epicor
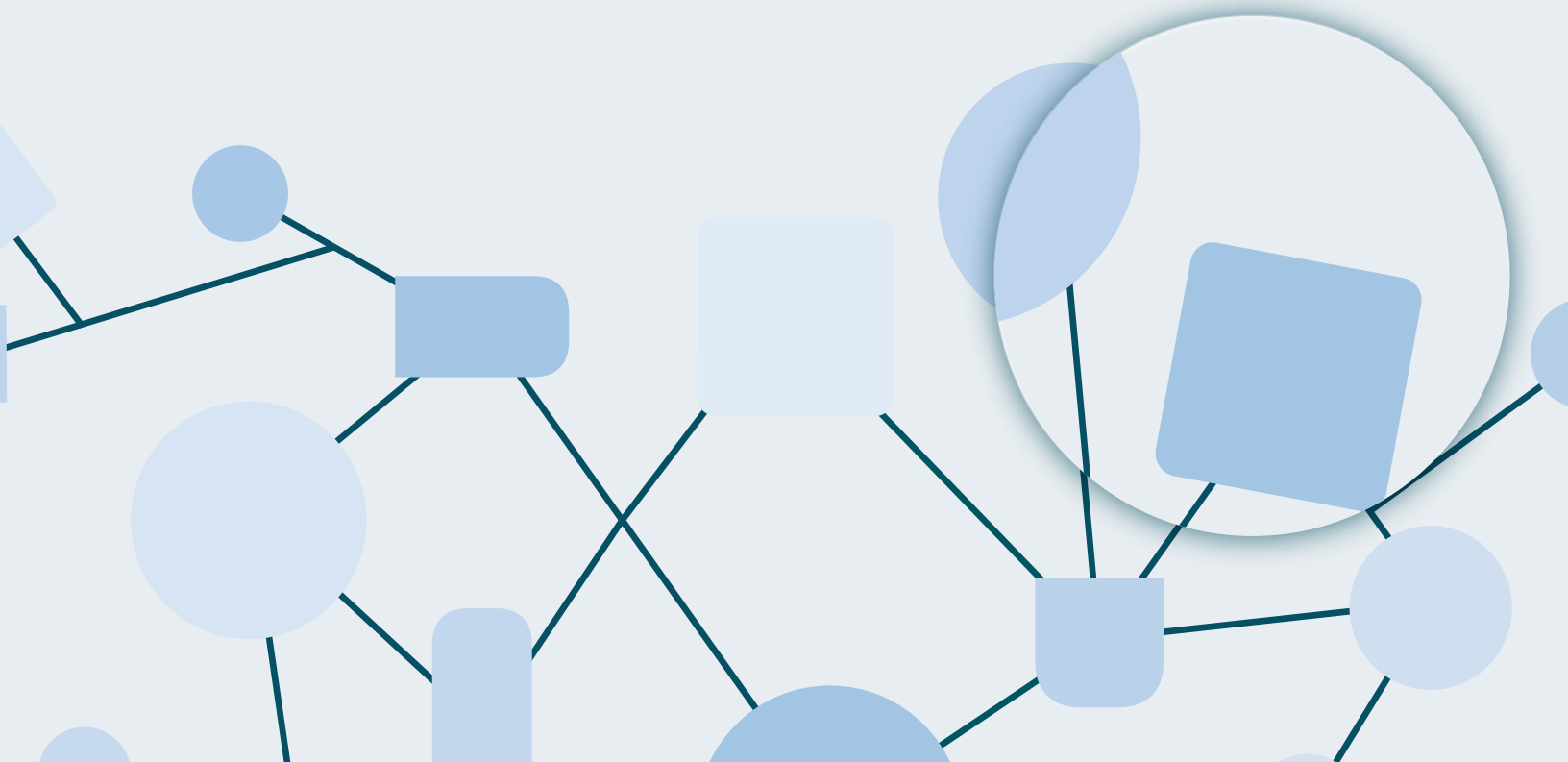
Distribution Industry Insights Report 2022

Find out what hard-working distributors really need from their ERP partnerships.

A Deeper Look into the ERP Journey

With most businesses now running hybrid ERP, our report reveals what hard-working distributors really require from their ERP partners and solutions.

This year's Industry Insights Report digs deeper into the customer journey. We asked 245 distribution industry decision makers how they feel about their ERP journey, what's important to them, and how their partner can accelerate value at every stage. It's packed with powerful findings about today's ERP landscape, and full of essential insights about the future of business.

At Epicor, we built our reputation on knowing exactly what distributors need. Working hand-in-hand with you to better understand your industry and your business, we deliver market-leading industry productivity solutions supported by successful and seamless customer experiences.

Contents

Why Every Stage is Crucial in the Journey to Cloud ERP

LISA POPE, EPICOR PRESIDENT

The last two years saw unprecedented challenges for hard-working businesses. From disrupted supply chains, to remote working and the need for greater flexibility, agility, and security. It was a period of huge upheaval. By some estimates, a decade's worth of change happened in just a couple of years. With the vastly transformed business landscape now fully in focus, it's clear that switching to cloud-based ERP helped thousands of businesses face challenges and come out stronger. So, now's the perfect time to take stock of the ERP journey while looking towards the future.

What does this year's report reveal? One significant finding is the difference between the beginning and later stages of working on digital transformation projects with software providers. The research revealed the pre-purchase stage of the buyer journey is a positive experience for most businesses. But more crucially, customers said they're looking for more support and better partnership with providers, especially during the latter stages of the journey. Customers want a dedicated team to support them throughout the process. They also want a partner with deep expertise, who can provide a solution curated to their industry and the needs of their business. They require practical support for critical processes such as interoperability, integration, and data migration. Businesses are also looking for greater transparency. And they want support and training that continues past the go-live stage, helping them successfully onboard staff and get the most from their solution. As the report shows, if they don't get all this from their current ERP provider, they're ready to look elsewhere.

We think you'll find plenty of fascinating insights in this year's report. If there's one key take away, it's that businesses need an ERP partner committed to supporting them throughout every step of the journey.

With best wishes,

Lisa Pope

President, Epicor

Who We Talked to in 2022

In early 2022, we contacted 245 distribution industry decision makers about their cloud ERP. We wanted to know how satisfied they are with their current situation, and what they would look for in a new solution. We talked about their customer journey, and how their experience could be improved at every stage—from first contact through evaluation, implementation, go-live, and ongoing support.

We researched distribution businesses across different geographies, and for all ERP deployment types, from cloud to hybrid and on-premises. Our results revealed the most up-to-date picture of where cloud-based ERP adoption is today, and where it needs to go tomorrow.

83%
of businesses have a hybrid ERP solution.

This year's research participants by geography

U.S.

UK

ANZ

51%

37%

12%
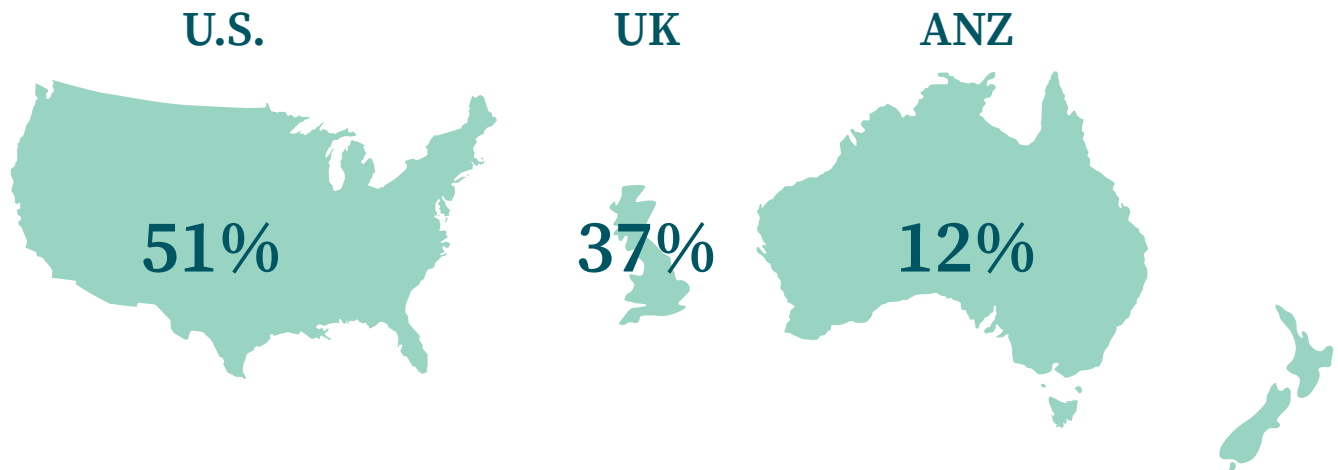
When we looked at their ERP solution deployment type, the picture is largely unchanged from 2021. 94% of the businesses we spoke to have some cloud-based solutions, with a large majority of distribution businesses operating a hybrid solution.

Current Enterprise Resource Planning (ERP) Solution

1%
5%

23%

28%

32%

11%

- ● Hosted off-site on a private server
- ● Entirely on-premises
- ● Primarily on-premises
- ● About evenly SaaS/cloud and on-premises
- ● Primarily SaaS/cloud
- ● Entirely SaaS/cloud
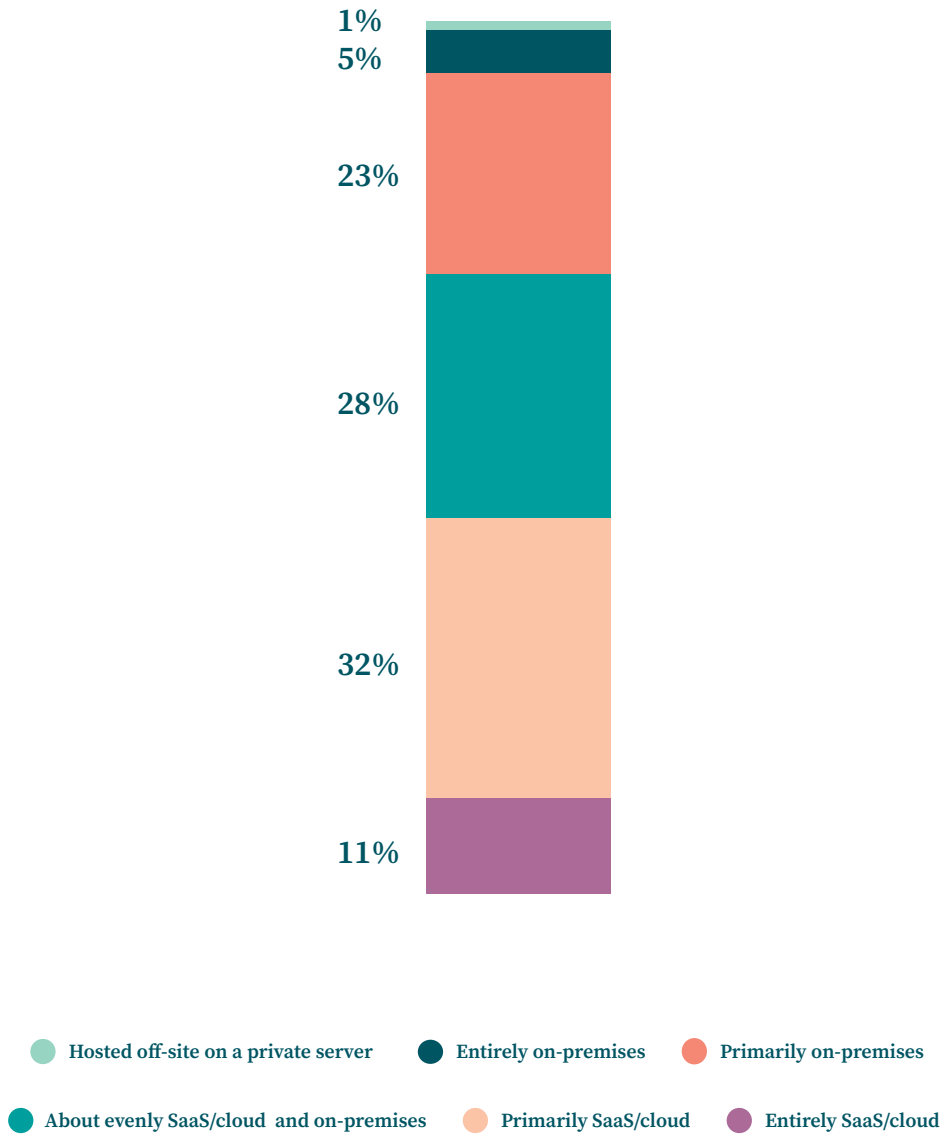
Businesses Feel Loyal
Yet Still Reconsider Their Options

89% of businesses say they feel loyal to their current ERP provider.

The research found that distributors are staying put—for now. Most feel loyal to their current provider. Many of them moved to their cloud-based ERP solution recently, and they're now appreciating the benefits. Yet while most feel no urgency to move to a new provider, that's only one part of the story.

Loyalty to ERP Solution Provider
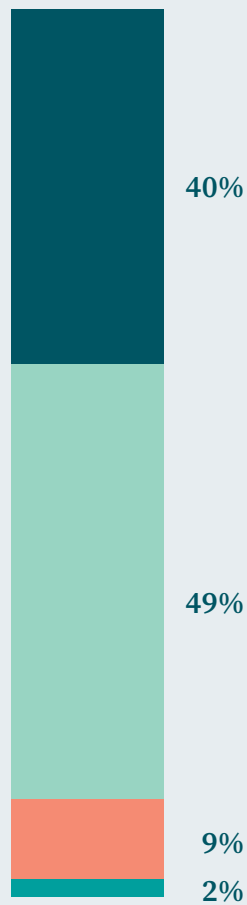
40%

49%

9%

2%

● Strongly agree   ● Somewhat agree   ● Somewhat disagree   ● Strongly disagree

That's right—ERP providers shouldn't get too comfortable. The smartest distributors are always on the lookout for ways to improve their systems and boost their bottom line. They understand that cloud-bas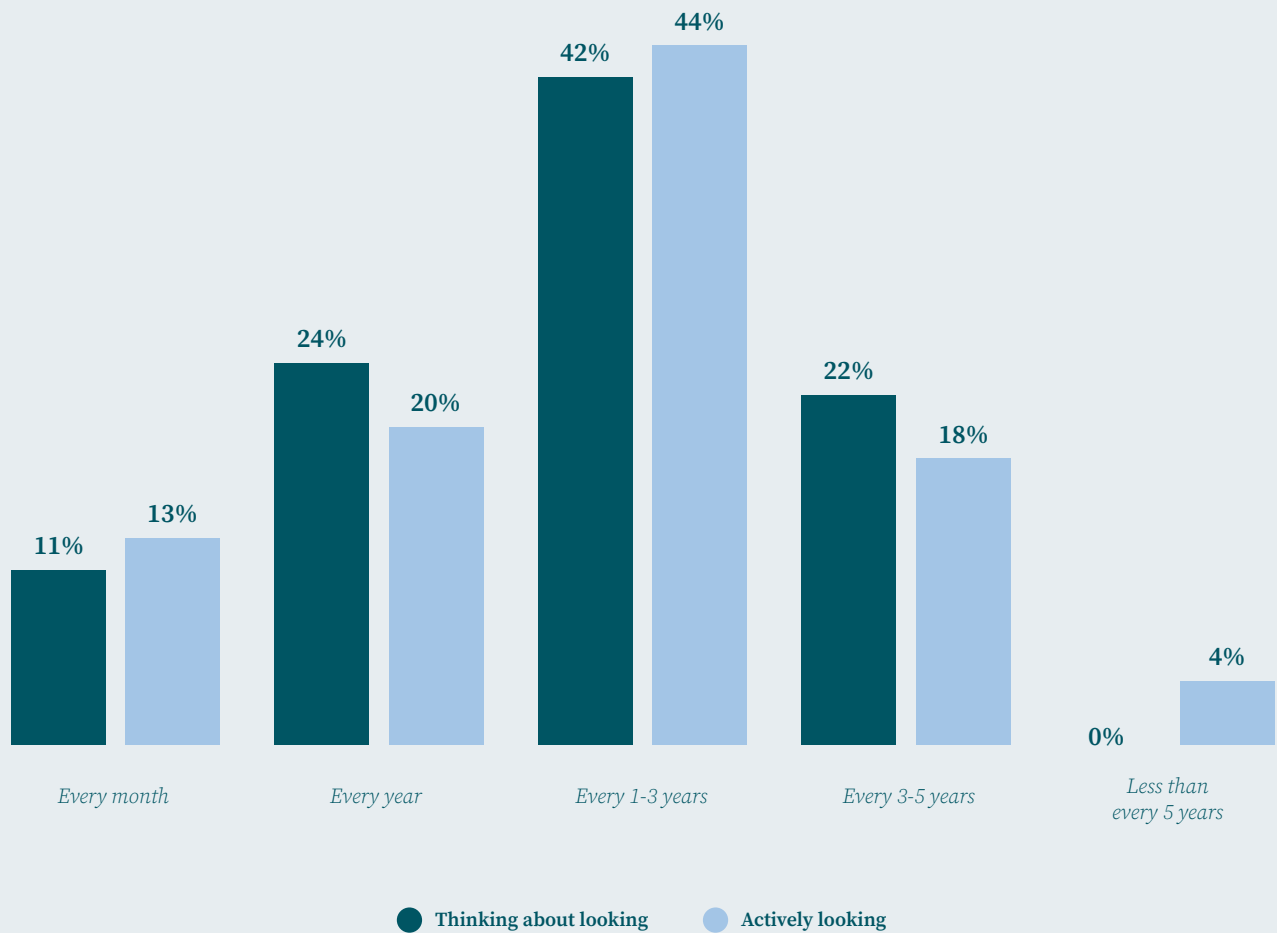ed ERP is a fast-changing landscape. With rapid digital transformation delivering a proliferation of new technology, businesses know that new opportunities are always on the horizon.

With that in mind, most business decision makers say they actively consider moving to a new ERP solution every 1 to 3 years.

Frequency of Thinking vs. Actively Looking to Change ERP Solutions

	Every month	Every year	Every 1-3 years	Every 3-5 years	Less than every 5 years
Thinking about looking	11%	24%	42%	22%	0%
Actively looking	13%	20%	44%	18%	4%

● Thinking about looking　　● Actively looking

"With an ERP system, you know you're going to be involved with the software provider for a long period of time. And with Epicor, we know we have a partner that will support our growth and profitability and allow us to stay ahead of the competition. I feel totally comfortable that we're in the right place and will have a relationship for many years to come."

Vicki Hafele, CFO | Duncan Parnell

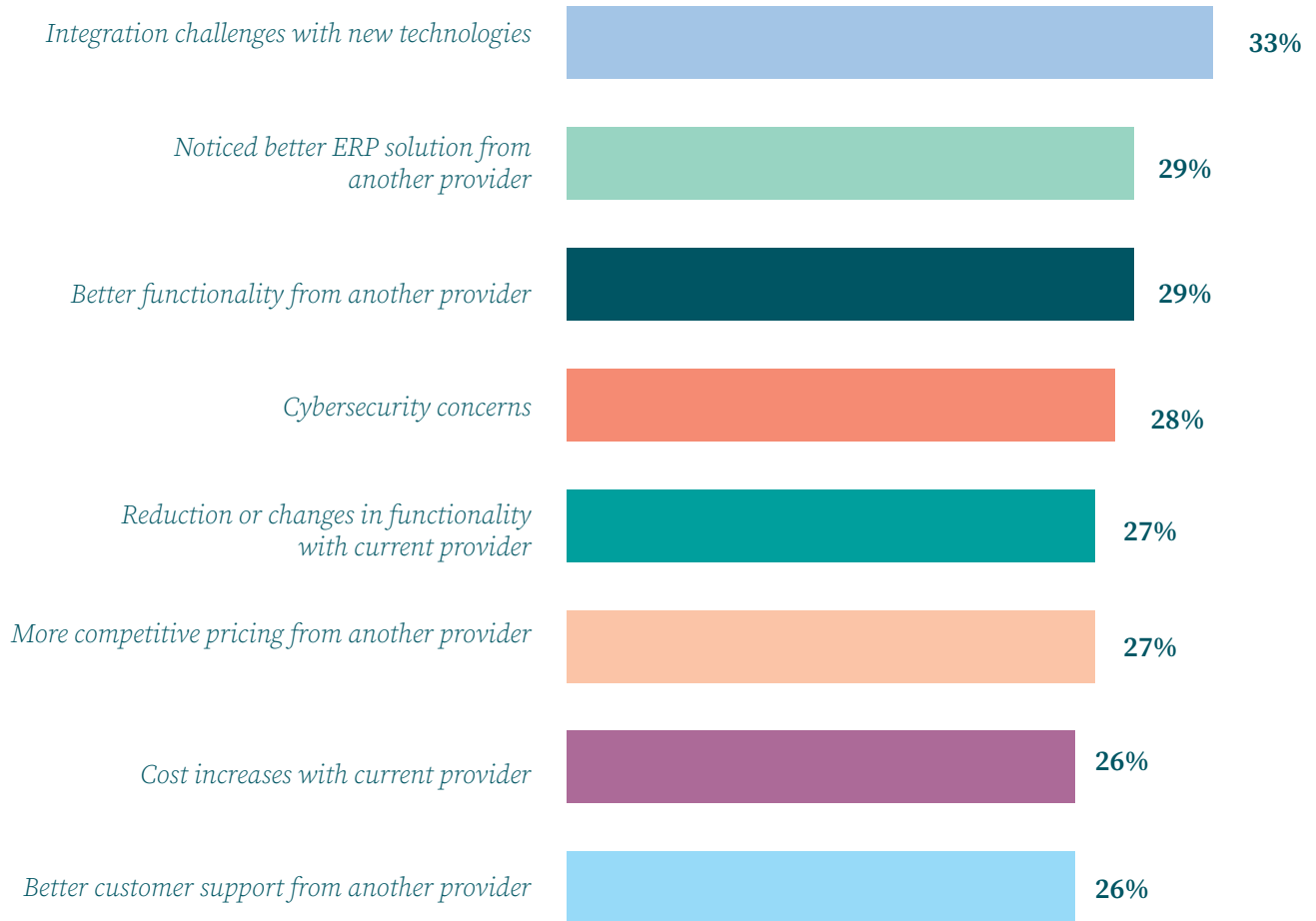# Distributors Reconsider Their ERP Solution and Partner for Many Reasons

What makes distributors think about changing their ERP provider? The research shows a range of triggers can encourage customers to contemplate switching. It might be finding better functionality available elsewhere or discovering a potential solution offering easier integration with rapidly emerging technologies. Distributors might feel frustrated by their current provider's cost increases or tempted by more competitive pricing.

Some companies are searching for better ongoing support or looking for a partner that provides greater peace of mind around the crucial issue of cybersecurity.

While there's no single concern that stands above the rest, the general conclusion is clear: Distributors value support through every stage of their technology transformation.

29%
of businesses are looking for better functionality.

Top 8 Triggers for Re-Evaluating ERP Solution

| Trigger	%
Integration challenges with new technologies	33%
Noticed better ERP solution from another provider	29%
Better functionality from another provider	29%
Cybersecurity concerns	28%
Reduction or changes in functionality with current provider	27%
More competitive pricing from another provider	27%
Cost increases with current provider	26%
Better customer support from another provider	26%

Good Partnerships Deliver Business Confidence

96% of distributors are confident in their ability to negotiate the purchase journey.

Almost every customer reported they feel confident successfully navigating the ERP purchasing journey. This confidence also remains consistent for different deployment types, whether cloud, hybrid, or on-premises.

Confidence in the ERP Purchasing Journey

3%

52%

44%

● Very confident   ● Somewhat confident   ● Not very confident
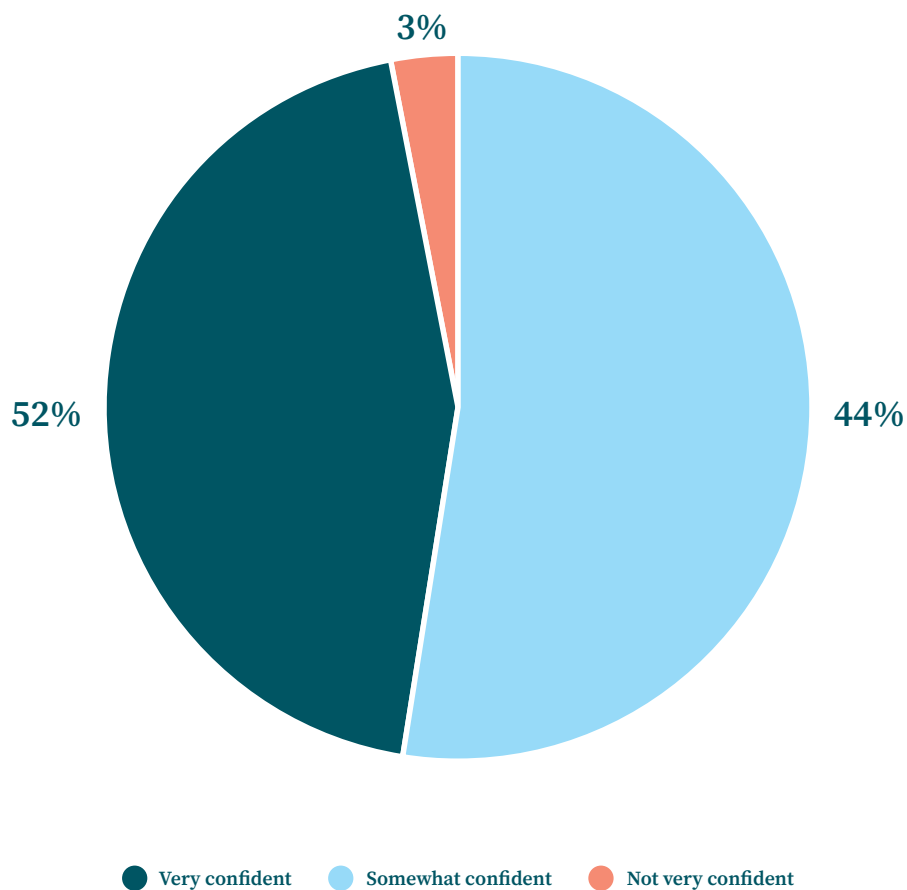
"Epicor … offers the extensibility and flexibility to customize to fit our needs, and the company invests in a responsive, collaborative partnership."

Joseph Hampton, Director of Information Technology | Top Notch Distributors

The research revealed that 90% of distributors say they are partners with their ERP provider—at least up to the go-live stage. It's a positive result that reflects the efforts that ERP providers put into supporting their customers up to the point of purchase. But there's a caveat—many businesses feel differently after their solution has gone live. We'll come to that shortly.
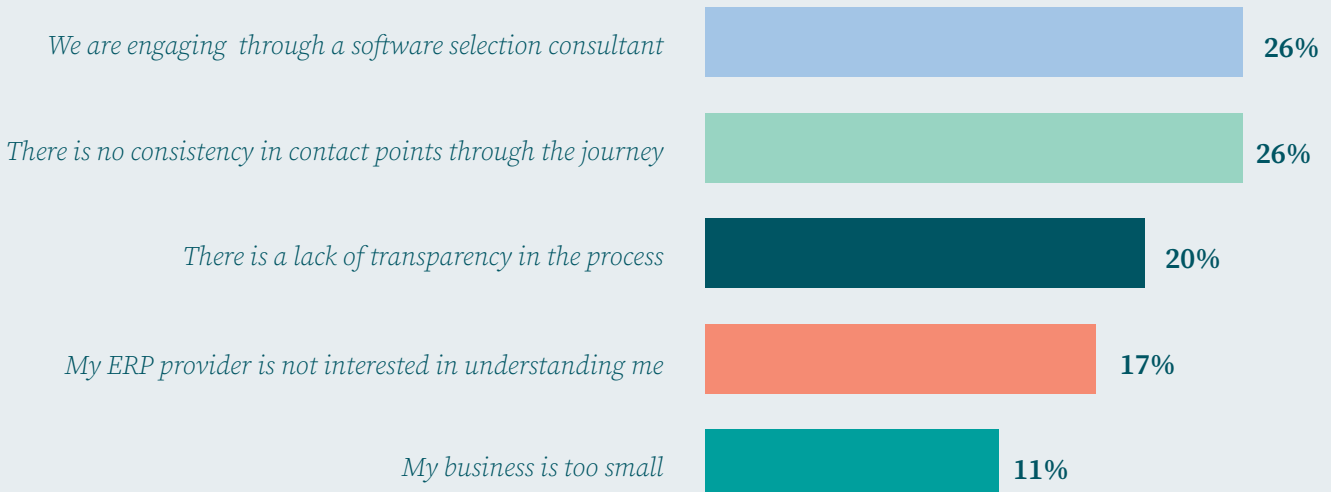
Confidence in Initial Purchase to Go-Live

- **Strongly agree**
- **Somewhat agree**
- **Somewhat disagree**
- **Strongly disagree**

44%
46%
8%
2%
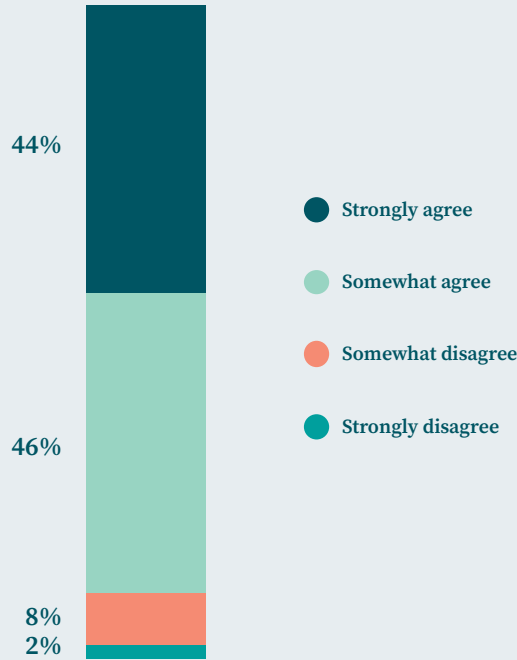
When we spoke to distribution industry decision makers who didn't feel a sense of partnership, they cited a range of factors. The most common was the use of selection consultants, closely followed by an inconsistent point of contact. Distributors using a software consultant or intermediary want those partners to go the extra mile to provide a consistent team that delivers dedicated partnership at every stage.

Barriers to Partnership With ERP Providers
Show of those who don't strongly agree they're a partner with their ERP throughout

We are engaging through a software selection consultant	**26%**
There is no consistency in contact points through the journey	**26%**
There is a lack of transparency in the process	**20%**
My ERP provider is not interested in understanding me	**17%**
My business is too small	**11%**

Partnership is Crucial
In The Latter Phases

42% of distributors find the implementation stage difficult.

As the findings show, a strong sense of partnership helps most businesses feel confident in their ability to navigate the ERP pu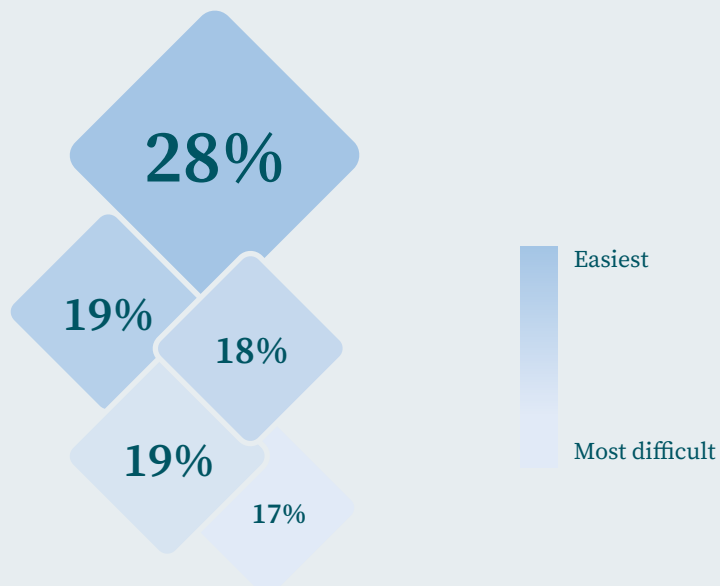rchase process. Yet looking at different stages of the journey provides a more nuanced picture. The research says that for many customers, difficulty increased as they progressed further along the path.

The Customer Experience

Purchase — Planning — Onboarding — Go-Live — Ongoing

● Challenging—looking for support   ● Medium—support would be helpful   ● Easier—not looking for support
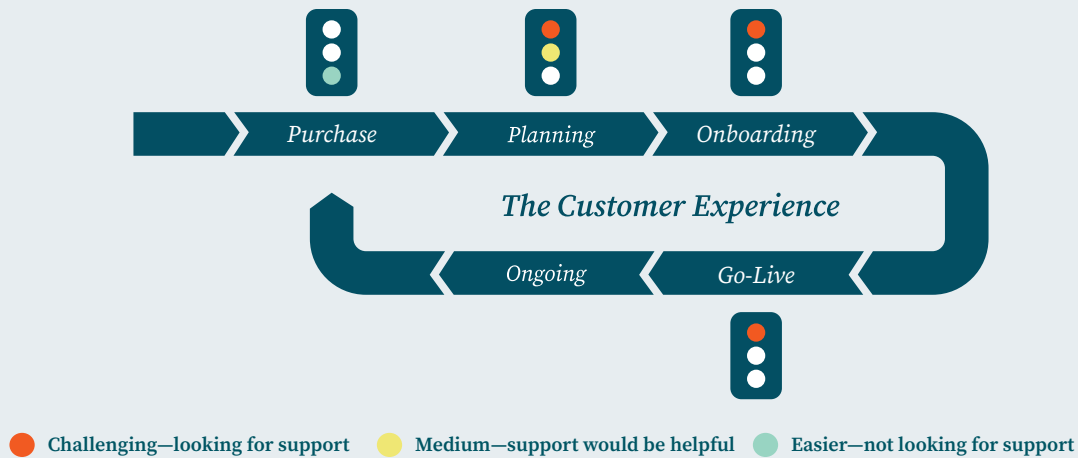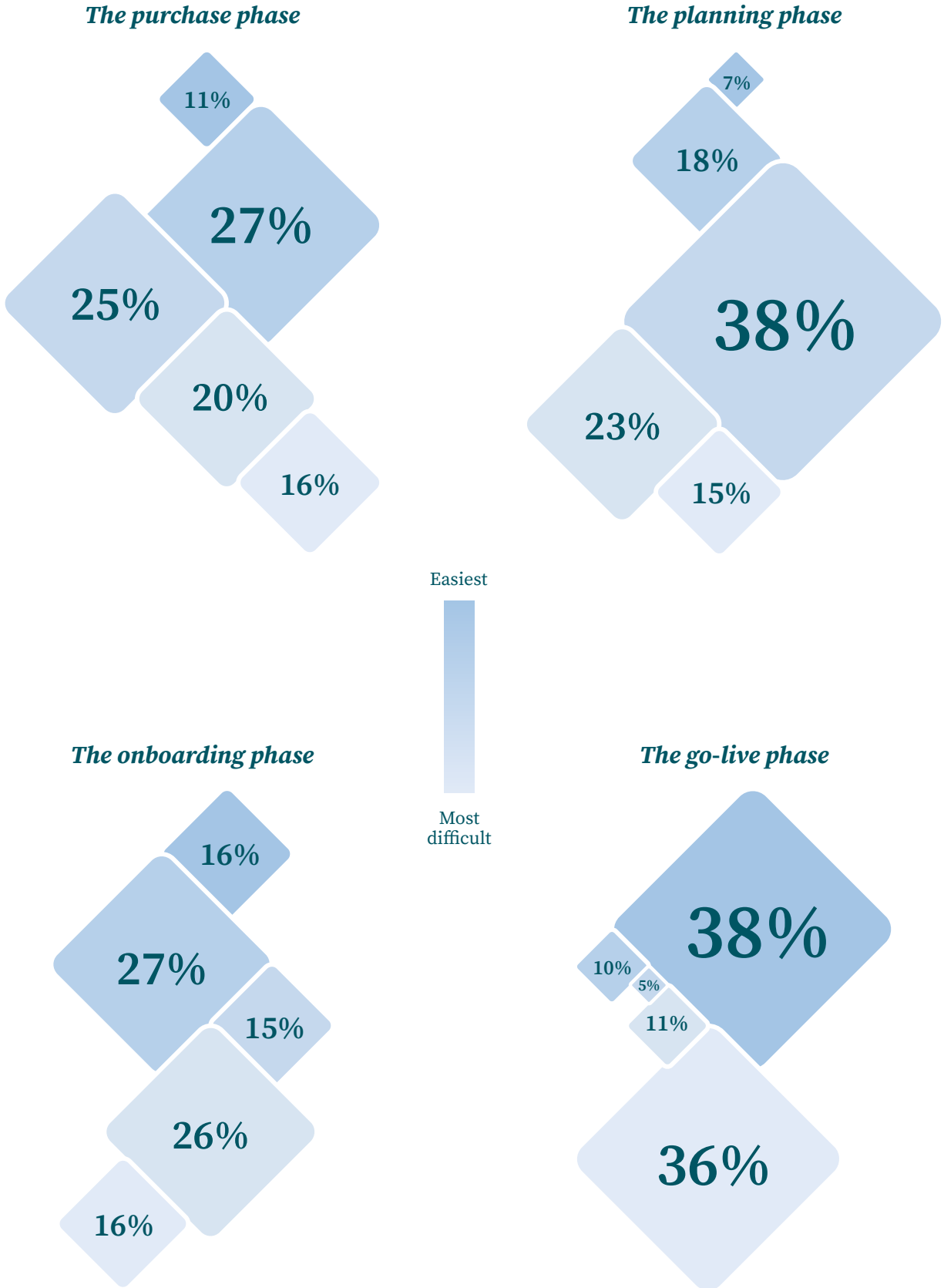
In fact, 48% of customers found the onboarding phase difficult, while 47% found it difficult once their ERP solution went live. Customers are looking for more support and partnership during the crucial latter phases.

The Ease and Difficulty of Each Phase of the ERP Purchase Journey

The initial approach

28%

19%

18%

19%

17%

Easiest

Most difficult

The purchase phase

11%

27%

25%

20%

16%

The planning phase

7%

18%

38%

23%

15%

Easiest

Most
difficult

The onboarding phase

16%

27%

15%

26%

16%

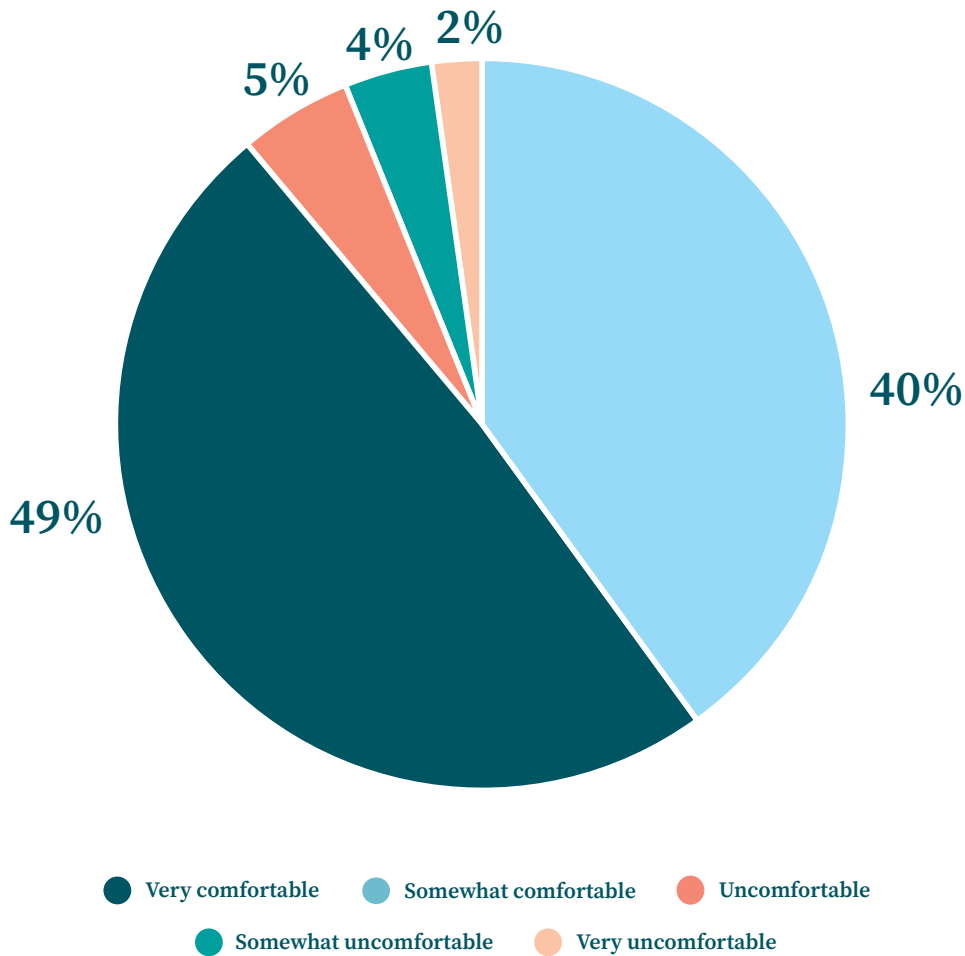## The go-live phase

38%

10%

5%

11%

36%

Moving to Cloud is Worth the Effort

Cloud-based ERP is being rapidly adopted by distributors, and the majority are now convinced of its many benefits. In fact, 89% are comfortable with having cloud-based solutions.

That's because moving to cloud-based ERP is transformational for distributors. In the 2021 Industry Insights Report, businesses associated cloud ERP with growth and said it was crucial to their continuing success. Among the benefits, they value improved flexibility and adaptability, better security, simple regulatory compliance, and enhanced business resilience.

89%
of distributors are comfortable with having solutions in the cloud.

Comfort with Cloud-Based Business Solutions

- 5%
- 4%
- 2%
- 40%
- 49%

- ● Very comfortable
- ● Somewhat comfortable
- ● Uncomfortable
- ● Somewhat uncomfortable
- ● Very uncomfortable

Migration is Still a Concern for Many

87% of distributors see migration to cloud ERP as being disruptive.

Although businesses are comfortable having ERP solutions on the cloud, many decision makers are concerned about business disruption during the migration process. 87% of them agreed that "there's a great deal of business disruption when migrating."

Business Disruption When Migrating

4%

9%

46%

41%
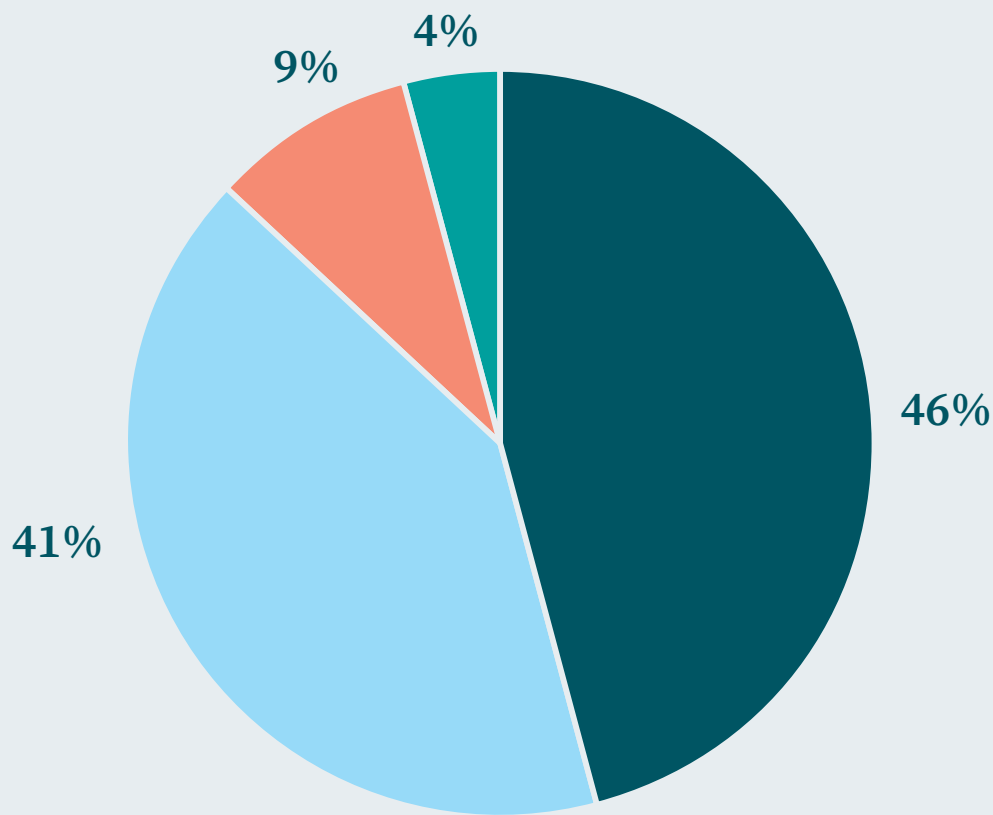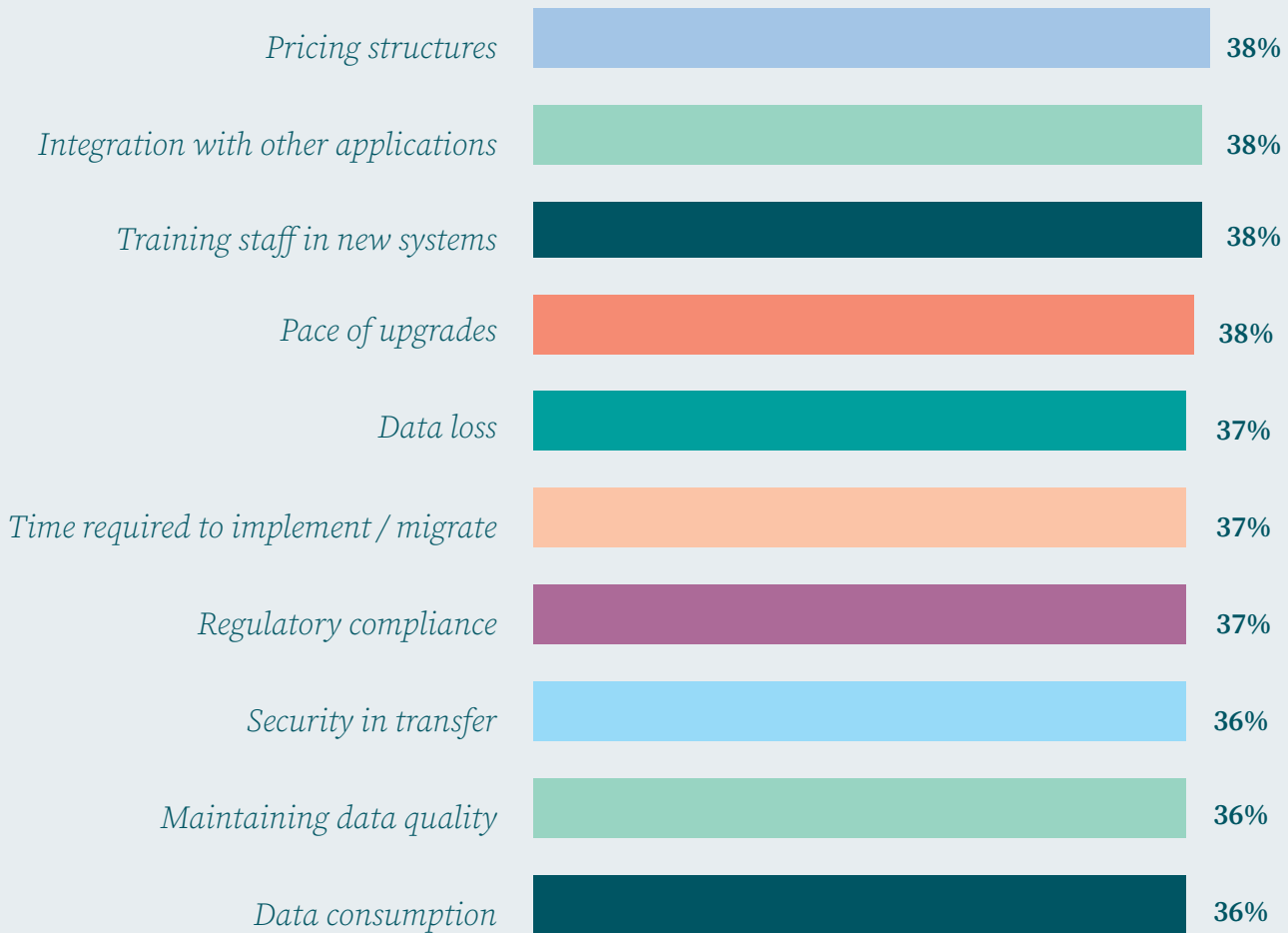
● Strongly agree   ● Somewhat agree   ● Somewhat disagree   ● Strongly disagree

"The real value with Epicor is in the partnership, something I didn't fully understand until I experienced it."

Joseph Hampton, Director of Information Technology, Top Notch Distributors

There are other concerns too, with customers across all deployment types identifying a range of perceived drawbacks when migrating to cloud. 84% of them are concerned about successful integration with other applications, while 82% are worried about security during the migration process.

Top 10 Concerns or Drawbacks Distributors Have about Migrating to Cloud

Concern	Percentage
Pricing structures	38%
Integration with other applications	38%
Training staff in new systems	38%
Pace of upgrades	38%
Data loss	37%
Time required to implement / migrate	37%
Regulatory compliance	37%
Security in transfer	36%
Maintaining data quality	36%
Data consumption	36%

Distributors expect their ERP partner to help them tackle these issues. In fact, the research shows that 73% of businesses feel that the responsibility to solve these challenges should sit fully or partly with the ERP provider. Evidently these concerns can be alleviated when you choose a partner that is laser focused on ensuring a safe, secure, and successful migration, as well as providing dedicated ongoing support after go-live.
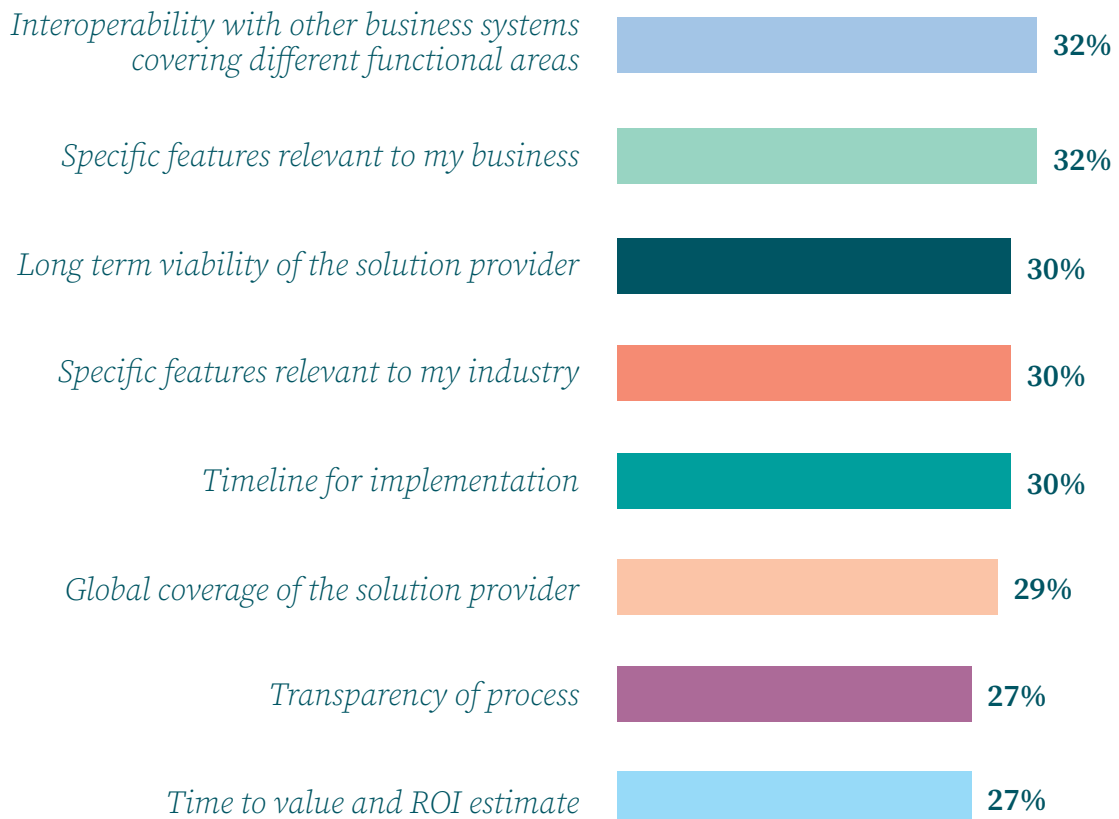
What Customers Want From Their Partners

Here's what distributors look for on their purchase journey.

Distribution industry decision makers reported a range of areas they felt need addressing before they purchase cloud ERP. Long-term viability was cited as the most crucial factor, followed by industry-specific features and time to value.

Top 8 Areas to Address Before the Purchase of Cloud ERP Solutions

Area	Percentage
Interoperability with other business systems covering different functional areas	**32%**
Specific features relevant to my business	**32%**
Long term viability of the solution provider	**30%**
Specific features relevant to my industry	**30%**
Timeline for implementation	**30%**
Global coverage of the solution provider	**29%**
Transparency of process	**27%**
Time to value and ROI estimate	**27%**

"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

What Customers Want

The report's collective insight shows a clear picture of what distributors expect from their ERP partner.

1

Industry-Specific Knowledge and Guidance

Distributors need to be confident that their ERP partner knows the industry and understands their business. They require guidance and solutions curated to fit specific needs, especially during the implementation and go-live phases.

2

Interoperability and Data Support

For successful migration and integration, having a dedicated support team is a must-have. From supporting backup and data hygiene issues, to ensuring successful interoperability across applications, expert support delivers a better experience for distributors.

3

Staff Training and Materials

Migrating to a new ERP solution can feel daunting, and it's essential that distributors get staff up to speed as quickly and seamlessly as possible. Businesses like yours need staff training and onboarding materials to help make the switch a successful and painless experience.

4

Greater Transparency

Distributors seek transparency and clarity, especially during evaluation and planning. If there's a lack of transparency around pricing and security, or a lack of clarity around training during migration, it's a big concern for distributors.

5

Better Partnership

Teamwork and partnership are crucial. Businesses want a consistent team that supports them at every stage. From initial contact, to on-the-ground support for go-live and beyond, they need to know they're a priority.

Now, let's look at some of these areas in more detail.

Deeper Industry Expertise Delivers More Specific Solutions

93% of companies think their ERP solution should be specific to their business.

With myriad options to navigate, successful migration to cloud ERP requires dedicated support from genuine industry experts. 93% of distributors told us they need a partner with deep industry experience who understands their specific needs, offers customer-driven products and innovation, and can guide them toward their ideal solution. Choosing the right partner is a critical decision for businesses.

Importance of Industry Knowledge

55%

38%

6%

2%
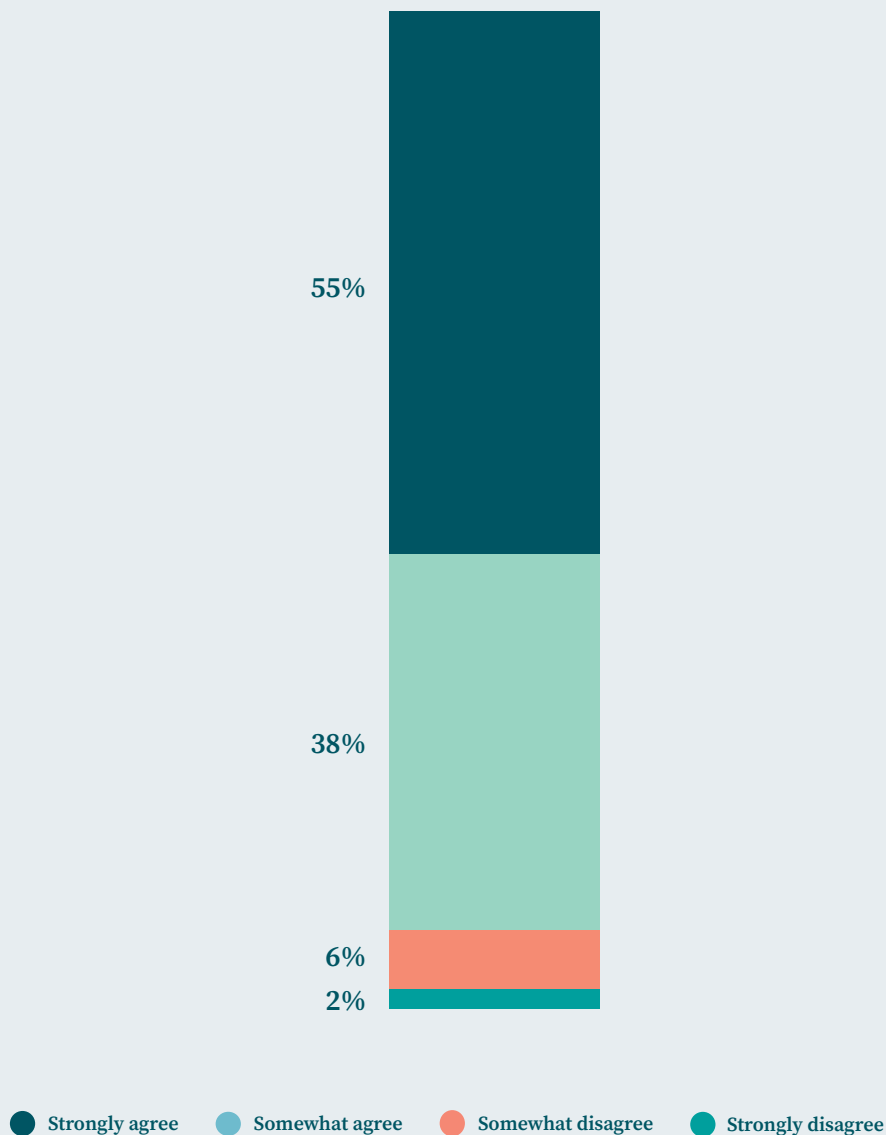
● Strongly agree   ● Somewhat agree   ● Somewhat disagree   ● Strongly disagree

Each distribution business has unique nuances and specializations. So ERP selection should be based not only on your industry, but also your specific needs as a business. The decision makers surveyed were nearly unanimous on this point. 95% said they want their ERP solution to be specific to the distribution industry, and the same number said their ERP solution should be specific to their business.

ERP Solutions Specific to Industry and Business

*I want to feel that my ERP solution
is specific to my industry*

| 53% | 40% | 5% | 1% |

*I want to feel that my ERP solution
is specific to my business*

| 47% | 48% | 3% | 2% |

● Strongly agree　　● Somewhat agree　　● Somewhat disagree　　● Strongly disagree

It's another area where customers want deeper industry knowledge from their ERP provider. With a knowledgeable cloud partner in place, distributors know their technology solution is better suited to them and designed to accelerate their business vision.

"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

Industry Expertise is Essential at Every Stage

Switching an ERP solution is a major investment, and preparation is fundamental. When considering a new cloud ERP solution, doing thorough research is imperative. We found a wide range of areas that customers want to address before purchase, and many of them relate to industry knowledge capabilities. Whether looking for reassurance about interoperability, or features relevant to their specific industry and business, distributors need an ERP partner who knows the industry inside out—and makes the effort to truly understand their business.

30%
of distributors need to know about industry-specific features before they purchase.

93% of Distributors Say Sales Teams Understand Business Challenges

49%

44%

5%

2%

- ● Strongly agree
- ● Somewhat agree
- ● Somewhat disagree
- ● Strongly disagree
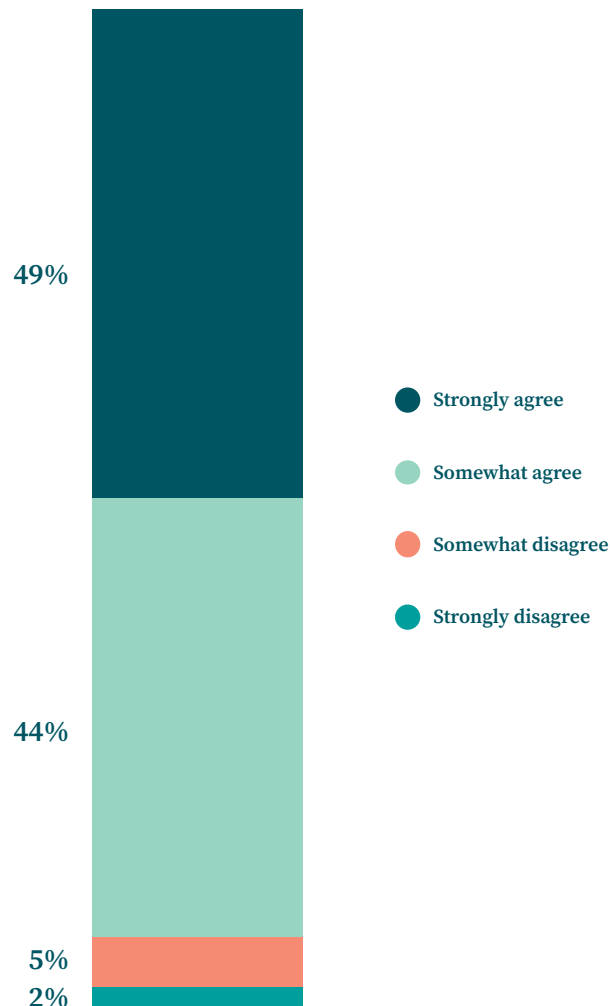
"We love to be on the cutting edge of technology, but that requires us to be comfortable with the learning that comes with it. We are confident in trying new options because of our partnership with Epicor.

The Epicor team is always ready and willing to listen, dive in and solve challenges. Partnerships are best tested when there is a challenge to work through, and I feel great about our relationship with Epicor."
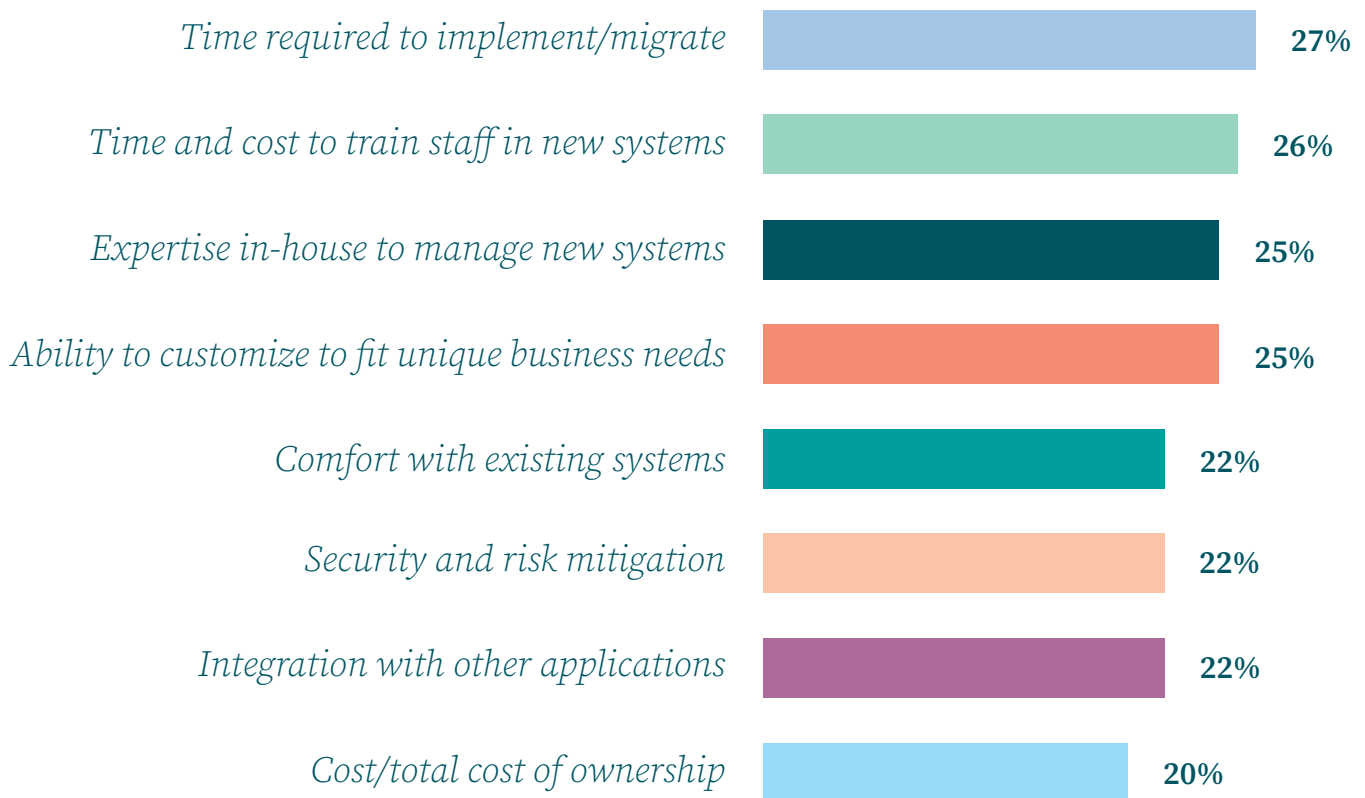
John White, President | American Refrigeration Supplies, Inc.

Integrating Existing Functionality is a Crucial Challenge

With distributors using a large and ever-growing number of applications, successful interoperability is crucial. They need to know that a new cloud-based ERP solution can work seamlessly with all their applications. In fact, 22% of distributors cited integration as their biggest onboarding concern.

22%
said integration with other applications is their key onboarding challenge.

Top 8 Challenges of Onboarding Cloud Solutions

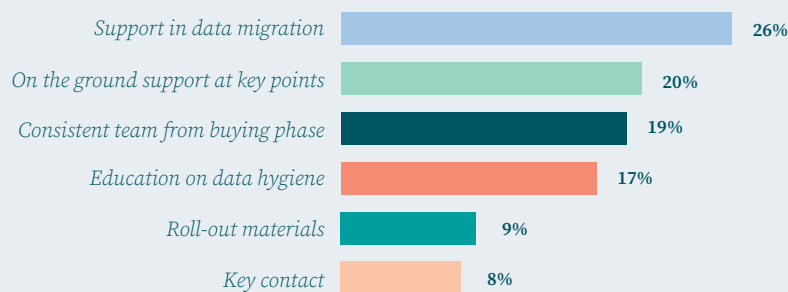| Challenge	Percentage
Time required to implement/migrate	27%
Time and cost to train staff in new systems	26%
Expertise in-house to manage new systems	25%
Ability to customize to fit unique business needs	25%
Comfort with existing systems	22%
Security and risk mitigation	22%
Integration with other applications	22%
Cost/total cost of ownership	20%

Distributors need access to data across many applications, so it's essential that they choose an ERP provider with integration capabilities that seamlessly connect their current business applications.

Businesses Need Data Support During Migration

26% said data migration support would provide the most comfort during configuration and planning.

Data is at the heart of modern business. Today's distribution businesses generate huge amounts of information and rely on it to keep their business running smoothly and growing successfully. Migrating data that drives business decisions to the cloud might feel like unknown territory.
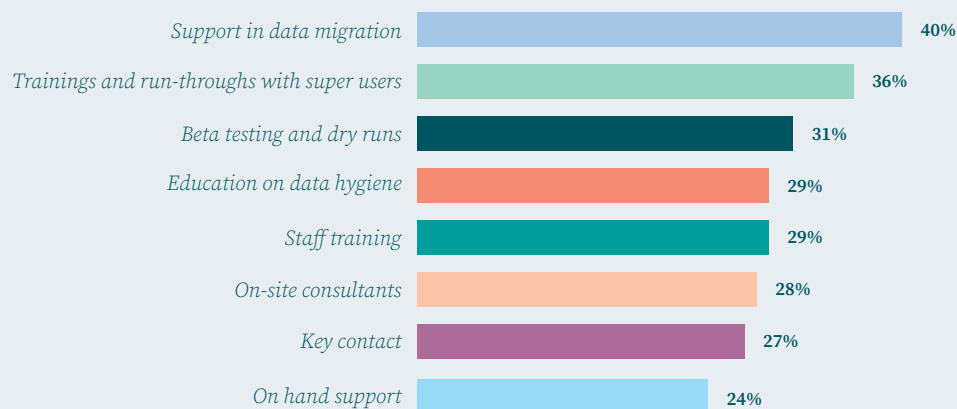
Top 6 Areas That Increase Comfort in Configuration and Planning Phase

Support in data migration	26%
On the ground support at key points	20%
Consistent team from buying phase	19%
Education on data hygiene	17%
Roll-out materials	9%
Key contact	8%

Interestingly, the need for data migration support is not only limited to the configuration and planning stages. Forty percent of decision makers also chose it as the most useful support when onboarding and implementing their new ERP solution.

Useful Supports When Onboarding ERP
Top 8 Areas of Support

Support in data migration	40%
Trainings and run-throughs with super users	36%
Beta testing and dry runs	31%
Education on data hygiene	29%
Staff training	29%
On-site consultants	28%
Key contact	27%
On hand support	24%

There's a lesson here for decision makers. Choose an ERP partner who takes your concerns about data migration seriously through every phase of the journey.

"[Epicor] Prophet 21 is good value, and Epicor is committed to continuously improving it. There are no other close competitors that offer an ERP well suited for our high-volume small parts distribution."
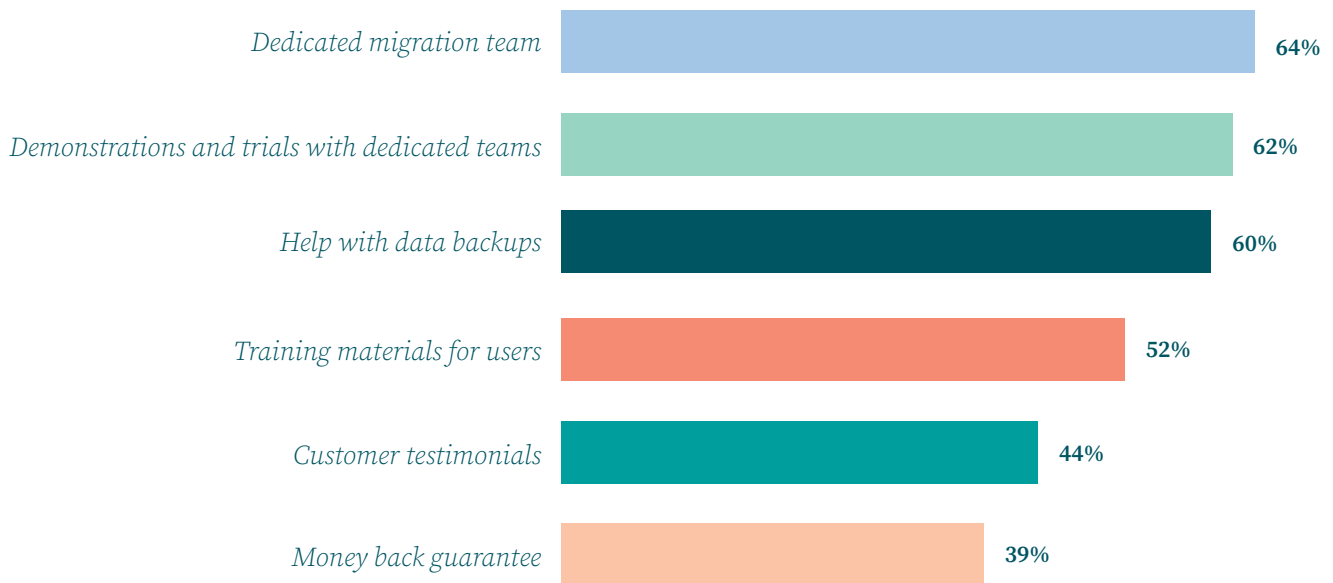
Scott Longfellow, Chief Operating Officer | G.L Huyet

A Dedicated Migration Team Is a Must-Have

Data support is a crucial component for distributors contemplating the move to cloud-based ERP. Sixty percent of participants want help with data backups during migration. Equally important is how they get that support; 64% of the businesses said that having a dedicated migration team would increase their comfort in the journey to cloud.

64%
of businesses say having a dedicated migration team would ease their journey.

Support That Increases Comfort in the Journey to Cloud

Dedicated migration team	64%
Demonstrations and trials with dedicated teams	62%
Help with data backups	60%
Training materials for users	52%
Customer testimonials	44%
Money back guarantee	39%

Transparency is Crucial at Every Stage

Clarity delivers confidence. 97% of customers across industries and deployment types agreed on the need for greater transparency. When asked in which stage of the journey is transparency most important, 32% said evaluation, while 35% cited the configuration and planning phase. They indicated concern about a lack of transparency around pricing and security when evaluating an ERP provider's solution. And in the onboarding phase, they worry about a lack of clarity for staff training during migration.

For customers researching ERP providers, decision makers are looking for transparency on cost and security implications. And they want world-class training and support after the purchase through implementation.

96%
said greater transparency would help them feel more confident in the journey.

Greater Transparency Increases Confidence in the Process

3%   1%

47%   49%

⬤ A great deal   ⬤ A fair amount   ⬤ Not very much   ⬤ Don't know
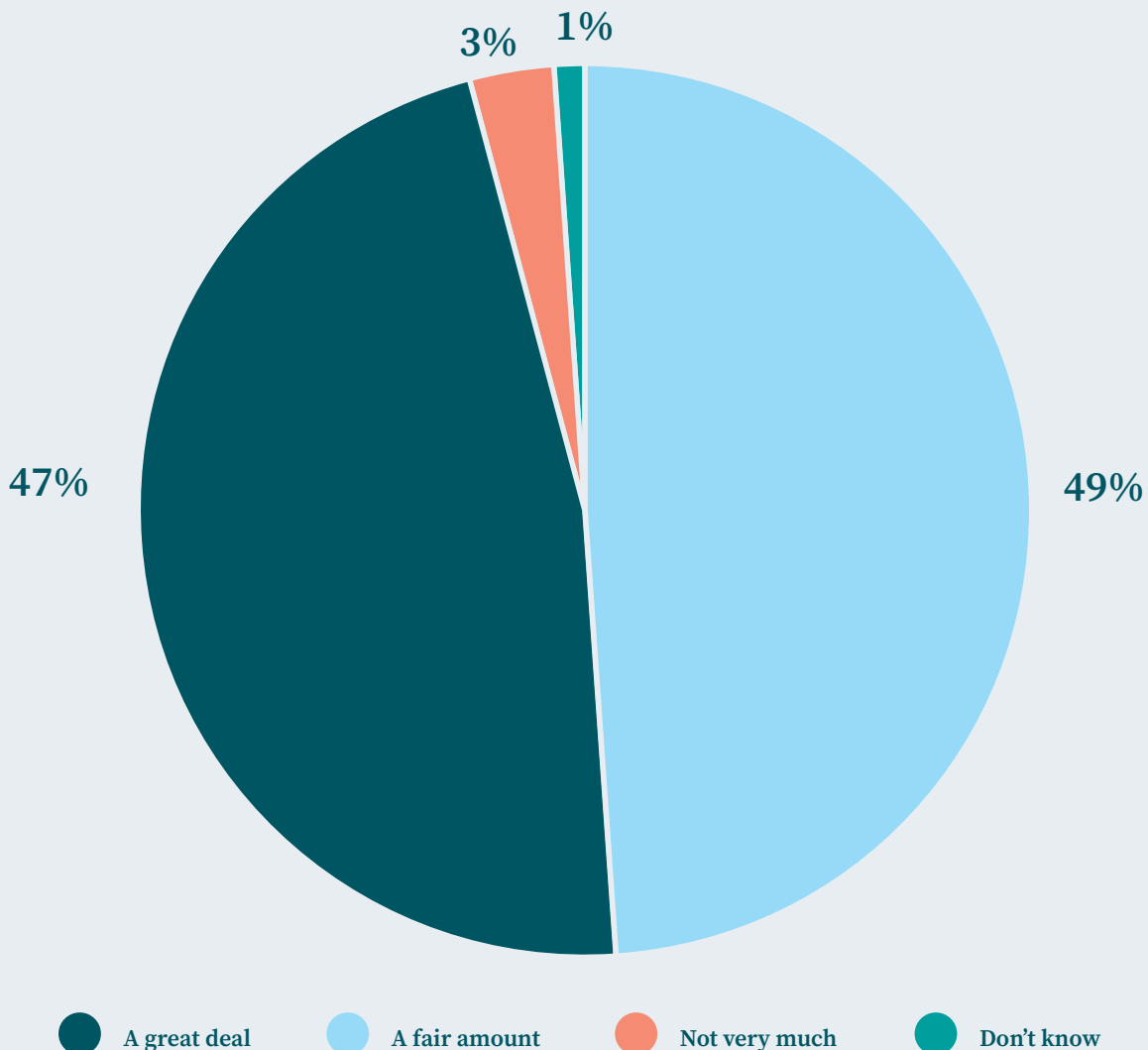
With Better Training, Everyone Wins

Staff training and run-throughs were perceived as useful support during onboarding.

42% of businesses find the implementation stage difficult. When asked what support would be most useful during implementation and onboarding, 36% said training and run-throughs with super users, while 29% said staff training. With 24% mentioning on-hand support, 28% citing on-site consultants, and 29% choosing education on data hygiene, the broader truth becomes clearer. Hard-working distributors need better training and support during the crucial implementation phase.

If employees are well-trained, future challenges and the need for greater support further down the line can be reduced.

36%

said trainings and run-throughs during implementation would be most useful.
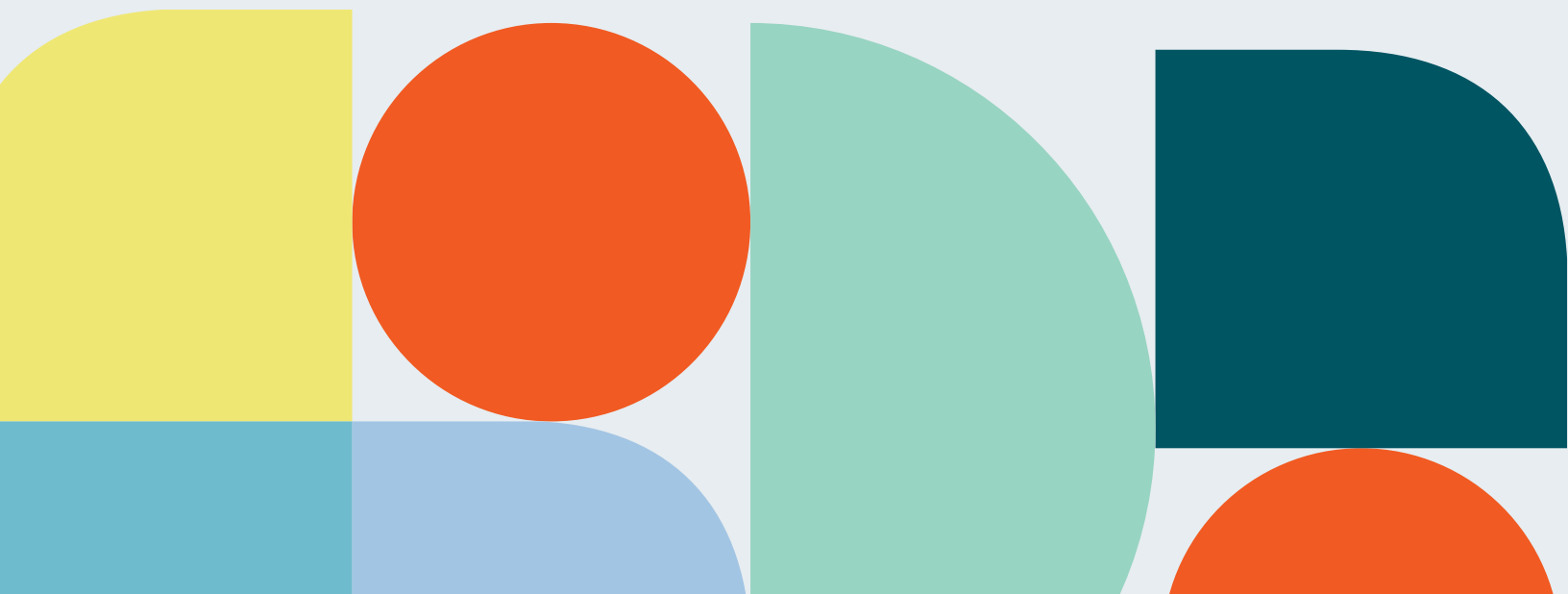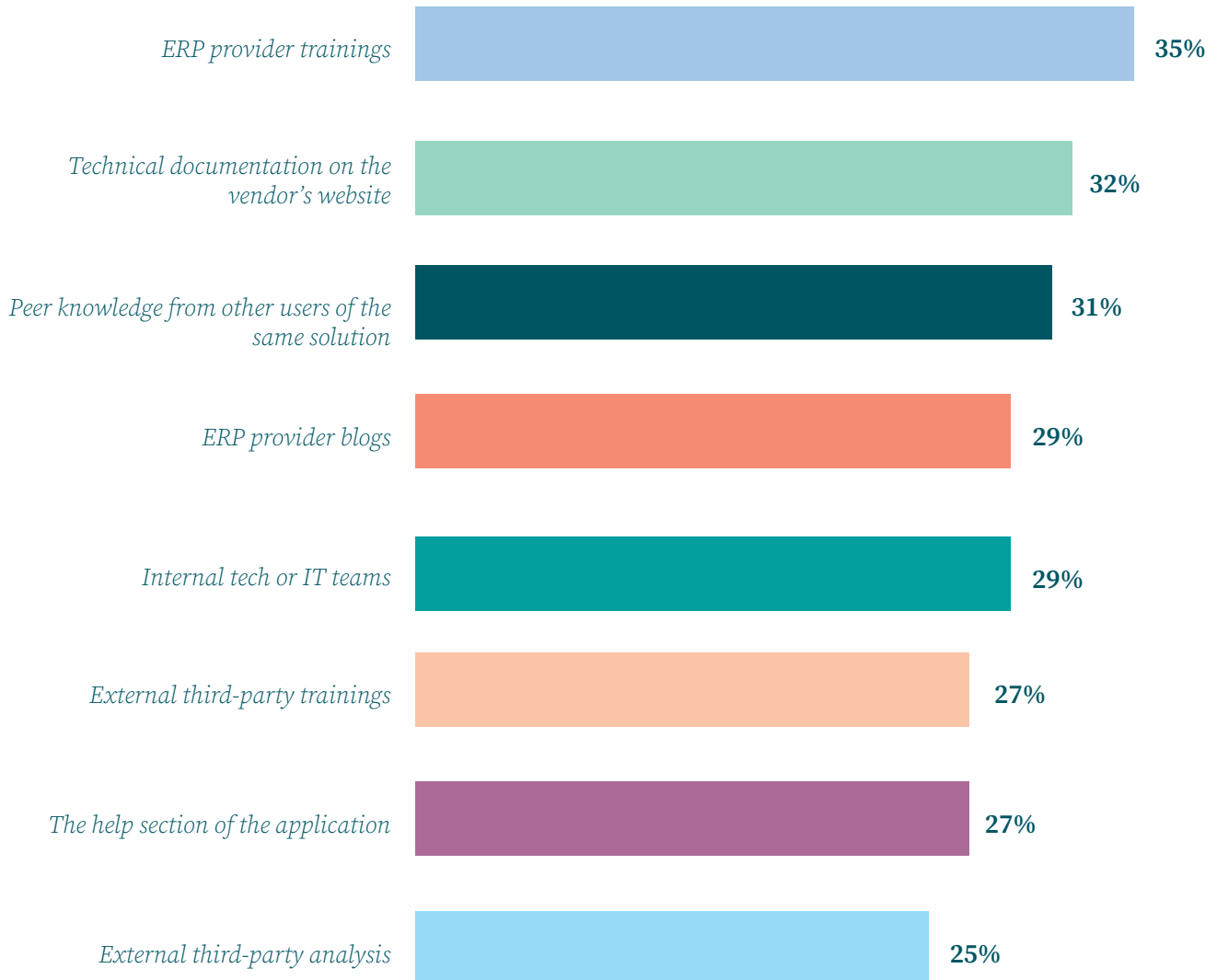
Post Go-Live Training Materials are Essential

Even after an ERP goes live, distributors need ongoing help. When we asked business decision makers where they look for support, they cited a range of sources. 29% cited internal tech or IT teams, while 32% mentioned technical documentation on the vendor's website. Other useful sources of support included the ERP provider's training and blogs, and the application's help section. Some even seek out peer knowledge from other users of the same solution.

Distributors that have post go-live support get more from their ERP solution and bolster partnerships and customer retention.

32%
of distribution businesses look to technical documentation for ongoing support.

Top 8 Sources of Support When ERP is Live

Source	Percentage
ERP provider trainings	35%
Technical documentation on the vendor's website	32%
Peer knowledge from other users of the same solution	31%
ERP provider blogs	29%
Internal tech or IT teams	29%
External third-party trainings	27%
The help section of the application	27%
External third-party analysis	25%

Customer Wish List for The Journey to Cloud

This year's research underscores the importance that customers put on trusted relationships with their ERP providers. The findings indicate they want a partnership that delivers success across the entire journey.

1

A consistent partnership through the purchase. Customers want consistency in the team supporting them from purchase through go-live.

2

Specific industry knowledge and guidance. Customers are looking for guidance, especially in the onboarding and go-live stages as well as industry knowledge to help them all the way through the journey.

3

Data support for multiple needs. Having a dedicated migration team was widely cited for help solving data backup issues, data hygiene, migration, and integrating apps.

4

Training materials and availability for staff training. They indicated that ERP training and materials from their ERP provider are a high priority to make the switch to cloud as painless as possible.

5

Greater transparency. Customers value transparency and clarity and feel it's lacking, particularly in the evaluation and planning stages. This is linked to concerns about pricing, security, and overall training when migrating.

Epicor Partnership:
We're With You Every Step of the Way

With expertise and support for every phase of your cloud ERP journey.

Maximize effectiveness across your journey to cloud, from purchase through the crucial latter phases—and long after your solution goes live. Epicor offers:

Industry Knowledge

Deep knowledge and expertise. It's who we are. Our brand promise, "made with you, for you," emphasizes our commitment and focus on customers. We get to know you better than anyone else.

Data Support

Migration data support is provided by a dedicated, single point of contact with online resources, chat, and by phone so you can quickly resolve issues and get back to business.

Seamless Interoperability

We empower your workers with capabilities that help them effortlessly integrate and automate workflows between apps, data, and your Epicor platform. Automation Studio is an intelligent tool that features the power of machine learning. Users can act as citizen developers and integrators, saving time, eliminating manual tasks, and increasing productivity. We connect you to more than 1,000 external app connectors and transform the process of integration.

Transparency and Training

You know that learning and ERP success go hand in hand. Unlock more value by developing skills and confidence that leads to deeper product adoption. Epicor Learning resources are fully integrated into every cloud ERP solution—and included in the price. There are training tools and support for role-specific tasks curated to individual learning paths. It's the foundation you need for users to stay productive and extend their knowledge.

A Better Partnership

Your ERP journey doesn't end at purchase. In many ways, your go-live is just the beginning. We work with hardworking businesses to deliver operational efficiency, agility, and security with expert care and knowledge.

Epicor is the leading provider of industry productivity solutions for medium-sized businesses, and the trusted partner to 120,000 of the world's makers, movers, and sellers. We empower a world of better business.

"Automation Studio is a game changer, we can use this tool to our advantage so we don't have to write custom code, and will make upgrades so much easier."

Jose Gomez, Application Engineering Manager | Stephen Gould

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Talk to our experts today.

Find out how our leading industry productivity solutions offer a more valuable experience on your journey to cloud ERP—and beyond.

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