THAT MAKES CENTS

Season 5 Episode 3
The value of ERP systems for consumer companies

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Bobby Stephens: Hi, everybody. I'm Bobby Stephens. Welcome, or welcome back, to That Makes Cents. This is the podcast where we break down consumer industry trends and explore their impact on both businesses and on us as consumers.

For today's episode, we'll be covering all things enterprise resource planning. It's a mouthful, so to keep it simple, let's just use the commonly known acronym of ERP. So we will explore why ERP is so essential for consumer sector companies, especially as they look to enhance operational efficiency, improve data accuracy, and support strategic decision-making. In short, our panel will unpack the fundamentals of successfully implementing an ERP system. I'm excited to learn more about how businesses can

implement this tool to evolve and shift with the industry. Joining us today, we have a few of my colleagues here in Consumer at Deloitte: Aimee Onizuka, Laura Bellinger, and Eric Johnson. Since all three of you are new to the podcast, can you just start by giving the audience a little bit of background on yourself and your role at Deloitte? Aimee, why don't we start with you?

Aimee Onizuka: Hi, everyone. I'm Aimee Onizuka. I specialize in tax transformation through ERP implementations.

Bobby Stephens: Thanks, Aimee.

Laura Bellinger: Hi, everyone, and thanks, Bobby. My name is Laura Bellinger. I spend a lot of my time working with our clients

that are going through internal controls transformations during transformative life events, like ERP implementations.

Eric Johnson:: Hi, everyone. My name is Eric Johnson. I'm a leader in our Finance Transformation offering in Deloitte, and I spend all of my time focusing consumer clients on ERP implementations—in particular, through the lens of finance and accounting, but also thinking more broadly about how the ERP can be a catalyst for helping improve customer and product profitability insights for the overall enterprise.

Bobby Stephens: Well, welcome, Aimee, Laura, Eric. Nice to meet you guys on the podcast, and thanks for your background. It

seems like we've got a great group to discuss this topic. So to get started, maybe I could have a volunteer to take a stab at defining, at a high level, ERP for our listeners who just might be starting to wrap their heads around this as a concept and this as a tool that businesses would want to use.

Eric Johnson: Sure. I can go ahead and take a first pass there. So ERP is basically what connects, for consumer companies, their relationship with their customers—so retailers or end consumers—and how they are capturing demand in the form of orders. How they're translating that into the supply side, whether they're manufacturing that or they're integrating with vendors in their supply chain, helping to coordinate all that demand and supply and the underlying accounting and financial transactions. So you can basically think of it as providing end-to-end process data and ultimately reporting outcomes for the enterprise for pretty much anything that our consumer product clients are needing to do to operate their business. So it's essential for how work gets done in the enterprise.

Bobby Stephens: OK. With that background, what makes an ERP system so valuable, in more detail, for the consumer industry? And what specific pain points do they help address? Eric, you started the first one. We'll have you start this one. And then Aimee and Laura, you're going to start some of these later questions. So Eric, why don't you start, and Aimee and Laura, I'd love for you to chime in on top of his answer.

Eric Johnson: Yeah. So the first thing is how many ERPs do you have. So that's often a challenge for our clients—dealing with multiple systems, multiple ERPs or disconnected systems, and thinking about what is their ideal end state. So maybe we'll just talk about in a perfect end state, where you just have one ERP, it's basically, you know, what I think about is that core, for our consumer clients, the core demand from the end user, whether it's through a retail or direct, translating that into how are

you supplying and then being able to make sure that you're getting the right product to the shelf or to the customer where they want it.

Aimee Onizuka: I would add maintaining and tax compliance globally can be a heavily manual, hour-intensive exercise. And given the increasing complexity and real-time nature of global tax compliance regulations and compliance requirements, when tax is integrated and configured in the ERP, companies can achieve additional tax accuracy and automation while remaining in compliance globally.

Laura Bellinger: Absolutely. And I love this question! Thanks so much, Bobby, for teeing this one up for me. I think it's really interesting, and maybe I'll start with a little bit of a pitfall and some anecdotal conversation drivers that I'm used to having with clients when it comes to the topic of thinking about internal controls during an ERP transformation. In almost every single conversation that I have had with clients, they are consistently surprised with the level of effort that is required to help step back and think about their internal control environment during the transformation itself—I would call that sort of your "system development life cycle"—as well as the effort to help think about internal controls coming away from Day 1. "Day 1" being go-live once you've moved everything into production and you're ready to go operating in the platform.

I'll say this is a particularly interesting conversation for those of our clients that are publicly traded, just if you think about the compliance requirements with respect to the Sarbanes-Oxley, or SOX, controls—those internal controls over financial reporting. Because having those in place and well designed as we get to that Day 1 go-live becomes really imperative to the business, really imperative to our stakeholders that are controllers or CFOs to make sure that the financial books and records that are being reported out of the ERP are complete and accurate and
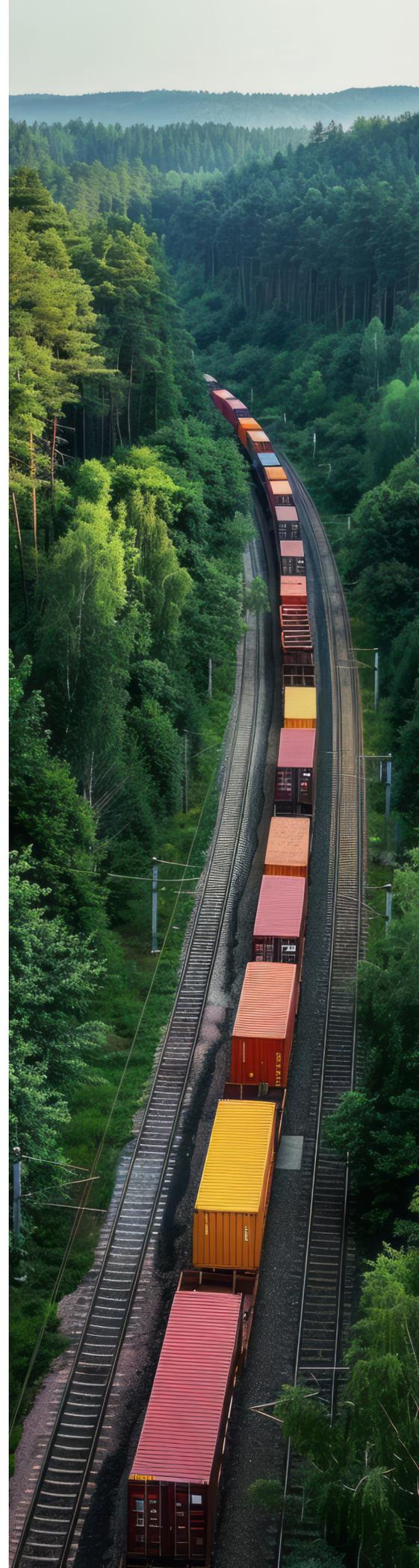
correctly presented when we come to those critical filing timelines.

But what I really want to say that's so important is, I think it's up to our clients to help make sure they're taking this transformation opportunity to really think about, "Well, what is the design of our control environment? What is the design of our business processes, our IT processes that are going to really be transforming as part of these system implementation opportunities?" Because this is really where, if you don't stop and think about that critical evaluation, you might run the risk of doing something lift-and-shift. And so really thinking about what do you want that future state to look like. This is the prime opportunity to do it, to take advantage of modernization, to take advantage of the automation capabilities in the platforms. All of those things that we dream about when we come to the table to start designing what that future mode of operations is going to look like.

Bobby Stephens: I love it. You made risk and control sound so exciting, which is important. Aimee, you mentioned tax earlier, specifically sort of the complexities around global tax compliance. So I wanted to hit on that a little bit. Maybe you can expand a little bit on how an investment in ERP delivers that long-term value in terms of tax compliance and accuracy and things of that nature.

Aimee Onizuka: I'd love to. Investing in an ERP system delivers long-term value for tax compliance by centralizing and automating the tax data needed for tax reporting and filings. With visibility to financial and transactional information, it becomes easier to maintain accurate transaction records, track tax obligations, and apply correct tax rates. This mitigates potential tax leakage and exposure. We see consumer leaders also integrating a tax engine, which allows further automation and scalability to these rapidly evolving tax laws. And finally, instituting governance

over the ERP practices, which ensures ongoing risk mitigation, limits technical debt, and secures continued return on investment from both an ERP and tax automation investments.

Eric Johnson: Yeah, and maybe just adding a little bit more color in the area I tend to specialize in, which is how can we use the ERP and (Laura mentioned) the concept of single source of truth? But I think what's very interesting is what actually is "truth" in the lens of profitability and the performance of the business? So a lot of times, we see our clients will struggle with getting granular profitability insights. So while they can see overall how their business is performing, they have a P&L, when you look at how are we doing as it relates to performance of individual customers, individual channels, geographies, SKUs? SKU profitability is definitely top of mind for our consumer clients. And especially in the economic and supply chain environment, where there's changes to tariffs and product costs, there's really a struggle for consumer clients to understand how profitable are their businesses, and what is the cost to serve specific customers, specific channels?

So once you kind of get past the foundational, operating a business and being compliant, typically the next horizon is where we see our clients really thinking about how can they use the ERP not just to operate effectively and meet their controls, their tax requirements, but how can they use it as a competitive advantage to win in the marketplace?

Bobby Stephens: Each of you have brought up something in the last couple minutes that kind of makes me want to talk a little bit about the future. Laura, you mentioned automation. Aimee, you talked about an increasingly complex global tax environment. Eric, you were talking about supply chain uncertainty. These are all things that are not only current things,

but things that probably could continue to get more complex or accelerate here in the near future. So as we consider these massive shifts occurring in the consumer industry, how do you all see ERP shifting with it or driving some of that shift in the next three to five years? Is there anything our clients can consider as they look to future-proof both their systems and their processes? Maybe Eric, you start, and then Laura and Aimee.

Eric Johnson: Yeah, it's a great question. And, of course, AI is top of mind in news today and you probably are hearing a lot about it. And if you've spent any time understanding how AI, for example, large language models, work, they're really reliant on training based on data, and that's something that we are seeing top of mind for the board of directors, the leaders of our consumer clients, is how to future-proof our business for everything that's to come for AI? And oftentimes, what that comes down to is having a data foundation—or the terminology is used in AI of a "semantic model" which describes your business—that is well architected, well defined, and well governed so that not just the human employees of our clients are able to operate effectively, but increasingly the digital workforce and agents, which is where things are evolving to, have access to the correct data that they need to effectively operate.

And that's ultimately what I'm excited about as we look five to 10 years out is ERP being that foundational enterprise layer that the digital workforce and agents can tap into, and that will start to generate all sorts of new possibilities in terms of return on investment for ERP initiatives, in terms of competitive advantages that you can gain by investing in the space.

So it's really exciting times, and we're basically entering into a new generation of enterprise software where even the definition of ERP is evolving what it's been for, say, the last 30 or 50 years.

Laura Bellinger: I love, Eric, that you tapped on the governance aspect, because I think for risk and controls, focusing in on the governance structures that are being deployed in those frameworks around things like AI is one thing—Bobby, to your question—that we're continuing to focus on with clients. Especially as we think about that future of moving toward the agentic AI digital workforce, it's really increasing organization's aperture with respect to that IT landscape. And so continuing to think about the control structure around how they're designing and deploying those types of capabilities—that's going to be very, very interesting and, I think, potentially augment and increase what those internal controls requirements are.

I think there's also a little bit of an element here that might resonate with some of the listeners in today's session, which is, thinking back to just the relevance of cloud, I know certain of our clients have moved along the journey of migrating to cloud, but as we think about what ERP transformations are looking like as we move from legacy on-premise solutions to those cloud-based models, thinking about their internal control structure with respect

to where those risks lie with cloud—and especially the prevalence of software as a service. And so, thinking about those shared responsibilities between our client organizations and where they may also be relying on other service providers to help form that full view of their control and compliance structure, I think that's one thing that I'd love for listeners to come away with—that sort of awareness today, if they haven't already moved on that journey so far.

Aimee Onizuka: And I can't emphasize enough, as Eric and Laura discussed, the focus on data and leveraging the ERP for both the standardization of processes and clean master data to really achieve the data foundation. We are going to see the continued introduction of AI tools and agents by the ERP but [also] vendors and service providers. When we have the data foundation in place, the consumer industry will be allowed to readily adopt AI tools and agents, which will bring continued automation, efficiency, and governance.

Bobby Stephens: This all makes a ton of sense, and it was really fun to be able to link it to even what I do in the retail consumer

space around digital with e-commerce, mobile apps, and thinking about, hey, all the transactions that we capture there get sent down through into an ERP. How do we get our SKUs and our inventory? Well, that's coming from someplace. And when you're trying to sell something to someone through a remote thing like a mobile app, it's important for those to be as accurate as is possible so you know what you have to promise is actually available, so you can capture that revenue and correctly attribute it.

So I think it's the notion of this being the single source of truth and the core platform, and everything running through it, makes it an important ability for growth, but also highlights that importance of the risk, the controls, the compliance. If it is that core to your business, you have to have those correct controls and be compliant and manage the risk around it.

Eric Johnson: Bobby, I love that you mentioned e-commerce. A client of mine, which is a more of a traditional consumer products company selling through retail, has been thinking about how do they navigate this e-commerce transition and

actually understanding where they're sending product. Now a lot of the retailers are omnichannel. So if you're sending the product into a retailer, you don't know whether it's going through a traditional store, being sold through an e-commerce site. And that's a challenge for clients, which point of sale data was always a challenge, but now it's becoming even more complex of how do you differentiate in an omnichannel environment. And so that's an example of where kind of the edge or the frontier of ERP is now moving further upstream into the channel of looking at the end-to-end value chain, and how do you have the data and the analytics to be able to make decisions on inventory availability, pricing, relative profitability, cost to serve in an omnichannel digital versus physical environment.

So pretty interesting problems that our clients are wrestling with, and it's top of mind as they're thinking about their ERP agenda.

Bobby Stephens: I really appreciate all that. On this episode here, we talked a lot about ERP—again, enterprise resource planning for those of you who like to use formal names—and really how this tool can help transform systems and methods for our consumer clients of the future, whether it's in the store, in the warehouse, or in the mobile app. We learned about safeguards and systems that are really important and considered ways to actually thrive within this and ensure you're in compliance with tax and other elements.

So thank you so much, Aimee, Eric, and Laura for joining me on this episode. And thank you, of course, to the audience as always for listening in. Don't forget to subscribe so you don't miss our next episode, and take a look at our description for more content.

Until then, keep making sense of your world. This is Bobby Stephens. Stay safe and take care.

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