

3 Key Ways Distributors Can Boost Productivity

Distributors of all shapes and sizes have efficiency top of mind. But identifying processes to improve and how to address them is half the battle before following through with change management. This guide explores crucial opportunities for distributors to leverage in their endless productivity journey.



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Although wholesale distributors encounter varying challenges depending on their industry segment or company maturity, a shared element among all businesses is the potential for streamlining their processes.

During a recent MDM webcast on productivity, experts in SAP software solutions, business operations, and customer relations shared three areas wholesale distributions can focus on to find pockets of efficiency. Below are three ways distributors can boost their productivity.

1 Leverage Technology to Automate Manual Processes

Automation doesn't need to mean complexity, says DataXstream President and CEO Tim Yates. Sometimes, the technology to automate manual steps in different processes and increase efficiency is right under a distributor's fingertips waiting to be tapped into.

While technology stacks get upgraded over the years, many distributors continue to use the platforms in the same ways they always have. Other times, distributors put a lot of effort upfront to get the system going and normalize it within the company, but fail then to take advantage of the ways the system can automate repetitive or manual tasks.

There are three types of distributors who can miss out on opportunities to leverage more advanced possibilities of their platforms:

- Distributors running an outdated platform with fewer capabilities;
- Distributors running a modern platform who have failed to update it and are unable to take advantage of the modern technology, or;
- Distributors running on an up-to-date modern platform who have failed to embrace the next steps.

"A lot of the systems that I see when I'm talking to customers are in dire need of a facelift in terms of how they interact with it," says Yates, who has served SAP users in sales and distribution for over 25 years as a solution developer.

A simply outdated system may require a re-platforming, but if a distributor has a modern platform (i.e., a platform implemented in the past 10 to 15 years), there is a high chance that automation capabilities are available.

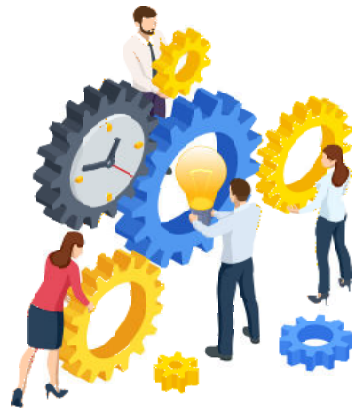
Yates says automation will play a critical role in boosting the productivity of distribution by simplifying work activity. What's more, automation and machine learning have the potential to alleviate the impact of labor tightening at the end part of the decade by eliminating some need for tribal knowledge.

For example, DataXstream's machine learning product, [Intelligent Automation](#), allows users to automate order and code creation and complete tasks such as matching requested materials for customers. Machine learning improves its performance over time by completing tasks and incorporating input from actual users.

The solution stores this information to enhance its ability to deliver improved answers in subsequent interactions. These types of features allow distributors to both reduce the total cycle time activity for the customers and lessen the dependence on employees for manual processes.



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// Not looking at it as silos but looking at the end-to-end process and making sure it all fits together to create the best experience across the board benefits everyone from the vendor to the customer, //

— Tim Yates,
DataXstream
President and CEO

“Machine learning can filter out and eliminate non-value-added work to help close more business, and maximize margins,” Yates says. “And frankly, you close more business and maximize your margins because you’re making your customers happy.”

California-based building supplies distributor Pacific Coast Supply has worked with DataXstream for more than five years, with that partnership including the build-out of a point-of-sale solution. The duo recently automated one of the distributor’s biggest, messiest manual processes: connecting payments to orders at its 49 stores and flowing it through its banking process.

“We took an effort that would take someone about 30 minutes to an hour a day, and simplified it down to about 15 minutes,” explained Digital Transformation Manager Joe Valine, who is responsible for the IT efforts at Pacific Coast Supply. “That impacted at least 50 employees every day for an hour. Call it \$20 an hour... that adds up pretty quickly on a 255-business-day work year.”

Valine says this effort allowed these employees to focus more on the customer experience and the next day’s business versus trying to reconcile what yesterday or today’s business was.

2. Enhance the Total Customer Experience

As distributors more deeply embed technology into their go-to-market models, the way customer service is defined has fundamentally changed.

Years ago, wholesale distribution was primarily a volume-based business, explains Paul Pretko, the Industry Executive Advisor for the Wholesale Distribution Industry at SAP and a former distribution practitioner.

“We called it customer service, but it was really order-taking,” he says.

Now, distributors have taken on a larger role that requires more involved real-time information shared and replicated with the customer, the salesperson, and the customer service representative.

“If you look at today, now you’ve got a broader variety of products. You’ve got value-added services beyond the products, and you’ve got the versatility of a solution,” Pretko says. “So, those customer service reps are not just providing products, they’re actually providing a comprehensive solution for the customer.”

That link between all three parties working together makes up the idea of the “total experience.”

One of Pacific Coast Supply’s biggest challenges was the long training process new employees would have to complete to be competent in placing orders for customers. During the four to six months an employee was training, it would take longer for customers to check out or require two people to help input complicated transactions. By simplifying the process through technological innovations, implementing improved product search capabilities and creating a more intuitive business process in their point-of-sales system, the learning curve for new employees was reduced to a two-week training process.

“What that really allowed us to do is instead of a bunch of system training, we could instead focus on product training and knowledge for our people so that when customers come in, employees are focused more on helping understand what product they’re looking for, what the cost will be and how long it will take versus what fields to enter in a system,” Valine says. “It allowed us to hire people with the right characteristics that helped us be a relationship business for our customers versus a system operator.”

Jimmy Dickinson, Industry Principal for Wholesale Distribution and Vice President of Industry at information technology company NTT Data, says the “total experience” has an opportunity to differentiate distributions within their segment.

“It’s those that can champion this that can become the leaders in their vertical,” he says. “And I do believe that it’s looking at both sides of the chain inside the four walls, through your suppliers and your customers.”

3. Upgrade Systems to Take Advantage of Innovations

“In the SAP space, customers are notoriously behind the eight ball,” when it comes to keeping their platform current and reducing work for the user, DataXstream’s Yates says.

SAP’s Pretko details that older systems which may have served distributors well for many years haven’t always kept up with the changing landscape of distribution. New platforms are changing the game when it comes to agility to scale businesses and adapt to changes.

“Can you make some practical tweaks on your 20-year-old system to get a little more juice out of the whole process? Yes. But ultimately, at some point, if you’re not on a modern platform, and you haven’t upgraded, you’re going to fall behind because the accelerators in the new technologies are so powerful in terms of being able to deliver more at a faster pace, and even at a higher level of quality,” Pretko explains.

However, upgrading SAP platforms from one version to another or completely re-platforming is not an easy undertaking. There are many moving parts. Yates says he tends to talk to customers about how to “eat the elephant in smaller bites.”

“Carve out certain things that are troublesome up front that can lower the bar for that upgrade in the future, and have a plan for how to get to that future state,” Yates advises.

PCS’ Valine says he has found that the longer you wait to upgrade, the harder it becomes to service customers in a way they want to be taken care of today. He advises distributors to be mindful of where the market is going, “because it’s changing faster than ever.”

“We may not want to be on the bleeding edge, or in the first 2 to 5% of people using a technology, but once we get to a certain number like 20%, we’re going to be behind by the time that we implemented a newer, more modern or contemporary solution,” Valine says of finding the right time to act. “And so I think, to the ones that are waiting, it’s only going to get more challenging and you’re only going to have a bigger step to take to get to where we are today where the latest and greatest technology is.”

Yates says there are many common-sense steps distributors can make that are risk-free before making the big steps. He uses the analogy of replacing a jet engine: When a company is actively running on a system, upgrading it all at once can feel like replacing a jet engine while flying. Instead, Yates suggests changes can be more gradual and digestible.

“Maybe each time you land you swap out something that you need to fix,” he explains inside the analogy. “You don’t ever replace the engine, you just upgrade until you get to a point where you have a new engine. So many want to just swap the engine in mid-air, which makes no sense to me.”



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Pacific Coast Supply's Valine says the key to keeping innovation possible and realistic is taking the time to document business processes and their requirements. With virtually endless possibilities, the first step is often answering the simple questions: What do we want to do? How do we want to handle an order? How do we want the experience to be like with the customer?

Once you have the answers, you can then find technologies and solutions that meet those needs.

Valine, DataXstream and Pacific Coast Companies Inc. (PCCI), which manages PCS' IT services, sit down together to discuss technology upgrades and connect the dots between company and customer needs and technological capabilities.

Chris Anganes, a solution architect and functional analyst for PCCI, explains that setting business requirements together is when an system upgrade becomes successful.

"In a lot of companies, the IT drives the upgrade and that's a hard sell. If the upgrade is business-driven. That's a bit of bigger sell," Anganes explains. A technical upgrade may help IT with future support, but it's the focus on the company priorities, such as user productivity benefits or keeping market share, that gets the whole team behind an upgrade.

Productivity Starts with a Decision

DataXstream's Yates says the distribution industry is full of inaction, which he believes is costing distributors valuable time and money while untapped productivity potential lays idle.

"The cost of inaction is so huge that it just baffles me," Yates says.

Often, distributors recognize the potential for productivity advances, but the decision-making process to do something about it is ineffective.

"These large companies need to figure out how to break down some of these barriers that are stopping them from making good decisions — to be able to make them more in a more agile way — so that they can take advantage of these things," Yates says. "These companies could have been realizing the benefit five years ago."

Of course, with so many possible paths to follow, it's easy for distributors to experience decision paralysis and productivity initiatives seeing delays or never beginning because that first step is never taken.

Thankfully, plenty of help is available.

Distributors looking to streamline their productivity and operations can learn much more about the solutions at their disposal by visiting [DataXstream's](#) library of content resources and discussing what productivity decision is right for you.

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