

DXP Enterprises, Inc.

Industrial distributor supports ambitious growth goals, cuts costs by \$800,000 with BI solution



If at first you don't succeed, take a page from the book of DXP Enterprises. The industrial distributor wasn't dissuaded by the failure of its first foray into business intelligence (BI). Instead, it came back with a plan that included executive sponsorship, grassroots support, a great tech provider—and Microsoft technology. Employees have embraced the new BI solution, which is on track to both spur growth and reduce costs.

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This is a story about the second time that DXP Enterprises, a distributor of industrial products and services, overhauled its business intelligence (BI) systems.

That's because the first time was a failure.

That first time was in 2008. DXP has used diversification and growth through acquisition as dual strategies to create a company with strengths in supply chain services, rotating equipment, metal working products, industrial equipment, bearings, power transmission as well as safety products and services. By the company's centennial that year, its strategy had paid off so well that DXP earned US\$737 million in annual revenues, up from just \$150 million five years earlier.

New size, new challenges

But its new size brought new challenges, including management of a highly decentralized organization. Each of its business units used data differently, with varying business rules, definitions, and reports. So it became increasingly difficult for DXP to integrate its data for effective, enterprisewide decision making.

“People would come into meetings and their numbers didn't match,” recalls Chris Gregory, VP of IT Strategic Solutions at DXP. “Instead of focusing on policy, we had to focus on making sense of the numbers.”

DXP executives knew things had to change. So their IT department delivered enterprisewide data marts along with dashboards to access them. But the business users that DXP had hoped would flock to the new business intelligence tools largely rejected them. Within a few months, the company removed them from its intranet. And the problem just got worse.



By 2013, more than 40,000 reports were created each month. A staff of five report developers struggled to respond to 1,400 support tickets, mostly requests for new data and new reports. About 40 percent of the company's revenues weren't recorded on its primary ERP system. DXP was now much larger and more complex than it had been in 2008; problems that were pressing then had become more pressing now. Gregory and his colleagues knew they had to try again to create an enterprisewide BI platform.

And this time they had to get it right.

Needed: A better approach

If Gregory and his colleagues were to achieve a better result, they needed a better approach. And they had one. Instead of turning to the IT department, they turned to the business side and created an executive steering committee made up of the senior vice presidents of supply chain services, corporate development, and DXP's largest line of business.

“To get these executives interested in the project, we did a lot of analysis up front about the business challenges created by data and reporting issues, and how those challenges were likely to grow,” says Gregory. “We looked at frustration in the field and the costs of the status quo. All this helped these executives to get on board.”

It helped too that Gregory and his colleagues were ready with the outlines of a practical solution designed to show early results. Senior management suggested that the project start with general ledger data, but Gregory and his team advocated for accounts receivable/invoicing and sales data as a starting point. Those areas accounted for 64 percent of the existing reports catalog, and a solution focused on it would deliver highly actionable analysis and help lay a foundation for a broader general ledger report.

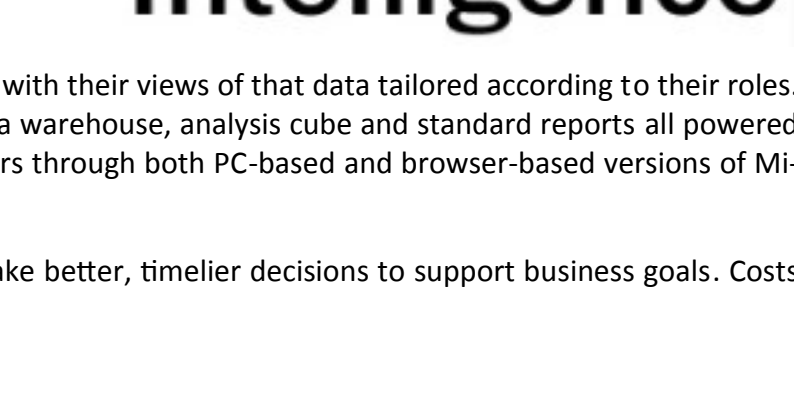


The steering committee agreed—and it agreed, too, with the choice of Pariveda Solutions as DXP's planning and implementation partner. Pariveda had already helped DXP with a data reporting solution based on Microsoft SharePoint Server technology.

Getting the grassroots

To gain support from grassroots users, DXP created a data governance committee. Its 15 members brought diverse perspectives from across the company and represented a “big culture shift” toward enterprise inclusiveness, according to Gregory.

Another big change came with DXP's approach to the new reports and analysis tools themselves. Traditionally, the company had made information broadly available to senior executives, and it reduced the amount of information available to each step down the hierarchy—regional vice presidents, branch managers, and inside sales reps.



With the new BI solution, the same reports are available to all employees, with their views of that data tailored according to their roles. Making that possible is the BI solution itself. That solution, based on a data warehouse, analysis cube and standard reports all powered by Microsoft SQL Server 2012 R2, includes ad hoc reporting for power users through both PC-based and browser-based versions of Microsoft Excel spreadsheet software.

DXP employees have embraced the new BI solution and are using it to make better, timelier decisions to support business goals. Costs are down and unexpected benefits are turning up.

Achieves 57 percent adoption

In contrast to the previous BI solution, DXP's current solution won fast and broad acceptance. In its first year, the solution is already used by about 2,000 of the company's 3,500 employees.

Branch managers, who formerly had limited data access, now see real-time transactional data and sales-trend information, enabling them to identify concerns—such as excessive or low inventories, or lost sales opportunities—in time to address them. Data availability has also led branch managers to compete to boost revenues.

“BI adoption is high because employees see we can use the solution to be more successful,” says Gregory. “For example, in budgeting, we now spend time thinking about our growth opportunities and optimizing the budget to take advantage of them. That's going to have a real impact on our ability to meet increased goals for organic growth. We used to spend too much time tracking down data to do that.”



Avoids \$800,000 in expenses

DXP has used BI to reduce the time spent budgeting by 50 percent, which saved 2,000 personnel hours and \$300,000 and shortened the process by three weeks.

In addition, DXP has eliminated redundant reports in its catalog and expanded the self-service capabilities available to employees, reducing total report volume by 75 percent and the number of employee requests by 15 percent. By bending that report curve, Gregory estimates that DXP will avoid spending \$500,000 on additional report development staff over the next two years.



Spurs better service, higher revenues

Savings in budgeting and IT spend is nice—but that's not why DXP is in business. The company's mission is to make money for investors while providing superlative service to its customers. A BI system worth the investment has to help the company do more of that. And DXP executives say that their solution does.

“The distribution business may sound simple, but it's very complex,” says Aaron Haggerty, Director of Operations at DXP. “It's a highly decentralized business, which means you're managing an enormous number of systems from a great distance away. And our company has tripled in size in just the past few years. Getting meaningful intelligence on people, processes, inventory, and revenue across each of our operations is essential to my effectiveness. And the BI solution is essential to my getting that intelligence.”



Haggerty points to the company's SuperCenters®, regional operations that provide expertise, products, and services to local customers. Many of DXP's customers operate across the territories of several SuperCenters but, previously, DXP didn't have a way to compare a customer's purchases from one of the SuperCenters to another.

Now it does and the impact is striking. For example, by noting a customer's different purchase patterns across two SuperCenters, DXP was able to make sales recommendations that increased the customer's business with DXP by \$100,000. “That's a \$100,000 increase due to BI from just one customer—and we're able to make these types of recommendations on a regular basis,” says Haggerty.

Supports sales management

DXP finds the BI solution particularly helpful in supporting sales management. “Managing the sales teams is a key way to grow,” says Haggerty. “BI gives the sales manager the tools to coach sales reps more effectively—and that's incredibly powerful. The manager can use BI to educate the sales reps, to motivate them, to help them address challenges in key accounts.”

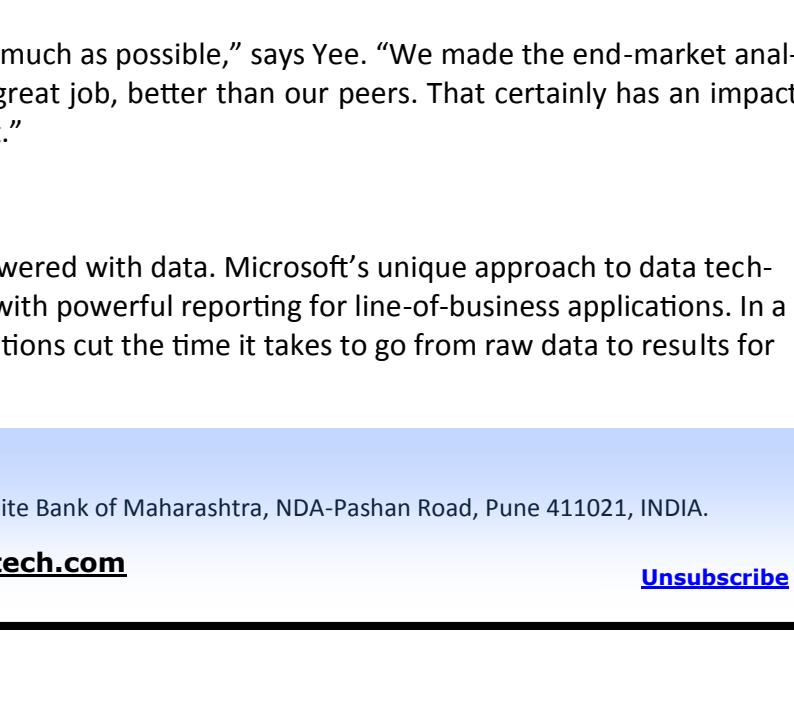


Helps bolster reputation—and stock price

DXP benefits from the BI solution in ways it couldn't have anticipated when it developed it. For example, one of the top executives was preparing for an investor-relations conference call when he noticed unusual margin results from one of the business units. Using the BI solution—which was still in prerelease beta—he identified the relevant trend data within minutes and was ready to respond to analysts' questions.

“Being better prepared for analysts' questions can have an impact on our reputation and stock value,” says Gregory. “That's an unexpected benefit of Microsoft BI.”

That's a small example. Here's a big one: Some of DXP's customers are in the oil and gas market, so the recent drop in that market clearly had an impact on DXP's business—but how much of an impact, and how was it likely to grow over time? Executives used BI to conduct a comprehensive end-market analysis of its customers to answer that question.



“Previously, we couldn't have precisely quantified our exposure to upstream oil and gas—the data just didn't exist that way,” says Kent Yee, senior vice president of corporate development at DXP. “But now, with BI, we could—and we could do it quickly.”

That's enabled the company to manage that portion of its business more effectively and, just as important, it's given the investment community confidence in DXP's ability to do so.

“Our investor base is more confident that we're on top of this situation as much as possible,” says Yee. “We made the end-market analysis part of our presentations to analysts, and they told us that we did a great job, better than our peers. That certainly has an impact on our stock price—not one we can measure, but one we're glad to accept.”

Unlock insights on any data

Organizations realize a competitive edge when more employees are empowered with data. Microsoft's unique approach to data technology delivers this capability—whether through insights and analytics or with powerful reporting for line-of-business applications. In a world where business demands the speed to compete, Microsoft data solutions cut the time it takes to go from raw data to results for everyone.

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