

The Value of e-Business



WHAT VALUE DOES E-BUSINESS BRING TO THE WHOLESALE DISTRIBUTION COMPANY?

As a wholesale distribution company in today's highly competitive new economy, you are no longer able to compete solely on the price of your product. Whether you sell pharmaceutical products, electronic components, or building materials, the difficult challenge faced by and common to all wholesale distribution companies is the reality of shrinking margins. In order to compete effectively, it is no longer the cost of the widget that determines profitability, but rather how much it costs **you** to sell that widget.

In this Lawson Insight, we will explore how e-business can bring valuable and measurable benefits to a wholesale distribution company.

Primary Issues in the Wholesale Distribution Industry: What Are the Main Business Issues?

So, what are the main challenges for wholesalers and distributors? What are the key operational areas where the combination of process improvement and technology will provide tangible solutions that deliver what is claimed on the packaging—a predictable return on investment linked with quantifiable business benefits? Here are a few suggestions.

Low Margins: Next to Nothing

Low margins already place extraordinary demands on your organization. Shrinking margins are constantly putting pressure on companies to look for ways to optimize the supply chain. Competitive pressure means you have to seek new ways to rethink and re-engineer business processes. When looking for efficiencies in the supply chain, one process in particular to focus on is the customer order process. It is estimated that an Internet-based process typically costs one third of a manual or paper-based process. Being able to drive 15 to 30 percent of your customer orders to the Internet will therefore enable you to sell more efficiently. Introducing this process optimization will lower costs in the following areas:

Internal Order Entry

The cost of order entry being performed by order entry personnel is added to the price of each product sold. In general, order entry is costly and adds no value. Furthermore, there can be order entry errors, which add additional costs to returned goods. If there is already a relatively low margin on some products, the cost is greatly accentuated if the goods are returned. What if the margin is zero? By enabling customers to place orders themselves, you will lower the internal cost of order entry and also reduce mistakes in the order entry process.



Mundane tasks such as order entry, replenishment orders, information requests, and product or pricing inquiries are typically handled by phone (or worse by fax or e-mail). This is a very costly interaction on basic issues such as price, availability, stock checks, etc. A lot of time is wasted on calls such as: Where is my order? What's the price? Do you have it in stock? The goal is to automate repetitive and boring tasks. Enabling your customers to check their order status themselves with web-based self-service functionality lowers the cost of this interaction.

Operating margins are sensitive to small changes in sales and costs. In particular, companies that have high order volumes or companies with a relatively low average order value can benefit the most from a web-based order entry system.

Why Is This Important?

Savings in the order entry process translate directly to a company's result. In addition, empowering the buyer with self-service capabilities typically results in higher customer satisfaction.

Managing Multiple Sales Channels

A typical wholesale distribution company has a broad and diverse customer base.

The company's channel partners can be dominated by many small customers, professionals, manufacturers, resellers, retail stores, marketplaces and so on. These different channel partners all have different needs. Large customers may have advanced requirements including a mix of browser; XML or EDI process support, as well as support of the approval workflow. On the contrary, smaller customers may have simple process requirements, in which a browser alone is adequate. Different channel partners that belong to different segments will have different catalogs with, for example, multiple product assortments and different individual price lists. What this means in a competitive business environment with shrinking margins is that the high cost of managing multiple sales channels can be cost prohibitive. Margins are too low to continue this way. Another problem is time. Who has time to maintain multiple product catalogs? What you need is an easy-to-use standard solution that makes it possible for you to serve your different segments in a simple and flexible way.

Not only is the internal maintenance cost of multiple sales channels costly, but the expense of manual customer service is also significant. In addition, the costs of business development and of developing new markets and reaching new customers are crucial. Improving logistics handling for shorter lead times is always a compelling goal to pursue. Time to consumer for new initiatives and offerings is also vital.

Why Is This Important?

Effective management of your sales channels has a direct and positive effect on your company's result.

Pressure to Create Value-Added Services

Buyers are demanding self-service via web-based portals. Creating value-added services for buyers is a quick win for wholesale distribution suppliers. Offering self-service functionality to your buyers enables you to respond to consumer demand quickly and more accurately.



Offer Your Customers Self-Service Capabilities

Having a web-based customer order solution that is up 24 hours a day, seven days a week ensures that your products are available whenever consumers want to buy. Customers can log in and see their own specific subset of your catalog. They are also able to see their own specific pricing and check stock availability. In addition, customers can search for product information and browse products when it is convenient for them. They have the flexibility to enter orders themselves when it best suits them and their business.

Order processing is not the only area that benefits from an Internet-based customer portal. After-sales can also benefit from self-service functionality. Offering your customers visibility of their customer order history is extremely valuable. Customers can see their order status and order history, whether the order was placed via Lawson M3 e-Sales, EDI, XML, a phone call or other order methods.

Adapt to Your Customers' Purchasing Processes

Having an advanced web-based ordering system also introduces better efficiency into your customers' own ordering processes. A successful e-business solution does not mean it is easy for you to sell to your customers, but rather that you make it easy for your customers to buy from you.

Buyers require process integration. Since there is a high cost of internal order entry for you, there is also a high cost of order entry for the buyer. Buying processes are generally poorly supported by the supplier. Collaborative buyer-supplier processes are slow and tedious. Typically, value-added buying services such as authorization are not supported by other systems. The Lawson e-business solution offers approval workflow possibilities that enable you to share orders with others before the orders are actually submitted.

Larger buyers can require system integration to their own purchasing system, which is vital to eliminating double order-entry issues. The inability to integrate means losing business and, conversely, being able to integrate delivers great market value.

Why Is This Important?

Process integration brings buyers and suppliers closer together, which in turn leads to higher customer retention and a competitive advantage.

Industry Consolidation

In this dynamic business climate, industry consolidation is inevitable. Merging companies create many fragmented and isolated islands of information. Disparate systems need to be quickly incorporated into the new structure. It is imperative that products from different companies get to the right channel right away. Furthermore, with industry consolidation comes product consolidation, and it may be necessary to dispose of old or obsolete inventory quickly and efficiently.

Why Is This Important?

New products need to be distributed to the channel immediately if benefits from the merger are to be realized. It is vital to balance inventory to satisfy demand while at the same time avoiding obsolescence.



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Flexibility

You must be able to easily tailor solutions to meet your changing business needs. Having a system that makes it easy to get a solution up and running quickly is important when formulating your e-business strategy. Equally as important is the ability to use that start as a springboard to a more advanced solution without long development times. In our experience, our customers do not take a web-based system live only to stand still. Business requirements change daily with new demands from existing as well as new customers. It is vital that you consider the flexibility of the solution to allow you to tailor the system to suit your requirements as they change.

Why Is This Important?

A system's total cost of ownership is leveraged when you start with a standard solution that can easily handle future requirements.

Conclusion

So, are you taking advantage of all opportunities to strengthen margins? Have you fully exploited all possibilities to decrease the cost of sales? How is your relationship with your customers? Are you working on developing closer connections to your customers and their buying processes? Are you able to measure performance on a weekly or monthly basis?

These are just some of the questions wholesalers often ask themselves. Their ability to find satisfactory answers using current processes and available technology is very doubtful. However, e-business systems provide solutions that make a tangible contribution from day one.

A profitable e-business solution makes it possible to serve different segments in a simple and flexible way. It offers new and improved possibilities for tailoring the e-business solution according to the needs of each customer or industry segment. And all this is accomplished with simple modifications within the framework of the solution.

A successful e-business solution is an extension of a company's commitment to continually improving the distribution channel. The ease of online ordering and reporting matched with secure, high-quality technology assures your customers that they will receive the products they need, quickly and safely.