

Introduction to Distribution

Epicor offers two distribution suites – Eclipse and Prophet 21. Each come with their own set of features, functionality, and expertise. When using either, customers leverage Epicor’s extensive knowledge and experience in the industry.

In this introductory course to distribution, we’ll review some key industry terms and look at a high-level distribution process flow. Then, because there’s a lot of information in this course, we’ll do a quick review. Select a tab from the top of the screen to get started

Topics

- Distribution Terminology
- Distribution Process Flow
- Review

Distribution Terminology

What exactly is a **distributor**? To understand that, let’s take a step back and look at the supply chain, or all the of pieces involved in getting products to consumers, and usually includes a vendor or manufacturer that supplies materials, distributors that warehouse the materials and sells and delivers to customers, and the customer that purchases the material. Distributors are the middle-man between vendors and customers. It’s important to note that a lot of the time, customers are another business – Epicor has strong B2B functionality.

While distributors and distribution differ from one industry to the next, there are some similarities. Let’s look at some key terms, starting with **Front Counter**.

Whether distributors have a small counter or a large customer self-service area, they need strong over the counter sales or front counter capabilities. Order Entry in Eclipse and Front Counter in Prophet 21 provide access to an entire inventory and can help customers with pricing, quotes, and orders. Then they invoice the order and take payments – all right there.

To speed things up, both systems use Google-like searching for customers and items, as well as wireless or USB bar code scanners.

The warehouse and pick ticket process recognizes front counter sales and prioritizes them for the next pick.

It’s no secret that customers demand faster, better services and will go elsewhere if one distributor can’t meet their needs. **Quoting projects and products** help to ensure distributors meet those needs. Both of Epicor’s distribution packages create quotes, convert them to orders, and complete the entire order entry process, all from one screen.

There’s no distribution without inventory. Our strong **inventory control** and management capabilities help distributors meet demand without high carry costs.

Certain items go in and out of style; others are replaced by newer, more innovative products. Whatever the reason, distributors can track customers’ buying trends so they always know what to stock and what to phase

Speaking of inventory, distributors need a place to keep it – that brings us to the warehouse. Warehouses are more than just large building with a lot of products.

Within a warehouse, you see rows and rows of shelving; these are identified in some way, such as alphabetically. Each of those rows have different sections or groups of shelves. And, within those, are bins, or where items are stored. When talking about inventory and locations, distributors typically use a row, section, bin combination.

Distributors use this to define where items are located, where they put products when they receive them, the best place to pick items to fulfill orders, what to do with damaged item, and more. They consider how often an item is ordered (more frequently purchased products may be closer to the staging or shipping area), an item's size and weight (bulky items do better on lower shelves), and the bins themselves (is something already in that bin and what's the bin's maximum capacity?), and so on.

All of this helps keep a distributor's warehouse running as efficiently as possible.

You just heard that distributors must keep their warehouses running efficiently. Epicor provides tools for just that through its Warehouse Management System. This product puts all of the day-to-day warehouse functionality into the palm of distributors' hands. Using a mobile device, warehouse personnel can scan items as they receive them, enter the quantities received, and save, all without logging into a terminal. Then, when they put items away, again, they can scan them, and verify the quantities and the location.

When a customer orders an item, you guessed it. The mobile device tells the warehouse where to find the item and how much to pick. If there's more than one order to pick, warehouse management directs the picker through the warehouse in the most logical way – no paper and no backtracking.

Sometimes, when customers purchase one item, it opens the door to **accessory items**, or products that compliment or go with the original order items. Accessory items increase sales, improve customer satisfaction, and saves everyone time.

This is a lot to remember and only scratches the surface. These terms and a handful more area available and attached to this agenda.

Use the tabs at the top of the screen to continue

Distribution Process Flow

Distribution is more than just selling products. Distributors have to purchase items, maintain their inventory, and pay their vendors. That's only half of it – they have to be able to identify opportunities, create quotes or bids, convert those orders, deliver materials, invoice customers, and receive payments. Over the next several minutes, we'll look at the distribution process at a high level. Note that we won't look at the system or detail that process within the flow. We also won't look at the setup for vendors, items, customers, and so on. This assumes that those are already in place.

To better illustrate the process, we'll use a fictional distributor – Epicor Supply – and follow a single product (a hammer) through the process.

Before Epicor Distribution can distribute products to customers, they have to first purchase them via a purchase order. A number of factors go into creating a purchase order for a vendor, including current inventory levels, considering on-hand quantities, open orders, open transfers, and pending transfers; sales history and demand

for the item; vendor purchasing requirements, such as minimum quantities or amount; and the replenishment method associated with the item or product.

Based on these and additional factors, the system calculates a suggested purchase order quantity for the item. Purchasing can review that suggested quantity and the calculations that led to it and either accept that quantity or overwrite it. With the purchase order complete, purchasing sends it to the vendor.

The vendor fulfills the order, and Epicor Distribution receives the order into the warehouse. Receiving compares the quantities on the vendor packing list to what they actually received and notes any differences. Then they decide what to do with the item. If the item is on backorder, they can allocate the item to open orders, allocate the item to any open transfers between locations, or receive it into the warehouse.

Once the vendor ships the order, they generate and send an invoice for that order. The Epicor Distribution Accounts Payable department compares the invoice to the original purchase order and the quantities received in the warehouse, notes any discrepancies, and pays the vendor.

That covers the basics of getting inventory into the warehouse, now let's look at sales side.

A customer calls or comes into the front counter to place an order – the process is similar either way. Let's start with a quote. Sales creates the quote using the same window that they use for the order; they just mark it as a quote or a bid instead of an order. This way, the system doesn't allocate the item to the order. Sales sees the quantity on hand or the actual quantity that's available to sell, not including quantities on open order, open transfers, or pending purchase orders.

They also see pricing. This may be standard pricing, customer-specific, based on purchase quantity, or any other number of factors.

With the quote entered, Sales gets it to the customer. If the customer decides to make the purchase, Sales quickly and easily converts the quote to an order. As soon as the order is created, the item is allocated to it, removing it from inventory.

A pick ticket gets created and, in the warehouse, Shipping picks the order. If the customer is at the front counter, the order is a priority and is picked immediately. If it's a call-in order, it's picked based on the ship date. Either way, the pick ticket tells Shipping what item they need, how much, and where it is. They confirm the shipping details, including the item, quantity, shipping date, carrier, and tracking number, if applicable. They can also add any freight charges.

With the shipment confirmed, Epicor Distribution invoices the customer.

When the customer pays the invoice, it goes to Accounts Receivable, where they review the invoice and verify that payment. If the payment amount matches the invoice amount, they can mark it as paid in full, or take a partial payment or over payment, as needed.

This seems like the end of the process, but – just in case things don't go perfectly, customers may opt to return a purchase, customer service representatives can quickly enter a return material authorization, or RMA. The RMA tracks the customer, the returned material, the reason for the return, and the status of the returned parts, and the return payment or credit, ensuring that the customer is taken care of and the issue is resolved.

Then the cycle starts anew

Use the tabs at the top of the screen to continue.

Review

Over the last several minutes, we looked at a handful of key terms and saw how they relate to distribution.

Then we walked through a high-level distribution process flow bringing materials into a distribution center, including creating a purchase order for an item, receiving the item into the warehouse, and paying the vendor.

Then we looked at selling and delivering materials to a customer, including customer quotes, converting quotes to an order, picking items for the order, confirming shipments, generating invoices, and receiving payments from the customer.

Although we covered quite a bit of information, we've just scratched the surface of the day-to-day for distributors.

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