

Is Your ERP Ready for AI?

How Distributors Can Prepare for Digital Transformation as a Competitive Differentiator



The Artificial Intelligence Imperative

Artificial Intelligence (AI) is no longer science fiction – it's the here and now. And it's not only becoming more integral to how we do business every day, it's also the way in which businesses will make their digital transformation journeys a competitive differentiator. Companies that wish to grow and become more profitable run a very real risk of being left behind if they don't embrace it.

AI is also transforming how business leaders look at enterprise resource planning (ERP) functionality, driven by digital disruptors that are leveraging AI across several dimensions to innovate on behalf of customers. But what is it? And how exactly can it help a business grow? This white paper outlines how artificial intelligence will increasingly support and enhance core ERP capabilities for distributors.

The AI revolution is going to be at least as big as the Internet revolution.

Ian Heller,
Modern Distribution Management

For the vast majority of businesses, there are foundational steps needed to prepare for this AI-driven digital transformation. A strong and adaptive technology platform that can integrate increasingly powerful AI functionality is a relatively new, but critical, requirement.

Management teams not only have to plan how to fully leverage AI capabilities to best serve their particular products and target markets, but in most cases, also need to build a strategy that includes changing the internal culture and mindset towards technology in order to survive and thrive in the future.

What is Artificial Intelligence?

Artificial intelligence has many definitions and layers within those definitions. At its core, however, it refers to a computer's ability to perform tasks and make decisions that would historically require some level of human intelligence. Some define AI as the ability for a computer or machine to take inputs from its environment and act in ways similar to humans, but it's this notion of taking inputs, making decisions and acting on them that really forms the core of AI.

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Broadly speaking, there are four types of AI*, each of them with solid business applications, some of which we already encounter every day in some form:

Internet AI

On more sophisticated websites, the lists of recommended items you see when you shop are based on information about your previous purchases and preferences. The more you use the site, the more accurately the Internet AI anticipates your needs and wants. The result is that the more data you provide over time about your interests and time spent on specific products or topics, the more personalized the user experience becomes.

*Source: Dr. Michael Wu, Chief AI Strategist, PROS

Perceptual AI

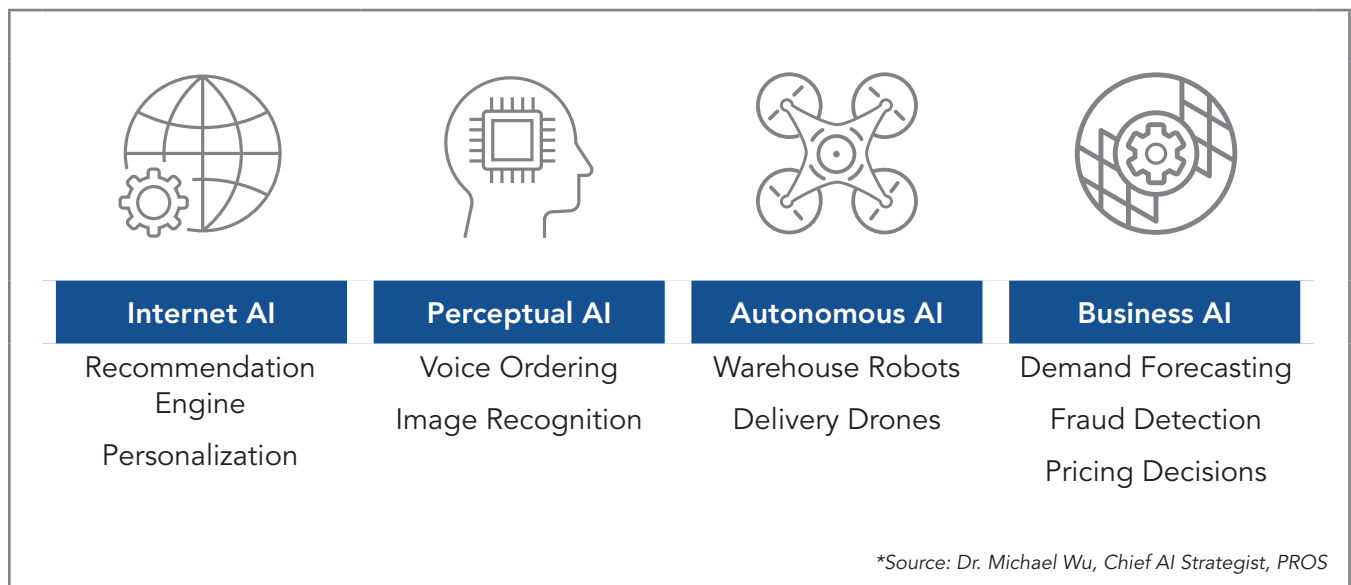
This type of AI is used in technologies that respond to some sort of input, such as speech or images. If you use a speech assistant like Alexa to schedule an appointment or even play a certain song or radio station, that's perceptual AI. As part of its mobile app, Amazon now offers image-recognition software that recognizes a part or item and brings up the matching product to enable quick ordering.

Autonomous AI

As the name suggests, this refers to machines that are independently performing actions that used to require human beings, such as self-driving cars or robots that assemble cars or fulfill warehouse orders. By at least one industry estimate, there are now more than 100,000 warehouse robots in service.

Business AI

This kind of AI is used to automate certain business decisions and processes and is already familiar to many distributors. Business AI includes such functions as pricing recommendations, automatic inventory replenishment, fraud detection, or algorithmic stock trading.



Despite their differences, all of these types of AI are driven by the same thing: Big Data. And they're not only changing the face of business, they're fundamentally changing what we as customers expect in both our personal and business lives.

Data, however, is only useful if it can become actionable business intelligence. Without structure and context, its only effect will be to overwhelm your business and your sales team. A salesperson with ten million lines of invoice orders has an abundance of data, but not much in the way of useful information.

Machine, Meet Machine: The Internet of Things

Another application of artificial intelligence that is advancing rapidly is augmented reality and the Internet of Things (IoT). Increasingly sophisticated sensors are monitoring wear and failure rates and providing analytics to suppliers for automated replenishment and proactive maintenance programs. While the vision of “lights-out replenishment” has been around since the early days of the Internet, the expansion of AI-driven replenishment is still in its early stages.

The same is true for the use of augmented reality, where a tablet or even goggles with a heads-up display visually guides a technician through step-by-step repair and safety instructions. These applications of artificial intelligence rely on enormous amounts of complex product data and content – specifications, 3D imagery, and logic paths for repair steps. That requires a core technology platform that can support not only current requirements, but what will surely be the much more sophisticated and demanding technology capabilities of the future.

ERP’s Role in Digital Transformation

An enterprise resource planning (ERP) system that can manage exponentially growing quantities of data and turn it from an undifferentiated mass into actionable business information is essential to grow your business. Here are some of the things that an ERP can do with raw data:

- Supply visibility into business operations
- Utilize pricing software to optimize profitability
- Provide access to global supply chains
- Identify challenges, uncover opportunities, help you make faster decisions
- Automate and streamline time-consuming tasks and redundant processes
- Give employees tools to be successful and productive
- Provide real-time information to any member of your team, anywhere
- Increase productivity and collaboration
- Manage working capital like inventory to improve your cash conversion cycle
- Provide forecasting tools that allow you to make informed decisions



What Should I Look for in an ERP?

Beyond the core functions above, there are three key words to bear in mind when evaluating an Enterprise Resource Planning system that can position your company to stay in front of digital transformation:

- **Fit:** Is the system tailored to your specific market space or is it one-size-fits-all?
- **Ease:** Is it able to turn huge amounts of data into an easy-to-use interface that allows users to quickly access customer information? Is it easy to set up? Easy to learn?
- **Growth:** Do the tools empower your back office, warehouse and frontline sales teams to better serve customers in whatever ways they want to be served? Do they help you improve sales, grow margins, reduce costs? Are they scalable and adaptive to support your growth?

Everything we do at Epicor is built around three ideas: fit, ease and growth.

*Tony Corley
Senior Product Marketing Manager, Epicor*

How Can an ERP System Grow my Business?

Let's take a look at some of the ways an ERP can help put you ahead of your competition.

A good ERP makes it easy to manage all of your customers. A salesperson reviewing a territory can have instant access to information on each client. How many days has it been since the salesperson last contacted them? When did the client last place an order? Have they slowed down their rate of purchasing or stopped buying a particular type of product? Have their buying habits changed? It could be that a rival team has moved in and is trying to beat you on price. A good ERP will use something called a "customer buying trend analysis" that lets the salesperson see all of this information in one place.

A good ERP makes it easy to meet customers where they are. Businesses connect with their customers in multiple ways: account managers, counter sales, call centers, inside sales, e-commerce sales and third-party marketplaces. A good ERP will meet customers at their preferred point of sale and be able to track and integrate information about products, pricing, inventory, customers, invoices, and payments from multiple systems.

A good ERP can integrate data from multiple sources. Rather than having to scrap any existing data you have housed on anything from MS Excel to a database management system or a customer relationship management (CRM) system such as Salesforce, a good ERP will let you seamlessly import it all into your ERP and begin analyzing and using it right away.

A good ERP can help you to optimize pricing. Strategic pricing tools analyze client invoice data, product baskets, and order patterns to help you determine the ideal price. Are there smaller customers who are getting prices that aren't justified by the amount of product they buy? Are there some customers who are more price-sensitive than others? Are there product groups that have more margin opportunity because they have less price elasticity of demand?



What's Next?

Amazon gets the lion's share of attention as the primary disruptor across many industries through its innovation and development of artificial intelligence on behalf of the customer. But there are increasing numbers of emerging disruptors – in both new and traditional business models – that are accelerating how AI is being deployed to gain competitive advantage across all customer segments and product verticals.

Smart planning has always been a part of any successful business; that's never been more the case than now, in a marketplace that disruptors are fundamentally transforming with tools that have a level of power and sophistication undreamt of even a few years ago. The challenge for most companies is to find the time and internal talent to create a strategy, build a roadmap that includes selecting and deploying the right technologies and execute a plan to disrupt rather than be disrupted. It's not too late to catch the wave, but the time to act is now.

This white paper is based on a July 31, 2018 webcast co-presented by Epicor and Modern Distribution Management (mdm.com), "How Artificial Intelligence Disrupts Distribution: What you Must Know." The webcast was hosted by Ian Heller, MDM President & COO, and Tony Corley, Epicor Senior Product Marketing Manager.



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