

Are You a Modern Distributor?

Introduction

The distribution industry has changed a great deal over the past several years as more companies use the Internet to gather information about products or to buy from online resources or directly from manufacturers. As a result, distributors have had to provide short lead times and more value-added services to attract and retain customers than ever before. This change has given rise to a new class of modern distributors that strive to manage supply and to shape demand for the optimum balance to maximize profit margins and minimize their operational costs. However, the supply chains in which distributors operate are not linear chains - they're more like networks connecting a complex web of suppliers and customers. Supply networks are only as strong as the weakest link in the chain, and the complex webs present communication and visibility challenges that must be addressed to ensure long term viability and success. Distributors that successfully orchestrate a complex supply network to satisfy their customers and optimize their profits are known as modern distributors.

Modern distributors have unique characteristics that set them apart from more traditional distribution companies. A modern distributor is characterized as an organization that is:

- Growing
- Insightful
- Effective
- Responsive
- Collaborative



Growing

“Just like a plant, you’re either growing or dying.”

- T. Hard Eker

The entire distribution industry faces numerous operational and growth inhibitors. Distributors can strive for growth to improve top line revenue or bottom line income, but in either case, distributors must overcome multiple financial, organizational or system factors that may constrain growth.

Financial constraints

- Capital constraints
- Cash flow limitations

Organizational constraints

- Complacency
- Scalability
- Risk aversion
- Partnerships and their inherent complexities

System Constraints

- Lack of flexibility
- Minimal or no customer insight
- Systems that cannot integrate easily with external data sources
- Insufficient internal skillsets

By addressing these factors, a modern distributor capitalizes on growth opportunities and sets itself apart from its competitors by utilizing a combination of technology, people and processes as a platform for driving its revenue and margins.

A modern distributor develops an organizational strategy to support growth while using technology to reduce costs, improve customer service, and take advantage of change in the market. By being keenly aware of what’s happening in the industry, their market and their own organization, the modern distributor can embrace market changes and create new business opportunities using real-time insight into inventory and operational capabilities.

Insightful

“There is a great difference between knowing and understanding: you can know a lot about something and not really understand it.”

- Charles F. Kettering

There is a wide gap between simply having data and being able to use information to achieve insight. Many enterprise business systems are long on data and short on the necessary information, leading to challenges for modern distributors seeking insight into their business. Challenges include:

- Inaccessible data stored in multiple systems
- Difficult for users to organize or gain access to data
- Data presentation that does not support decision making
- An organizational culture that does not embrace accountability
- Limited tools to organize and use data
- Competing IT priorities

A modern distributor must effectively combine internal and external data for the insight to support wise business decisions and to create and sustain better customer relationships, both of which result in competitive advantage. A digital transformation is underway and the modern distributor must be cognizant of how these may impact their business. Analyzing data helps identify additional customer opportunities and supports the development of new services, potential opportunities and areas ripe for operational improvement. Examples of useful insights include:

- Improved pricing for increased sales or margins
- Financial analysis
- Performance KPIs and metrics for everyone in the organization
- Compensation analysis
- Cost-to-serve metrics
- Procurement opportunities to lower costs or reduce lead times

Effective

“Efficiency is doing things right; effectiveness is doing the right things.”

- Peter Drucker

Managing increased throughput with the same resource investment is a challenge for many distributors because of organizational constraints and limited information availability. No organization can be truly effective when any of these conditions exist:

- Staff has limited technical capabilities or systems are difficult to use
- Various systems are incompatible or require ongoing IT support
- Management is unaware of the hidden costs of ineffective systems
- Multiple physical locations inhibit communication, visibility and collaboration
- Team members circumvent cumbersome formal procedures and processes
- Old or outdated trade agreement constraints

A modern distributor achieves effectiveness by using current, upgradeable flexible software solutions that leverage best practice methodologies to support current and future end-to-end distribution processes. The solutions provide the ability to plan distribution and stocking locations to minimize costs, increase profitability, maximize customer satisfaction and reduce lead times to customers. Also, the modern distributor creates systems to support the modern worker and a new paradigm known as experienced-based work.

They continuously revise and upgrade their supply chain solutions and tool sets for optimum results. The system can be used by all to increase distributor success and is built on a stable platform that can confidently deliver results and remain contemporary for decades to come.

Responsive

“It’s important to remember your competitor is only one mouse click away.”

- Doug Warner

Opportunities and problems are a way of life, but distributors must go beyond merely reacting to actually orchestrating effective responses, regardless of what obstacles are in their path. Typical obstacles distributors must overcome might include:

- Absence of or inability to access necessary information
- Systems won't scale to support growth or required response times
- Inflexible software that does not support current, or future, business processes or is difficult to use
- Workarounds, manual activities or side systems required to supplement ineffective software
- Poor internal and external communication

For a modern distributor, technology is an asset that helps them anticipate, manage, and respond to change, providing the flexibility to adapt quickly to changing business needs and empowering users to do their best work and to make rapid, fact-based decisions.

A modern distributor requires visibility across all channels to effectively collaborate and achieve the responsiveness necessary to remain competitive. Modern distribution teams maybe scattered around the country or across the world, but they still need to answer customer inquiries and provide correct delivery information without delay. They need systems that support new value-add processes to enhance competitiveness and increase their share of the customers' requirements. Modern teams are mobile, and all employees require information and system access regardless of their location or time zone. Employee responsiveness supports the customers' need for speed and accuracy of information for their supply chain, and is the foundation of the concept of the modern distributor.

Collaborative

“If everyone is moving forward together, then success takes care of itself.”

- Henry Ford

Collaboration across the supply chain may present numerous challenges because of varying systems, languages and time zones, yet it is truly the most important part of a modern distributor's arsenal. Suppliers require updated forecast information from the distributors, who request it from their customers. Many companies have turned to EDI for direct order placement or to provide instant updates to requirements and delivery dates. Yet even some of the most progressive distributors are unable to manage the necessary level of communication and collaboration, which requires such sophisticated capabilities as:

- Self-service portals for customers and suppliers to securely enter, review or update orders, delivery requirements, demand changes

- A variety of EDI transactions across the supply chain, including orders, ASNs and invoices or payments
- Sales collaboration portals for remote access to information for the sales organization and customers
- Interactive communication such as instant text, voice, and video messaging, secure and easily searchable document storage, a knowledgebase and ongoing team communications about products or projects

Modern distributors must collaborate and communicate across their supply chain with up-to-date tools such as EDI, portals and e-commerce sites--as well as traditional order capture processes--across their entire B2B environment to support today's Omni-Channel environment. There are numerous emerging technologies to transform and support collaboration. Customers and suppliers want self-service options directly from the distributor's supply chain system, and the successful modern distributor supports this requirement, sharing information across the supply chain with both suppliers and customers to provide real-time information that supports business requirements and rapid decisions and responses.

Technology

For a modern distributor, technology is the single most important asset —one that helps them anticipate, manage, and respond to change to stay ahead of their competition. The right technology must make day-to-day operations easier, and provide the flexibility to adapt quickly to changing business needs. A modern distributor becomes more responsive by using technology for increased visibility and collaboration across all channels, including internal channels, suppliers and customers. A modern distributor benefits by having a productive mobile team that can work together, wherever they are.

To recap, a modern distributor is characterized as an organization that is:

- Growing
- Insightful
- Effective
- Responsive
- Collaborative

Modern distributors operate differently than their more traditional competitors. They use technology to analyze information from multiple sources to enable rapid, effective decisions and responses. They use technology to improve performance in ways that are far beyond the capabilities of traditional distributors.

- Modern distributors recognize that demand shaping is the most effective way to balance supply and demand, but without the right tools, pricing and promotions it can be complex to manage without cutting deeply into margins.
- Superior customer service is their most important differentiator, and modern distributors know that order management is more than just order entry.
- Modern distributors manage inventory more effectively with visibility into and control over volatile supply chains, vendor managed inventory, consigned inventory management and flexible inventory reservations.
- They minimize complexity and maximize margins by supporting rapid, fact-based decisions with data insight rather than forcing the team to rely on guesswork or rules of thumb.

Modern distributors require technology to enable continued evolution of their organization. They need to ensure that when they implement technology solutions, it is done easily, cost effectively, expertly and with low risk. And a modern distributor understands that training their people on their system is a key to success. The easier the system, the quicker the adoption, the more likelihood the system will be effectively used.

Easily. Technology solutions must be implemented by organizations that are easy to do business with and which are characterized by:

- A central point of contact for the implementation period and for on-going engagement
- Advisors or consultants managing the best interests of their clients
- Minimally disruptive update deployment methods
- A simple, easy to understand pricing model
- Nimble and responsive
- An attitude of “being there” when the fires are burning hottest

Low Risk. Technology solutions must be implemented and deployed in a way that minimizes risk to the distributor. Look for:

- Solution providers and consultants with a solid reputation and track record
- A proven methodology to ensure a successful implementation
- A plan that minimizes business interruptions
- Rapid implementation timelines
- Accessible top executives

- A “no surprises” approach to the plan
- Familiar with the industry and best practices

Cost Effectively. Technology solutions must be implemented in a cost effective manner by organizations that:

- Operate transparently
- Provide future-proofed solutions
- Feature open solutions rather than proprietary technologies
- Provide a demonstrable total cost of ownership
- Can demonstrate solution performance and scalability

Expertly. Technology solutions must be implemented expertly – by organizations that have:

- Deep domain expertise
- Functional specialties
- Defined implementation processes
- The ability to minimize business disruptions
- A detailed and open process review
- Industry and technical staff certifications
- An approach of sharing best practices

Technology - meaning the entire IT platform - is the cornerstone of the modern distributor. This cornerstone should be comprised of deeply and seamlessly integrated components. When selecting business solutions and implementation partners, look for a partner that includes all four factors in their implementation plan. Then, start planning your path to becoming a modern distributor.



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