

A horizontal bar with three segments: dark blue, orange, and light green.

## Five Attributes of Tomorrow's Distributors

Best-in-class distributors now use some of the latest ERP systems as tools to identify problems before they become disasters and market opportunities before they grow stale.

### Introduction

The distribution industry has changed a great deal over the past several years. Generational issues have led to consolidation. The web has forever changed information sourcing and is revolutionizing the purchasing function. Millennials are joining the distribution industry, margin erosion is continuing and customers demand a higher level of service.

Overcoming these challenges is really just the opening ante to prosper. There's no doubt the supply chain is becoming more complex

creating the need for increased communication, collaboration and consistency of information while maintaining flexibility to adjust processes. Managing this complexity is vital to ensuring long-term success.

Today's best-in-class distributors have adapted to the times. Market leaders are differentiating themselves by doing things like forecasting supply, and driving demand to maximize profit margins and minimize operational costs. They have recognized the changing market and are proactively investing to control their future. They're redesigning processes, investing in technology, training staff, introducing new services, deploying omni-channel strategies and repositioning themselves as solution providers.

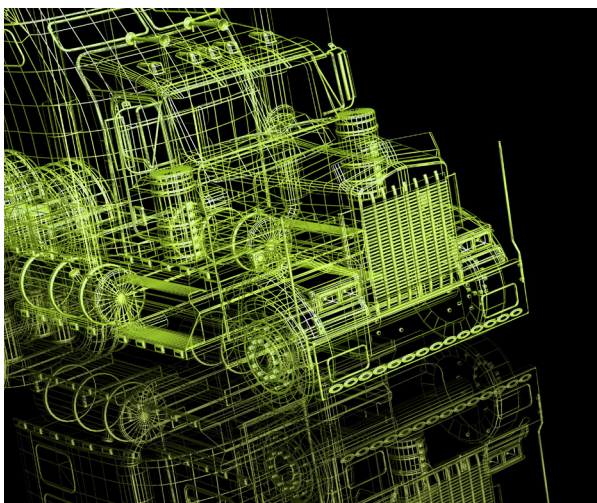
We have conducted research on successful distributors and found the following five attributes are critical for distributors to possess if they want to become or remain market leaders.

## Growth

### **Grow consistently in a challenging marketplace.**

To continue growing, distributors must overcome financial and organizational factors such as financial constraints, capital or cash flow limitations, complacency, risk aversion, inherently complex partnerships, limited customer insight, internal systems that cannot integrate easily with external data sources, and insufficient internal skill sets.

Progressive distributors capitalize on growth opportunities and set themselves apart from competitors by utilizing a combination of technology, people and processes as a platform for driving revenue and profitability. They develop an organizational strategy to support growth while leveraging technology to reduce costs, improve customer service, and capitalize on market changes.



## Insightfulness

### **Use ERP systems to gain insight into business problems and opportunities.**

Many enterprise business systems are long on data and short on information. If a company's ERP system isn't producing usable information, it can cascade into a whole host of problems. For example, a distributor might not be able to identify a problem before it becomes a disaster or a market opportunity before it grows stale.

Some common problems with ERP systems that don't provide enough actionable information to distributors include inaccessible data stored in multiple systems, unorganized data, data that does not support decision making, competing IT priorities, and organizational cultures that do not embrace accountability.

Best-in-class distributors effectively combine internal and external data to develop insight that helps them make wise business decisions and sustain better supply chain relationships, ultimately generating competitive advantages.

A digital business transformation is underway, and market-leading distributors recognize they need to be competent in: developing performance KPIs (Key Performance Indicators) and metrics for everyone in the organization; improving pricing for increased sales or margins; identifying procurement opportunities that result in lower costs or reduce lead times; and developing cost-to-serve metrics.

## An Ability to Harness Technology

### **Harness ERP system as an effective and flexible tool to solve unique challenges.**

Managing increased throughput with the same resource investment is a challenge for many distributors. It can lead to problems such as: systems that are difficult to use, incompatible, or require a disproportionate amount of IT support; issues with communication, visibility and collaboration that inhibit access to information; and team members circumventing cumbersome procedures and processes. Managers often aren't aware of the hidden costs of an ineffective system with these problems.

Modern distributors operate their businesses by using flexible software solutions that support current and future end-to-end distribution processes. These ERP solutions minimize costs, increase profitability, maximize customer satisfaction and reduce lead times to customers. Some of the newer ERP systems are also attractive to employees who want to work in a contemporary, future-proofed computer environment.

## Responsiveness

### **Responsive to change.**

Today's best-in-class distributors use technology as an asset to manage, respond to and anticipate change and empower their teams to make rapid, fact-based decisions. They use technology to overcome obstacles such as an inability

to access necessary information; inflexible software that does not support business processes or is difficult to use; and workarounds, manual activities or side systems necessary to supplement ineffective software.

## Keen to Collaborate

### **Ability to be collaborative with supply chain partners.**

Effective collaboration across the supply chain presents numerous challenges due to data inconsistency, system compatibility, interpersonal disconnects and other issues. Even the most progressive distributors are sometimes unable to manage the necessary level of communication and collaboration with capabilities because they don't always have an ERP loaded with the following tools:

- Sales collaboration portals for remote access to information for the sales organization and customers;
- Vendor portals for immediate updates on supply orders
- Web stores and portals that allow customers to securely enter, review or update orders and delivery requirements;
- Supply chain efficiency initiatives such as robust usage of EDI, CI (Consignment Inventory) and VMI (vendor-managed inventory);
- Effective management of customer storerooms, jobsite trailers and consigned inventory;

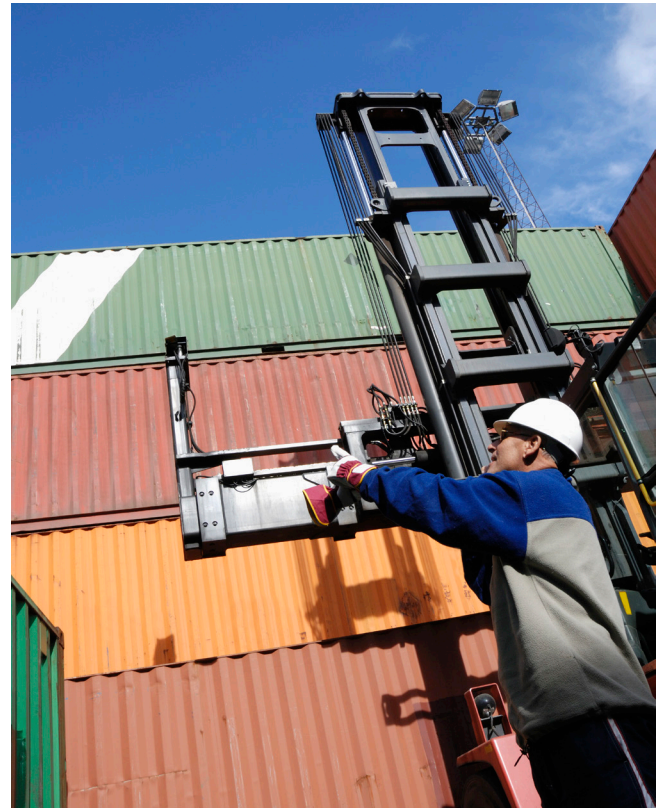


- Interactive communication such as instant text, voice, and video messaging, secure and easily searchable document storage, a knowledgebase and ongoing team communications about products or projects.

Best-in-class distributor's use the tools mentioned above to collaborate and be more responsive to customer needs. Regardless of location, they can answer customer inquiries and access accurate information without delay. Their ERP systems support new value-add processes to enhance competitiveness and can result in increased sales. We are finding that some emerging technologies can transform and support expanded collaboration and provide solutions for supply chain partners that seek self-service options to manage transactional, repetitive interactions that can support, enhance and build relationships.

## Summary

Tomorrow's distribution leaders are capitalizing on today's opportunities. They are investing in their systems so they have platforms that can support accelerated growth. These distributors know they need to collaborate and communicate across their supply chain to support today's omni-channel environment while leveraging technologies to gain efficiencies, drive new services and gain insights that will power profits.



 **Ready to grow your business?**

Call 888.725.2555 or  
email: [info@velosio.com](mailto:info@velosio.com)  
and start a discussion  
with a business  
technology expert.

Velosio is a new leader in cloud, that simplifies *your* journey to NEXT. We guide you, deploying best-fit business applications that keep you ahead of the competition in today's digital-first business environment. We balance visionary ideas with pragmatism, delivering an exceptional client experience that drives business value faster. [www.velosio.com](http://www.velosio.com)

**Velosio**