today's business and foster innovation to outperform the competition.

NEXT STEPS

If it's time to take your distribution and supply chain management to the next level, we should talk.

›   Visit our distribution page to learn about client successes and Sikich capabilities.

›   Contact Sikich for an exploratory conversation.

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ABOUT SIKICH

Sikich is a leading professional-services firm that is among the top 1 percent of all enterprise resource planning solution partners in the world and ranks as one of the United States' Top 30 CPA Firms. Sikich is also ranked as number 9 in the country's top 100 technology providers. To every project, Sikich ERP and CRM experts contribute more than 30 years of team experience and an outstanding track record with a success rate of 97 percent. Sikich partners with the industry leaders, including Microsoft, NetSuite, and SonicWALL. Sikich is a Microsoft Solutions Partner for Business Applications and Microsoft Dynamics Inner Circle Partner focused on delivering technology solutions for tangible business improvement and organizational excellence.

To learn more about Sikich, go to **www.sikich.com/technology** or contact **info@sikich.com**.