A photograph of a warehouse conveyor belt system. Several cardboard boxes are moving along the belt, which is curving to the right. The background shows high industrial shelving units filled with more boxes, creating a sense of a busy distribution center.

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The questions you could be answering

How wholesale distributors are using new tools like SAP S/4HANA Finance to take on their toughest issues

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How wholesale distributors are using new tools to take on their toughest issues

For finance executives in wholesale distribution businesses, it's all about margins. But for CFOs, it often seems impossible to get a complete picture of margins, due in large part to the sprawling, complex web of arrangements and agreements they have in place with vendors, customers, and more.

The volume of transactions is immense. Plus, each agreement is intricately structured, especially when it comes to rebates. ("If you buy X quantity from us, we'll give you Y discounts," etc.) How do you manage working capital in that environment? The data is all there, but insights are what really matter when it comes to smarter decision making—and they are increasingly difficult to extract from a growing mountain of data.

New capabilities—particularly those with a focus on data and analytics—are changing the equation for CFOs and other finance leaders at wholesale distribution companies, helping them answer questions they've been asking for years. In the past, if they were able to

find answers at all, they probably arrived long after the time at which they could have seriously influenced decision making.

Now it's possible to get insights at the moment of impact. Deloitte has deep experience helping clients put these new capabilities to work using solutions such as SAP S/4HANA Finance—helping CFOs answer some of their toughest questions. In this article, we'll examine a few of the most important of these questions, with a focus on how decision making can evolve in an SAP S/4HANA Finance environment.

How much working capital do we actually have? (And what should we be doing with it?)

Working capital is notoriously hard to track for wholesale distributors, partly because of the sheer volume of transactions taking place at any given moment. Tools such as SAP S/4HANA Finance can deliver deep visibility into working capital, in a number of ways. For starters, finance leaders are able to execute a real-time close—which in turn gives them the ability to determine at a moment's notice exactly how much is owed to vendors.

On the Accounts Payable side, the Central Payments feature helps reduce the volume of payments to a single vendor. With a single document aligned with each vendor, it's easy to see how much is owed at any given time. On the Accounts Receivable side, the same level of visibility helps with tax management and other issues. Cash management capabilities provide precise and thorough information with centralized bank account management, a rolling liquidity plan and required visibility to cash operations. How much are you actually receiving on a particular account, across all points of contact? Now it's possible to know.

Determine at a moment's notice how much is owed to vendors.

How can we optimize our margins?

Being a CFO at a wholesale distributor can feel like being a music producer at the controls of a recording session: There are hundreds of knobs and levers that must be tweaked in order to create the right output. Maybe rebates are too low. Or the organization is giving away too many samples. Or there's too much variance among agreements.

Details like these, and countless others, must be fine-tuned in order to increase margins. Finance decision makers need granular-level insights at the account level—knowing how much the company made on a particular account, in terms of gross profits, gross profit margin, commission base, and more.

In a primarily manual environment, this consumes massive resources from the finance teams, and it's complex. By the time finance leaders pinpoint the source of a loss, the losses can be significant. New capabilities like those found in SAP S/4HANA Finance bring the level of accounting discipline and clarity required to improve margins through countless small-but-meaningful adjustments to the model.



What level of overhead are we incurring from inventory?

In most wholesale distribution organizations today, inventory accounting is handled through a series of custom reports, often requiring a lot of manual input. Not only is this approach cumbersome, but accuracy remains a concern as well. All of which makes it difficult to know key details, such as the actual lifetime of inventory, and the overhead incurred as a result.

Today it's possible to achieve quick, relatively easy access to asset and liability information, securing a clear picture of not only how much inventory is left, but other important related details such as the specific cost of remaining inventory. In fact, in SAP S/4HANA Finance, this is an out-of-the-box feature that can be tailored to account for perishable vs non-perishable goods, to use an easy example. Just as important, with these new capabilities serving as the foundation, it's possible to run real-time analysis for decision making. Should you offer additional discounts to get soon-to-be-unwanted inventory off your hands—and off the books? Now it's possible to remove the guesswork and make smarter decisions.

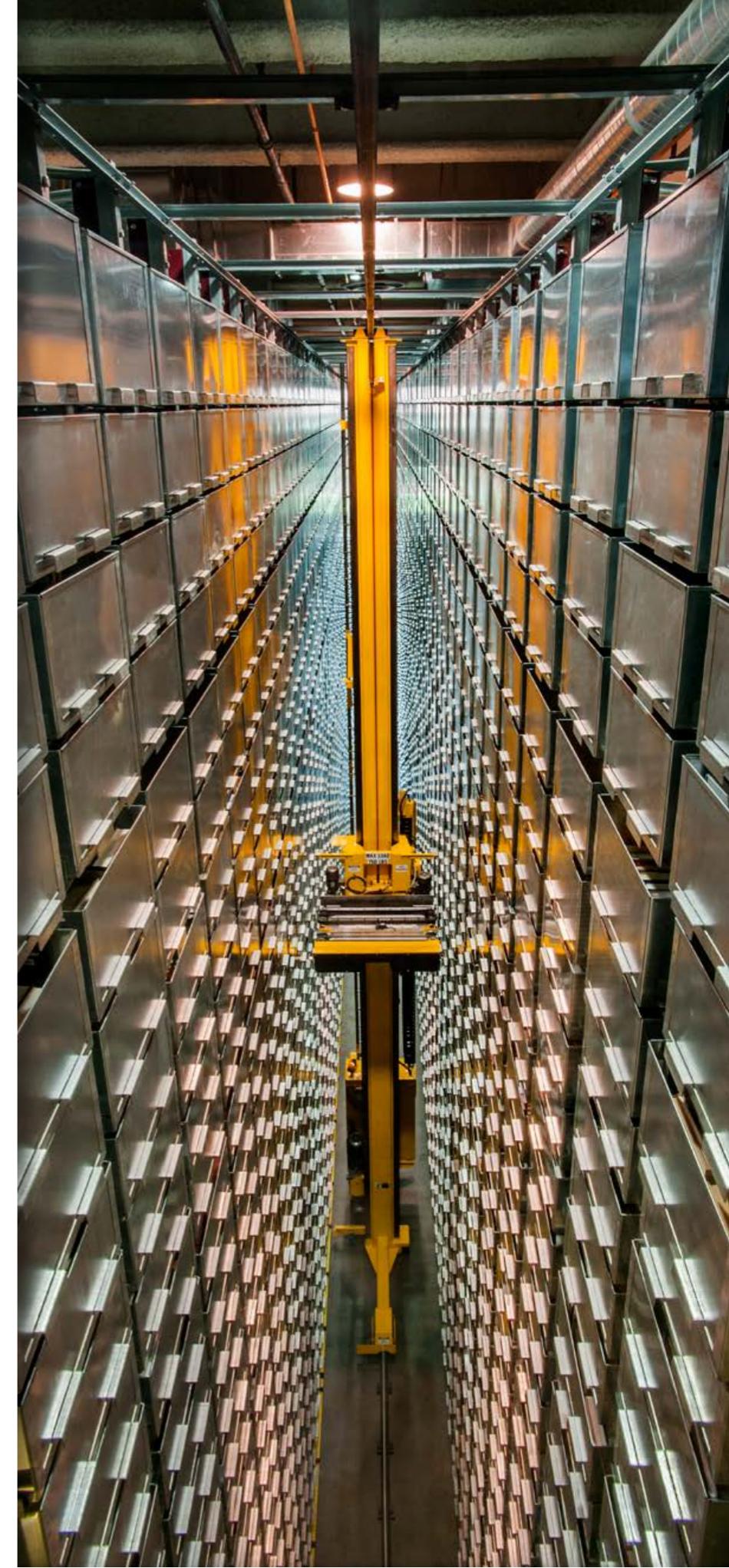
See not only how much inventory is left, but the specific costs of keeping it.

How can we make mergers and acquisitions less disruptive?

Wholesale distribution organizations often rely heavily on mergers and acquisitions to expand their business both at the national and local levels. But in doing so, they often run into a serious obstacle: The difficulty of migrating the acquired company's ERP data into the parent company's ERP system. This critical task may spark the need for maintenance on multiple systems, and can lead to a lack of a single finance environment organization-wide.

Emerging solutions now come with capabilities specifically targeting these issues. For example, with prebuilt data transformation capabilities, the SAP S/4HANA Finance central finance

functionality can make it much easier to quickly deploy and capture the benefits of a central finance platform without disrupting the existing systems. The Master Data Governance module enables mapping of key master data fields of the local ERP system into the parent or target ERP system. Synchronous transfer of all accounting transactions from local systems to tools such as the SAP S/4HANA Finance central finance system can provide a single financial backbone for the organization. Capabilities like these can help CFOs develop a single snapshot of financials, regardless of whether they have multiple dis-integrated SAP or non-SAP ERP systems.



How can we comply and adhere with various legal and regulatory reporting requirements?

With the wholesale distribution industry spread across different geographies and legal systems, it can be beyond challenging to adhere to regulatory requirements. Having non-integrated finance systems across different business entities makes things even more difficult when it comes to uniform regulatory reporting—not to mention the downstream impact on leveraging business data for prediction, analysis, and planning purposes.

Now it's possible to extend finance processes across business networks for optimal collaboration with customers, suppliers, banks and government authorities. Financial consolidation and reporting (available through tools such as SAP S/4HANA's Integrated Business Planning function) across the organization can help maintain global regulatory compliance and controls of accounting standards in the Wholesale Distribution industry and beyond.

With one integrated platform, it's possible to maintain global regulatory compliance more easily.

For more information

These are only a few of the types of questions that Wholesale Distribution CFOs are likely facing every day. In reality, there are dozens more that must be answered on any given day—or any hour, for that matter. In a business environment that increasingly values the speed of decision making, not just accuracy, Wholesale distribution finance organizations often operate at a disadvantage due to their underlying complexity.

New capabilities such as those found in SAP S/4HANA Finance can significantly reduce complexity—but doing it requires a deep understanding of the intricacies (and peculiarities) of the wholesale industry in order to deliver its full potential value. That's where Deloitte can help.

Contacts

If you'd like to explore how these new capabilities can be put to work in your organization, we should talk.

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