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BUSINESS GUIDE

Cloud ERP for Packaging Distributors

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Cloud ERP for Packaging Distributors

With NetSuite as the foundation, Accrete Consulting put its packaging distribution expertise to work, providing a range of industry-focused solutions that address the industry's pricing, commission, rebate, customer management and purchase order requirements.

Packaging distributors play a critical role in the global supply chain and are expected to deliver a wide array of packaging products efficiently, quickly and cost-effectively. Whether they're providing packaging for highly sensitive medical equipment, tiny technology components or products that need protection from moisture and vibration, packaging wholesalers come up with creative solutions that fill particular needs.

Specializing in boxes, drums, intermediate bulk containers (IBCs), sacks, pails and crates/totes, the sector provides customers with the paperboard, plastic, metal, wood and fiber packaging that they need to get their goods from point A to point B securely and without damage.

Packaging suppliers are dealing with issues like rising material costs, razor thin margins, rapid technological changes, evolving customer preferences and the need to operate more sustainably.

Held back by their existing on-premises Enterprise Resource Planning (ERP) systems, basic systems, manual interventions and spreadsheets, packaging distributors need unified solutions that help them run their businesses more profitably and efficiently. This business guide addresses the key technology challenges that the sector is dealing with right now and explains how a leading cloud ERP platform supported by extensive industry expertise can help distributors address those pain points.

Patching Technology Gaps

In the US, the industrial packaging market posted \$58.9 billion in revenues in 2019 and is now expected to grow to \$73.0 billion by 2025 based on a compound annual growth rate (CAGR) of 3.5%.¹ To run their businesses, many of the wholesalers in this sector—some of which also import products for distribution in the US—rely on a combination of disparate systems and manual processes. For many, the solutions like QuickBooks, Sage 100 and Universal Business Systems (a distribution management system) that they've relied on for decades no longer meet the needs of their growing businesses.

"These systems have been heavily customized to a point of being unstable, costly and slow as distributors worked to get the solutions to meet their changing business requirements," said Albert Kleynhans, NetSuite practice lead and co-founder at NetSuite Alliance Partner Accrete Consulting.

Packaging distributors are also using myriad spreadsheets to transfer data between systems or spending too much money on custom software development and investing in third-party applications in an attempt to patch up the gaps in their technology systems. For companies operating in a low-margin/high-volume industry like packaging, these approaches can quickly turn into major time- and money-wasters that restricts their ability to grow.

Organizations are also concerned about their own supply chain. Many have their own truck fleets for delivering packaging and completing daily deliveries to customers within a specific region. "Distributors have to be able to optimize what they get in (their packaging stock), minimize how long that stock stays on the warehouse shelf and then be very efficient with their deliveries," said Kleynhans. "They're looking to squeeze every penny they can out of every order."

Distributors also need to be able to process a high volume of orders as efficiently as possible on a daily basis. This requires a high level of inventory visibility, good order management and knowing exactly which items in stock were committed to each customer. Only when those stars align can distributors truly maximize their efficiency and profitability.

"Being able to quickly process and fulfill orders translates into better profits for distributors," said Kleynhans. "Managing a high volume of constantly moving stock is always going to be a challenge for anyone trying to operate with QuickBooks or an aging on-premises ERP."

Addressing Packaging's Specific Requirements

With NetSuite as its foundation, Accrete Consulting put its packaging distribution expertise to work by developing a suite of industry-personalized solutions that address pricing, customer management and purchase order requirements. "We've been working extensively in this sector and hearing firsthand about its technology and business challenges," said Kleynhans.

For starters, Accrete Consulting uses NetSuite's native Customer Relationship Management (CRM) platform to help distributors orchestrate their opportunity and sales pipelines. Most have outside sales forces that are selling to hospitals, food producers and other companies, but not a centralized way to track those opportunities and tie them into the company's financials.

"For distributors, it's all about taking the next order and getting the next deal. CRM is a key component of that, particularly in terms of NetSuite CRM's opportunity tracking."

Albert Kleynhans, NetSuite Practice Lead and Co-founder, Accrete Consulting

¹ The Industrial Packaging Market was valued at USD 58.91 Billion in 2019 and is estimated to be worth USD 73.01 billion by 2025, registering a CAGR of 3.53% during the forecast period (2020 - 2025)



Accrete Consulting also helps packaging distributors optimize and bundle their purchase orders (POs) in order to get better rates from their vendors. Large packaging distributors that use NetSuite focus on filling truckloads in order to minimize transportation costs. These companies may buy for inventory or produce goods based on anticipated orders, depending on the optimization opportunities. The company calculates truck capacity and then buys extra product to fill that truck and avoid paying for the movement of a half-empty vehicle.

Distributors also do a fair amount of drop shipping directly to their customers and need a high level of inventory and warehouse visibility, all of which NetSuite's Warehouse Management System (WMS) handles effectively.

Addressing Complex Pricing and Commission Structures

Packaging distributors use complex pricing structures similar to a cost-plus model, whereby the business determines the cost of the product and adds a percentage to come up with the final selling price to the customer. They also have unique salesperson commission models that may include or exclude certain discounts, rebates and incentives depending on the specific sale, salesperson and/or customer.

For example, a distributor may pay a higher commission on certain product lines but less on others. Or, a commission calculation may include the shipping and handling fees, while others may not. "Distributor sales forces rely on these commission models," said Kleynhans. "It's an industry trend we've seen across all of the customers we worked with." Accrete has invested in an extensive range of reports, filters and calculations to provide customers industry relevant templates as a starting point for their sales commission calculations.

Distributors may also have manufacturing operations that introduce greater complexities into their business systems. For example, some might offer custom packaging options to specific customer segments. NetSuite is a good fit for managing those orders, tracking them to the manufacturing processes and then handling the financials related to those orders.

By augmenting NetSuite's native capabilities with commissions management, reporting, workflows, order approvals and PO consolidation, Accrete Consulting helps bridge the gap between customers' business requirements and what NetSuite offers out of the box. "By doing this," said Kleynhans, "we've gotten pretty close to meeting many of this industry's technology needs within the framework of the NetSuite platform."

“With NetSuite, distributors can process much higher order volumes with fewer human touches. The business visibility they gain has a direct impact to their bottom lines.” Albert Kleynhans, NetSuite Practice Lead and Co-founder, Accrete Consulting

Using Tech to Manage High Volumes and Low Margins

With an average implementation time of five to eight months, depending on the distributor’s specific needs, Accrete Consulting taps into its 25+ years of working in the manufacturing and distribution industries to address its customers’ problems and share innovative ideas that address packaging industry issues.

In return, packaging distributors get better visibility across their operations, automated processes and improved efficiency. Combined, these wins translate into improved profitability for an industry that relies heavily on receiving, processing and fulfilling orders as quickly and accurately as possible.

Distributors can also take better advantage of supplier rebates (based on certain margins of business) and rest easy knowing that their margins are tracked properly. “We significantly reduce the time and effort needed to use and track rebates on the purchasing side and commissions on the sales side,” said Kleynhans.

Finally, distributors get the advantage of having a single platform that can easily integrate with the third-party applications the distributor is already using. “This all translates into increased efficiency for companies that previously managed a lot of tasks manually and on Excel spreadsheets,” Kleynhans explained. “Having all of that managed in one system helps companies operate in their high-volume, low-profit margin environment.”

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