

# ROOM

*With CD pricing at its lowest point, and DVD pricing dropping fast, there's a law of diminishing returns at work in replicators' traditional revenue streams. These days, it's range of services that makes an impression—and warehousing and distribution that seal the deal.*

**T**he biggest claim to fame for many replicators today is their ability to provide—whether in-house or outsourced—distribution and warehousing services. Even content providers that don't take advantage of these services all of the time say they like to know their manufacturers have these capabilities. A perceived value exists. "Knowing that these services are in place gives us a higher level of comfort in the replicator's receiving and receipt-reporting capabilities," says Kris Sharbaugh, manager of corporate communications at Infogrames, Inc. Even though the company doesn't always use such services when contracting the pressing and publication of its content, she says, "We prefer to locate providers that offer multiple levels of service. They tend to be the ones that keep us most up-to-date on the newest technologies and trends in the industry and possess a greater understanding of our distribution needs and hurdles."

What exactly does warehousing and distribution entail? The definition varies from replicator to replicator. Content providers need to ask many questions that range from the complicated—such as what software is used—to the simple—like how big is the distribution center.

#### **UNDERSTANDING SOFTWARE**

Generally, there are three kinds of software available to a manufacturing

plant. First, there is the Enterprise Resource Planning (ERP), the system that takes a client's order and carries it to shipping. The second is warehouse management software, and the third, manifest or fulfillment software, which incorporates the carrier info. Whether each piece is purchased individually, or whether the replicator works off an integrated system, depends on the customers they service and to how much money they have. Piecemeal, these software components can cost hundreds of thousands of dollars, but the cost of integrated systems, such as SAP, is even higher. While integrated systems can cost in the millions, some say cost is dependent on individual needs, and systems could cost as little as half-a-million dollars. What does this all mean to the content provider?

Understanding system strategies and how these systems support a replicator's business is key. According to Sonopress president Bob Spiller, some content providers don't necessarily care about the details of their SAP system, but they do need to be confident they are working with a partner that can fulfill their needs. "The more sophisticated the content provider, the more they are likely to engage in that discussion when they are determining who to work with. If they don't have a track record with you, a publisher may want to get very intimately involved in understanding your

information systems. They care, in that it is one of the ways they can potentially measure how well you are going to execute a job."

#### **ENTERPRISE-WIDE SOLUTIONS**

Enterprise-wide software systems run a whole business. The systems comprise different process discipline modules running from order entry through financial human services, inventory, and management information. Several enterprise-wide cross-platform solutions are available to media manufacturers from companies such as SAP, Oracle, and J.D. Edwards. Many replicators say that ERP systems offer more generalized solutions. They are not detail-oriented, but their greatest strength is that all of the modules are integrated. Thus, if one piece of the puzzle is changed, all of the other related parts of the software are changed as well.

Small manufacturers are one part of a supply chain. "As part of that chain they need to understand what their customers require and what other suppliers within that chain are offering," says Johann Poppenbeck, senior manager of product marketing at J.D. Edwards. These systems are not for large manufacturers only, as some perceive. "We scale very well. We understand that replicators are caught in the middle. Managing the incoming materials and the outgoing demand are all issues to contend with

# PROCESS FLOWS REQUIRED



## Inventory Data

- What is in stock?
- What are its characteristics?



## Shop Floor Management

- Do I need to pick a part to complete this work order?
- When I finish this work order, do I need to create a putaway?
- Can I cross-dock it?



## Procurement

- Where should I put what is coming in?
- Is there an opportunity to cross-dock?



## Sales Order Data

- What has been sold?
- What is on backorder?



## Transportation

- What has been approved for shipment?

## Warehouse Management System

Receiving

Putaway

Replenishment

Picking

Shipping

*To be effective, a warehouse management system must have information on activities that take place upstream and downstream in the supply chain. By knowing what is expected to come in and what will be shipped out, the warehouse system becomes an integrated part of overall company operations.*

Source: JDEdwards

when you're caught in the middle. We offer a totally integrated solution."

To position its integrated solution, One World XE, J.D. Edwards executives advise potential customers to look at the supply chain and to optimize their plan as to how the whole model will deliver what they need. "The smaller the manufacturer, the more critical profitability is," Poppenbeck says.

He describes an example of how an integrated system can work for a replicator. If a distributor wants to run a promotion for a particular product, and forecasts that an extra 20 percent more product is needed, a manufacturer plugs the information into an integrated system and the raw materials suppliers will know they have to provide 20 percent more. Transport providers will be prepared to transport 20 percent more product, and likewise, the warehouse manager will know he has to leave room for 20 percent more product. "Immediately, the whole supply chain gets visibility to that promotion," Poppenbeck explains. "With one system rather than several independent solutions, you get only one version of the truth."

Bill Peterson, product marketing manager for logistics at J.D. Edwards admits that "best of breeds" will probably always have some place in business. However, he relates the purchase of these products to buying a Porsche. The car can gear up to 180 miles an hour, but how often is that feature utilized? Is it worth the extra premium to buy the car?

### SYSTEM CUSTOMIZATION

Even if they can afford it, not all large manufacturing plants see enterprise software as the ultimate answer to their needs. Although customization is possible with enterprise-wide systems, some manufacturers say these packages are too rigid and not suited to the flexibility needed in manufacturing and distribution activities. Often, a replicator will choose the "best of breed" scenario by selecting the best software for the function (e.g., accounting or warehousing). The primary difficulty here is that the replicator then has to build the interface between different packages from different manufacturers, says Tom Hall, plant manager at Americ Disc Minnesota.

Manhattan Associates is an Atlanta-based company whose own "best-of-breed" flagship product is a warehousing and distribution solution called PkMS Pronto. "We offer what we call extended supply chain execution," says Manhattan vice president of customers Bruce Eicher. "Its services are much more detailed than an ERP system." For example, the PkMS software allows the content provider to look into the replicator's system to see the status of an order. It will also let them look into inventories and send info out to them reporting what processes are going on. Carrier systems can also be checked to find out the status of any shipment in progress.

How orders are shipped to retail is a very important consideration for content providers whose product is shipped to

mass retailers. Consequently, Eicher says, they should make sure that the replicators they contract are using retail-centric software. "For example, PkMS Pronto software supports the top 100 retail requirements for labeling."

### QUESTIONS TO ASK

Not all customers know or want to know the intricate details of distribution and fulfillment, says Sean Smith, vice president of sales and marketing at JVC Disc America. But he maintains they should know "absolutely everything" about the business if they want to work intelligently with replicators. Content providers need to know which retailers are mapped via EDI, and how quickly a replicator can ground-deliver. Questions they should ask, he says, include the following: How much square footage is dedicated to distribution? How many docking bays does the manufacturer have? What are the freight discounts? What platforms is the replicator authorized to assemble? "And that's only scratching the surface," he adds.

Americ Disc's Hall agrees with Smith about the importance of asking questions. He suggests several key capabilities a customer should investigate about a potential replicator.

- **Knowledge of reporting.** A content provider should be able to look at things like inventory status, shipping status, allocation, fill rate, and tracking info via email—or ideally Web-enabled access.

- **Real-time parameter updating.** If an order is allocated, the inventory levels must be updated on a real-time basis.
- **Ability to do business on an EDI level.** Replication clients must check the way invoices are transacted and the way orders are shipped between the content provider, replicator, and retailer. ("The most challenging part of fulfillment," Smith says, "is retailer compliance, as the standards for EDI are ever-changing." If product comes into a retailer out of compliance, the publisher is hit with a fine.)
- **Automatic notification and status check.** Content providers and the end-retail recipients must be automatically informed via email when orders have shipped and apprised of what is going to be included in that order.
- **Returns processing.** Content providers should analyze how the replicator handles incoming returns for the client. The replicator should provide processing, product refurbishing, restocking, and then automatic generation of credit memos to their clients so they can easily facilitate the accounting issues that surround returns.

- **Thorough status reporting.** Always ask: "How will you report back to me?"
- **Transaction analysis.** Another must-ask: How does the replicator handle pricing per transaction?

#### LOCATION

As with real estate, to argue that "location, location, and location" are the three most important attributes of a distribution center might be only a mild exaggeration. Mike Glover, vice president sales administration at Sanyo Laser Products says the location of the distribution center (DC) is one of the major time advantages for capitalizing on service, all while keeping the expenses (expedited freight, etc.) in check. "How close is the DC to the replication area? If it takes one to two days to truck product from the replication area to the DC, this may result in lost sales or increased freight expenses. Sanyo's DC and replication areas are located under the same roof. "No additional transportation time or expense is needed," he says.

How close is the DC to the targeted market place? And is the DC located in a carrier-friendly area?

Those are two more questions a publisher should ask, according to Glover.

#### companies mentioned in this article

##### Americ Disc, Inc.

2525 Rue Canadien, Drummondville, Quebec, Canada J2C 7W2; 819/474-2655; www.americdisc.com

##### Infogrames, Inc.

417 Fifth Avenue, New York, NY 10018; 212/726-6500; www.us.infogrames.com

##### JVC Disc America

9255 W. Sunset Boulevard, Suite 717, Los Angeles, CA 90069; 310/274-2221, 310/274-2221; www.jvcdiscusa.com

##### J.D. Edwards & Company

One Technology Way, Denver, CO 80237; 877/613-9412, 303/334-4000; www.jdedwards.com

##### Manhattan Associates

2300 Windy Ridge Parkway, 7th Floor, Atlanta, GA 30399; 770/955-7070; www.manhattanassociates.com

##### Sanyo Laser Products

1767 Sheridan Street, Richmond, IN 47374; 800/704-7648; www.sanyo-verbatim.com


##### Sonopress LLC

850 Spice Islands Drive, Sparks, NV 89431-7103; 775/353-7009; www.sonopress.com

For example, being located within ten minutes of FedEx and UPS hubs is very beneficial to Sanyo's service capabilities, he adds. "This allows for later pick-ups and increased service levels. In addition, we have several small-package carriers located in the area."

Space is another key issue. Since just-in-time delivery is essential in tough economic times, all replicators stress that customers need to know how much daily volume a distribution center can handle. "Space is important, the DC needs enough area to house all of your titles in an efficient manner," says Glover.

#### SERVES YOU RIGHT

With so many resources at one's fingertips, there is no excuse not to ask questions and get the best service possible. While brokers are not the evil predators some suggest they are, content providers still need to know what services are being provided by the replicator in-house and what is being jobbed out. Educated publishers will get the most for their money.  1206907

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PAL-02-1	Empty	Pallet Rack	Bulk	Reserve	
PAL-02-2	Empty	Pallet Rack	Bulk	Reserve	
PAL-02-3	Empty	Pallet Rack	Bulk	Reserve	
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Number of Records: 50 South Bend prodemo

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