



Aptean Distribution ERP

Is Your Supply Chain Built for Success?

A guide to analyzing your true profitability for your distribution business





It all comes down to understanding your true profitability. If you can understand this, you can get a better sense of where you're profitable, which of your products are strongest, and where you can focus your attention to make improvements.



Understanding product cost is imperative for any consumer goods business. Particularly when it comes to assessing long-term profitability.

But what may be surprising is that there are hidden costs not directly tied to production. Still, these costs have a significant impact on profitability.

Retailers, for example, impose a variety of rules and regulations to ensure business runs as usual. If importers and distributors fail to meet these expectations, inevitably, they'll be charged. From missed shipment dates and inaccurate carton labels to missing items and inventory delays, these charges can seriously skew your profitability.

The same is true of marketing allowances, placement charges, and display fees. All of these components factor into a company's true profitability.

Really, the actual cost of the product from the supplier can be a rather small part of the true cost.

It's normal for you to see those large retailers as your biggest and most important customers. Most consumer goods companies think this way.

But we're going to ask that you think differently. To really explore the ins-and-outs of your organization. To calculate all those hidden costs. And to determine whether or not your customers really are bringing in money for you and your business.

It all comes down to understanding your true profitability. If you can understand this, you can get a better sense of where you're profitable, which of your products are strongest, and where you can focus your attention to make improvements.

This whitepaper outlines how you can uncover your true profitability. And how an industry-specific ERP can help ensure success for the long-term.

Calculate exactly how much you're spending

It all starts with your financial data. Or, more accurately, a solution that gives you clear access to your financial data.

As you look for supply chain management solutions and fixes, too often, the focus is on correcting operational pain points. And don't get us wrong, that's certainly not a bad thing. We fear that in looking for operational fix-its, tools that determine customer and product profitability are overlooked.

Traditionally, distributors use items on purchase orders and freight forms to calculate the cost of goods sold. In some instances, they add some fixed or variable overhead costs based on product. And this is where the profitability calculation ends.

If you were to add in the many costs involved in the entire supply chain process—from ideation to product landing in the hands of consumers, as well as other costs like chargebacks, marketing allowances, and display fees— the actual cost of the product from the supplier is only a small part of the sum. It's only a small factor of your true profitability.



The insight and visibility provided by an industry-specific ERP vendor may be the most valuable – and hidden– benefit over a generic solution.

When you analyze your true profitability, you're able to see which of your customers, buyers, suppliers, salespeople and products are actually providing income. By segmenting parts of your business like this, you no longer have to make assumptions about where your money is coming from. And the best part: you can make confident, informed decisions to ensure future success and profitability for your business.

Knowing the profitability by customer, buyer, supplier and product enables you to identify areas of improvement, and it could, quite literally, mean more dollars back in your pocket.

Save more with your industry-specific ERP

So how does a company go about determining its true profitability?

While horizontal ERPs are a popular choice, an integrated, vertical ERP is the optimal solution for distribution companies as they seek out their cost-effectiveness.

Uncovering your true profitability means including every cost on behalf of the customer, product and/or supplier. Doing this tends to be a major challenge for companies if they're using a horizontal system— or a disparate ERP system that isn't integrated with other software and thus unable to combine and calculate all these costs. These solutions are built to work in many industries, not specifically for distribution.

These more generalized ERPs typically don't collect and manage the huge variety of costs involved with importing consumer products and selling those products to retailers. Using these applications requires spreadsheets or third-party software to collect all the costs associated with a product, buyer, customer and supplier. Even after this data is captured separately, the challenge becomes integrating this data seamlessly into the management information system— centralizing all business data.

These challenges can be avoided. But you need a vertical ERP solution. One that includes tools specifically for importers who sell to retailers. One that collates all your data and makes it readable, reliable and easy to interrogate.

Using an industry-specific, vertical ERP solution can lead to a more accurate profitability analysis and better management of those costs and profits.

Within the Aptean Distribution ERP, you can create inquiries, reports and scorecards which grants you visibility into your business profitability. This type of feature enables you to compare customers, buyers, sales people, suppliers and products to see which are performing well against others.

Similarly, you can track these components individually and see in which areas they are trending up and down.

A vertical ERP solution makes reporting easier. All revenue and cost numbers are hosted within the same application, which means they can be updated in real-time.



A fully integrated, vertical ERP solution encompasses everything from sales, importing and financials to warehouse management, business intelligence and forecasting.

This enables you to understand the profitability that each customer, buyer, sales person, supplier and product is truly bringing. Along with reporting, chargebacks are easier to monitor with a vertical ERP solution, and eventually through continued use, can be reduced.

A fully integrated, vertical ERP solution encompasses everything from sales, importing and financials to warehouse management, business intelligence and forecasting. It makes this data easily accessible within the management system.

This is very different from a horizontal system, which needs to connect third-party solutions and create modifications to collect the pertinent data. This tends to add extra costs and time to a project.

Working with an industry-specific ERP provider makes getting started easy. They're experts are trained to make implementation painless, to answer questions, to address concerns and to be a real partner for you. And the best part: the solution has been made with you and your industry in mind.

The insight and visibility provided by an industry-specific ERP vendor may be the most valuable- and hidden-benefit over a generic solution. The partnership between you and your ERP vendor should foster conversations about best practices for operating within the industry and ways to improve a company's supply chain management processes.

Strong insights come from a strong ERP

Imagine pulling multiple and varied costs from all areas of your business. Each partner. Each product. Each part. Each shipment. In doing this, you're able to uncover your true profitability, ensure the success of your supply chain, and position yourself for victory in the future.

It's possible. But only with a vertical, industry-specific ERP.

When companies thoroughly analyze their true profitability, they can see which of their customers, buyers, suppliers, salespeople and products provide income. This knowledge enables you to become more efficient and more profitable.



While horizontal ERP systems are more easily transferable across industry sectors, this can also be their weakness, especially for wholesalers and distributors that sell products to retail stores.

Because of their full-featured, industry-specific nature, vertical ERP solutions are best suited for true profitability analysis. Industry-specific solutions, like Aptean Distribution ERP, can seamlessly integrate all cost data into the management information system for easy, centralized access.

Vertical ERP solutions are a functionally better fit for distributors because they're designed to meet specific business requirements— building critical features into the solution instead of bolting on software attachments. This includes warehouse management tools, EDI, chargeback management capabilities, and DRP/forecasting for consumer goods distributors.

We're here to help you find the right business management tools to run and grow your business profitably.

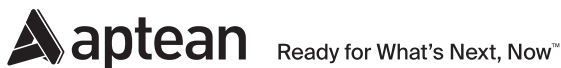
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Are You Ready to Learn More?

Interested to see how Aptean can help you better manage your consumer goods company?

Contact us at info@aptean.com or visit www.aptean.com.



About Aptean

Aptean is one of the world's leading providers of industry-specific software. Our enterprise resource planning and supply chain solutions are uniquely designed to meet the needs of specialized manufacturers and distributors, while our compliance solutions serve specific markets such as finance and life sciences. With both cloud and on-premise deployment options, Aptean's products, services and unmatched expertise help businesses of all sizes, across many industries, to scale and succeed.

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