Epicor® White Paper

Navigating The New Now as a Distributor

Top 5 Strategies Distributors Should Pursue to Keep their Business Healthy

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Five Action Areas for Distributors

Distributors may face multiple business challenges. Their individual operations situation will determine what actions are most important to consider. In this section, we will share five key actions (Table 1) distributors can implement today and how Epicor Prophet 21® software can help.

1. Revenue-Related Actions

We recommend distributors explore some of these approaches to help maximize their revenue during these demand-constrained times.

- **Shift Business Focus and Resources:** You may be facing a significant inventory shortage for some of your best-sellers. On the other hand, your suppliers may be able to supply products that provide high enough revenue and margins. They might even try to meet your needs in creative ways by delivering related products that you have never marketed before, but are in high demand. Some changes in the product mix may be warranted in these difficult times. We recommend that you explore shifting your business focus and resources to product categories you sell that have more predictable availability, as well as margin to maximize your revenue and profit. The best way to do so is by using your Epicor reporting and analytics solution to identify those key product categories.

- **Add eCommerce as a Channel:** Instead of purchasing at the sales counter at a distributor's location, many customers are switching to eCommerce. An eCommerce channel will position you to take advantage of this change in your customer's buying behavior. Since time is of the essence and you don't have the luxury of a full-blown Epicor eCommerce implementation, you can now use ECC Express to deploy a basic online portal within 5 days and at an affordable price. With this, your customers can start transacting with you online within a week.

- **Dynamically Adjust Pricing:** Dynamically adjust your pricing to align with product availability. This will allow you to increase prices on scarce products for maximum product pull through. You can use the Epicor Strategic Pricing module to identify and recommend pricing for such products. You can also tier price increases by customer segments. It's a flexible way to pivot your pricing strategy to best meet customer needs.

> As work-from-home becomes The New Now for employees, decision cycles may become slower for distributors whose workflows, systems and tools are not set up for this engagement model.

2. Supply-Related Actions

Distributors have many options to reduce the supply risk (and inventory imbalance) during these challenging times. These include when your supplier's factories may be closed or operating at lower capacity, or when delivery of your products is taking longer than expected.

- **Change the Supplier-Mix for your Biggest Sellers:** If you source your popular products from multiple suppliers, analyze supplier performance to see if it guides you to change the percentage of that product sourced from various suppliers. This will reduce the

risk of supply being affected by regional factory shutdowns, major transport hubs slowing down or cross-border delays. Your Epicor Prophet 21 system will give you the metrics you need to make the right decisions on quantities purchased from suppliers, replenishment lead time, product quality, order fill rate, and rebates/ incentives offered.

- **Work with Vendors to Reset Sales Incentives:** With sales slowing down, review the minimum thresholds you and your supplier have setup for rebates and Marketing Development Funds (MDF), so you can retain the vendor investment as a percent of your sales. This is important as vendor rebates and MDF contribution to EBITDA can be 25% or more for some products. Your Epicor system can give you sales performance data, incentives history and thresholds to arm you with the information you need to negotiate with your suppliers.

- **Place Limits on Purchased Amounts:** These are interesting times. Demand for some products is higher than expected, and supply chains of others are disrupted. Given the uncertain conditions we're facing, some consumers are opting to protect themselves by purchasing more than they truly need. This causes greater demands on distributors, who then are forced to re-route, re-allocate and even redesign their supply chains. The good news is this can be easily solved: Epicor has introduced a feature in its distribution ERP software that allows you to place limits on the number of certain products your customers can order. Use this feature to keep high service levels for all your customers, all the time.

Since time is of the essence and you don't have the luxury of a fullblown Epicor eCommerce implementation, you can now use ECC Express to deploy a basic online portal within 5 days and at an affordable price.

Table 1: Summary of Action Distributors Can Take

Revenue-Related Actions
- Shift business focus and resources to product-mix that is still selling well
- Add eCommerce as a channel using ECC Express—a five day implementation
- Dynamically adjust pricing on scarce products to maximize your margins
- Place limits on amounts for scarce products that your customer can purchase

Supply-Related Actions
- Change the supply mix of your top sellers
- Work with vendors to reset minimum thresholds for rebates and other incentives

Inventory-Related Actions
- Optimize inventory levels (and replenishment triggers) to map to your sales volume Summary of Action Distributors Can Take
- Explore returning excess inventory to suppliers or a consignment inventory model for certain products
- Replace historical demand data with recent demand when planning inventory

Social Distancing Measures
- Use Ship Express to increase warehouse efficiency as demand for curbside delivery increases
- Leverage mobile tools for efficient truck deliveries

Shelter-at-Home
- Implement the cloud version of Epicor Prophet 21 software to enable work-from-home and web-based customer engagement

Working with your suppliers to reduce your minimum thresholds for vendor incentives is important because vendor rebate and MDF contribution to EBITDA can be 25% or more for some products.

3. Inventory Optimization

Actions Inventory is one of the biggest drivers of working capital. Explore inventory optimization strategies to reduce working capital needs, as demand continues to be impacted by the pandemic.

- **Optimize Inventory Levels:** This is an excellent time to implement actions to bring down inventory for slowmoving products or aged inventory. Leverage your Epicor system to align your inventory mix with your sales mix to achieve an optimum inventory level. Review and update your inventory replenishment target (such as min/max values) in the Epicor system, so you are better prepared for The New Now.

- **Work with Vendors:** No one is certain how long this current market environment will continue. If possible, explore returning excess inventory to vendors or taking advantage of vendor consignment programs for certain products. Data about recent weekly sales by product categories and your current inventory holdings might help you create a shortlist of such products.

- **Demand Planning in The New Now:** Instead of using old demand history, use actual (and recent) demand data from customers to trigger replenishment rules within your Epicor Prophet 21 system. Demand for some product categories has dropped significantly, while some are flying through the shelves, so you need to reset your replenishment triggers. Ensure all replenishment requests within Epicor Prophet 21 go through a broader approval process to increase oversight.

4. Adding Business

Practices that Support Social Distancing In The New Now, your customers are practicing social distancing. Navigating The New Now as a Distributor To support this, many distributors have implemented new practices to get products to their customers in alternative ways:

- **Higher Delivery Volume:** With more customers opting for delivery rather than counter-sales, your delivery volumes as a percentage of sales may be higher, while your warehouse may be running short-staffed. Epicor Prophet 21 software is now integrated with QuickShip Express, an offering that makes your shipping process more efficient by enabling you to initiate shipments in minutes.

- **More Efficient Truck Deliveries:** With more sales involving delivery, Epicor Prophet 21 software helps you make your drivers more efficient. Epicor Prophet 21 Mobile Access allows you to provide specific instructions

to the drivers, which they can access via their mobile devices, to make their deliveries more efficient. Since many of your customers may not let your drivers inside their warehouses due to their internal social distancing policies, you can provide specific delivery instructions to your drivers. Your drivers can also capture proof-of-delivery information on their mobile devices, as well as any delivery notes.

5. Leverage Epicor to Streamline Work-From-Home

You can enable your employees to work more easily from home without experiencing significant business disruption:

- Move to Cloud to Enable Remote Access: With the pandemic affecting different parts of the world with varying degrees of severity, it's prudent to ensure your employees can work from home now and in the future. Also, to ensure you continue to provide your customers with high service levels, you may consider web-based integration with customers and suppliers. By moving to the cloud version of the Epicor Prophet 21 software, you can access the system from outside your corporate network and achieve both objectives. Your employees can more easily work from home, while your customers can more easily engage with you. You can also better integrate your supply chain and increase the velocity of information—a key ability in The New Now as you try to optimize inventory and stay on top of shrinking demand and delayed supplier deliveries. You will be well prepared not only for dealing with The New Now, but also for future contingencies. The Epicor Prophet 21 web functionality is very similar to the desktop version;

employees can switch to it with ease when they work from home.

- Online Training: With our Online Learning resources, your employees can learn about the features to make the most of their Epicor Prophet 21 solution. With remote work arrangements, we recommend that you use your expert resources to train your new users, so they can quickly become more comfortable with the system, even as they are working from home.

By moving to the cloud version of the Epicor Prophet 21 software, you can access the system from outside your corporate network. Your employees can more easily work from home, while your customers can more easily engage with you.

Summary

The Chinese word for crisis is composed of two characters - one representing danger and the other opportunity. During such a period, do not forget to look for the opportunity. There are many opportunities to outsmart competitors while handling danger. By acting wisely, quickly and decisively, the best distributors will often emerge stronger while others might lose out. We hope that the actions discussed above, with the help of

your Epicor Prophet 21 system, will help you navigate The New Now and position you to take advantage of the business recovery that will follow. While the unfamiliar becomes familiar, Epicor is committed to remaining a trusted partner and reliable problem-solver for you. We will continue to work with you to pioneer new solutions to support the success and longevity of your business as we navigate The New Now together.

EPICOR

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

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