



## Newsletter Vol. 37 - Introduction

Softengine News is dedicated to keeping you up to date with the latest information regarding SAP Business One systems, Softengine solutions and Best Business Practices.

### What's New?

#### Spotlight on SAP Business One Training

##### Best Practice Philosophy



Softengine places a particular emphasis on training excellence. Education provides our client-partners with the knowledge needed to leverage their ERP investment and take their businesses to new heights.

Our training is designed to educate our client-partners on how to use our systems to shorten their response cycles, improve cash flow, increase productivity and ultimately increase profits. We start with eLearning (Computer Based Training) of the standard SAP Business One system to get our users familiar with SAP-specific terminology and basic menu functions.

##### Understanding Your Business

Your dedicated implementation team begins the education process by reviewing relevant design concepts and features long before the software is implemented or before specific decisions are made. We spend a great deal of time understanding how and why you conduct business the way you do. Only after we understand one another's methodologies do we begin to tailor our applications to best meet your present and future needs.

Our implementation team develops proofs of concept and works through a training schedule tailored to your specific needs. Not only do we offer thorough classroom training but we offer extensive onsite training and support which extends well beyond your initial go live date.

Once your system is live, your dedicated team, familiar with your environment, is there to your answer questions, continuously train your team and just be there for support.

##### Tailored Training

Softengine training programs are tailored specifically to your company's needs:

- Your industry

- Your specific business practices
- Your personnel
- Basic and Advanced Report Writers
- Business Intelligence Dashboards
- Your or Our facility; Classroom or One-on-One

## Are You a Best-Run Business?

### About Wholesale Distribution

Wholesale distribution involves the transfer and management of merchandise flowing between the manufacturer and retailer. Wholesale distributors sell or arrange the purchase or sale of:

- Goods for resale (that is, goods sold to other wholesalers or retailers)
- Capital or durable non-consumer goods
- Raw and intermediate materials and supplies used in production

The sector also includes organizations providing transportation, warehousing, and logistics.

### Business Trends

Several business trends characterize the wholesale distribution industry today:

- Globalization is driving industry growth.
- Current customers appear to be the most important source of growth.
- High costs, small margins, and increased competition could impact smaller distributors.
- More wholesale distributors are distributing private label products.
- Fee-based services may be on the horizon.

Thanks to globalization, the wholesale distribution industry is strong and getting stronger. According to the latest figures from industry specialist Pembroke Consulting, revenues for Grocery and Foodservice Wholesale Distributors were up 10.1% in 2010 from 2009 and they should increase in 2011.

The news worldwide is equally optimistic. According to a Pembroke study of 1,200 wholesale distribution executives in North America, Europe, Australia, and New Zealand, 70% feel that the most important source of growth over the next five years will be current customers.

However, to ensure ongoing success, wholesale distributors must effectively manage certain challenges – including growing customer demands, greater competition, and an increasingly stretched and fragile supply chain. Small businesses in the wholesale distribution sector are especially vulnerable because of the high cost of excess inventory and small margins. For these companies, efficiency and

visibility up and down the supply chain is crucial. Nevertheless, wholesale distributors are proactively working to boost their revenues in several formerly nontraditional ways. For instance, many distributors worldwide are sourcing private label products in countries such as China and India. Adam Fein, president of Pembroke Consulting, says the trend extends down to smaller distributors.

“Around 18% of industrial distributors with revenues below \$10 million are selling private label products,” he says. In addition, some European distributors are adding fee-based services – which has its advantages and disadvantages. For

example, because customers may balk at being charged for services that were previously absorbed by distributors (such as setup and installation of product or shipping), the wholesale distributors are being compelled to provide even more efficient service while demonstrating a high degree of professionalism. “Fee-based services change the customer-distributor relationship by forcing distributors to deliver specific, measurable results as well as maintain excellence in their core activities,” Fein comments.

### **Technology in the Wholesale Distribution Industry**

Technology has affected how companies operate, and today several trends have become apparent:

- Systems that supply visibility up and down the supply chain are crucial.
- Demand-driven capabilities reduce cycle times.
- Information is being shared more openly with manufacturers and suppliers.
- Companies need to synchronize data globally to ensure information consistency.
- Continued penetration of radio-frequency identification (RFID) tagging is essential to efficient operations.
- Data visibility and accessibility is critical for smaller distributors.

Companies are increasingly recognizing the value of software applications that help ensure supply chain visibility and streamlined logistics processes. Even though wholesale distributors and manufacturers continue to invest in warehouse management and partnership relationship management software, the current emphasis is on applications that provide a clear view of the entire supply chain versus the more internally focused systems.

Both distributors and manufacturers recognize that they can increase efficiency by reducing cycle times. As a result, they are introducing more demand-driven capabilities and methods that allow them to share sales and inventory information with the manufacturer. The result: more visibility and insight into both distribution and production needs. In fact, a large percentage of industrial distributors now share point-of-sale information with manufacturers or suppliers in return for rebates, discounts, cooperative advertising credits, or market research information.

Global data synchronization is another related trend. It ensures that information about products and deliveries is consistent throughout the logistical distribution network – from manufacturer to distributor to retailer. There are a number of advantages of synchronization. For example, improved accuracy of weights and measures directly increases the speed and efficiency at which participating companies can move products – whether it involves distribution from a plant or a distribution center or bringing product to a store. By accelerating the flow of data and eliminating the need for manual intervention at various points throughout the supply chain, distributors can move product faster and reduce transportation costs.

Advancements in hardware technology continue to provide opportunities in the wholesale distribution industry as well. In addition to RFID technology (which is generally used for tracking pallets versus individual items), efficiencies can be gained through sensor technology. Sensor technology combines sensor data with two-way wireless communications to give distributors visibility into the location of equipment and products. It has become increasingly clear that one of the most important elements of success for wholesale distributors is easy, centralized access to transparent information. With a clear, consistent view of metrics and operational data, these companies can compete more effectively.

## Regulatory Trends

Several regulatory trends characterize the professional services industry today. For example:

- Customs regulations involve an increased focus on security.
- Product safety issues may be a potential liability concern.
- Wholesale distributors should consider purchasing product-recall insurance.

Wholesale distributors must maintain a strong understanding of the customs regulations of those countries where they transport goods. Increasingly, port authorities and customs services insist on advanced notification of container contents so they can identify possible breaches in security or the importation of illegal goods. In the United States, companies must adhere to new customs trade partnership against terrorism regulations.

Distribution firms face increased scrutiny over product safety. Even though they may not have been involved in the manufacture of the products, distributors maintain liability for any product that has proven to be unsafe or otherwise damaged. In the United States, the law requires that the manufacturer or any wholesale distributor or seller of a particular product provide the public with notice of any defect. Often times, the manufacturer or distributor will be required to repair the defect in the product, replace the product, or refund the purchase price. In most cases, the manufacturer bears the responsibility and expense of a product recall. However, a distributor may incur complete responsibility if the manufacturer is out of business, in bankruptcy, or located in a foreign country.

Wholesale distributors can minimize their liability by selecting reputable suppliers with a proven track record; this is particularly prudent when choosing foreign-based suppliers. It is also a good idea for wholesale distributors to purchase product-recall insurance.

## Resources

### Federation of International Trade Associations

[www.fita.org](http://www.fita.org)

A federation of local, regional, and national groups in the United States, Mexico, and Canada, focusing on international Trade.

### GS1

[www.gs1.org](http://www.gs1.org)

A global organization that creates and implements standards related to supply chain management and visibility

### National Association of Wholesaler-Distributors

[www.naw.org](http://www.naw.org)

A U.S.-based group that represents the wholesale distribution industry

For more information about **Training tailored** to your specific needs, please contact Barry Lederman: 818.704.7000, [blederman@softengineusa.com](mailto:blederman@softengineusa.com).

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