

# Distribution Insights Report

Discover how cloud ERP is transforming distribution, and why Epicor is the experienced partner distributors can rely on for a successful move to the cloud.

At Epicor we know the business of distribution and build market-leading industry productivity solutions based on several decades of expertise. By working hand-in-hand with our customers, we stay a step ahead of their evolving needs.

Your industry's rapidly growing interest in cloud ERP led to our research on what hundreds of decision-makers are saying about cloud capabilities. We asked about what's important to their business, what challenges cloud is solving, and what companies need from an ERP provider to make cloud adoption a success. In this report you'll find key insights into how businesses are using and implementing cloud technology to connect to the future of distribution.

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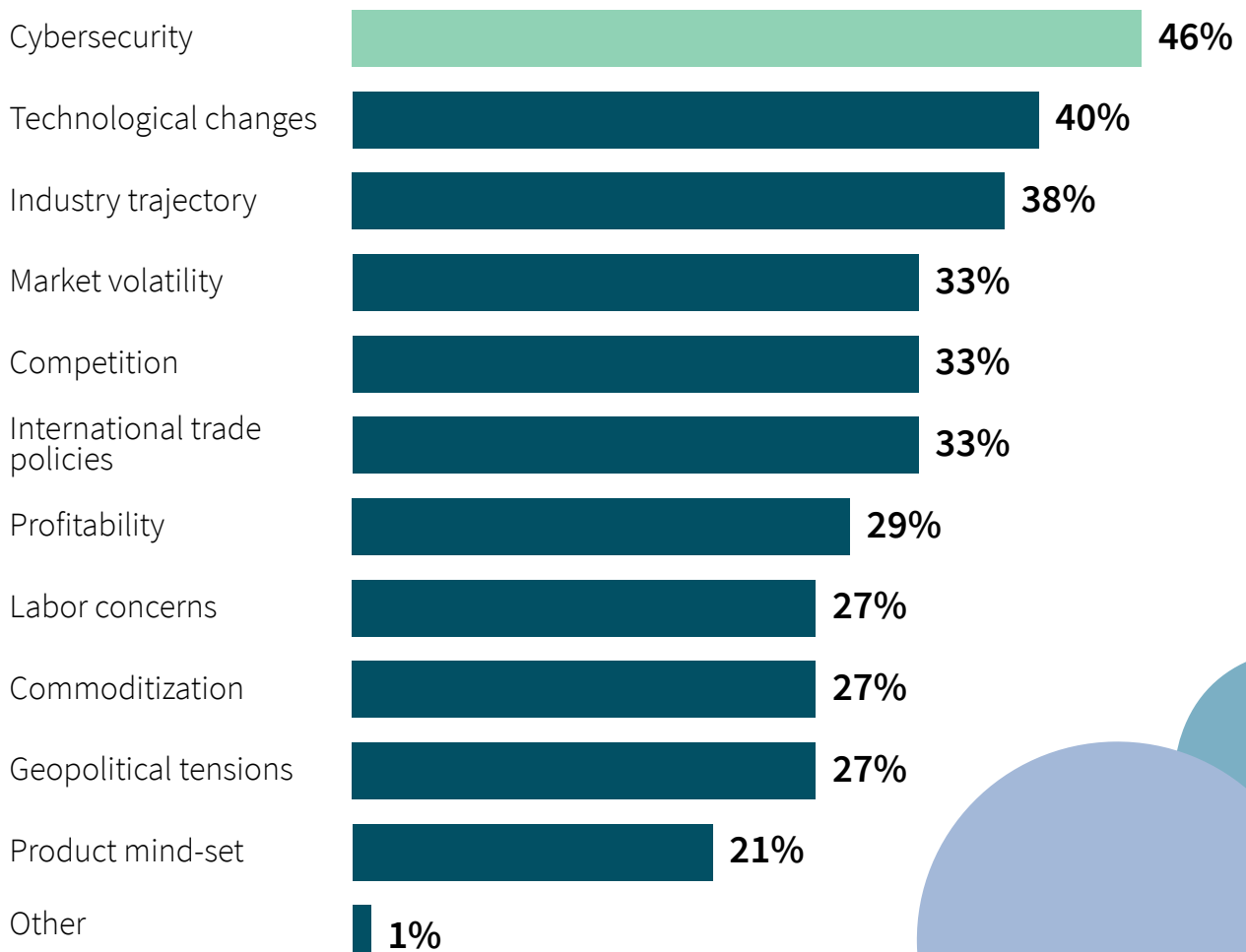
# Distribution is Evolving Rapidly

The world of distribution is transforming. Learn about the biggest challenges the industry is facing.

The last two years were difficult for distribution with rapid and widespread changes. Covid-19 delivered multiple challenges, from disrupting supply chains to provoking unexpected shifts in demand and fast-tracking new ways of working. Most distributors cited cybersecurity, technology changes, and industry trajectory as the biggest challenges.

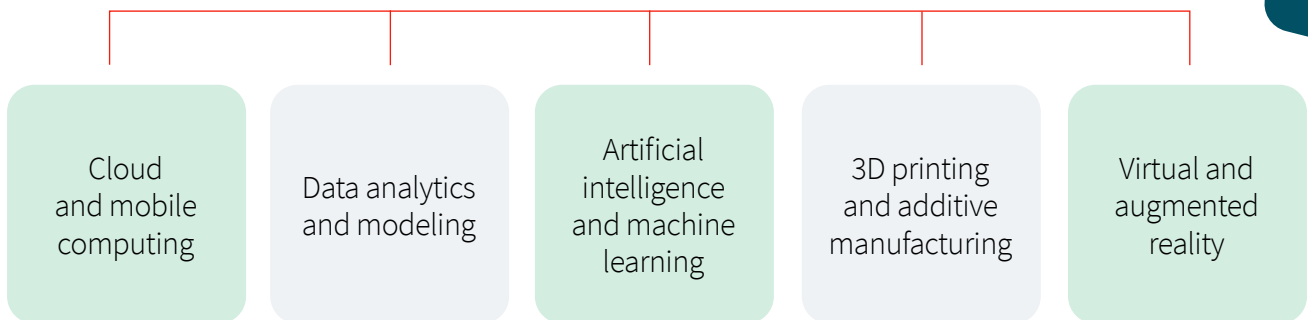
Businesses also know it's crucial to protect themselves from the increase in cyberthreats during the pandemic. With new technology quickly proliferating, companies are looking for ways to integrate everything seamlessly. Meanwhile, the continuing disintermediation of the sector is raising questions about where distribution is heading.

## Q: What are your company's biggest current challenges?



We asked distributors what technologies they believe will significantly change their business over the next five years. Cloud and mobility came out on top, followed by data and analytics, artificial intelligence, machine learning, and others. This aligns to the forward-thinking needed to manage a highly complex supply chain. Distributors are combining cloud with other enabling technologies to help them establish a single source of truth to run their operations more efficiently.

## Q: Which of these technologies do you think will significantly change businesses over the next five years?



It's a complex and demanding new world for distributors. Thankfully, a new generation of cloud ERP solutions can deliver the functionality and integration you need, as well as state-of-the-art data security to address risks.

**“We looked around the industry and wanted to invest in a system that reflected best practices, wouldn't require a ton of IT time to be supported, and gave IT managers time to do things that differentiated us and kept our advantage in the market. Looking long-term at what we wanted to accomplish, Prophet 21 made a lot more sense. Now we don't really struggle to keep Prophet 21 on.”**

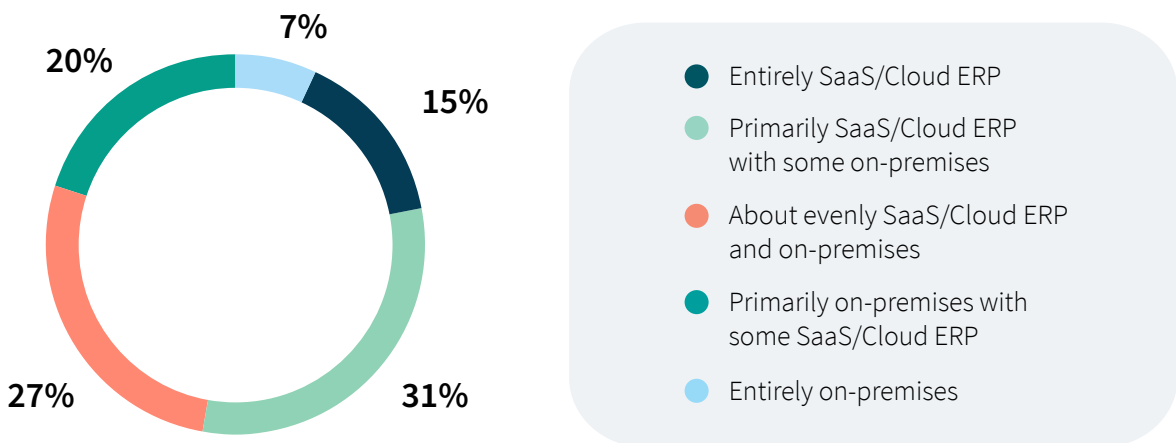
Phillip Hall, Director of Information Services | Womack Machine Supply

# Your Industry is Moving to the Cloud

Higher adoption rates show that distributors are increasingly shifting toward cloud-based solutions.

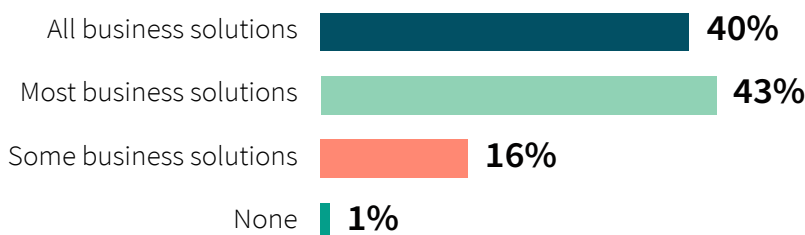
There was a major acceleration in cloud ERP adoption over the last two years, especially for mid-market players with revenues of \$20M-\$250M. Forty-six percent of distributors moved most or all business processes to the cloud, and a further 27% are using a combination of cloud and on-premises solutions. Across the industry, businesses are realizing they can no longer ignore powerful cloud benefits.

## Q: Which of the following best describes your company’s current ERP solution?



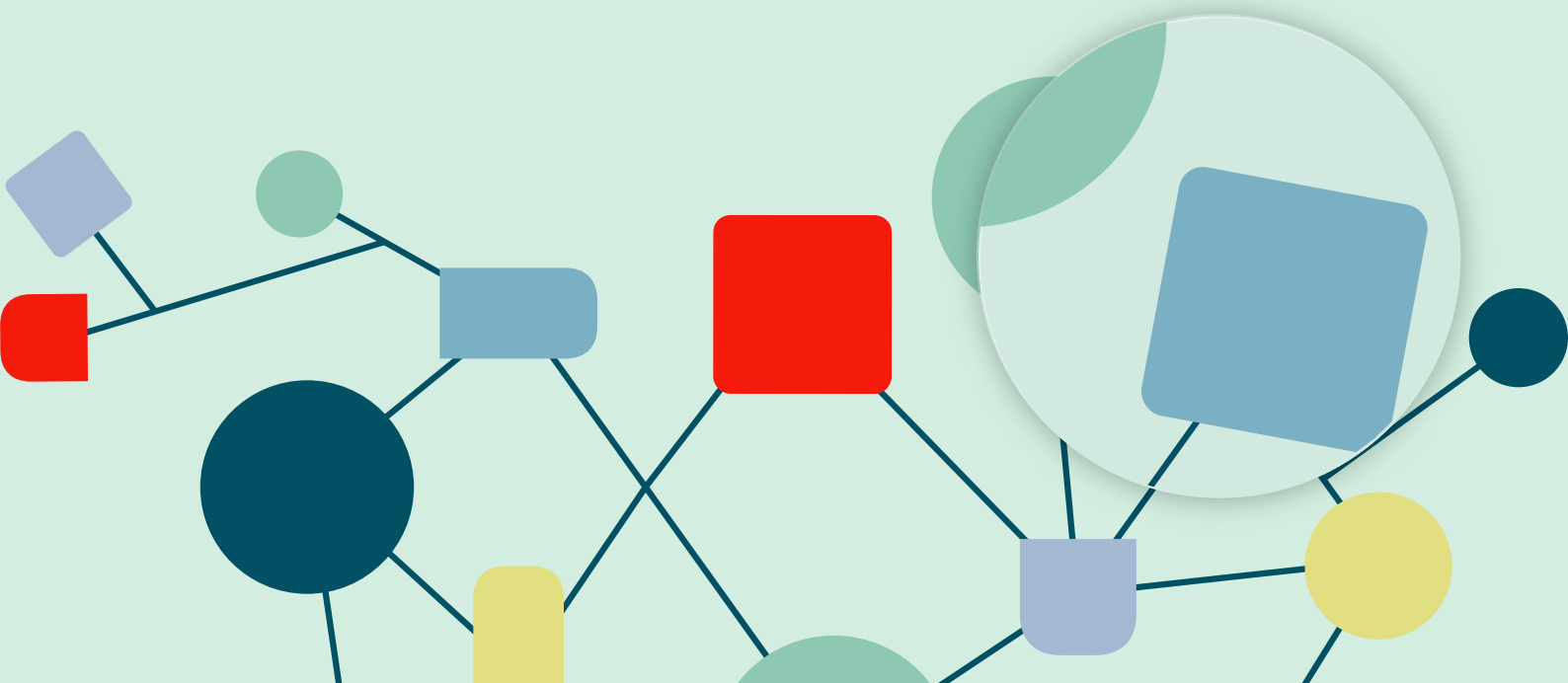
Cloud adoption in distribution is driven by several factors, including the high cost of maintaining legacy systems and the urgent need for digital transformation fueled by Covid-19 disruption. The numbers reveal the huge shift happening. Over the next 12 months, 83% of distributors plan to migrate all or most of their solutions to cloud, especially in manufacturing and operations, document management, supply chain management, and CRM.

## Q: What proportion of solutions do you plan to migrate to cloud?



“By choosing the cloud option, we moved to a modern ERP and got out of the hardware management business. We don’t have to pay to update servers or move our legacy technology along with all the expensive customizations to new servers—it would have been costly.”

Scott Young, President | George E. Booth Co., Inc.

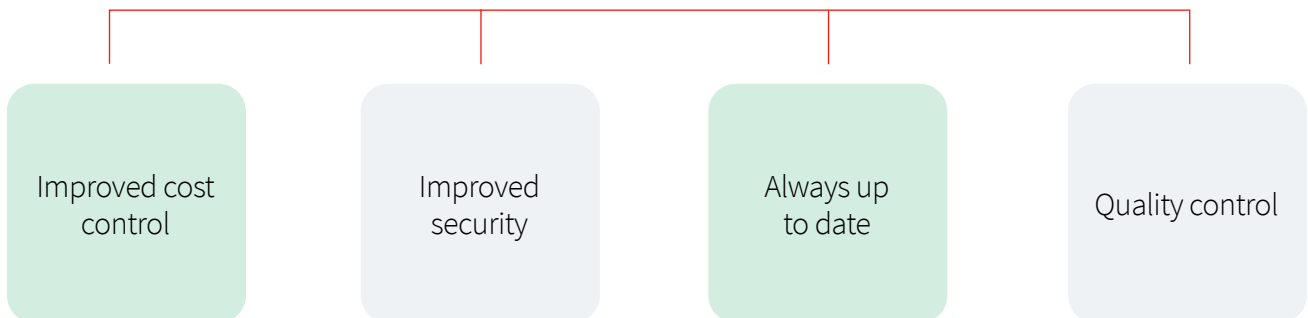


# Cloud is Fast Becoming a Business Necessity

With cloud swiftly becoming essential, distributors are clear about the benefits, but a few concerns remain.

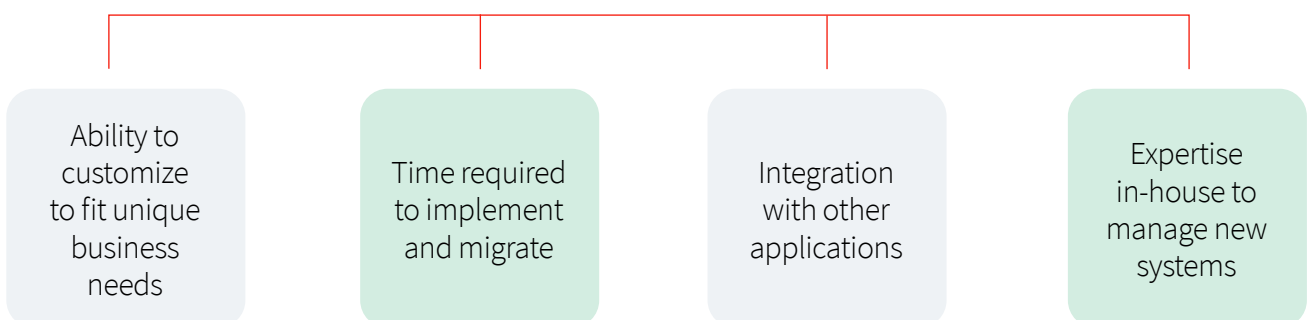
As cloud becomes ever more crucial to staying competitive, distributors consider improved cost control as a top benefit, followed by better data security. Research also found that always being up to date and having improved quality control are the other perceived benefits encouraging businesses to make the shift.

## Q: What are your concerns about moving to the cloud?



What's making some distributors cautious about moving to cloud? Most are concerned about the ability to customize, but Epicor's cloud-based solutions can be easily customized and curated for each customer's specific requirements. Some distributors indicated concern about a lengthy migration process, but that, too, is a misperception. The newest cloud solutions can be quickly implemented and easy to integrate.

## Q: What are your concerns about moving to the cloud?



**“Move to the cloud, I’ll be telling everyone. Don’t be afraid of the initial cost. I don’t have to buy new servers every five years, I don’t have to maintain the servers, and the software maintenance is rolled into the monthly cost. It may seem like a lot when you first look at the per user cost, but when you factor it all in, it just makes sense.”**

Keith Nowak, President | MPT Drives

# Security is More Important Now than Ever

Security is a top concern for distributors, and cloud is the best way to keep your data safe.

Airtight security is crucial for seamless operation of every hard-working business and it's no different for distributors. Companies that are thinking about a cloud-based solution for the first time might feel like they're risking their data because it's unknown territory. After all, cyberthreats are constant, persistent, and increasing. Without proper security measures in place, every business is vulnerable to cyberattack.

Thankfully, cloud ERP offers state-of-the-art security, from data encryption to system firewalls, and many other powerful features. In a cloud-based solution your data is backed up on servers that are continuously updated to combat the newest cyberthreats. Cloud solutions also isolate email from ERP business applications, making it much harder to infiltrate organizations through "phishing," a common form of cyberattack. By contrast, on-premises solutions can be harder to protect, slower to respond to an attack, and more vulnerable to break-ins or natural disasters.

The good news? Distributors are taking action. Across all industries, almost nine in 10 companies believe their data is safer in the cloud. Increased security in the cloud is giving leaders confidence to finally make the move and protect their businesses.

**"[Epicor] worked with me to quickly get my data back online. Once moved to the cloud, MPT Drives was able to access all their data, including their inventory records and financials."**

Keith Nowak, President | MPT Drives



# Cloud Delivers the Flexibility Distributors Need

Scalability, simple integration, and easier compliance gives you more flexibility with cloud ERP solutions.

Eighty-seven percent of the business owners we surveyed agreed that cloud solutions offer the flexibility to meet their needs. In addition, cloud unlocks further capabilities that help boost your bottom line.

With built-in flexibility and scalability, cloud solutions help you customize your IT resources to suit your transforming requirements. Whether you need to add more users, increase bandwidth, or boost storage capacity, cloud solutions give you the ability to flex in whichever direction you want. It's exactly what hard-working distributors need.

When it comes to regulatory compliance, cloud makes life simpler, too. When you partner with an expert that knows distribution, they guide

the migration process to help you avoid any compliance issues. And once migrated, you have instant access to the latest technology, security patches, and updates. Eighty-six percent of businesses all or mostly on cloud agree—they reported that it's easier to adhere to the latest regulations.

In a fast-changing world, cloud technology helps you adapt. By enabling the shift to remote and hybrid working, the cloud alleviated Covid-19's business impact by bringing employees together through video conferencing and collaborative tools. And cloud-based business applications give you access to data whenever and wherever you need it, from office to warehouse, to sales visits. With cloud, you're better prepared for whatever the future brings.

**“Epicor understands that distributors need a full-featured ERP that’s flexible enough to suit their needs, along with powerful development tools that allow them to expand capabilities and set themselves apart from the competition.”**

Scott Longfellow, President of Finance | G.L. Huyett



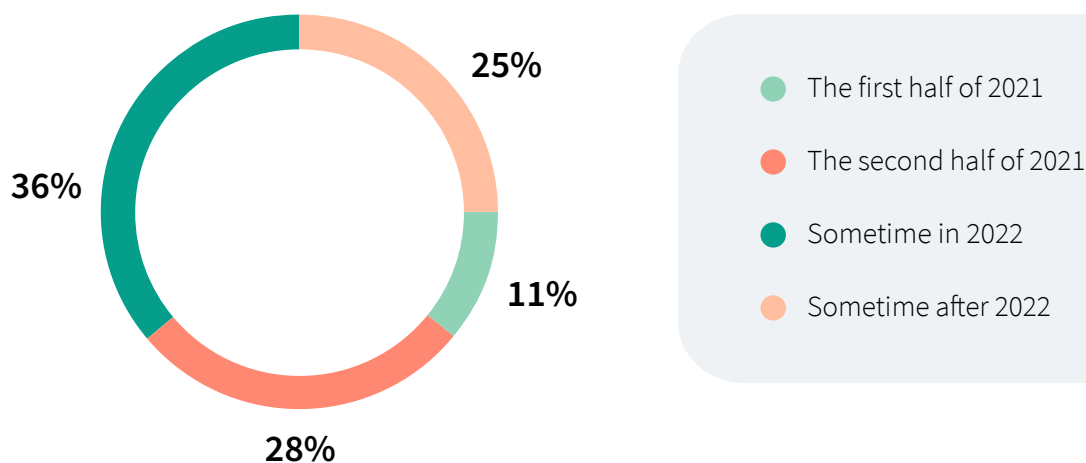


# Moving to Cloud is Driving Optimism

While the pandemic was a shock to the system, most distributors feel optimistic about the future, especially those on cloud.

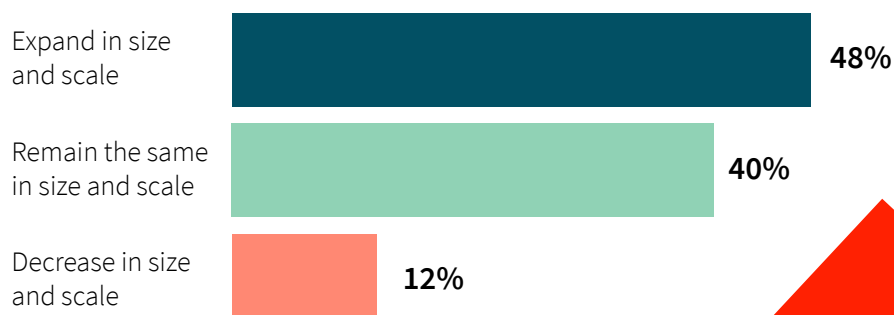
Covid-19 hit distribution hard with roughly 35% of distributors experiencing a negative impact on business. The better news is that 39% predicted a full recovery by the end of 2021, while an additional 36% expect to get back on track in 2022.

## Q: When do you expect your business to recover from the negative impact of Covid-19?



Despite the pandemic, many distributors feel positive about the future. Forty-eight percent expect to grow and expand in the next three years. For businesses already on cloud, that number rises to 55%. The cloud is helping fuel optimism as businesses plan to expand. When it comes to dealing with future disruptions, a massive 92% of distributors believe cloud would have helped them deal better with the pandemic.

## Q: Do you expect your business to expand or decrease in the next three years?



“As a small company, having a top-notch software program helps us compete with the bigger companies in the marketplace. Moving to the cloud with software takes away the cost and burden of maintaining our server and allows us to fully focus on the business. We’re now able to access the system anywhere—allowing us to be more productive.”

Kregg Cheek, President | LH Industrial Supplies



# Cloud Success Requires Distribution Industry Expertise

It's crucial to choose an ERP partner with deep industry expertise, a highly personalized approach, and complete dedication to your business.

For a successful migration to the cloud, you need the support of an expert partner. One that knows your industry, understands your business, offers customer-driven products and innovation, and supports your needs with solutions carefully curated for you. We asked distributors what would make them feel most comfortable in moving complex business processes to the cloud. Forty-eight percent said, “customer testimonials,” while 45% said “training materials for users.” A “dedicated migration team,” was important to 42% of the respondents as well as “help with data backups.”

## Q: Which of the following would make you feel most comfortable about the journey to cloud?



When you work with a partner that understands your business and industry, cloud migration can go quickly and smoothly. A clear majority of the businesses we researched said integration was simple and their data was easy to migrate across technology solutions. Successful partnerships are key. When you're supported by an expert provider with a solution curated for your needs, migration happens seamlessly and with no loss of business continuity. A swift and hassle-free experience means you can quickly start benefiting from new cloud capabilities.

**“When we integrated our shipping with ERP, we quadrupled sales, reduced shipping days from four to one, and vastly improved productivity. This is our foundation to thrive in this hyper-competitive environment.”**

Mary Porter, CEO | Emergent Safety Supply

# Epicor Solutions are Made With You, For You

Now is the time to move to a cloud-based solution, with our experts ready to support you at every step.

As the leader in industry productivity solutions, Epicor is already the trusted partner to thousands of distributors worldwide. Powered by our uniquely deep industry knowledge, our solutions are built for your specific needs. That's why we're the cloud vendor of choice for distribution businesses we serve.

We encourage everyone to experience the flexibility, security, simplicity, and future-proof benefits of our cloud-based solutions. Whether you want to move your entire system to the cloud or you're looking for a hybrid solution, we'll support you through every step. Our dedicated migration teams will work closely with you to develop a solution that's carefully curated for your business—made for the cloud, and made for you.

This report reaffirms that the future of distribution is in the cloud. At Epicor, we're leading the way, to empower a world of better business.

Learn more now about how Epicor can help your business with cloud capabilities at [epicor.com/distribution](https://www.epicor.com/distribution).

## EPICOR

We're here for the hard-working businesses that keep the world turning. They're the companies that make, move, and sell the things we all need. They trust Epicor to help them do business better. Their industries are our industries, and we understand them better than anyone. By working hand-in-hand with our customers, we get to know their business almost as well as they do. Our innovative solution sets are carefully curated to fit their needs and built to respond flexibly to their fast-changing reality. We accelerate every customer's ambitions, whether to grow and transform, or to simply become more productive and effective. That's what makes us the essential partners for the world's most essential businesses.

Contact Us Today: [info@epicor.com](mailto:info@epicor.com) | [www.epicor.com](https://www.epicor.com)

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