



The 2025 State of AI in Distribution

By Jonathan Bein, Ph.D.

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A decade ago, Forrester's Andy Hoar, author of the infamous "Death of the B2B Salesman" report, forecast the displacement of more than 1 million B2B sales reps by 2020 due to the rise of a customer-led digitally oriented market.

The move to self-service research and online sales was already well underway at that time, signaling a fundamental shift in traditional sales roles.

But even Hoar couldn't have imagined how AI would amplify this disruption. AI is accelerating the transformation he predicted a decade ago, forcing distributors to move faster and rethink how they sell to and serve their customers. Looking ahead five years, sales reps' roles will change even more dramatically.

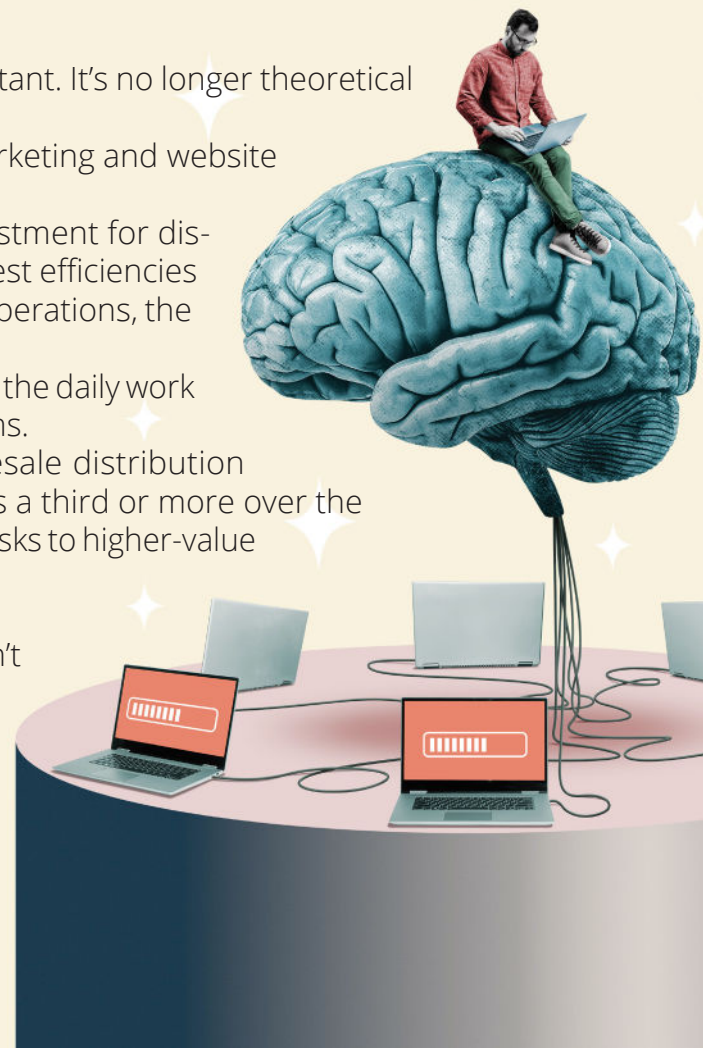
Distributors that are quick to adopt AI-enabled technologies will come out way ahead. Picture this: A distributor grows 30% over the next five years – without adding any people except for replacing those who leave. Revenue per employee skyrockets. And because of AI's vast potential, early adopters can cut prices by 500 basis points and still make more money.

This isn't speculation. It's a very likely scenario for distributors making the right investments, now. Imagine the impact on the market.

In this report, we'll share the results of our State of AI in Distribution research, which looked at where distributors are on their AI journeys and their plans for the next three to five years. We found that:

- Distributors overwhelmingly see AI as important. It's no longer theoretical – it's actively being deployed.
- Usage is rapidly increasing, especially in marketing and website applications.
- Efficiency is currently a key driver of AI investment for distributors. Distributors are reaping the greatest efficiencies from automation in fulfillment, warehouse operations, the order-to-cash cycle and sales processes.
- Generative AI (GenAI) is already embedded in the daily work of nearly three-quarters of distributors' teams.
- AI will reshape the workforce in the wholesale distribution industry, reducing headcount by as much as a third or more over the next five years as staff move from repetitive tasks to higher-value roles.

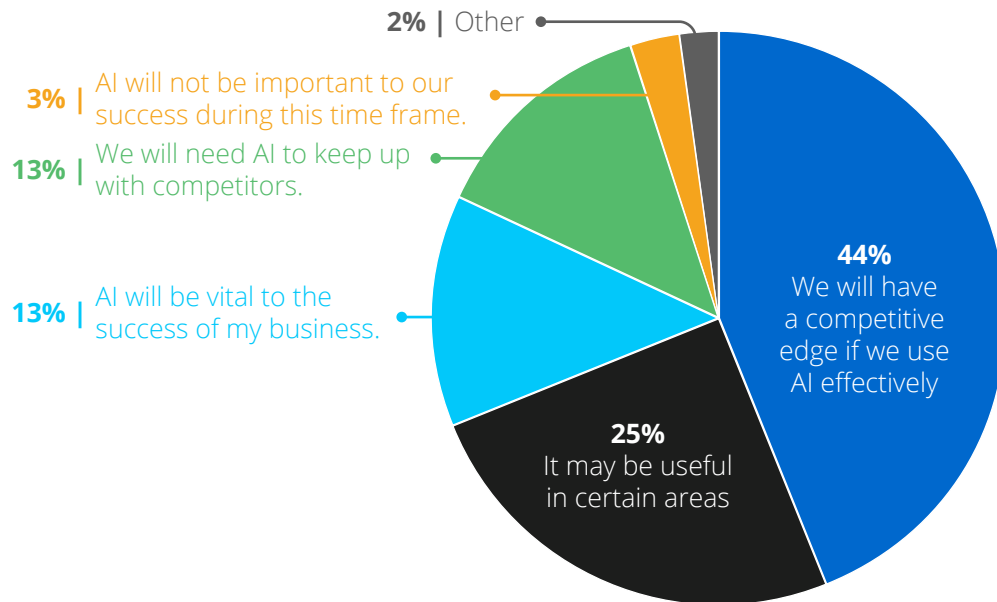
Just 3% of distributors in our survey believe AI won't be important to their business in the next three years.



The Current State of AI in Distribution

Distributors are embracing the practical implications of the rise of AI. In our latest survey, a quarter said that AI “may be useful in certain areas,” above the 14% that said the same a year ago. About 44% expect to get a competitive edge if they use AI effectively, and another 13% said AI would be “vital” to the success of their business. These responses indicate that distributors have moved from fear to excitement over AI. They are starting to see the tangible benefits.

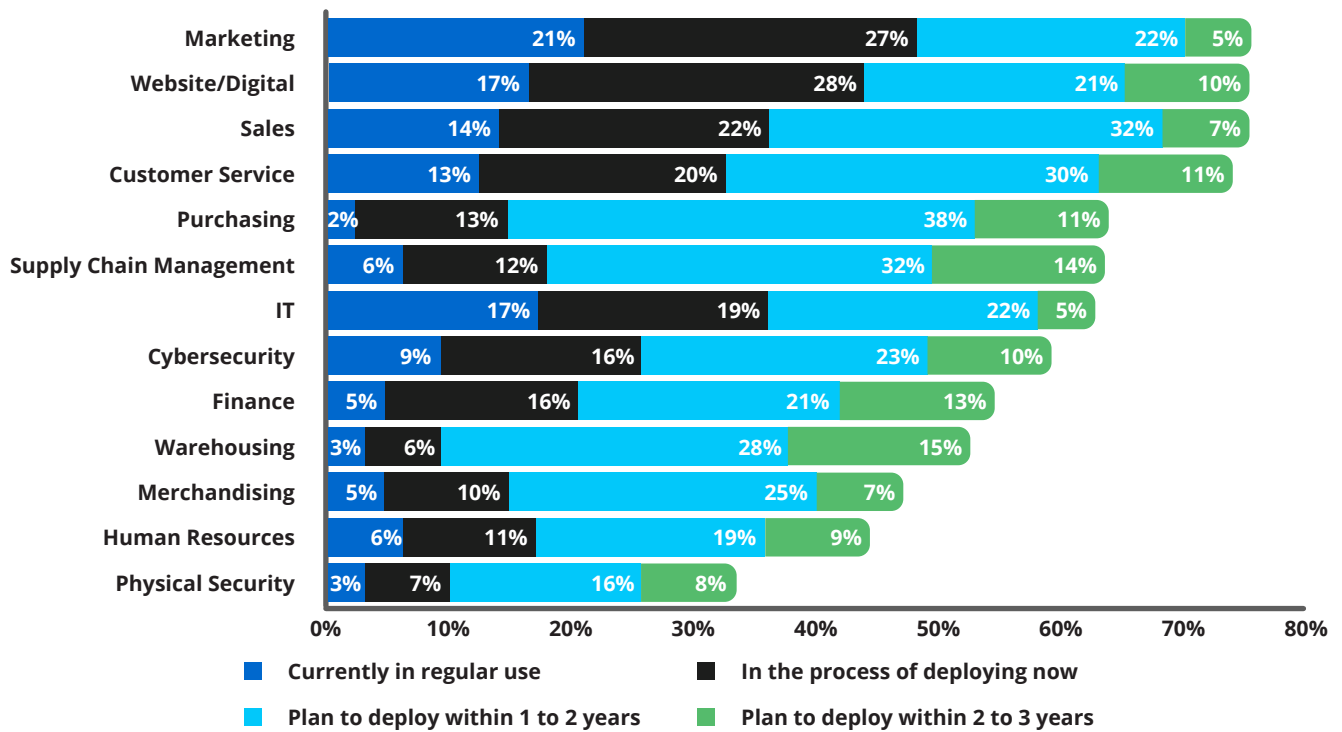
Importance of AI over Next 3 Years



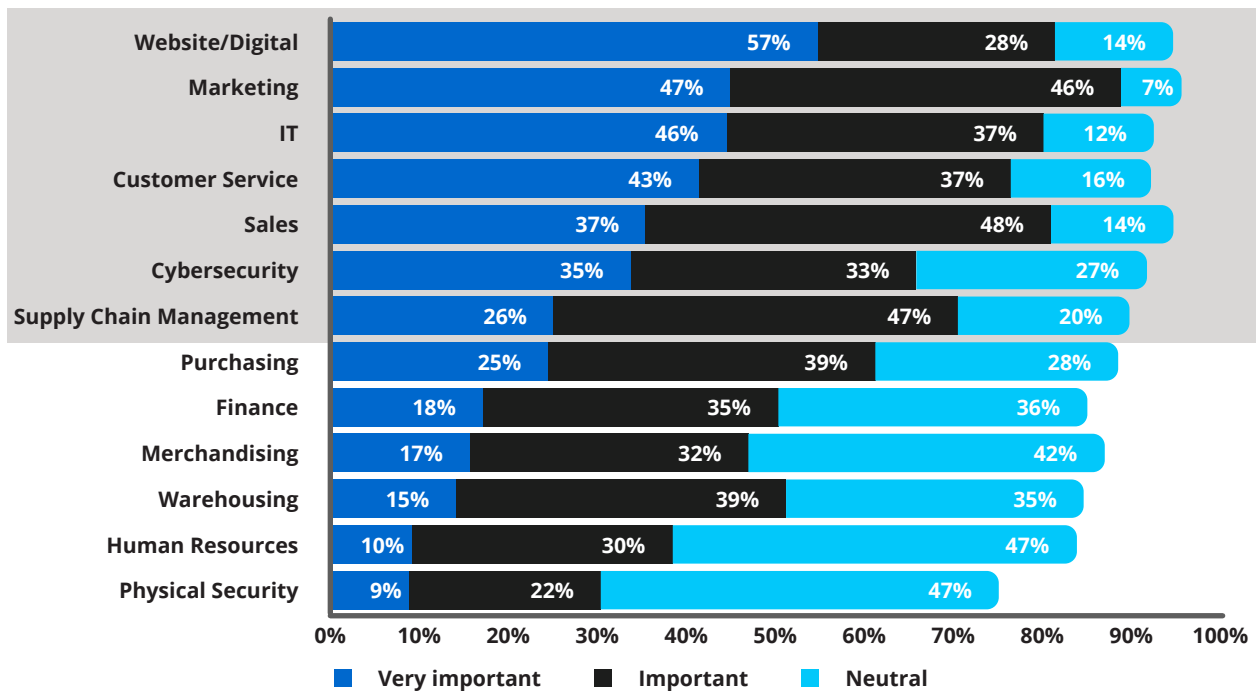
Enthusiasm for AI is growing. Breaking it down by function (actively using or in the process of deploying):

- **Marketing:** 48% in 2024 vs. 22% in 2023
- **Website/Digital:** 45% in 2024 vs. 28% in 2023
- **Sales:** 36% in 2024 vs. 22% in 2023
- **IT:** 36% in 2024 vs. 25% in 2023
- **Cybersecurity:** 36% in 2024 vs. 21% in 2023

Deployment of AI by Function Over Next 3 Years



Importance of AI by Function Over Next 3 Years



Based on distributors' deployment plans, momentum is building:

- Supply chain management: 32% plan to deploy in the next 1-2 years
- Warehousing: 28% plan to deploy in the next 1-2 years
- Purchasing: 38% plan to deploy in the next 1-2 years
- Finance: 21% plan to deploy in the next 1-2 years

The most popular AI technology adopted by our survey respondents is GenAI. About 70% of respondents said they use tools like ChatGPT, Claude, Gemini and Copilot daily to weekly for:



Writing and content creation: Distributors draft and refine emails, marketing content, product descriptions, proposals, presentations and social media posts. They're also editing copy and brainstorming ideas.



Data Analysis and Summarization: AI tools analyze large datasets, summarize long documents or meeting notes, and provide insights on market trends and competitors.



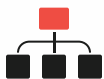
Customer Service and Support: Distributors use AI for chatbot services, customer inquiries and internal content creation to improve customer engagement.



Coding and Technical Tasks: Several respondents use AI for coding, file generation and technical development, including firewall applications and automation.



Administrative and HR Functions: AI assists with drafting job descriptions, managing schedules and preparing internal communications.

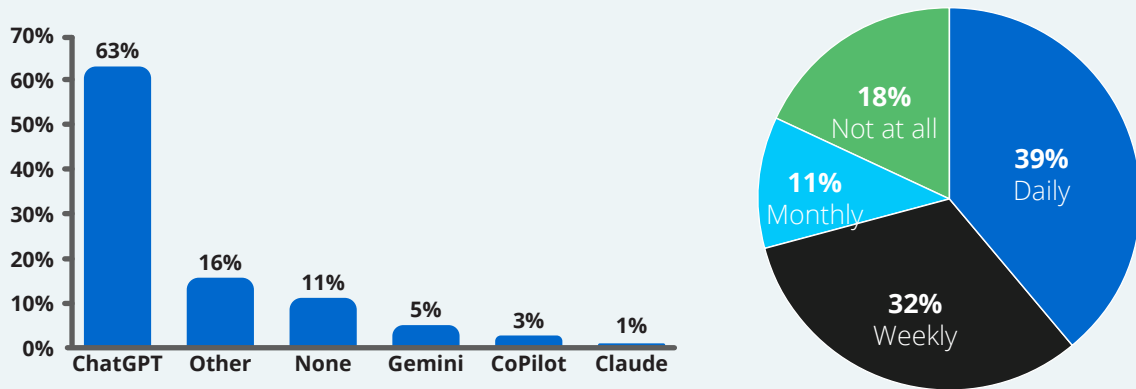


Research and Strategy: AI drives competitive research, market analysis and gathering information to support decision-making.

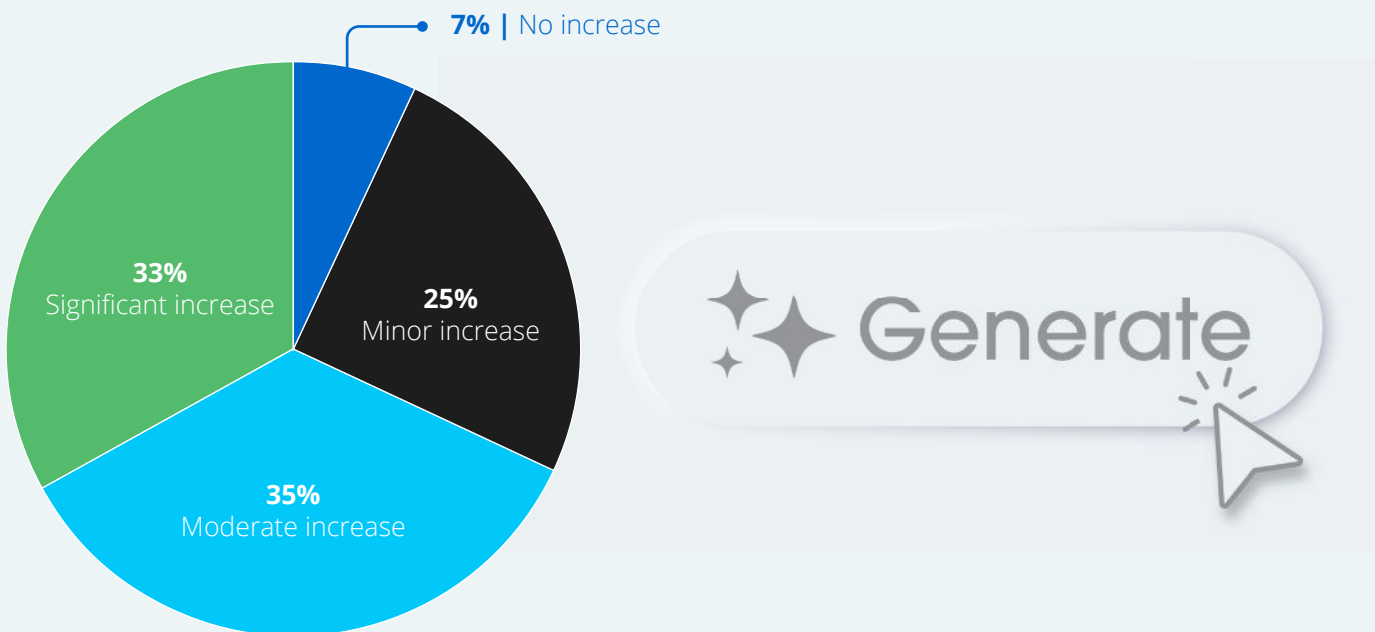
About 93% of respondents plan to increase their use of GenAI over the next two years.



Large Language Models and Frequency of Use



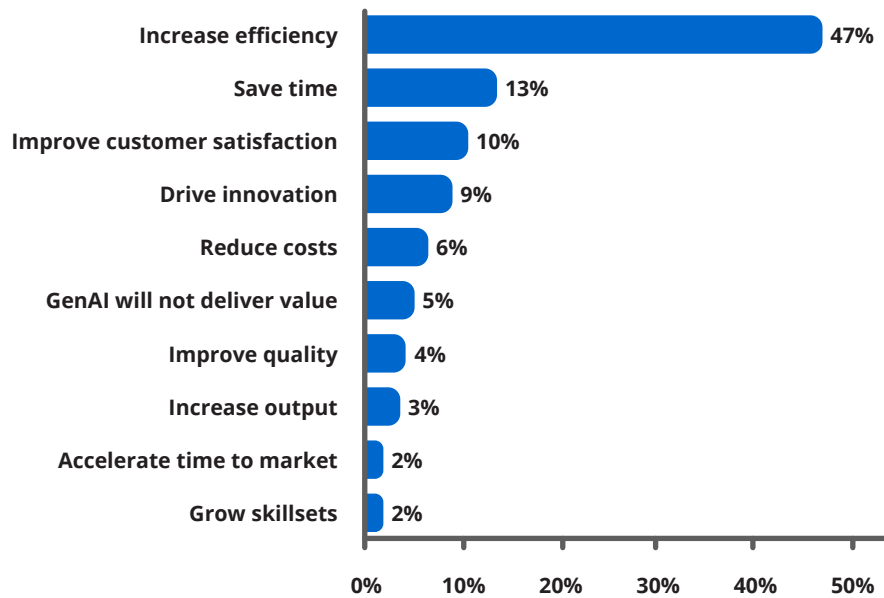
Expected Increase of GenAI Usage Over Next 2 Years



About half of distributors are hoping to improve efficiency with GenAI. Fewer distributors are focused on using GenAI for greater effectiveness; for example, 10% said it could drive greater customer satisfaction, and 9% noted innovation as a key benefit.

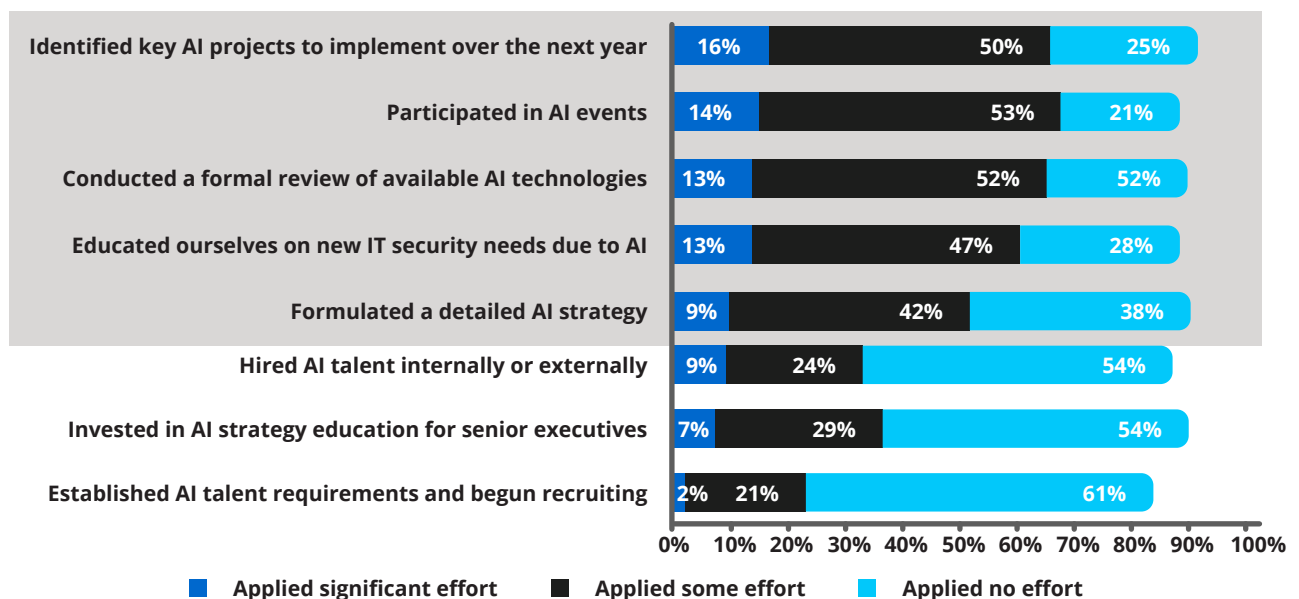
This isn't a question, however, of efficiency vs. effectiveness. While efficiency gains are the first frontier in AI's value proposition for distributors, leading distributors must build a long-term strategy to be more efficient and effective with AI. About two-thirds of distributors have already identified key projects to implement

How GenAI will Deliver Value



over the next year and participated in AI events to educate themselves on opportunities. They are moving beyond exploration to implementation – keeping important steps such as security and strategic planning in mind. This shows distributors are taking a more mature approach and targeting concrete problems rather than pursuing AI for its own sake.

Effort Applied to AI



AI Use Cases

AI touches nearly every aspect of distributors' operations. Here are real-world use cases that distributors are implementing to drive efficiency, lower costs and improve decision-making. This isn't an exhaustive list, but it provides a glimpse into how AI is already making an impact.

Invoicing and Payment

The average cost of manually processing invoices is about \$10 each, and the time to process takes 10 days or longer. Manual invoicing and payment processes are also prone to high error rates. The amount of exception handling (more than 25% of invoices on average) that comes with this is unacceptable, further lowering productivity and delaying payment. AI-powered automation can solve reconciliation challenges and provide greater visibility into transaction status. In one case, that resulted in an 82% reduction in invoice processing costs and 72% faster invoice processing and approval times.

Predicting Reorders

AI, leveraged within a CRM, can identify when it's time for a customer to reorder. This has led to increased order sizes and greater customer retention for distributors. Customer service and sales reps can use these recommendations to proactively suggest repeat purchases.

Cross-sell

Distributors often ask salespeople to upsell, but they don't give them the tools to do that effectively. AI can help distributors identify gaps in customer spend, pulling from data that was previously buried and hard to access from within the ERP. The benefit: increased lines per order, higher average order value and improved order profitability. AI-driven cross-sell models can increase sales by 5%-8%.

Order and Quote Automation

Focused on intent rather than content, AI-powered automation can convert complex communications in multiple formats (even if requests have missing part numbers or none at all) into an ERP with little to no intervention. That reduces time to quote generation, leading to higher win rates, and a productivity boost of 25% to 70%, freeing sales reps to focus on higher-value tasks.

Identifying Substitutes

AI models analyze purchasing patterns to suggest alternative products on any sales channel. They consider seasonality, geography, customer segment, inventory availability and other factors to identify effective substitutes that human reps might miss. This saves reps time and reduces lost sales due to stockouts.

Warehouse Automation

Fulfillment is an area ripe for the use of AI. In the warehouse, distributors can use drones for inventory counting to decrease labor time and improve accuracy. They can also leverage AI-powered demand forecasting to maintain optimal inventory levels, reduce over- or understocking, and improve customer satisfaction.

A Call to Action

The time will soon come when distributors can handle 30% more volume with the same resources. By 2030:

- AI will reduce staffing needs by 30% to 40%.
- AI will significantly reduce errors across billing, fulfillment, reconciliation and quoting/orders.
- Chatbots will be more human-like, supplementing your team's expertise.
- Robots and drones will be common in the warehouse due to labor shortages and better technology.

AI is no longer optional in distribution – companies deploying it now are seeing real cost and efficiency benefits. Those will only grow. This will be a winner-take-all scenario: Those who move now will outperform slower adopters.

Remember: If a distributor can drop their price by 500 basis points while still providing a better customer experience, that will change the game. Start here:

- **Push your vendors to innovate.** Your vendors are already embedding AI into their platforms. Push them to show you what it can do and ask them what is coming next. If they don't have a clear AI roadmap, it may be time to explore other options.
- **Leverage proven AI-driven sales tools:** Cross-sell, reorder prediction and order automation tools are already driving measurable results for your competition.
- **Prepare for automation-driven cost savings:** AI is reducing significant overhead in invoice processing, customer service and fulfillment.
- **Attend AI events:** To stay ahead of advancements in distribution, register for events like Distribution Strategy Group's [Applied AI for Distributors](#).



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About the Author

Jonathan Bein, Ph.D. has worked with over 100 distributors to apply advanced analytics and AI to improve customer experience, define value proposition, estimate sales potential and create digital strategy. Before Distribution Strategy Group, Bein successfully led and was part of executive management for software product and services companies in information technology, healthcare and communications. Bein earned his Ph.D. in Computer Science at the University of Colorado with a focus in Artificial Intelligence and a BA in Computer Science at Indiana University.

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