NETSUITE DELIVERS KEY PERFORMANCE IMPROVEMENTS IN WHOLESALE DISTRIBUTION

Executive Summary

Many firms—including those in the wholesale distribution sector—have achieved more efficient and business operations by using cloud-based ERP

There are few hard boundaries confining the industry sector in which wholesale distributors operate. Many sellers – be they wholesalers or retailers – have warehouses and distribution operations, and much variety exists within the distribution function itself. Some distributors do little more than drop ship standard items from warehoused inventories when orders arrive, while others are actively engaged in the design, manufacture, customization and/or sale of the products they distribute.

Whatever the variations on the theme, wholesale distributors face challenges ranging from tight margins to supply chain and delivery-carrier dependencies. Succeeding in this demanding and fast-paced sector requires that companies operate with high efficiency and low error rates. Wholesale distributors that don't closely track and optimize their core operations can put critical business relationships at risk, seriously undermining their profitability and growth potential.

Critical Wholesale Distribution Metrics Extend Well Beyond the Factory Floor

Wholesale distributors form the critical link connecting manufacturers and other suppliers with retailers and end customers. Because they sit in the center of the commerce process, these companies risk being scapegoats when things go wrong, but may not always get the credit when things go right. They must walk a tightrope, balancing variable product availability on one side with fluctuating customer demand on the other. As a result, they need 360-degree business visibility, smart inventory management, efficient order and shipment processing and quick problem resolution. Among the operational challenges wholesale distributors face:

Business-Partner Challenges

Supplier partners: Wholesale distributors must track product availability, costs and quality from manufacturers and other suppliers.

Retailer partners: Wholesale distributors may have to manage different forms of relationships with retailers, ranging from simple drop-ship order fulfilment to providing customization and other value-added services.

Carrier partners: Wholesale distributors must depend on third-party carriers to deliver the correct products on schedule and undamaged.

Operations Challenges

Inventory: Ensuring that inventories are stocked to meet current and future demands, while limiting overstocking and item obsolescence, are critical requirements.

Reporting: Workers ranging from the finance team to warehouse-floor supervisors and workers need accurate, real-time reports spanning the full range of relevant operations.

Orders and Shipping: Orders for goods must be rapidly processed and goods from inventories must be correctly packaged and shipped from the distribution centers closest to the customers' addresses.

Customization: ERP, CRM and other functions must be easily customized to match individual company business processes and requirements.

KPIs That Matter

Like many of their peers in other industry sectors, wholesale distributors have been investing in cloud applications because of their low upfront costs and faster time to deployment, their highly efficient and flexible functionality and their low IT demands. Given the range and interdependencies of operations, a multifaceted suite that integrates many functions on top of a shared-data foundation is especially valuable. That's why many wholesale distributors have been able to measure and improve their KPIs after adopting NetSuite's cloud-based business solutions suite.

By interviewing and surveying representative NetSuite customers in the wholesale distribution sector, market research firm SL Associates identified which KPIs these companies track as well as the improvements they've realized by basing their core operations on NetSuite's multifaceted business suite.

Deploying the common NetSuite platform as the foundation for their core business processes generated a range of impressive KPI improvements, as illustrated in **Figure 1.**

Figure 1: Typical Wholesale Distribution Company KPI Improvements

Category	KPI	Results
Business Visibility	360° Visibility & Actionable Insights	Increased **50% - 80%**
Financial Management	Collection Time for Accounts Receivables	Improved **30% - 50%**
	Revenue Performance	Increased **2% - 10%**
	Gross Margin Performance	Improved **1% - 5%**
	Time to Close Financial Books	Reduced **30% - 55%**
	Days Sales Outstanding	Reduced **5% - 20%**
	Accounting Staff Productivity	Increased **30% - 50%**
Inventory Management	Inventory Costs	Reduced **20% - 30%**
	Obsolete Inventory Carrying Costs	Lowered **20% - 40%**
	Fulfillment Rates and Back Orders	Improved **75% - 85%**
	Planning Cycle Times	Reduced **20% - 30%**
Customer Management	Customer Back Orders	Reduced **60% - 80%**
	Delivery Efficiency	Reduced **75% - 90%**
	Shipping to Customers	Reduced **75% - 90%**
IT Management	IT Support Resource Costs	Reduction **50% -75%**
	Cost to Purchase and Maintain Servers	Reduction **100%**
	Business Continuity/Disaster Recovery Costs	Reduction **50% - 75%**

Source: SL Associates, 2014

Conclusion

The different types of KPIs shown in Figure 1 represent just some of the business processes and measurements that can help wholesale distributors determine how well they're performing. Many of the improvements shown spring from the breadth and ease of use of the NetSuite business solutions suite, and its delivery as a cloud-based service.

Finding a business solution suite sold as a cloud-based service has become a highly desired, and increasingly required, purchasing consideration. After all, cloud vendors take responsibility for managing, updating and securing the solutions that run in the cloud.

Multicurrency and revenue consolidation is critical. We are so used to it. It's like air; we couldn't live without it.

Great deal of time savings and error reduction by having everything automated and integrated

Having a reputable cloud provider handle these and other critical business processes frees companies from performing these tasks, which are often outside of their areas of core competency. And, as shown by the following examples of representative NetSuite customers, having a comprehensive and fully integrated business solution suite foundation on which to conduct a wide range of business operations can greatly improve the efficiency and effectiveness of many KPIs that are critical to wholesale distributors.

For additional information about NetSuite's cloud-based solutions, visit the company's website at www.netsuite.com.

NetSuite Customer Experiences

iAutomation

A distributor of industrial automation equipment, iAutomation employs about 140 people and generates annual revenues of approximately $70 million. Headquartered in North Attleboro, MA, the company formed after the merger and acquisition of seven smaller firms including Automation Solutions, Integrated Motion and Action Automation. When independent, each of the firms used different financial and operational software, including everything from Peachtree and Profit 21 accounting packages to Gold Mine CRM. One of the companies used NetSuite, and iAutomation standardized cross-company operations on that platform close to 10 years ago.

With NetSuite, iAutomation not only benefited from having a multifunction suite and common and consistent data, it also benefited from NetSuite's cloud-based delivery model. "We had no experience with the cloud prior to NetSuite," says Vice President of Manufacturing at iAutomation. "We have 20 salespeople working out of home offices from Maine to South Carolina, and it's been very beneficial that the people in the field get to see the same ERP data in real time."

The company was able to go from more than 15 on-site servers to just one, which primarily handles CAD backup, he says. Furthermore, "If not for the cloud model, we'd need two or three more people on staff," he estimates, and says the built-in backup and business continuity characteristics of the NetSuite cloud are also benefits. "We were so happy with the NetSuite cloud services that we changed the way our company is structured," he says. "We've put everything in the cloud."

iAutomation has found NetSuite to be easy to customize to address its exact requirements. The company has created more than 200 scripts that it uses on an ongoing basis. One script, called the Consolidated Purchase Order, summarizes the entire company's purchasing in a single view. Rather than having different units make individual purchases, "we're able to consolidate our purchases and buy in volume to get the optimal pricing" he says.

> ***"If not for the cloud model, we'd need two or three more people on staff,"***
> ***— VP of Manufacturing***

Another NetSuite script iAutomation built in-house helps the company determine lead times and launch dates for deliveries when a new order arrives. In the past, iAutomation would immediately launch work orders upon receipt of a new order, meaning it was purchasing and storing on lots of inventory that they wouldn't need for weeks or months. By synchronizing purchases with the actual need, "we're probably avoiding the untimely purchase of $2 million in inventory, on average," he estimates.

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> ***— VP of Manufacturing***

Thanks to NetSuite's data consolidation and reporting capabilities, required information is much more accessible. "Before, we had lots of people trying to create their own reports," he says. "We had disputes over what data was valid, what to include and not include. The searches were also very complex, and if we couldn't do them ourselves we had to contract it out."

With NetSuite, iAutomation has written more than 2,000 custom searches and has standardized on about 20 management reports. "Data mining is everything," he says. "You can get the information you want, and can get it quickly.

NetSuite Customer Experiences

Red Star Traders

Red Star Traders owns three product brands – RST Outdoor, RST Living and Flow Wall Systems – that range from outdoor furniture to modular storage systems. The company designs its own products in the U.S., contracts with overseas manufacturers, and sells its wares through large retailers such as Costco, Home Depot and Amazon. Nearly all of RST's sales are made via its retail partners' websites, and it drop ships products to customers once it receives orders. RST operates six distribution centers, three in the U.S., two in Canada and one in the U.K.

The company grew from $11 million in revenues in 2010 to just over $35 million in 2013, but has managed to hold its operations headcount to just three people (out of 35 total) thanks to its June 2011 deployment of NetSuite. RST had been using QuickBooks Enterprise, but that software lacked the EDI functionality that RST wanted to implement. If not for NetSuite's ability to let RST exchange information with warehouses, suppliers and customers electronically, "I'd need two to three more people just to type in every single item," says RST's Controller.

"Without NetSuite, I'd need two to three more people just to type in every single item,"

— Controller

Also, thanks to NetSuite's support for EDI, order accuracy has improved significantly. "We had maybe 10-15 incorrect shipments each week before, and that's now down to one or two," she says. The main reasons for shipping errors now are when RST's outside carriers deliver the wrong shipment, she says. Furthermore, thanks to NetSuite-based problem tracking, RST can identify the company responsible for any errors – be it factory or carrier – and seek restitution. "A container with a (factory-caused) problem could be worth $40,000 to $50,000 and, before, we would have just paid for it ourselves," she says.

Order processing efficiency has also benefited from the NetSuite deployment. Previously, RST could only process 200 orders per day, but can now handle 700 to 800 daily, she reports. "And, because NetSuite is cloud based, we can log on at home over the weekend, if we want, and send orders through to our warehouses to avoid a big backlog Monday morning."

RISO Latin America

A distributor of document printing and duplicating products, RISO Latin America handles the Latin American and Caribbean business for its parent company, Tokyo-based RISO. Based in Sunrise, FL, RISO Latin America employs 12-15 people – none of them IT professionals – and currently generates about $13 million in annual revenues.

In looking to migrate off of the company's previous (and "not the most friendly") Oracle ERP platform, RISO Latin America's CFO, decided to go with a software-as-a-service solution. He selected NetSuite OneWorld due to its intuitive interfaces as well as its reporting analysis, forecasting and budgeting capabilities. OneWorld's ability to handle multiple currencies was also a key requirement.

"Multicurrency and revenue consolidation is critical to us," he says. "It's like air. We couldn't live without it."

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— CFO

NetSuite Customer Experiences

Among the benefits RISO attributes to NetSuite are a reduction in the time for financial close from seven to five working days and a 5 percent reduction in days sales outstanding. In addition, NetSuite has helped RISO Latin America reduce its inventory by approximately 25 percent, he says.

The NetSuite business suite also helps RISO Latin America comply with international regulations. "The way NetSuite handles transactions, bookings and so forth is completely transparent," he says. "The application is close to perfect."

"The NetSuite application is close to perfect."

—CFO

Advantage Sign Supply

A full-services distributor of sign-making equipment and supplies, Advantage Sign Supply also provides technical support, training and other customer services. Based in Grand Rapids, MI, the company provides nationwide service through a network of 10 regional distribution centers, with an eleventh in the works. The company employs just under 100 people, and generates annual revenues of about $57 million.

Prior to deploying a NetSuite solution in 2007, Advantage was running a Cobol-based financial system that it had integrated with Microsoft Great Plains to gain accounts payable and general ledger functionality. The company was also running a separate CRM system and it wanted to expand into ecommerce. "We wanted ERP, CRM and ecommerce under one roof, and we wanted to limit the amount of integration required," explains Vice President of Corporate Information Systems for both Advantage and GVDI, the holding company for advantage and several other firms. While at Advantage, he selected NetSuite as the best solution for the company's needs.

"By delivering invoices electronically, we're saving $56,000 per year."

— VP of Corporate Information Systems

Advantage used the NetSuite platform to launch an ecommerce site, which now accounts for about 15% (about $5.5 million) of the company's equipment and supply sales. With NetSuite, Advantage is also able to deliver the majority of its invoices electronically, which saves it about $1 per paper invoice. "We emailed 56,000 out of our 85,000 total invoices last year, he says, so that alone saved us $56,000."

Among other benefits, Advantage has also been able to keep a cap on its IT employee headcount thanks, in part, to NetSuite's cloud-based delivery model and to the fact that employees can now run their own custom reports rather than depending on IT to run them. The business suite has also given the company the ability to track key metrics such as order accuracy, RMA and restocking rates for the first time. "On average, our order accuracy is 99.3 percent of all orders that come through," he says.

"We wanted ERP, CRM and ecommerce under one roof."

— VP of Corporate Information Systems

NetSuite Customer Experiences

S-One

S-One is a holding company for five firms: ABAQA, Avatrex, Brand Management Group, Utopia Digital Technologies and LexJet. All but LexJet currently use NetSuite OneWorld, which is still transitioning off of a legacy system. All told, Sarasota, FL-based S-One has 15 distribution centers in the U.S., more than 150 employees and booked about $75 million in revenue in 2013. The companies under S-One sell printers, ink, paper and other supplies to customers in 14 different countries.

The first of the S-One companies to install NetSuite was Brand Management Group, then a start-up company, in 2012. The other S-One companies were using a variety of different financial and ERP systems, including Microsoft Dynamics GP and AX and QuickBooks, among others. S-One decided to standardize on NetSuite OneWorld across its portfolio of companies, in part, to simplify inter-company information flow and to gain access to the suite's multicurrency and rollup capabilities. The company sets up a subsidiary in each country where it operates, and works with tax advisors in each country to determine their requirements. "Our IT group then creates reports in NetSuite to meet each country's requirements," says the holding company's Software Development Manager.

"NetSuite SuiteScript lets us quickly write business rules, which is a huge benefit,"
— Software Development Manager

S-One has found NetSuite to be easy to customize without requiring extensive technical skills. "NetSuite SuiteScript lets us quickly write business rules, which is a huge benefit," he says. The S-One IT team has also integrated NetSuite with a number of other systems, including a direct integration with UPS for warehouse shipments and transportation.

"We previously had seven to 10 temps working here just because of the inefficiencies we had with managing different currencies, interfacing with UPS and other issues," he says. "Now, with NetSuite running, we have just one temp left."

www.netsuite.com

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info@netsuite.com

877-638-7848