



The Business Value of Epicor Software for Wholesale Distribution Companies

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BUSINESS VALUE HIGHLIGHTS

 Click on highlights below to navigate to related content within this PDF.

412%
three-year ROI

11 months
to payback

8%
higher revenue

4 percentage point
increase in average net margin

45% more orders
dispatched/delivered

22% faster
average delivery time

35% more
inventory turns

21% higher
productivity
warehouse teams

Executive Summary

Wholesale distributors have a unique position in the global supply chain, acting as intermediaries in the movement of goods between manufacturers and a variety of downstream customers across multiple industry segments like industrial, electrical, and HVAC. Among the product segments where wholesalers play a large role are food and beverage, healthcare, and industrial products. The reach of wholesalers today is global, especially in developing countries where smaller, more numerous “traditional” trade outlets dominate the landscape.

Wholesalers make technology decisions every day, but when it comes to selecting systems like ERP, the organization spends months, if not years, planning out its next move. A recent IDC client noted, *“We need to select the right system as this is our main operational and financial system from which we run all of our business. If we make one misstep, it could hurt us for years to come.”* This one critical investment will be put under a microscope.

Wholesalers have also struggled with business continuity and have discovered that to be more resilient, they needed to turn to digital technology and modern applications. Digital resiliency, or an organization’s ability to rapidly adapt to business disruptions by leveraging digital capabilities to not only restore business operations but also capitalize on the changed conditions, has been a major focus for these organizations over the past two years.

IDC interviewed distribution companies about their use of Epicor for Distribution to understand its impact on their business operations, costs, and results. Epicor distribution customers interviewed reported capturing substantial value by enhancing their operational capabilities. They described running their businesses to better meet actual demand, which resulted in operational efficiencies, cost savings, and improved business results.

Based on these interviews, IDC calculates that distribution companies interviewed will realize benefits worth an annual average of \$2.1 million per organization by:

- ▶ **Operating with enhanced visibility and flexibility**, which enables greater business throughput and efficiencies for teams responsible for carrying out day-to-day business activities
- ▶ **Understanding inventory status and requirements**, which results in fewer instances of inventory shortages and better matching of inventory to customer demand
- ▶ **Enabling finance teams**, which means that they can better support business activities and face less risk from errors or delayed invoices and payments
- ▶ **Improving business results**, which yields both higher total revenue and improved gross and net margins

Situation Overview

As an intermediary, wholesale distributors have many challenges as the nature of their business requires tight collaboration within the supply chain. Some of the major challenges distributors face are sustaining profitable growth, cost control, inherent complexities acting as an intermediary, and the need for business modernization. In addition, many of the businesses are fragmented, adding further complication. Contributing to the complexity is the fact that wholesale distribution requires carrying huge product inventories with narrow margins, having to recover chargebacks, and dealing with custom requirements. This represents a very broad set of challenges covering the gamut of financial management, sales and marketing, supply chain, human capital management, and value-added services that wholesale distributors must consider in their modernization planning.

The typically tight margins in the industry mean wholesalers need to be thinking of new services to generate additional revenue such as light manufacturing, customization of products and packaging, project management, engineering services, service warranties, and generic branding to help drive growth and profits. Wholesale distribution represents a business where competing firms must consider every opportunity to gain an advantage and find new means of generating profit. It is no surprise, however, that the industry has lagged behind others in terms of commitment to IT investment. A wholesale distributor considering allocating budget to IT projects must have a very clear business plan, a value proposition, and an implementation plan in place; otherwise, the risk associated with progressive projects will outweigh the potential benefit of investment due to the aforementioned challenges.

Those wholesalers that are committed to evolving and creating a leadership position are more accepting of the case for modernizing their systems, processes, and infrastructure. The firms that embrace modernization and embark on a path toward modernizing their infrastructure and processes are better positioned to improve their business, support the needs of the market, and grow profitability.

Wholesale distributors that move forward with an IT and business process modernization program are better positioned to realize significant benefits across five key functional areas:

- ▶ Financial management
- ▶ Sales and marketing
- ▶ Supply chain management
- ▶ Value-added services
- ▶ Talent acquisition and retention

The key takeaway relating to modernization is to drive sustainable business performance improvements. Each of the aforementioned areas, when modernized, provides tremendous benefit that is directly aligned to performance improvements that not only improve the firm's competitive positioning but also enable the firm to better service its clients and add value to the marketplace.

Epicor ERP Software for Distribution Companies

As the wholesale distribution industry has shifted over time, with new business models and new competitors emerging, the need for technology has also shifted. What might have been good enough in the past likely isn't good enough today. Technology has become the "great leveler" in the manufacturing industry, allowing small companies to compete with large, emerging economies with mature economies, and new channels with old. At IDC, we see the same trend line for distributors.

Epicor's ERP software (Epicor for Distribution) platforms exists to help employees, suppliers, and partners run their business quickly and more efficiently. The ability to make data-driven decisions rather than those based on gut feel makes the business perform better. Clients of Epicor have found improved workflows, improved systems performance, and better user acceptance. Ease of implementation and integration with other systems are also key considerations that every organization highlights. These benefits have enabled a workforce that is more agile and can scale quickly, pivoting to answer multiple demands including helping its organization be more digitally resilient. Improved workflows have enhanced organization value, allowing it to glean key considerations more insights quickly and take better actions, ultimately helping an organization in its performance.

The Business Value of Epicor for Distribution Companies

Study Demographics

IDC conducted research that explored the value and benefits of distribution companies’ using Epicor ERP software to improve their day-to-day operations and business results. The project included seven interviews with organizations that were generally small to medium-sized distribution companies carrying out business operations in the context of supply chain–related challenges as well as shifting market conditions, including the impacts of cross-industry digital transformation. Managers interviewed all had experience with and knowledge of Epicor’s distribution platforms and were asked a variety of quantitative and qualitative questions about its impact on their IT operations, businesses, and costs.

Table 1 presents study demographics. Organizations that IDC interviewed averaged 205 employees with total annual revenue of \$95.4 million (medians of 75 employees and \$85 million, respectively). Interviewed organizations were based in the United States and Canada and serve various customer types, including healthcare, retail, and industrial buyers.

TABLE 1
Demographics of Interviewed Organizations

	Average	Median
Number of employees	205	75
Number of IT staff	2	2
Number of business applications	7	5
Revenue per year	\$95.4M	\$85.0M

n = 7, Source: IDC’s in-depth interviews, March 2022

Choice and Use of Epicor for Distribution

The organizations interviewed by IDC described the selection criteria informing their choice of Epicor for Distribution solutions. In the current business environment, small to medium-sized distribution companies face a host of challenges including significant disruptions in global and domestic supply chains and the need to widen their competitive footprint into larger markets when possible and appropriate. In addition, with increased staff and customer reliance on digital transactions and operations, they need to ensure distribution-specific functionality, robust automation, and the ability to customize when considering their ongoing ERP needs.

Study participants identified Epicor for Distribution as the best choice for integrating their supply chain transactions and routine internal operational workflows to address these and other challenges. Among the specific reasons mentioned for choosing Epicor were Prophet 21's automation and quality control capabilities. Other important considerations included the ability to quickly and easily customize business functionality with extensibility options.

Study participants also cited robust data analytics and the service and support available from a company specifically dedicated to the distribution industry. They elaborated on these criteria:

▶ **Strong solution for specific business activity, DeeTag:**

"We have a unique software quality control system for our assembly facility, and we use Epicor Prophet 21 for the production queue there. ... Epicor was kind of an all-encompassing package that could do it all for us. We were especially looking for automation and quality control."

▶ **Ability to customize and extend to meet business needs:**

"A large part of the reason we decided on Epicor involved extensibility options. With Epicor, if we need to do something specific, it takes us 30 seconds and it doesn't cost anything additional. So those extensibility options were really a game changer for us."

▶ **Functionality, analytics, and support, Field Fastener Supply:**

"We created a very detailed decision matrix. The key elements in choosing Epicor were its functionality and the ability to get data out of the business system in order to make good decisions, that is, data analytics. The other elements were the service and support. The company is really committed to the distribution industry."

Table 2 (next page) provides an overview of business profiles and aggregate use of Epicor for Distribution across interviewed companies. These companies ran the full array of their business operations on Epicor (100% of revenue for all interviewed companies). On average, study participants reported running 14 warehouses and 12 stores on their Epicor platforms, which supported hundreds of thousands of products (367,929 products on average). A majority of employees use Epicor on a day-to-day basis, including operational teams responsible for warehousing, finance, inventory, and sales.

TABLE 2
Epicor Use by Distribution Companies Interviewed

	Average	Median
Number of warehouse/distribution locations	14	3
Number of stores	12	0
Percentage of revenue supported by Epicor	100	100
Number of business applications	5	4
Number of products	367,929	15,000
Total number of users	131	51
Warehouse teams	39	17
Accounts payable/finance teams	9	5
Internal sales teams	37	10
Inventory managers	9	2
Pricing organizations	3	1
Others	34	25

n = 7, Source: IDC's in-depth interviews, March 2022

Business Value and Quantified Benefits of Epicor for Distribution Companies

IDC's research shows the significant business and operational benefits for distribution companies using Epicor solutions. Study participants reported that they run their businesses in a more efficient and effective way, which yields not only operational improvements but also higher revenue and improved margins.

Interviewed organizations described the most significant ways that Epicor is affecting their business activities:

- ▶ **More efficient and successful business operations, Field Fastener Supply:**
“Epicor has helped us drive efficiency through every element of our business. ... The fact that we have more accurate inventory means that customers are happier. ... Without Epicor for Distribution, we would need to hire 25% more people on top of other efficiencies.”
- ▶ **Much more efficient operationally; significant improvement in “turn-and-earn ratio”:**
“With Epicor, we’ve been able to increase revenues close to three times with the same amount of head count. ... In 2020, our turn-and-earn ratio was around 96, which isn’t good. You want it over 100. It was around 96 and right now we are running at like 150.”
- ▶ **Visibility enabling timely and accurate delivery, Grove Medical:**
“Epicor definitely helps us meet business demand because, in our industry, customers expect same-day delivery. With Epicor, if they order by our cutoff time, then it will ship the same day and they will get it the next day. And because we have such good access to inventory information now with Epicor, we truly know if something is on back order, whereas previously, we might not have known until the next day.”
- ▶ **Ensures ability to compete, DeeTag:**
“Epicor brought us into the playing field of larger multinational companies that sell technology as a competitive advantage and allowed us to do everything that they do in terms of access and reporting to compete with them. It put us into a whole new arena.”

Study participants have leveraged Epicor’s enhanced operational visibility and capabilities to establish much more effective, flexible, and robust business operations. They reported capturing significant value in higher net revenue, improved productivity for operational and finance teams, and inventory-related cost reductions. On average, IDC calculates that the distribution companies interviewed will realize benefits worth \$2.1 million per year per organization (see Appendix 2 for details).

Business Operational Efficiencies

Businesses today increasingly use advanced ERP solutions to improve decision making, boost operational effectiveness, and provide intelligent workflows that save staff time while providing robust data analytics. Distribution companies can now leverage the best available technology to take full advantage of these newer capabilities. Epicor for Distribution is designed to provide a modern, highly functional platform for data access and visibility specifically tailored for distribution operations ranging from warehouse to customer endpoints. The platform also provides inventory and supply chain management features designed to improve operational speed and responsiveness.

Study participants called out the benefit of automation with Epicor for Distribution to accurately track and deliver orders. They noted that it paved the way for faster inventory turns that ultimately result in more efficient business operations in terms of materials supply and utilization.

Study participants also appreciated being better able to respond to current supply chain challenges and provided details about the business operational benefits of their use of Epicor for Distribution:

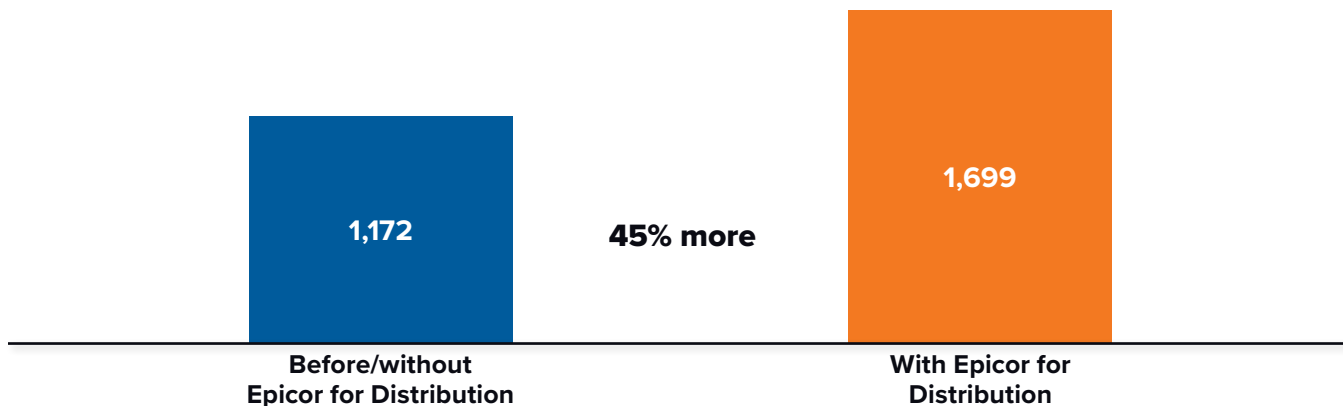
- ▶ **Improved ability to track and deliver orders, JIS:**
“From the standpoint of having flexibility in the Epicor system to customize it to our needs and easily apply automation solutions, it has helped us save time and improve accuracy in tracking and delivering orders.”

- ▶ **Faster inventory, turns leading to more efficient business operations:**
“Our turn ratios are doing really well with Epicor. Previously, we were at a higher risk of stocking people out, but we’re now doing really well compared to the previous situation. A large part of that is because we’re getting rid of product that we’ve had just sitting there. And the stuff coming in is turning right around and going out the door. That’s pushing our turn and earns up quite a bit.”

- ▶ **Better able to respond to supply chain challenges, DeeTag:**
“Epicor helped us identify a situation when a supplier’s lead time changed greatly. It provided warnings so that we could adjust our numbers so it’s helped us better respond to the supply chain crisis.”

Study participants reported that Epicor has enabled their distribution companies to grow business capacity without sacrificing efficiency or quality. As shown in **Figure 1**, business capacity (defined as the overall volume of completed business orders) has increased by an average of 45% with Epicor for Distribution. This increased business throughput reflects study participants’ ability to take, process, and act on more orders than was previously possible.

FIGURE 1
Impact on Business Capacity
 (Number of orders dispatched/delivered per week)

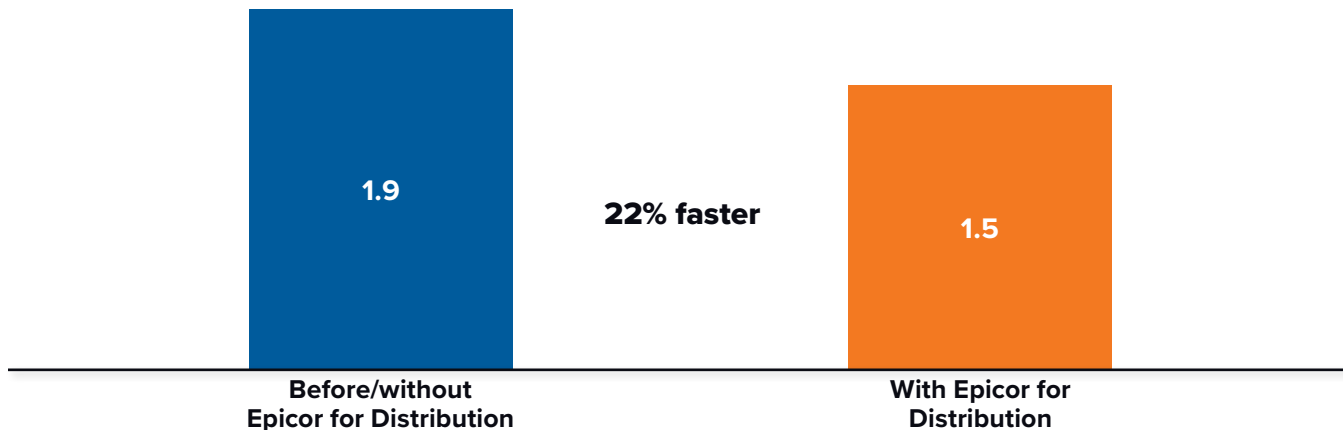


n = 7, Source: IDC’s in-depth interviews, March 2022

IDC also evaluated the impact of Epicor for Distribution on the speed of delivery of customer orders. Study participants reported that more efficient processes lead to consistently faster delivery of goods and services — 22% faster (see **Figure 2**). These efficiencies are based on gaining increased visibility into products/parts availability and improvements in assembly and delivery activities.

A study participant from George E. Booth commented on the benefit of faster, more connected product assembly activities: *“We are more productive with Epicor because it has helped us streamline our assembly process. ... In our warehouse, we do valid assembly. Parts come in and we build them up into a singular model code. ... Previously, stuff would sit for weeks, whereas now they show up and build, so we’ve changed the whole system. For example, a customer might have waited two weeks on a valve assembly, but now those come in and we will turn it around within 24 hours.”*

FIGURE 2
Impact on Speed of Delivery
 (Number of days)



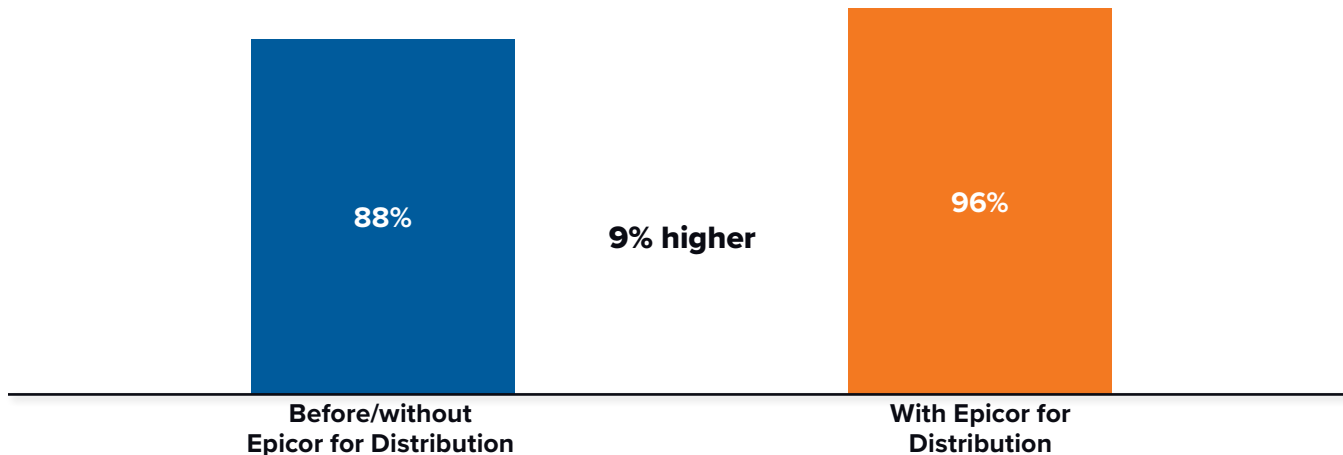
n = 7, Source: IDC's in-depth interviews, March 2022

With Epicor-supplied benefits such as multiple dynamic inventory replenishment and advanced demand forecasting, study participants also experienced gains in the timeliness of delivery. Fundamentally, this means that they are better meeting customer expectations. This benefit along with fewer bottlenecks and the ability to operate in a more predictable and efficient manner had clear linkage to higher levels of customer satisfaction. Distribution companies interviewed reported increasing their levels of delivery timeliness by an average of 9%, moving to a strong 96% timeliness rate with Epicor for Distribution (see **Figure 3**, next page).

FIGURE 3

Impact on Speed of Delivery Timeliness

(% of deliveries on time)



n = 7, Source: IDC's in-depth interviews, March 2022

Study participants' use of Epicor for Distribution has enabled key operational teams to work more effectively, with warehouse teams prominent among these teams. As warehousing teams leverage Epicor for Distribution's automation and other capabilities to find, use, and move goods and supplies more efficiently, they deliver more value to their businesses as measured in terms of both volume and quality. As shown in **Table 3**, study participants reported that these teams of almost 40 staff members per organization have benefited from average productivity gains of 21%, delivering value in higher productivity and better operational results as explored in this study.

TABLE 3

Impact of Epicor on Warehouse Team Productivity

	Before/Without Epicor for Distribution	With Epicor for Distribution	Productivity Gain with Epicor	Productivity Gain (%)
Productivity level of warehouse teams, measured in FTEs	39	47	8	21%
Total value of staff time per year per organization	\$2.7M	\$3.34M	\$575,300	21%

n = 7, Source: IDC's in-depth interviews, March 2022

IDC also looked at the performance impact of using Epicor for Distribution for other operational teams, including inventory management, retail, and sales. Epicor’s automation features and functionality fostered more robust and accurate team performance in day-to-day tasks such as picking, receiving, cross-docking, and putaway. Commenting on the benefit of timely visibility into order status for the sales team, Grove Medical noted: *“With Epicor, our sales team can actually see if someone has picked a product, so if a customer calls to make a change, the sales team can give them real-time status. They have much more direct and better visibility about status. In our old system, order acknowledgements just showed what was ordered but didn’t show the status of the order.”*

As illustrated in **Table 4**, after adoption of Epicor for Distribution, the greatest improvements in performance were documented in terms of higher productivity for finance teams (42%) and inventory management teams (35%).

TABLE 4
Impact of Epicor on Productivity of Other Operational Teams

Productivity Levels of Impacted Teams — FTEs per Organization	Before/Without Epicor for Distribution	With Epicor for Distribution	Productivity Gain with Epicor	Productivity Gain (%)
Inventory management teams	11	15	4	35%
Finance teams	9	12	4	42%
Field sales items	36	39	3	8%

n = 7, Source: IDC’s in-depth interviews, March 2022

Inventory Benefits

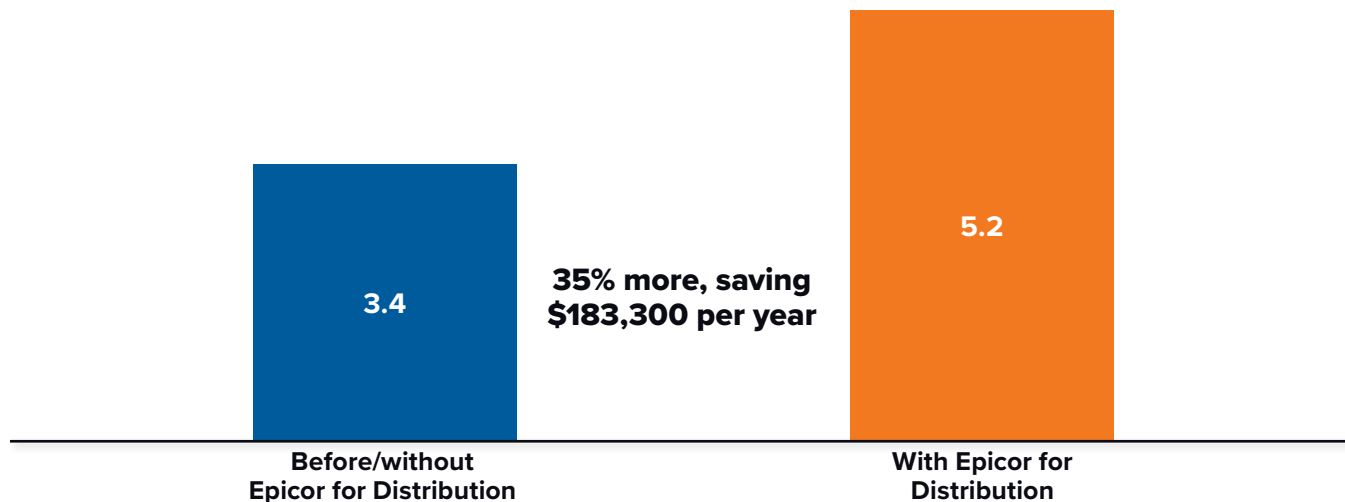
IDC also evaluated how Epicor impacted the inventory operations of distribution companies interviewed. Study participants reported that Epicor has helped them view and understand their inventory status so that they can order and move materials and supplies more readily and efficiently. This enhanced capability resulted in fewer instances of inventory shortages and better matching of inventory to fluctuations in demand.

With these capabilities, study participants have been able to:

- ▶ Rightsize inventory to on-the-ground business conditions
- ▶ Avoid the financial impacts of dead inventory
- ▶ Minimize product shortages
- ▶ Establish a flexible allocation process
- ▶ Optimize inventory costs

Commenting on reduced inventory waste due to improved accuracy, one study participant noted: *“Our inventory turns are better with Epicor and inventory waste has been reduced. Our inventory accuracy is now over 99%, which results in at least \$100,000 of savings annually.”* As shown in **Figure 4**, IDC quantified these benefits in terms of study participants’ ability to complete inventory turns. On average, distribution companies interviewed reported 35% more turns, which reflects more timely and vibrant operations and has contributed to annual inventory-related savings of \$183,300.

FIGURE 4
Impact on Frequency of Inventory Turns
 (Number of inventory turns per year per organization)



n = 7, Source: IDC’s in-depth interviews, March 2022

Business Benefits

Distribution companies interviewed have leveraged enhanced visibility, robust data analytics, and other feature-rich capabilities afforded by Epicor for Distribution to establish more effective, flexible, and robust business operations. They reported that these improved capabilities have allowed them to capture significant value in terms of addressing customer demand, improving productivity for their operational teams, and optimizing costs related to inventory as described in the previous section. Taken together, Epicor for Distribution enabled companies to not only generate new business and achieve higher revenue through competitive differentiation but also improve their margins.

Study participants also commented on specific ways that Epicor for Distribution has helped them achieve better business results such as improving their competitive positioning via more competitive pricing. They also appreciated how the solution facilitated business growth without the need to increase staffing levels and its demonstrated ability to improve customer responsiveness via more targeted and accurate production data.

Study participants elaborated on these benefits:

▶ **Business enabled by inventory accuracy and pricing, Field Fastener Supply:**

“If we didn’t have Epicor, we’d have less revenue. This is partly due to inventory accuracy and timeliness, and since we’re more efficient, we can be more competitive in the marketplace. If we didn’t have our current cost structures and our efficiency wasn’t as high, then we’d have to charge more.”

▶ **Facilitated efficient business growth, JIS:**

“Epicor has been a key part of our plan to be able to grow, add items, add customers, or add locations without issue. We wanted to do all this while being more efficient so that we don’t necessarily have to grow our staff. ... Efficiently handling all that without manual processes or additional head count has been huge for us. We also have more buying power and some cross-sales opportunities as we have grown the business, and we’ve been able to grow within those customers and within our product lines.”

▶ **More targeted and accurate production, DeeTag:**

“Epicor’s production queue is good for our industry because it breaks out component shortages and makes it clear what we can build today and what we can’t. ... It’s a pretty powerful tool for us and it improves delivery precision to the customer.”

IDC quantified overall improvements in business results for study participants after adopting Epicor for Distribution. **Table 5** (next page) shows significant revenue gains through better business enablement indicating 8% higher revenue on average, amounting to revenue gains of more than \$7 million annually for each organization and more than \$30,000 per employee.

TABLE 5

Business Enablement: Higher Revenue

	Per Organization	Per Employee
Higher revenue per year	\$7.0M	\$34,800
Higher revenue per year (%)	8%	8%
Higher net revenue per year	\$1.0M	\$5,200

n = 7, Source: IDC in-depth interviews, March 2022

Drilling down on business benefits, IDC found that study participants have improved not only top-line revenue results through use of Epicor for Distribution but also their gross and net margins. Study participants described how better visibility and the ability to evaluate the impact of pricing and other factors have positively affected their margins. They cited the ability to better cost out products by offering add-ons such as free shipping when certain dollar amounts were triggered and appreciated that their sales representatives have immediate access to both net and gross product margin data. This allows for real-time actions; for example, for one organization, when gross profit margin is projected at less than a specified percentage, customer service receives a follow-up alert through its Epicor platform.

Study participants provided detailed comments:

▶ **Visibility into expected gross and net profitability:**

“We’ve added into our costing of each product with Epicor when we do order entry. For example, we’ll give companies free freight if they hit a certain dollar amount. Previously, sales reps were just seeing their gross product margin. Now they are seeing their net product margin with all of that added into a cost. ... So they can see when they are putting in a quote or putting in an order what a pretty good estimate of their net profitability is going to be, not just their gross profitability.”

▶ **Better understanding of actual margins, George E. Booth:**

“It is good to see gross margin broken down. We can see that a lot better and faster than before and see it live on a daily basis. We are using some of their jobs for integration and can better see how to build out the jobs, cost things out, and get a true margin.”

▶ **Pricing visibility and alerts, Grove Medical:**

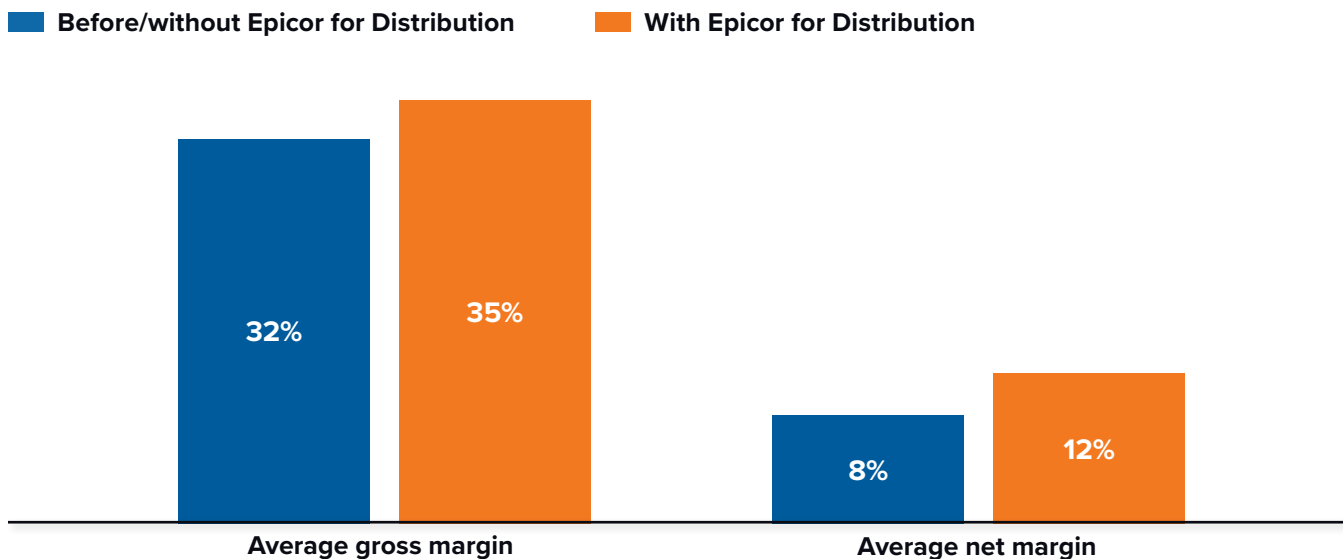
“Epicor gives us the data to help identify new ways to save. For example, when making decisions on pricing, if there’s a gross profit margin that’s less than a certain percentage, customer service could get an alert to follow up.”

Figure 5 shows that both top-line and revenue numbers have improved with Epicor as distribution companies interviewed brought in more revenue and optimized operations and costs. IDC calculated that gross margins were 3 percentage points higher on average and net margins almost 4 percentage points higher.

FIGURE 5

Impact on Margins

(% of improvement)



n = 7, Source: IDC's in-depth interviews, March 2022

ROI Summary

Table 6 (next page) presents IDC's return on investment (ROI) and analysis for distribution companies' use of Epicor solutions. As shown, IDC projects that the companies will achieve three-year discounted benefits worth an average of \$4.8 million per organization (\$3.7 million per 100 users) through improved business capacity, more productive operational teams, and better business, inventory, and finance operations. These benefits compare with total three-year discounted costs of \$0.9 million per organization (\$0.7 million per 100 users). IDC calculates that these levels of benefits and investment costs would result in an average three-year ROI of 412% and an 11-month break-even point in their investment in an Epicor for Distribution platform.

TABLE 6

Three-Year ROI Analysis

	Per Organization	Per 100 Users
Benefit (discounted)	\$4.8M	\$3.7M
Investment (discounted)	\$0.9M	\$0.7M
Net present value (NPV)	\$3.9M	\$3.0M
ROI (NPV/investment)	412%	412%
Payback period	11 months	11 months
Discount factor	12%	12%

n = 7, Source: IDC's in-depth interviews, March 2022

Challenges

As we noted previously, the typically tight margins in the industry mean wholesalers need to also be thinking of new services to add such as light manufacturing, customization of products and packaging, project management, engineering services, service warranties, and generic branding to help drive growth and profits.

Wholesale distribution represents a business where competing firms must consider every opportunity to gain an advantage and find new means of generating profit. Further:

- ▶ **Challenge:** By 2025, 80% of organizations responding to the digital-first economy will require advanced enterprise applications with exceptional innovation, multifunctional capabilities, and self-learning aspects.
- ▶ **Solution:** Executives in the line of business (LOB) must understand the requirements for a digital-first world to invest in modern, modular, and intelligent enterprise solutions. Line-of-business professionals should demand modern apps with great innovation, multifunctional capabilities, and self-learning features since they will improve employee experience and provide more actionable insights, as well as improve performance through better decision making.

- ▶ **Challenge:** By 2024, 30% of organizations will expect to derive collective market insights and industry peer intelligence from their enterprise platforms connected to ecosystem-based data networks.
- ▶ **Solution:** Consider developing a shared data platform with your most trusted partners and customers. Ensure that it is mutually beneficial to all participants. Begin with a limited use case but create the data platform with scalability in mind to be able to grow as trust in the ecosystem grows and the participants can see a return on their investment. Expand your ecosystem by forming strategic alliances with companies from various industries. This could assist your company in expanding its capabilities and provide more context to its data assets.
- ▶ **Challenge:** By the end of 2022, chronic worker shortages will prompt 75% of supply chain organizations to prioritize automation investments, resulting in productivity improvements of 10%.
- ▶ **Solution:** Long demonized in some circles as “replacing people,” the current reality is about “augmenting people” or filling jobs for which there are no people. The reality is that automation technology replaces tasks, in most cases tasks for which it is ideally suited—rote and routine tasks that free up limited human resources to do the things that people do well. Automation is also more reliable and more easily replicated such that accuracy and repeatability are improved, thus driving productivity improvements.

Conclusion

Distributors face both longer-term and more immediate challenges that drive them to ensure business continuity and resiliency through use of digital technology and modern applications. They must find ways to ensure profitability in fragmented markets that often have narrow margins and diverse competitors. This puts pressure on all facets of their operations, including inventory procurement, chargeback management, financial management, and delivery of expected levels of customer service. At the same time, customers and partners are increasingly discerning, with higher expectations for integrated digital experiences across all of their interactions with distributors. One important way that wholesalers meet these challenges is through use of modern technology platforms, including enterprise platforms.

IDC spoke with wholesale distribution companies that are using an Epicor for Distribution enterprise solution to understand its impact on their operations and businesses. Distribution companies interviewed reported achieving significant value through their use of Epicor by running their businesses more efficiently and effectively on an Epicor platform. Use of Epicor for Distribution yields not only operational improvements in the form of staff productivity gains and inventory cost savings but also higher revenue and improved margins. For study participants, this value can provide a vital differentiator as they navigate challenging and competitive markets. Overall, IDC has shown that distribution companies interviewed will realize benefits worth more than five times their investment costs, resulting in a three-year average ROI of 412% with breakeven on their Epicor investment in an average of 11 months.

Appendix 1

Methodology

IDC's standard Business Value/ROI methodology was utilized for this project. This methodology is based on gathering data from distribution companies currently using Epicor ERP software as the foundation for the model.

Based on interviews with organizations using Epicor for Distribution, IDC performed a three-step process to calculate the ROI and payback period:

1. **Gathered quantitative benefit information during the interviews using a before-and-after assessment of the impact of using Epicor for Distribution.** In this study, the benefits included staff time efficiencies and productivity gains, operational cost reductions, reduced risk, and higher revenue.
2. **Created a complete investment (three-year total cost analysis) profile based on the interviews.** Investments go beyond the initial and annual costs of using Epicor for Distribution and can include additional costs related to migrations, planning, consulting, and staff or user training.
3. **Calculated the ROI and payback period.** IDC conducted a depreciated cash flow analysis of the benefits and investments for the organizations' use of Epicor for Distribution over a three-year period. ROI is the ratio of the net present value (NPV) and the discounted investment. The payback period is the point at which cumulative benefits equal the initial investment.

IDC bases the payback period and ROI calculations on a number of assumptions, which are summarized as follows:

- ▶ Time values are multiplied by burdened salary (salary + 28% for benefits and overhead) to quantify efficiency and manager productivity savings. For purposes of this analysis, based on the geographic locations of the interviewed organizations, IDC has used assumptions of an average fully loaded salary of \$100,000 per year for IT staff members and an average fully loaded salary of \$70,000 per year for non-IT staff members. IDC assumes that employees work 1,880 hours per year (47 weeks x 40 hours).
- ▶ The net present value of the three-year savings is calculated by subtracting the amount that would have been realized by investing the original sum in an instrument yielding a 12% return to allow for the missed opportunity cost. This accounts for both the assumed cost of money and the assumed rate of return.
- ▶ Because IT solutions require a deployment period, the full benefits of the solution are not available during deployment. To capture this reality, IDC prorates the benefits on a monthly basis and then subtracts the deployment time from the first-year savings.

Appendix 2

Business Value Calculations

Table 7 provides specifics about the areas of value that distribution companies interviewed attributed to their use of Epicor for Distribution. IDC calculates that these organizations will realize average benefits of \$2.1 million per year in higher net revenue, lower inventory costs, and operational efficiencies in the form of higher team productivity levels.

TABLE 7
Average Annual Benefits

Category of Value	Average Quantitative Benefit	Calculated Average Annual Value*
Warehouse team productivity gains	21% higher productivity, 8 FTE gain, \$70,000 annual salary	\$465,100
Inventory management team productivity gains	35% higher productivity, 4 FTE gain, \$70,000 annual salary	\$218,700
Direct inventory cost reductions	Saving average of \$183,300 per year	\$148,200
Field sales team productivity gains	8% higher productivity, 3 FTE gain, \$70,000 annual salary	\$158,200
Finance team productivity gains	42% higher productivity, 4 FTE gain, \$70,000 annual salary	\$207,200
Net revenue gains	\$7 per year in higher total revenue, 15% margin assumption applied	\$864,600
Total annual benefits	\$2.1M per organization per year	

n = 7, Source: IDC's in-depth interviews, March 2022 (* Includes 6.9 months deployment time in year one)

Note: All numbers in this document may not be exact due to rounding.

About the Analysts



Simon Ellis
Program Vice President, IDC

As a program vice president, Simon Ellis is responsible for providing research, analysis, and guidance on key business and IT issues for manufacturers. He currently leads the supply chain strategies practices at IDC Manufacturing Insights, one of IDC's industry research companies that addresses the current market gap by providing fact-based research and analysis on best practices and the use of information technology to assist clients in improving their capabilities in critical process areas. Within the supply chain practice, Simon is directly responsible for the research in the supply chain planning strategies practice while also managing the supply chain execution strategies practice. These supply chain practices specialize in advising clients on supply chain network design, sales and operations planning (S&OP), global sourcing (profitable proximity and low-cost sourcing), transportation, logistics, and more. He also supports IDC Retail Insights IT strategies practices.

[More about Simon Ellis](#)



Matthew Marden
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Matthew Marden is responsible for carrying out custom business value research engagements and consulting projects for clients in a number of technology areas with a focus on determining the return on investment (ROI) of their use of enterprise technologies. Matthew's research often analyzes how organizations are leveraging investment in digital technology solutions and initiatives to create value through efficiencies and business enablement.

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Roderick Gaines is a research director for IDC's Worldwide Supply Chain Strategies Program, responsible for providing research, analysis, and guidance on key business and IT issues pertaining to manufacturing, retail, and healthcare supply chains. He currently leads the Worldwide Supply Chain Strategies: Warehousing, Inventory, and Order Management practice, providing fact-based research, analysis, and insight on best practices and the use of information technology to assist clients in improving their capabilities in these critical supply chain fulfillment areas. This practice specializes in advising clients on warehouse management systems, warehouse control and automation systems, distributed order management systems and more. Roderick also covers the Wholesale Distribution industry.

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