

## Is Your ERP system a Mothership or a Satellite?

Most distributors of any size invested in a distribution-specific ERP system that handles the specific nuances of the wholesale distribution business, save a few goliaths. The goliaths invested in SAP or JD Edwards or an Oracle based system. But there are not that many goliaths.

If you noticed, there have been quite a few consolidations that have taken place over the years, and for good reason. The first few were because the distribution industry consolidated for the most part, yielding fewer check writers. Then the industry took a swan dive with the recession, hit bottom and didn't rise very much from there. Capital investment wasn't the number one thing on distributor's minds, so more consolidation among business systems could be expected.

That's exactly what happened. [Epicor](#) recently bought [Activant](#) which had previously acquired Eclipse, Prophet 21, Array, Prelude and Speedware. [Infor](#) bought Lawson Software which will be Infor-[Lawson](#). These are just a couple of examples.

So now what? What happens when an ERP company buys others? They want a return on investment, of course. The way they get it is to minimize the investment in multiple platforms necessary to keep the profitable part of the customer base. They have issues, though, distributors tend to hang on to their older systems and don't migrate as quickly as the acquirers would like.

The acquirers do like any stock portfolio manager would do. They look at products like stocks, and calculate the return they can get. Then they pick the winners and invest in those. The others are slowly taken off life support. Sometimes not so slowly, like when we're still in a very slow capital investment environment and you can't rely on new installation income as much to hide the poor performers.

Having kicked the tires on a few business systems and we have our favorite criteria for choosing ERP systems in different situations. But the probable fate of your system in the ERP maker's portfolio of platforms has risen to number One on the list. And we think it should rise to number one in your criteria as well in this "new" economy.

Here's a baker's dozen of other difference makers you might consider...

1. What comes with the base package? How do they charge for it?
2. What are the add-on modules and what do they cost?

3. How well do they execute EDI transactions – orders, invoices, automatic ship notifications, SPA price notifications, SPA claims and credits
4. How complete and easy to use is their product data warehouse?
5. How complete and easy to use is their warehouse management/wireless barcode reading equipment?
6. How complete and easy is it to export data to excel and pdf documents?
7. How easy it to link your product database to a web storefront?
8. How accessible is the DATABASE? Is it a proprietary or open access database like SQL or Oracle?
9. How easy is it for order entry to look up non-stock items in a complete database of products (not the production database) and load a product data entry screen with the correct data?
10. How easy is it to execute matrix pricing? Or load a pricing matrix you prepared off-line?
11. How good is the forecasting and purchasing capability in generating automatic replenishment orders? Can it handle multiple logistics setups, like CDCs, hub and spoke, or multiple instances of these?
12. How easy does it execute 3-way matching of orders to streamline accounts payable work?
13. What new capabilities are they investing in with this specific system?

There's more, mostly technical hardware, communications and networking issues that we're not as schooled in. But do you have the above considerations on your list?

Most of all... you need to really determine what the lifespan of your current ERP system is. Will it be supported? For how long? How fast will you be able to get support? ("All support technicians are busy, your approximate holding time will be 45 minutes"). Will they invest in it? What is their deal to migrate you to the "mothership" package?

This is business, folks. When you have branches that don't deliver, or people that don't deliver, you look to serve the customers some other way than through the branch or person that's not making it.

ERP Product lines aren't all that different. Whatever is not delivering to the bottom line has to be consolidated or costs reduced. Plus, if you slowly draw down the resources devoted to a package, maybe the buffalo herd won't notice as much and will stick around so you can migrate them over time to your mothership.

The moral of the story? Get on a mothership. And start compiling your criteria now if you're not already on one.



Here's another tip. Find out what percentage of the parent company's sales your package is. And, if you can get it, the percentage of the total INCOME, Then you will know where you stand. Is it the mothership or a small satellite?

There will be a follow up article that deals with the processes that distributors should be encouraged to follow to determine the best ERP (Mothership) for a their business.

Author's Note:

This text was originally used as a post on [www.electricaltrends.com](http://www.electricaltrends.com)

And at [www.growthwizards.com](http://www.growthwizards.com)