Acumatica
The Cloud ERP

Crestwood Associates

Distribution ERP Handbook

A Guide to Selecting the Right ERP Software for Your Industry

EVOLVE AND THRIVE WITH THE RIGHT ERP APPLICATION

The lines between distribution, retail, and manufacturing are less clear every day. The Internet is the leading cause of this disruptive transformation. Today's distributor faces tighter supply chains with manufacturers selling direct to retailers, or in some cases, direct to customers. Changes in distribution and supply chain models are recognized throughout the industry. Even the National Association of Wholesaler-Distributors has published articles on the changing face of distribution.

The poster child for supply chain disruption is Amazon. Founded as a consumer-focused online retailer, the company has grown to become the largest distributor of industrial products and a significant threat across distribution industries. These changes force distributors and wholesalers to rethink go-to-market strategies and transform their businesses using modern technologies.

This handbook guides wholesale distributors through the evolving world of ERP applications, including functional requirements based on the types of products they distribute. Readers will discover differences between general ERP and industry applications, standard features available in midmarket ERP systems, and industry-specific requirements.

FIND THE RIGHT DISTRIBUTION ERP SOFTWARE

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DURABLE VERSUS NONDURABLE GOODS

Product Characteristics Impact System Needs

There are two types of distribution products—durable goods and nondurable goods. Durable goods, also called hard lines or hard goods, are products that consumers purchase with low frequency because they last a long time—typically more than three years. Durable products include furniture, automobiles, appliances, housewares, jewelry, consumer electronics, and other products.

Nondurable goods are also known as soft lines or soft goods. Nondurable goods are consumable with short usable life spans. Consumers purchase nondurable goods such as food, beverages, health and beauty products, cleaning products, paper products, and clothing more frequently.

Acumatica is a popular choice for distributors of both durable and nondurable goods due to specialized features like matrix items, lot and serial control, kitting and disassembly, and first-expired-first-out picking by expiration date.

PHARMACEUTICALS, COSMETICS, AND MEDICAL PRODUCTS

"With Acumatica, we can give each product a specific tag number which allows us to see where it came from, who it went to, and then have all that on file for the FDA."

- LEVI ELLIS, PRESIDENT, PROPHARMA DISTRIBUTION

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CHARACTERISTICS	DURABLE GOODS	NONDURABLE GOODS
Traceability	Serial and lot tracking are common	Lot tracking for recalls and pedigrees
Expiration Dates	Products have an extended shelf life and typically do not expire	Products expire or degrade over time
Properties	Solid products made of metal, wood, plastic, or non-metallic minerals	Organic products, such as food, textiles, gases, and liquid products
Quality	Minimal quality regulations	Significant quality and compliance, including lot attributes, hazardous materials, safety data sheets, EPA and FDA regulations, and more
Other Differences	Often sold in kits with disassembly and matrix items	Picking based on expiration dates with some matrix item requirements

DISTRIBUTOR TYPES

Know What You Need to Evolve

The Amazon Effect is felt everywhere, as B2B customers demand shorter lead times, uncomplicated return procedures, and self-service access to manage their accounts and place orders online. With average profit margins of just 1.8 percent,[1] distributors cannot compete on price alone. Further, more than 50% of distribution business expenses are related to employees.[2] These factors force distributors to adopt new go-to-market strategies with expanded services and automation to streamline processes to drive down costs. Following are distinct distribution types with ERP features distributors need to compete in today's digital economy.

FURNITURE AND HOME GOODS

"I am constantly amazed with how Acumatica seems to just "work." Anything we seem to imagine the system could do, we've been able to make happen without the assistance of external modifications."

- KEVIN CHIANG, CHIEF BUSINESS DEVELOPMENT OFFICER, SUPERPREM INDUSTRIES

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GENERAL DISTRIBUTION

Distributors are intermediary businesses between the manufacturer of a product and another entity in the distribution supply chain. Distributors typically buy smaller quantities and sell to retailers or other manufacturers. They rarely sell to consumers but increasingly provide **business-to-business commerce storefronts.** Common general distribution features include:

- B2B Commerce
- CRM Marketing and Sales
- Will Call and Special Orders
- Kitting and Disassembly
- Barcoding and Light WMS

WHOLESALE DISTRIBUTION

Wholesalers buy massive quantities of product from manufacturers and sell in bulk at low prices. Unlike distributors, wholesalers often sell directly to consumers. Other wholesalers work with manufacturers, smaller distributors, and retailers to provide **drop-ship** services, storage, order fulfillment, and other outsourced contract services. ERP requirements for wholesalers often include:

- Blanket Purchase Orders
- Advanced WMS Features
- B2B and B2C Commerce
- Service Management
- Warehouse Transfers

[1] US Census Bureau Data from 2019
[2] National Association of Wholesaler-Distributors Distribution Industry Data 2019

CHEMICALS, PLASTICS, AND COATINGS

"Acumatica's sales, purchasing, inventory, and fiscal management software helped our swimming pool supplies distribution business reach profitability in year one."

- JOHN GWALTNEY, OWNER, POOL SOURCE LLC

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RETAIL AND COMMERCE

Traditional brick-and-mortar retail establishments sell directly to consumers from retail storefronts. Most retailers have an online storefront, and some provide catalog sales. Larger retailers and commerce resellers have similar inventory and **warehouse management** requirements as distributors and wholesalers. They manage inventory movements across warehouse and retail locations, track items using serial or lot numbers, and manage back-office fulfillment for a large volume of customer orders. Retail and commerce businesses often require:

- Point of Sale Transactions
- Omnichannel Sales and Returns
- B2C Commerce
- Inventory Management
- Warehouse Management

DIRECT TO CONSUMER (D2C)

D2C companies sell products directly to consumers. In some cases, the D2C company is the manufacturer of the product. In other cases, the company is more like a traditional distributor. They manage **marketing and sales** of the product but sources products from contract manufacturers. D2C businesses bypass third-party retailers, wholesalers, and other intermediaries. D2C companies need the following special features:

- CRM Sales and Marketing
- B2C Commerce
- Special Order Drop Shipments
- Kitting and Disassembly

DIRECT STORE DELIVERY (DSD)

DSD companies supply products directly to retail store locations. DSD alleviates pressure for the retailer to stock products in a warehouse. DSD is common for **high-volume and short shelf-life** products such as tobacco, ice cream, candy, baked goods, and snacks. Foodservice distributors are like DSD but service restaurants, hospitals, and other commercial food businesses. Requirements for DSD businesses include:

- Route Optimization
- Discounts and Promotions
- Mobile Sales
- CRM Account Management
- B2B Commerce

OTHER DISTRIBUTORS

Other companies manage inventory, stock product, and sell to businesses or consumers. These businesses include digital content distributors for music, online games, and digital books. Value-added resellers and third-party logistics providers have similar distribution requirements with outsourced warehousing, fulfillment, and transportation services. A growing number of marketplaces allow companies to sell on their platform. Many of these marketplaces offer warehousing and fulfillment services. Other businesses engaged in distribution have varied business requirements that may include:

- Project Accounting
- Warehouse Management
- B2B and B2C Commerce
- Service Management

ERP OPTIONS

Specialized or General? Large or Small?

Smaller distributors use accounting applications like QuickBooks with multiple plug-ins for inventory, commerce, point of sale, and field service. These low-end applications historically provide minimal features. As distributors grow, they move to more robust midmarket ERP applications like Acumatica.

There are specialized ERP systems for distributors of fluid power products, tile and flooring, fasteners, lumber and building materials, sanitation and janitorial supplies, and other industries. While these applications have in-depth industry features, they are confined to aging technology platforms with limited accounting functionality. The table below compares each type of distribution ERP system.

TOY AND HOBBY

"Acumatica has allowed us to be a better digital business. From Sales to Operations, from Admin to C-Level Executives, Acumatica allows us to have insight into data to make good decisions to grow our business in a powerful way."

- BRYAN PAPÉ, FOUNDER AND CEO, MIIR

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FEATURES	INDUSTRY ERP	GENERAL ERP
Technology	Generally, older technology. Difficult to integrate	Typically, modern technology with easy connectivity
General	Simple accounting with few connected business applications	Strong accounting with CRM, Project Accounting, Service, Point of Sale, or other connected applications
Distribution	Specialized industry features	General distribution with limited industry-specific features
Customization	Few customization or personalization tools	More robust customization and personalization tools
Services	Direct consulting and support provided by the ERP vendor. Few, if any, other options	Multiple consulting and support options, including partners and independent consultants

GENERAL ERP FEATURES

Standard Features Across ERP Systems

Today's ERP systems have evolved from the industry's best ideas. As a result, most ERP systems provide similar functionality with as little as 10 to 20 percent difference between applications. The following are common features available in midmarket distribution ERP applications. However, **the way that each feature is supported is often different.** Distributors must pay careful attention to detail to differentiate between systems when evaluating ERP applications.

TRANSPORTATION AND LOGISTICS

I have better information in terms of profitably by location, by customer, and by product. Access to that data helps me target growth. What are the markets I want to go in? Am I good with furniture? Are we good with JB Hunt? I can then have conversations about serving additional markets armed with this knowledge."

- GLENN PEARSON, CFO, R.A.S. LOGISTICS

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PLATFORM AND TOOLS

Every ERP system has multiple levels of database and user security and some capability to customize screens. Most systems provide user-defined fields (UDF). UDF functionality varies widely between applications. Most ERP systems also offer import and export utilities to manage data. Most ERP vendors restrict access or charge fees for source code. All ERP applications provide reporting and inquiry tools. Mobile applications are critical for remote field service. Help files are available for all major ERP applications. Some systems offer customizable help and built-in wikis. Support for multiple languages and localization for international regions varies widely across ERP applications. Be diligent when evaluating the ERP platform. There are significant differences between applications developed natively for the cloud and legacy applications ported to the cloud. These differences impact performance as well as customization and integration options.

ACCOUNTING

Every distribution ERP system provides general ledger, accounts payable, accounts receivable, and bank management (aka cash management or bank reconciliation). However, functionality varies widely in these core financial modules. Some ERP systems are restricted to a limited number of account segments, and others do not support national or parent accounts or budgeting. Multi-company and multi-currency support are other standard features. However, not all ERP systems support inter-company features. Nor do all systems provide tools for allocations or financial consolidations. Project accounting, fixed assets, and payroll are provided natively or through third-party applications. Carefully evaluate each business process workflow. Accounting functionality may seem similar across applications, but the steps it takes to complete each type of financial transaction can vary widely across ERP applications.

SALES

All distribution ERP applications provide sales orders. Most systems support drop-shipments, returns and exchanges, sales commissions, quotes, and CRM. Pricing includes customer pricing and volume pricing with special discounts and promotions. Other standard sales features include shipping, backorder management, and labeling.

INVENTORY AND WMS

Standard inventory functionality includes stock and non-stock item management with unit of measure definitions, pricing, and packaging. Standard inventory management features include replenishment, ABC Codes, movement classes, and calendar-dependent physical inventory cycle counting. Some provide country of origin and advanced replenishment based on safety stock, lead times, reorder points, economic order quantities, or min/max stock definitions. Kitting, barcoding, labeling, and warehouse transfers are also common. Lot and serial tracking, expiration dates, and inventory allocation for orders are less common. Most systems support average and standard inventory valuation. Some also support FIFO, LIFO, and actual or specific (lot-based) valuation methods. Ensure that the application provides embedded barcoding and mobile warehouse management to automate pick, pack, ship, and other inventory transactions.

PURCHASING

Purchasing includes blanket orders, receipt of goods processing, and put-away features. Other common features include landed costs, FOB definitions, vendor returns, and bar code scanning. Few systems natively support purchase order requisitions with approvals workflows, requests for quotes (RFQ), and vendor bidding. Other applications require third-party software for purchase order requisitions.

COMMERCE AND POS

Make sure that the ERP system you choose works with a commerce storefront that meets your unique needs. Distribution ERP systems like Acumatica provide customers with multiple commerce storefront options such as BigCommerce and Shopify to support varied business-to-business and business-to-consumer experiences. Integration should be bidirectional between the commerce application and the ERP system allowing you to synchronize item information, stock availability, and orders between systems. Many distributors operate showrooms. Ensure that the ERP system you choose connects to retail point of sale software with integrated hardware for cash registers, barcode scanners, receipt printers, and credit card terminals. Confirm that the ERP supports omnichannel distribution where customers can buy in-store and return online and vice versa.

AGRICULTURE AND NURSERY PRODUCTS

"Our success is ultimately tied to Acumatica's success, and they are building a strong and healthy product. They have a vibrant customer and development community and a product that's growing, not stagnant. We can really craft Acumatica to do what we need it to do."

- BEN ROTHE, GM & CEO,
PREMIER 1 SUPPLIES

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INDUSTRY FEATURES

Industry-Specific ERP Features

Distribution ERP is available from general ERP publishers, and smaller, specialized vendors focused on niche industries. General ERP applications provide robust cross-functional processes and features. General ERP systems offer more specialized functionality today than ever before. Smaller ERP vendors focus on particular distribution industries with focused feature-sets. Distributors must choose between the two options. Below is an overview of varied industry segments and their business requirements.

METALS AND MINERALS

"With Acumatica, one of the big changes is that we can now track a lead to a customer with all the associated notes along the way so we can capture that information . . . With better information and improved reporting, we're expecting to see better sales results and improved customer retention."

- SCOTT MCCALLA, CHIEF STRATEGY OFFICER INTERNATIONAL PIPE & SUPPLY LLC

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CHEMICALS, PLASTICS, & COATINGS

It is a nightmare to manage chemicals, plastics, and coatings without an ERP system that supports **picking by lot expiration date** and flexible units of measure for variable product packaging. Manage compliance with flexible security with database audit logs and document quality procedures with built-in Wikis.

EQUIPMENT & MACHINERY

Track capital equipment and components by serial number. Build and disassemble kits for replacement parts and accessories. Use connected **field service** and project accounting to manage equipment installations, preventative maintenance for customer-owned equipment, or service repair jobs from the mobile app.

AUTOMOTIVE & TRANSPORTATION

Automotive parts distributors carry thousands of like inventory items. Use matrix items to create and manage product families. Deploy connected B2B commerce sites to provide customers with online access to **locate inventory using photos and descriptions** from your ERP system. Setup customer-specific pricing, build kits, and disassemble kits into base components.

AGRICULTURAL & NURSERY SUPPLIES

Distributors of animal feed, farm supplies, and products for nurseries and growers need **mobile applications** for inventory management. Track products by lot and serial number. Use matrix items to create, manage, and sell like products. Automate inventory with barcodes and manage full-time and seasonal employees with embedded payroll and time management.

FASHION, APPAREL, & JEWELRY

Matrix items are a must-have for fashion products that vary in **size, style, and color.** Quickly create items with user-defined attributes and options. Use matrix grids and tables to streamline order management. Connect your commerce platform to grow sales with bidirectional integration for images and orders.

FURNITURE & HOME GOODS

Use styles, wood species, fabric, color, and other attributes to streamline the creation and order management processes for furniture and home goods. Create and disassemble kits for accessories or product collections. Sell more with a **connected commerce storefront** and point of sale for brick-and-mortar retail sales.

GROCERY & ALCOHOL

Grocery and alcoholic beverage distributors have extensive quality requirements. Track perishable inventory by lot with **first-expired-first-out (FEFO)** picking and stock rotation by expiration date. Empower business and commercial customers with connected B2B commerce for self-service orders. Leverage connected applications for route management for store deliveries.

HARDWARE, PLUMBING, & HVACR

Distributors of hardware, plumbing fixtures, and HVACR products manage thousands of unique SKUs. Matrix items and item class hierarchies are ideal for managing product families using attributes such as material, finish, thread direction, dimensions, and model year. **Schedule appointments** and manage remote technicians with native field service.

INDUSTRIAL & MRO SUPPLIES

Matrix items and item class hierarchies are perfect for industrial supply distributors. Find items such as fasteners quickly using **smart part numbers,** use item attributes to identify the correct product for purchasing or sales orders, and sell more with a connected commerce storefront. Manage will call orders, special order drop-shipments, and point of sale transactions. Grow sales with embedded CRM for marketing and opportunity management.

JANITORIAL & SANITATION

Lot tracking and expiration dates help Jan/San distributors manage volatile inventories of cleaning supplies. Schedule appointments and manage remote workers with embedded field service. Attach safety data sheets to records with native **document management.** Generate leads with marketing automation and track support requests with case management. Provide flexible pricing and manage discounts and promotions.

INDUSTRIAL AND MRO SUPPLIES

"I think we got the full capability of an ERP with the simplicity that allows not only me, but our entire sales force to take advantage of the system . . . Acumatica is so easy to use that a lot of small companies can now adopt an ERP, host it in the cloud and save money by not having to buy new hardware or servers."

- DAN WILKINS, PRESIDENT
BELL AND COMPANY

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GROCERY AND ALCOHOL

"We look at today's orders, inventory issues, and dive into the Acumatica tool to talk about them. It's a touchpoint across the organization—sales, accounting, finance, supply, operations—we all look at Acumatica to see what needs attention to ensure our success and our customers' success."

- GREG LEMS, DIRECTOR OF ENGINEERING, FOODMAVEN

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LUMBER & BUILDING MATERIALS

Create SKUs using materials, dimensions, and other options to generate unique items. Use smart part numbers and item class hierarchies to identify like items. Manage retail **point of sale** transactions with cash registers, credit card terminals, barcode scanners, and receipt printers.

METALS & MINERALS

Track metal and mineral products by lot. Automate yard transactions with barcoding. Sell online with connected commerce or in-person with point of sale applications. Metal service centers manage the entire production process with **connected manufacturing applications.**

PAPER, PUBLICATIONS, & CARDS

Manage inventory using matrix items for size, color, material, style, publication date, format, or other options. Create kits and gain insights into **category sales by customer or sales rep** and manage sales commissions with a flexible ERP that adapts to your needs.

PETROLEUM PRODUCTS

Petroleum distributors keep costs down and profits up with deep inventory and order management features. Manage customer relationships and opportunities with embedded CRM and **connect to specialized applications** for deliveries and compliance reporting.

PHARMACEUTICALS, COSMETICS, & MEDICAL PRODUCTS

Configure your ERP system to support **pedigree traceability** regulations for drugs and medical products. Manage inventory lots, pick inventory by expiration date, and define units of measure for variable product packaging.

TECHNOLOGY PRODUCTS

Track electronics and electrical inventory by serial number. Manage support with native **case management** and a customer self-service portal. Schedule installations and capture service details with a mobile app.

TOY, HOBBY, & SPORTING GOODS

A connected **commerce storefront** is a must-have for toy, hobby, and sporting goods distributors. Manage sales with embedded CRM, track warranties with serial numbers, and process in-store sales with point of sale software. Matrix items are ideal for managing sporting goods, uniforms, and equipment that varies in size, style, color, or other attributes.

OTHER INDUSTRIES

Distributors of musical instruments, signs, art supplies, brushes, tobacco, cannabis, and other products require inventory and warehouse management systems with **flexible order management,** and connected commerce and retail applications. Non-distribution industries such as agriculture, forestry, fishing, mining, non-profit, and commerce manage their businesses with distribution ERP applications.

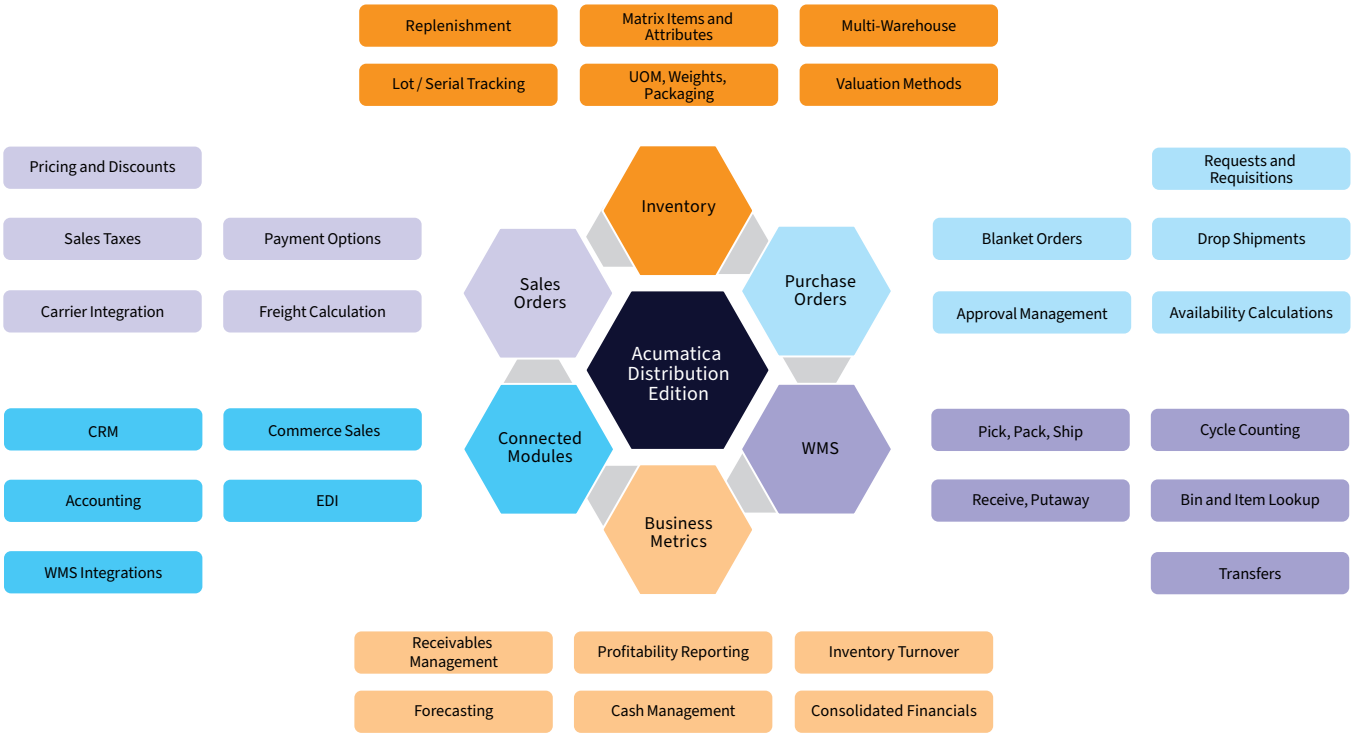
ACUMATICA DISTRIBUTION EDITION

Distribution ERP—The Acumatica Way

Thousands of distributors **across industries** rely on Acumatica to maximize resources, reduce costs, and improve profits. An extensive suite of connected applications provides **unparalleled depth** for omnichannel sales, inventory optimization, customer management, and procurement.

Last-mile features include kitting and disassembly, matrix items, lot and serial tracking, commissions, vendor RFQ bids, and returns management. Acumatica supports multiple distribution strategies on a single cloud platform.

Develop rapid integrations to connect **modern technologies,** including cloud computing, big data and analytics, and carousels and robotics for streamlined processes and meaningful insights into business and warehouse operations.



Discover Why Distributors Rely on Acumatica for their Success

Watch Videos

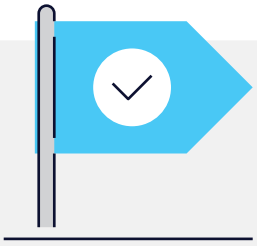
Compete and Win with a Complete and Mobile Distribution ERP Application

The wholesale distribution industry is changing rapidly. Retail giants like Amazon have cut out distributors in several business-to-business distribution markets. **Mobility and automation** impact every step in the supply chain with shorter cycle times and higher customer expectations.

Distributors historically had limited options for ERP software. They either ran their businesses on entry-level accounting software with multiple plug-ins or industry-specific applications built on aging technology platforms and limited accounting features.

Acumatica provides a complete and connected suite of business applications on a **modern technology platform**. Manage every part of your business from accounting to inventory, purchasing to commerce, marketing to retail sales, and marketing to warehouse operations.

Improve customer service and drive out inefficient processes with accurate, complete, and real-time insights into all areas of your business. Unique consumption-based licensing makes Acumatica an affordable option for small distributors or large, multi-site wholesale distributors.



"We are just scratching the surface of what the new WMS can afford us by replacing existing processes. We are looking forward to implementing new streamlined processes that have previously been unavailable to us such as confirming shipments at the time of pick and processing customer returns as soon as items are received at the dock all from the handheld devices."

– THOMAS FINNEY, IT DIRECTOR
SHOEBACCA

Crestwood Associates

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The Cloud ERP

For more information please contact:
Crestwood Assocates LLC
www.crestwood.com
sales@crestwood.com
(847) 394-8820