

A JACK OF ALL TRADES

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THE
DISTRIBUTION
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I love the expression, “A jack of all trades, but a master of none”. I am getting really sick and tired of running into ERP software solutions masquerading as wholesale distribution packages. The claims are just getting absurd. The solutions I am referring to are those a la carte packages that allow you to build your dream distribution management package out of manufacturing cast off modules. I have recently been perusing the websites of some of these solutions. The marketing rhetoric is fantastic. You have ultimate flexibility to grow with the business. Loosely translated, you will have consultants on the payroll for the remainder of your natural existence. Don’t get me wrong, the premise is nice. We all have some unique nuances to our wholesale distribution businesses and occasionally our current software solutions may feel a bit confining. Let me tell you, I know a whole slew of distributors that would trade in their open architecture Frankensteins for a little restrictive stability.

I was recently working with a client who had invested in a flexible ERP solution. The reseller he worked with convinced him that this product could be molded to fit the needs of his small wholesale distribution business. I am talking start up small. A hundred grand across the palm and he was off to the races. This is where the trouble began.

The reseller he worked with did not have a wholesale distribution background. Carrying cost and GMROII were not in his vocabulary. This is not untypical of the support found in these types of packages. Let’s face it; these packages were designed to fit the needs of manufacturing organizations. That is where all the

money is. Even the name, Enterprise Resource Planning, smacks of a manufacturing environment. When I think of “resource planning” in a wholesale distribution environment, I am usually thinking about adding bodies. With a very rare exception, the fundamentals of wholesale distribution are a mystery to the support staff. You have to know what you want, so they can program it for you. Hello billable hours.

A couple of years ago, I spoke to a distributor in a similar situation. He had invested over four hundred thousand dollars on the same open ERP system mentioned above. Don’t adjust your reading glasses and that was not a typo. Ready for the heart stopper? He was a 10 user organization. After all this money, he still couldn’t trust the replenishment advice coming from the software. The reseller should be slapped. I believe that someone stepped over their ethical responsibilities.

As many of you know, I teach a course in distribution and inventory management. I teach the fundamentals so that distributors can get their arms around the basic buying and selling of inventory. During the session, I talk about some of the controls inside the software and how those affect the replenishment process. These are the tried and true Gordon Graham methodologies available in most wholesale distribution packages. I know that some of you may take issue with the simplicity of Graham, but you can’t deny that it works well for a whole bunch of distributors. Invariably, I get someone coming up to me during the break and telling me that they have never seen any of this in their system.

Where do I find the safety stock setting? I don’t know if my system offers EOQ. I have never seen a field for a bin location. I think it is an add-on warehouse management package. Since when did warehouse functions become optional for a distributor? It just kills me. These folks have spent an awful lot of money for a system that was supposed to handle their distribution needs and they are coming to the realization that they are about to spend a whole lot more.

The true distribution packages you see on the market were built for the specific purpose of helping distributors manage their business. Many of them were accounting packages that added a sales component, and then quickly realized that they needed an inventory replenishment module. By focusing on the wholesale distribution market space, they listened to the needs of their clients and make refinements to the product. Over time, they became distribution experts in their own right. The tools developed were designed to enhance the distribution business model. They understand what you do for a living because they have focus.

One of the best reasons to stick with a ground up wholesale distribution package is the user base. Feedback from the user base is how a product evolves to meet the changing needs of an industry. Many of these enhancements are brought forward during an annual conference of the users. How can you have a meaningful user conference for a package catering to a multitude of different business types? As these solutions boast, they can be adapted to several different businesses. You are likely to see retailers, manufacturers, designers

and such. There is no common thread. No shared wisdom. The user's group meeting is where you learn the good stuff. I am talking about those solutions that never quite made it to the user's manual. We may complain that true distribution software packages are not perfect, but at least they focus on what we do for a living.

I am sure many of you believe that I have committed the equivalent of consulting hari-kari. This couldn't be further from the truth. When I left my family distribution business 5 years ago to join Scott, my goal was to help distributors work through the same challenges I faced every day. I never intended to be a software salesman or an advocate for one system over another. The focus has always been, and will continue to be, in the best of interest of the wholesale distribution business owner.

Just to clarify, not all software that uses the ERP designation is evil. There are several solid options that use ERP and are built for distribution. Good distribution packages have users in your trade association – folks who do the same thing you do. Watch out for those packages that require heavy modification before the go live date. They were not built by distributors and they probably don't advertise in this magazine. Before you go out and commit to any distribution software solution, please take a minute to give me a call or an email. I won't charge you a dime. I will help you cut through some of the marketing promises and give you my honest opinion of the capabilities. Good luck.