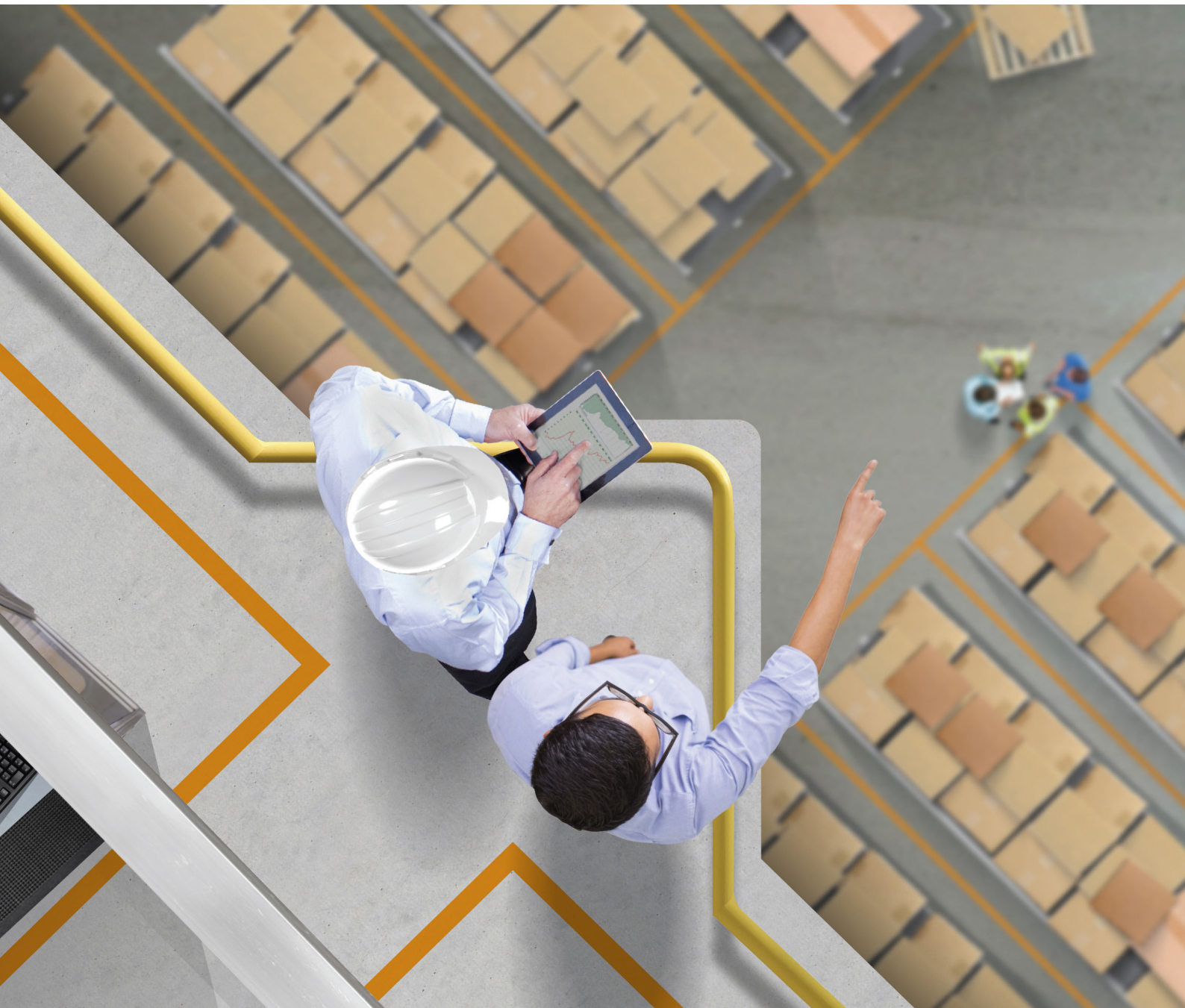


An Epicor® White Paper

5 Mistakes Distributors Make When Selecting an Enterprise Software Solution



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System Replacement Starts with a Vision

It's no light matter to replace your enterprise software system. It's essentially performing a heart transplant on your business. Replacement may appear to be a difficult and painful process, but done right, it can open numerous business opportunities. The cornerstone of this effort is finding the partner that can show you how to make this hard transition easier, and a specialist with the confidence to walk side-by-side with you until your goals are achieved.

Distributors decide to replace their enterprise resource planning (ERP) systems for a variety of reasons. At the most fundamental level, the question is whether your current system supports or constrains your ability to execute business strategies that will make your company successful and establish it as an industry leader.

After the decision to change is made, you must imagine what your company will look like in 10 years or more. What new developments in your industry will reshape your company? How will your company lead or respond to those changes? More importantly, how will you get there, what technologies will you have adopted, and how will they have helped you succeed? This vision will form the basis of the criteria for your selection of an ERP system replacement.

Your enterprise software provider must be part of your vision. They must have faced these challenges many times in their history and learned how to help distributors adopt new technologies. The future of your business depends on whether they have successfully made the leap from one technology curve to the next, and continue to innovate and deliver to help companies like yours lead the change.

Selecting the right software provider for your business can be a daunting task for those who lack experience in this process. The last thing any person or company wants is to invest in the wrong technology and choose the wrong partnership.

There are five common mistakes distributors make when embarking on the software selection process.

- ▶ Not involving the head of the organization in the decision-making process
- ▶ Skipping the planning phase because "it takes too much time"
- ▶ Considering a technology provider that doesn't truly understand your industry
- ▶ Assuming you will do things exactly the same way you do them today
- ▶ Selecting a vendor that lacks a long-term vision

If you can avoid these common pitfalls, you will dramatically increase your chances for success. This document addresses each of these issues and presents sound advice for ensuring you make the proper decision that will support and enhance the future vision of your company.

Mistake #1

Not involving the head of the organization in the decision-making process

You wouldn't open a new warehouse or branch location without involving your business leaders, so why do a significant number of distributors exclude their owner, president, or CEO from the enterprise software decision-making process? In today's technology-driven world, perhaps no other decision can have a greater impact on your company's success or failure. However, thinking it's strictly a technology issue, top executives often leave the decision solely to their information technology (IT) staff. In reality, purchasing software is a pure business decision. Unless the IT team understands the vision of the company for the next 5-10 years, they cannot judge the value a software solution will bring to the business. The top executive should always lead the search for new software by establishing a vision for the project.

Because the software selected will impact almost every employee within the organization, the success or failure of the new software often hinges on whether or not the people who will use it buy into the decision. Line managers in each operational area must have some input in the decision-making process. That is not to say that theirs is the only vote that counts, but understanding their day-to-day issues will help you make an informed decision.

Finally, input from the IT staff is necessary to ensure that the software solution you select can carry your business into the future. Software that meets your needs today can become obsolete in six months if the technology that the software is built upon can't grow and adapt with your business.

Ideally, the team selecting your new enterprise software solution should include a high-level executive sponsor with long-range vision; line managers from each discipline to confirm proper functionality; and IT staff to ensure that you have the best technology infrastructure for the present and future.

Mistake #2

Skipping the planning phase because “it takes too much time”

The time you invest in planning your vendor selection process will easily pay off before the process is complete. Not documenting your objectives and timelines will certainly result in delay—or possibly derailment—of the project.

The most important first step any business needs to take is to define your compelling event. This is your definitive answer to the question, “Why now?” Distributors have many reasons to consider supplanting their existing ERP system, whether it’s replacing outdated technology that creates pain points for their staff, improving their ability to service their customers, or taking advantage of functionality that can streamline processes and dramatically improve profitability. Compelling events are often tied to a process mandate from a key business partner, or an organizational change such as a merger or acquisition.

Without a compelling event that clearly outweighs the other reasons to remain on their current ERP system, distributors often invest considerable time and effort in an evaluation process, only to decide to maintain the status quo. You must define your compelling event early enough so you can balance it against the forces of inertia and any unanticipated concerns that arise. Document this for everyone to read and understand. This is your guiding force throughout the evaluation process.

Once you have identified your compelling event, the cornerstones of your evaluation process should be: identifying your critical business issues and needs, and defining the selection criteria for the right software and technology provider. With those pieces in place, you will have the proper framework in which to decide.

- ▶ **Determine your budget and ability to afford the investment.** If the initial investment amount is a concern, the software provider may have a Software as a Service (SaaS) solution that allows you to essentially “rent” access to the software in the cloud, decreasing your need for up-front cash.
- ▶ **Assign the selection team.** Be sure to identify the executive sponsor and all critical stakeholders.
- ▶ **Identify areas of your business you want to improve, and list your staff’s critical business issues.** Also note areas in which you already do well, so the solution provider can address your most important needs. This doesn’t need to be a 200-page document with 10,000 requirements, only a checklist to keep your team focused on solving the problems that are important to you.
- ▶ **Define selection criteria (request for proposal, or RFP) for the solution and the provider partnership.** Criteria such as long-term financial stability, in-depth knowledge of your industry, investment in research and development, implementation process, and technology vision are all important factors to consider.

Also, be sure to develop a timeframe and stick to it. It's human nature to procrastinate, and the process of switching software is not fun. Prepare yourself by documenting all of the evaluation activities you intend to complete (discovery sessions, demos, site visits, etc.), and set tentative dates for completion of each. If milestones are not set on the front end, you run the risk of delaying the decision and costing your business significant time and money. Whether you're a \$100M+ multi-branch business or a 10-employee, single-location distributor, there is a basic sequence for **selecting a technology partner** that every company should follow:

1. **Send the RFP to potential solution providers.** Allow two weeks to get responses back before narrowing your search to the top 3-4 companies, based on RFP responses.
2. **Hold a meeting to review business objectives with the solution providers.** Discuss the selection process and criteria and agree to the sequence of evaluation events. Also be sure to request a copy of the contract they will ask you to sign. Make sure there are not any major legal or business roadblocks now, before you invest too much time with a particular software vendor.
3. **Complete a credit application and deliver to the solution providers.** It's best to address this step early in the process.
4. **Hold a meeting to review business processes and conduct a demo with the solution providers.** Review each solution provider's return on investment (ROI) analysis and confirm that all of your requirements have been met.
5. **Narrow your search to the final two solution providers.**
6. **Conduct reference calls and visit the solution providers' reference customers.** Be sure these distributors are similar to your company in regards to industry and purpose—but you'll want to see distributors that represent what you aspire to be in a few years, not what you are now. The most important question to ask of a reference is: If you could do it all over again, what would you do differently?
7. **Confirm that each solution provider meets the partnership selection criteria.** If you can, visit the solution providers' corporate office. This will give you the opportunity to see their operations in action and meet the leadership of the organization.
8. **Consider and address all risks before proceeding.** Make sure you are comfortable with your plan for mitigating any perceived financial, operational, or talent risks.
9. **Decide on the final solution provider and execute partnership agreements.** Be sure to review the solution provider's license and service agreements with legal advisors.

Mistake #3

Considering a technology provider that doesn't truly understand your industry

You can't fit a square peg into a round hole. Likewise, you can't achieve maximum profitability running a generic ERP or accounting software package in the distribution world. You need a solution provider who understands the nuances of your business and has the functionality to support your unique needs.

Answers to the following questions will help you narrow your field of vendors a bit:

▶ **How many customers are distributors?**

What is the exact number? Distribution is very different from other businesses. You don't want to have to teach a software vendor how the distribution industry works. Be sure to ask how many distributors—not general businesses—the company has implemented over the years.

▶ **How long has the company been serving distributors?**

Longevity in a technology provider can indicate whether the company has the proper experience and will be around in the future to support your business.

▶ **Who are the people who will implement your software system?**

Remember, you're not only investing in software, you're also investing in people. The #1 weakest link in IT implementations is typically reported to be consulting expertise, so make sure a vendor's staff of design professionals, systems analysts, financial experts, and application, technical, and distribution consultants all understand distribution inside and out. They should be able to recommend strategies and processes for achieving best-in-class performance while demonstrating proven ability to complete implementations on time and on budget.

▶ **Is there an annual users conference focused on the needs of distributors?**

You will benefit tremendously from being able to network with your business peers and share best practices for profitability. Be sure the software vendor provides a forum for continuing education and networking with a significant user base of companies like yours. Also inquire if their customer base has any independent user groups, and the number of distributors in those groups.

▶ **Is the company a member of associations and buying/marketing groups in your industry?**

Does the solution provider attend or speak at tradeshow, annual meetings, and other events in your industry? Do they work closely with advisory groups to develop functionality that meets your industry needs?

Mistake #4

Assuming you will do things exactly the same way you do them today

There is no better time to re-evaluate your business processes than when you are about to select and implement a new business system. Too many distributors fail to recognize the true value of the software they evaluate because they get stuck on one particular response: “Because that’s the way we’ve always done it.”

Granted, you need a distribution software solution that conforms to your business and not the other way around. However, many distributors overlook the fact that today’s technology and industry best practices can allow them to do things more profitably and in ways they never imagined.

According to a study performed by Cisco Systems, “Companies that changed their business processes at the same time they implemented new technology saw a 25-30 percent increase in productivity. Without changing their business processes to fit the new technology, businesses actually lost productivity at a rate of 6-9 percent.”

The best solution providers adhere to lean methodology when it comes to distribution functionality and processes. Lean process re-engineering can minimize or eliminate waste in your business—those steps in a daily process that add zero value to the customer and take entirely too much of your time and effort, while resulting in a significant number of costly errors. Be sure to inquire with the solution provider if they have staff certified in lean methodology. You want to use this opportunity to architect new processes that will immediately impact your profitability and customer service levels.

For those business processes that are truly unique to your company, your new technology should be modifiable to handle exceptions. To clarify, the system must be fully adaptable to your needs without invasive changes to any elements of the application code. Changing the application code practically guarantees costly problems down the road.

Mistake #5

Selecting a vendor that lacks a long-term vision

To understand what the next 10 years will bring for distribution, and what impact it will have, look at the last 10 years and then double that rate of change. Technology will provide information to the knowledge worker at any time on any device. This information will be personalized and will anticipate the needs and activities of every organizational role, helping employees make decisions on exceptions and automating routine daily processes. An enterprise software system will have to adapt to new business and technology strategies that few of us can accurately predict today.

You need to be sure that your company's distribution software solution will be able to grow with the organization and adapt to changes in the business, as well as continue to offer the best in ERP functionality as the technology continues to evolve.

Questions you can ask to ensure the solution provider has a strategic vision for distribution technology include:

- ▶ **What does their technology roadmap look like for your product?**
What percentage of development is for new innovation versus bug fixes or incremental improvements? Do they release new versions of the software every other year, every year, every six months, or every quarter? Use their previous two years' track record as proof
- ▶ **What is their vision for business mobility?**
Are you able to access business information in environments outside of a monolithic ERP? Do they have business applications that run on mobile devices?
- ▶ **How malleable is the software to your users' specific needs?**
Extensibility is a critical term when it comes to distribution software. Your solution should allow you to modify the look of screens and fields, create new business logic in the system without affecting the source code, and create user-specific portals into the information that each employee needs to perform their job as efficiently as possible
- ▶ **Do they have a vision for moving applications to the cloud?**
Cloud computing (the delivery of computing as a service over the Internet) continues to grow exponentially because of its ability to keep costs low and provide anywhere, anytime access to your business system. A solution provider that lacks a firm understanding of the power of the cloud and a vision for taking their products there will not be a competitive player in years to come

Evidence of dedication to providing strategic, enterprise-wide, mission-critical applications to support your distribution business model and size—today and tomorrow—is important. To that end, look for a reputation for agility in accommodating new market needs. History is the best predictor of the future, and vendors involved more than three decades ago in the early development of “computerized” distribution systems will provide a more solid choice. That philosophy must also continue today, delivering new solutions that streamline and automate business operations and processes.

Replacement Expertise Delivers True Return on Investment

Replacing your distribution software system involves a certain amount of innovation. Innovation creates market leaders, and market leaders are the first to achieve a return on their investment—usually a significant return. Look for a solution partner that is passionate about inspiring that innovation in their customers, and knows how to manage the risk associated with it. You must be convinced that the solution will help you achieve your objectives to keep your business lean and competitive. Can they promise results and, more importantly, do they have a history of getting results?

An excellent track record of client retention is proof that the unique needs of an extremely diverse set of distributors are being satisfied. Skills and methodology must be applied to implement quickly and successfully. Resources, financial strength, advanced technological infrastructure, experienced and stable workforce, and hands-on management demonstrate a long-term ability to serve your company into the future.

If done correctly, the work you put into selecting your new enterprise software system will pay huge dividends, by giving your company a solution that increases sales, improves customer service, and reduces operating costs. The results can be truly game-changing for any distributor.

About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software that is designed around the needs of our manufacturing, distribution, retail, and service industry customers. More than 40 years of experience with our customers' unique business processes and operational requirements is built into every solution—in the cloud, hosted, or on premises. With a deep understanding of your industry, Epicor solutions spur growth while managing complexity. The result is powerful solutions that free your resources so you can grow your business. For more information, [connect with Epicor](#) or visit www.epicor.com.



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