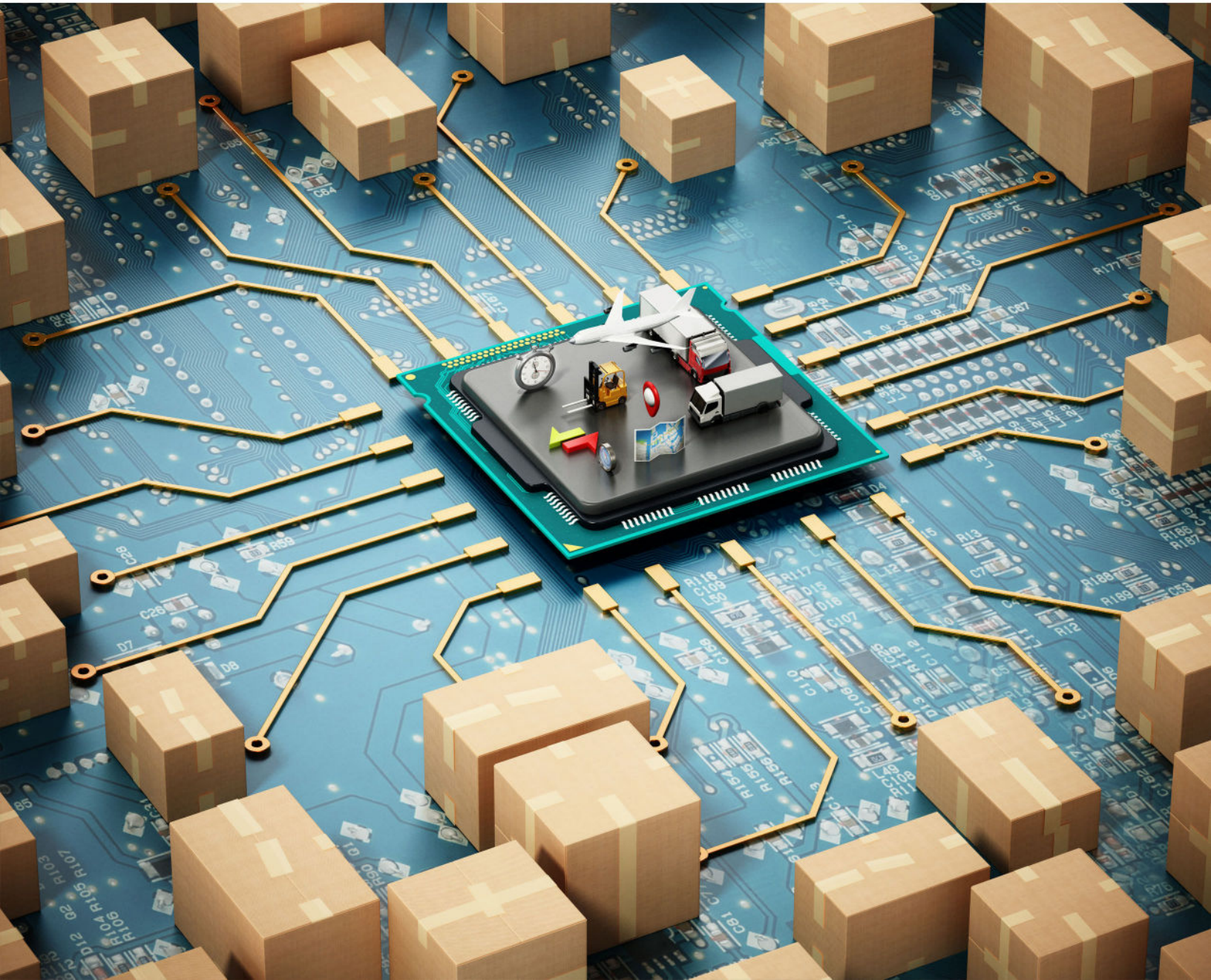# 2022 State of Technology in Distribution:
A Guide for Growth

By Jonathan Bein, Ph.D.

2022

Leveraging technology to enhance the customer journey is no longer just for innovators. As distributors focus more on building self-service solutions, there has been a rapid increase in B2B shopping, buying and invoicing automation.

Technological advancements continue to push the limits of what is possible in distribution.

In a recent survey, we asked distributors what proven and new technologies they use for core business functions. This report presents those results. We also explore how these technologies affect the customer journey and the emerging technologies that are making their way into regular use in the distribution space.

Finally, and most importantly, we provide you with a guide to selecting the right technology to support your customers and meet your business goals.

Let's start by defining the customer journey, which should be at the center of your technology strategy:

The Customer Journey

The customer journey encompasses all stages of the order-to-cash cycle. Customers need varying levels of support as they move from shopping and buying to fulfillment, invoicing, payment and support. Distributors must have the right technology to meet their customers' changing needs and expectations.

Shopping Buying Fulfillment Invoicing/Payment Support
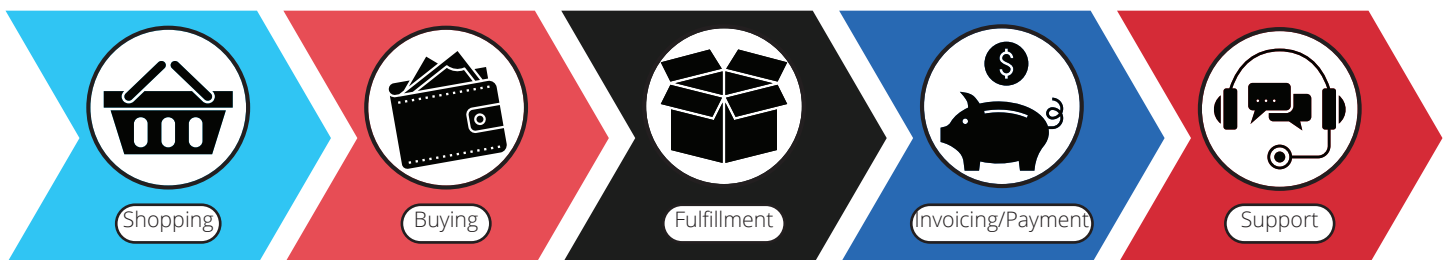
Stage 1: Shopping

Shopping is the first stage of the customer's journey. The customer uses whatever tools and information are available from the distributor regarding their products, services, suppliers and how they can solve the customers' problems. The customer is looking for information about how to solve a problem or accomplish a goal. Distributors generally respond by offering products that have specific characteristics including size, shape, color or countless technical specifications that vary by category. The potential for technology for customers in this stage of the journey is to bridge the gap between what the customer wants or needs and how the distributor can provide solutions.

Stage 2: Buying

If a customer completes a transaction, they will continue through the rest of the steps in the journey. The distributor's goal is to optimize the number of times a purchase occurs, as well as maximize the size of each transaction. This stage is more complex than it may seem because the customer often must make several choices, which then trigger other processes. Choices could be as simple as how to ship or whether to pick items up at a warehouse, or they could be as complex as detailed customization and configuration of solutions. The distributor will often offer additional products and services at this stage to grow revenues and profits.

Stage 3: Fulfillment

This is the stage of the customer journey in which the distributor delivers the value the customer has purchased. At a minimum, the distributor must deliver the right product for the customer in the required timeframe. For more complex purchases, the fulfillment stage is where the distributor provides implementation or customization. Internally, distributors must optimize their operations to lower costs and increase quality in this stage. This stage of the journey can precede, occur in parallel with or after the next stage of the journey.

Stage 4: Invoicing and Payment

This stage is plagued with excessive paperwork and process delays. This is caused by the need for finance, accounting and operational systems of multiple organizations to work together. New technologies promise significant improvements in capabilities, productivity and accuracy in this stage of the customer journey.

2022

Stage 5: Support
This stage completes the customer's journey. Here, distributors work to ensure that the customer is satisfied and will buy more and more often. Distributors also must correct any issues that may have arisen and learn what to improve in the future. Support may include returns, warranty administration, training and education to get the most out of products, and more.

The Adoption Curve

How successful you are in supporting your customer's journey with the right technology largely depends on how much the company invests in a solution, proper change management, company buy-in and where the business falls on the technology adoption curve.

The technology adoption curve measures adoption levels and maturity:

- **Innovators (2.5%) –** This group consists of the first people to try new technologies. They are usually well-resourced and educated and view innovation as a strategic advantage.
- **Early Adopters (13.5%) –** The companies that fall into this category are considered "visionaries." They quickly follow innovation leaders and take manageable risks to achieve their adoption goals.
- **Early Majority (34%) –** Those in the early majority are more pragmatic and know they must keep up with the competition but prefer to wait until they have seen measurable success before moving forward.
- **Late Majority (34%) –** Companies in this group are more conservative and only adopt new technology solutions when they know they have to. They may have limited resources or tech knowledge.
- **Laggards (16%) –** These businesses are skeptical about new technologies and either wait too long to adopt solutions or do not adopt them at all. They often have limited resources, education, vision and technological priorities.

A successful technology adoption largely depends on which category you fall into. Take AI, for example. One McKinsey study forecasted that early adopters of AI would see an increase in cash flow of 122% by 2030, whereas slow adopters such as the late majority would only gain 10%, and non-adopters would lose 23%.

Core Tech Stack: The Foundation

At the base of a distributor's technology strategy is their core tech stack, or the solutions they've put together to support their core business needs, such as financial management, sales management and operations. A core tech stack may include:
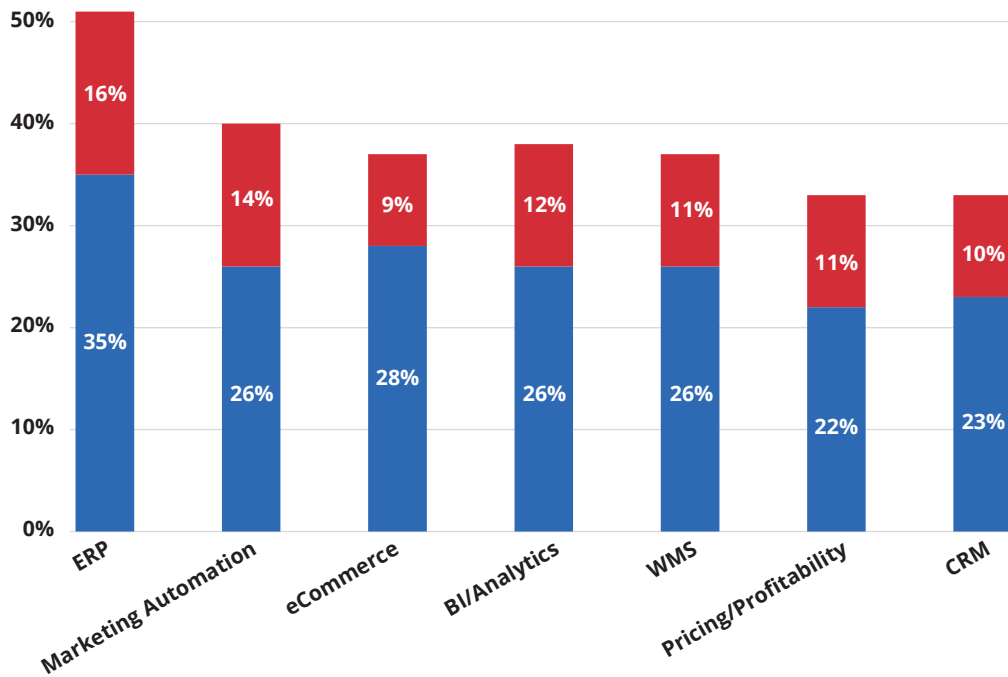
- ERP
- Marketing Automation
- eCommerce
- BI/Analytics
- WMS
- Pricing/Profitability
- CRM

Of the distributors surveyed (Chart 1 on page 6), more than 90% have adopted an ERP system, and 51% are either satisfied or highly satisfied with that solution.

Marketing automation has the second-highest level of satisfaction, with 40% of distributors being either satisfied or very satisfied. In addition, 33% of survey respondents were satisfied with their pricing/profitability solution, but only 48% had deployed this technology. Sixty percent have Warehouse Management Systems (WMS) installed, with 37% satisfied. Only 33% of Customer Relationship Management (CRM) users are satisfied, as CRM solutions often fail to meet distributor expectations.

Most core technologies are either in the cloud or are moving toward it. The cost of a digital transformation is still a barrier for many distributors but is essential to a company's ability to deliver a best-in-class customer experience.

Chart 1: Satisfaction with Tech Stack Technologies

Technology	Blue	Red
ERP	35%	16%
Marketing Automation	26%	14%
eCommerce	28%	9%
BI/Analytics	26%	12%
WMS	26%	11%
Pricing/Profitability	22%	11%
CRM	23%	10%

New Technologies in Shopping

Shopping is where people find, research, assess and evaluate your product or service offerings.
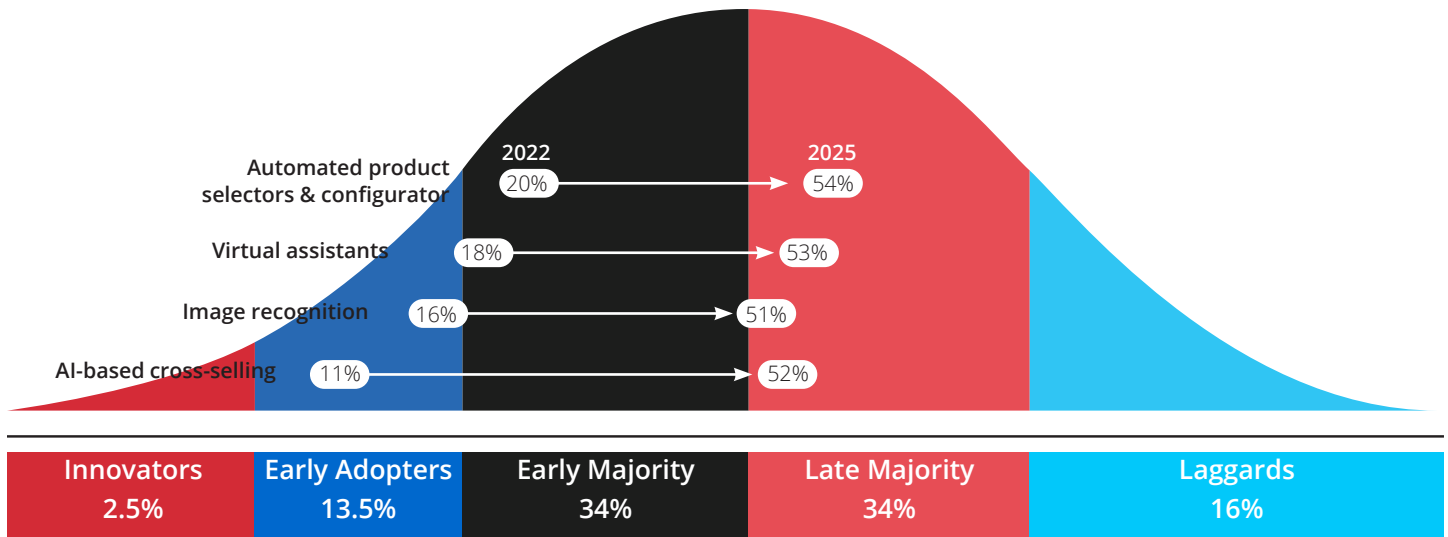
New and emerging technologies that support the shopping stage include:

Interactive Chat Bots and Virtual Agents – This technology reduces the customers' dependence on human experts for common shopping questions and enables self-service capabilities.

Item Recognition – This allows users to use photos to find items online. For instance, a person could take a picture of a particular drill-press model, upload it through their mobile device and automatically match the photo to the same model for sale across different websites.

3D Product Selectors and Configurators – These features provide customers with 3D product visualizations and spec details about various products in a distributor or manufacturer's catalog.

2022

Chart 2: Shopping Technologies Adoption Curve - 2022 vs. 2025

Innovators 2.5%	Early Adopters 13.5%	Early Majority 34%	Late Majority 34%	Laggards 16%

AI-Driven Recommendations – AI models can analyze customer behavior and shopping preferences and compare this data to similar buyers to make highly relevant upsell and cross-sell recommendations. Marketers can also use AI to improve digital marketing effectiveness with personalized promotions.

New Technologies in Buying

Common buying methods include phone, in-person, email, fax, EDI, ecommerce and automated replenishment. This point in the customer journey is ideal for expanding your relationship with the customer and introducing them to a wider variety of product offerings.
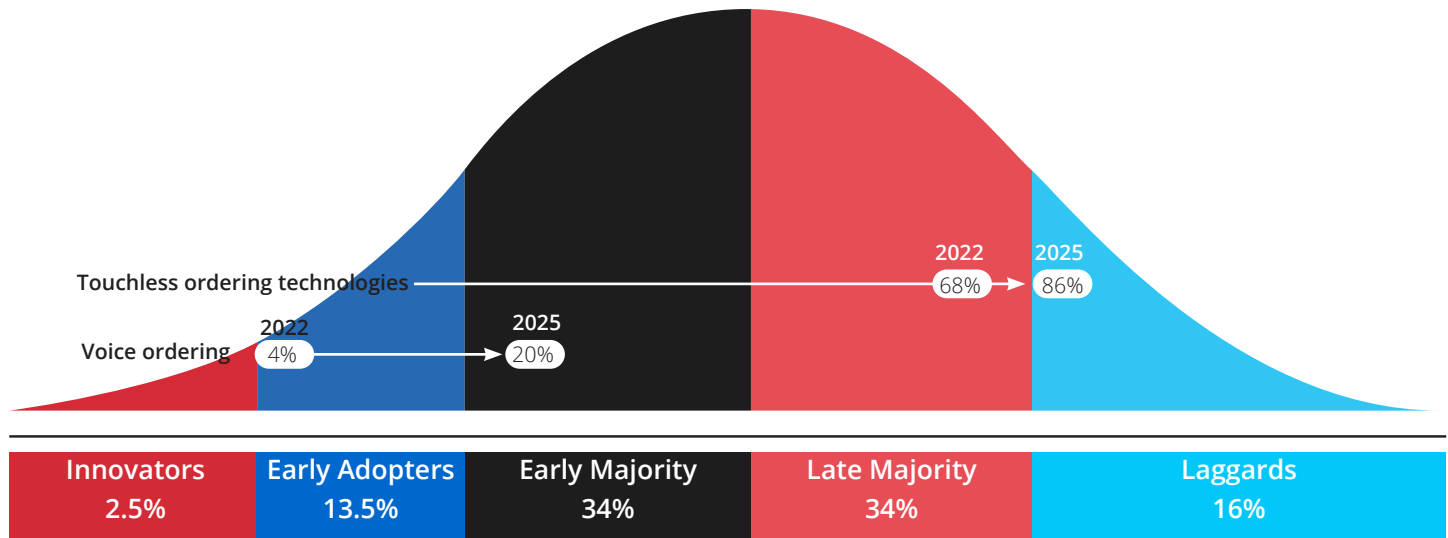
New buying technologies include:

Touchless Technologies – These include email, EDI and PunchOut ordering. These solutions are in the late majority phase of adoption and will likely be in the laggard stage by 2025.

eCommerce – Although ecommerce isn't new, adoption among distributors is still relatively mixed.

Voice Ordering – Voice ordering, such as asking Alexa to place an order, is still relatively new in B2B markets and is currently in the early adopter phase. We estimate adoption will be in the early majority phase by the mid-decade.

2022

Chart 3: Buying Technologies Adoption Curve - 2022 vs. 2025

Touchless ordering technologies
Voice ordering

2022
68%
2025
86%

2022
4%
2025
20%

Innovators 2.5%	Early Adopters 13.5%	Early Majority 34%	Late Majority 34%	Laggards 16%

New Technologies in Fulfillment

The fulfillment stage in the customer journey is the perfect place to differentiate on delivery options and customized services.
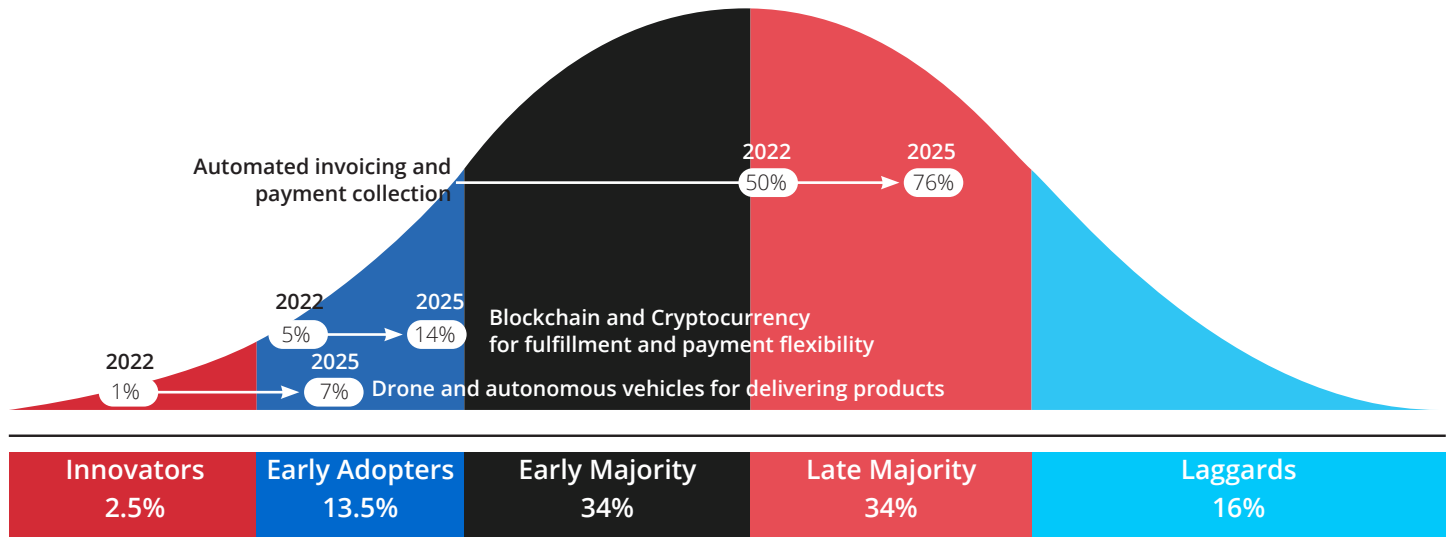
New technologies in fulfillment include:

Drones – Drones are capable of rapidly delivering critical products. They can bypass congested traffic areas and are more environmentally responsible than traditional alternatives. At the moment, their size limits drones to small packages.

Autonomous Vehicles – "Cobots," or Collaborative Robots, are an emerging technology warehouse managers can use to automate picking and loading. In addition, self-driving vehicles and curbside delivery solutions are improving transportation and delivery.

3D Printing - 3D printing is ideal for producing prototypes or creating custom orders.

2022

Chart 4: Adoption Curve: Fulfillment and Invoicing/Payment

Automated invoicing and payment collection — 2022 50% → 2025 76%

Blockchain and Cryptocurrency for fulfillment and payment flexibility — 2022 5% → 2025 14%

Drone and autonomous vehicles for delivering products — 2022 1% → 2025 7%

| Innovators 2.5% | Early Adopters 13.5% | Early Majority 34% | Late Majority 34% | Laggards 16% |

New Technologies in Invoicing

Manually processing invoices and payments can be time-consuming and prone to error. Distributors must have the capacity to accept payment using whatever means are convenient for the customer while still eliminating the potential risk of fraud.

New technologies in invoicing include:

Automated Order Processing/Invoicing – This solution automatically creates all financial and accounting artifacts and submits invoices upon fulfillment. Automation in this stage of the customer journey minimizes potential delays from human interactions, eliminates redundant tasks and reduces the risk of fraud.

Accounts Receivable (AR) Payments – AR payments include ACH, virtual credit cards and payment gateways.

Blockchain/Cryptocurrency – Many distributors are finding ways to integrate blockchain functionality into their systems to improve traceability and automation and accept cryptocurrency through payment gateways.

How to Select the Right Technologies for Your Customers' Journey

Now that we've laid out what's available today, where do you start in evaluating your existing technology – and then building the right set of technology solutions for your customers?

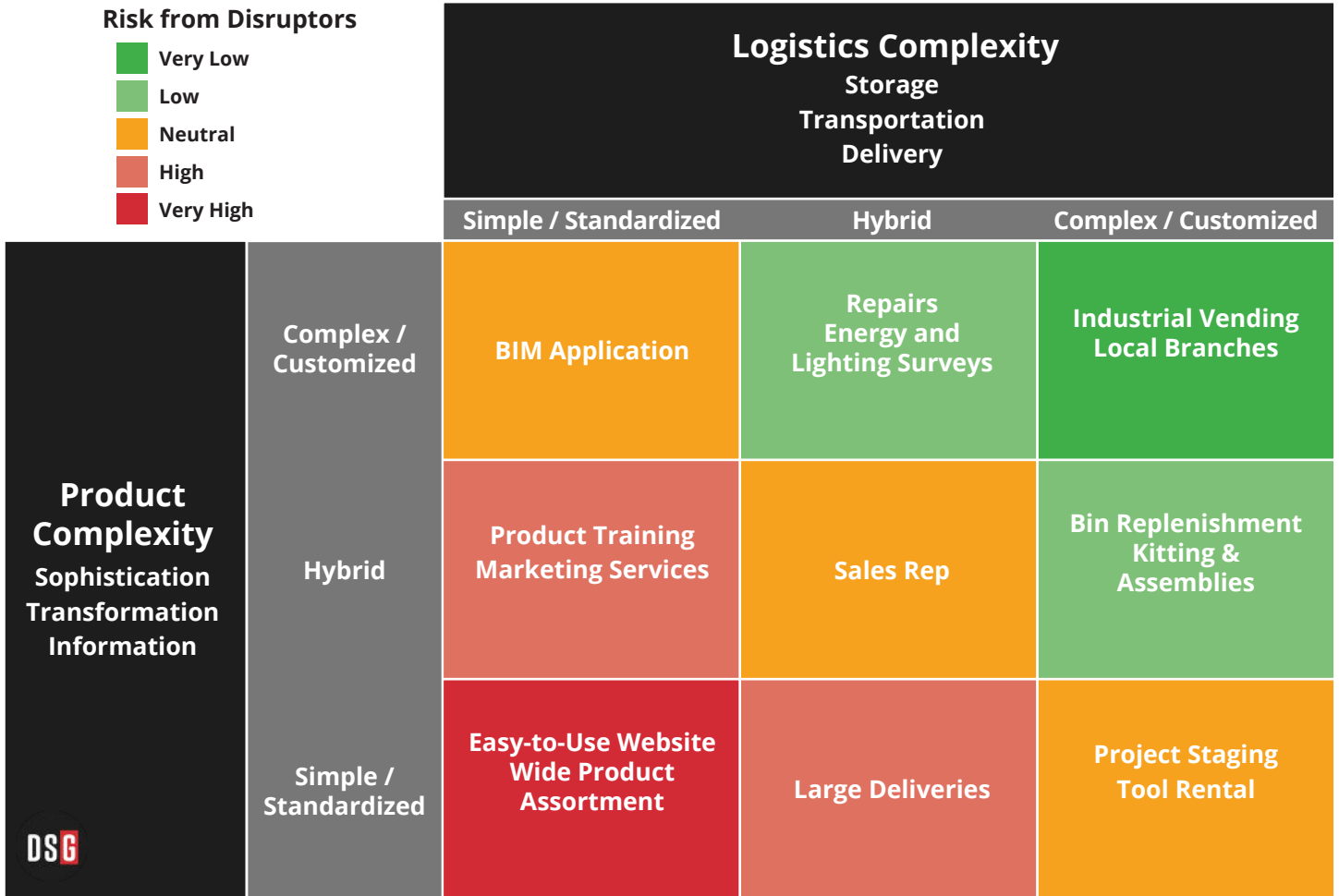Start with the basics: the value you deliver to your customers.

A distributor's value proposition is all about complexity. How complex is the nature of a product that you offer, and how complex are the logistical requirements of your customer base? Value is relative to the level of expertise and support that a customer needs.

Most distributors don't just pull a package off of a shelf, put a label on it and drop it off at the nearest UPS location to be delivered. Instead, they sell products that have multifaceted service, training and information requirements. This is where the Distribution Strategy Group's Distributor Relative Value Model comes into play. The more complex your offering is, the more your customer will need to rely on you for support and the more value-added services you can provide. Similarly, the less complex your product is, the more your customer can lean on automated purchasing options and self-service.

For instance, marketplaces generally have simple products and logistics. They don't have items that need to be expertly configured or require consulting or commissioning. Marketplaces also don't do kitting and assembly. Instead, they sell the products that are in stock and then send them to customers via common carriers. It is simple from a logistics and product standpoint. Marketplaces are valuable to customers who need simple solutions but struggle to meet the needs of more complex buyers.

Distributors thrive on the other end of this matrix, where they can solve complex transactions and handle intricate logistics. For example, a marketplace would not have the capability to put together assemblies and deliver them to a production line or take heavy construction products and put them on a flatbed truck with a special forklift for rough terrain. Marketplaces can't offer these types of services – but distributors can.

2022

The Distributor Relative Value Model

Risk from Disruptors

- 🟩 Very Low
- 🟩 Low
- 🟧 Neutral
- 🟥 High
- 🟥 Very High

		Logistics Complexity Storage Transportation Delivery		
		Simple / Standardized	Hybrid	Complex / Customized
Product Complexity Sophistication Transformation Information	Complex / Customized	BIM Application	Repairs Energy and Lighting Surveys	Industrial Vending Local Branches
	Hybrid	Product Training Marketing Services	Sales Rep	Bin Replenishment Kitting & Assemblies
	Simple / Standardized	Easy-to-Use Website Wide Product Assortment	Large Deliveries	Project Staging Tool Rental

The Distributor Relative Value Model and your value proposition should inform the strategies you should implement to differentiate your business and the technology stack needed to serve your customers effectively.

As distributors add services to their value propositions, they distance themselves from common marketplaces. Distributors need a local and digital presence, support teams to answer the phone, sales teams to talk customers through complex buying decisions and the logistics required to service a wide range of orders.

A CRM solution can help your sales team understand the ins and outs of each account and enable customer service reps to be more proactive and consultative. An ERP solution will improve day-to-day operations such as C-suite management, billing and order-to-cash management.

2022

Likewise, WMS software will make your team more accurate and efficient as you stage orders and oversee complex logistics. Even artificial intelligence plays a role as AI models can use customer analytics to drive highly relevant product suggestions to inside sales reps and in the online shopping experience.

Use Cases

So, how can you apply this idea? Here are a few examples of how you can select technology that supports the customer experiences – from a simple purchase to a complex, service-driven transaction.

Simple Order: Hotel Buying a Shop Vacuum
A customer calls and wants to buy a shop vacuum for their hotel. This transaction should be fairly straightforward. If you have an ecommerce site with digital buying options, the customer can buy the vacuum through an online shopping cart. The customer will use a credit card to make their purchase and then receive the item a few days later via a common carrier.

Although marketplaces could handle this type of transaction, distributors can differentiate by offering replacement parts, an extended warranty and consultative product recommendations. For instance, your ecommerce site could recommend extension cords and spare bags during checkout to ensure the customer has everything they need for their new shop vacuum. Then, your ERP could automatically process the order and invoice to improve accuracy and reduce delay.

> For simple orders like this, the key technologies are:
>
> → eCommerce/PIM
> → Touchless ordering
> → Cross-selling functionality and analytics

Medium Complexity Order: HVAC Contractor Buying AC Compressor
In this scenario, an HVAC contractor visits your branch. They bring in a dead AC compressor and ask your counter staff to match it to something they have in stock. In this situation, technical support is needed to identify the model and match it to the catalog. Item recognition combined with a comprehensive product database could expedite the order and help staff find the product more quickly.

After locating the AC compressor, the contractor needs a PO. Then, they want to attach a job number to it to reconcile the purchase in their system. If the item is in stock, fulfillment will be there at the counter. There is an opportunity here for distributors to differentiate by offering special pricing, introducing the contractor to field management software or providing personalized product recommendations.

> The key technologies for this type of order are:
>
> → Pricing
> → CRM
> → Cross-selling functionality and analytics
> → Item recognition

Complex Order: Concrete Anchors and Adhesives for a Commercial Structure
Often, contractors need to place large, recurring orders for job-sites. For example, a contractor may need thousands or hundreds of thousands of concrete anchors and adhesives over several months.

Shopping for this involves the contractor sending in blueprints and asking the distributor to go through the plans to identify which products are needed. Afterward, the contractor asks for recurring shipments of 1,000 items per day over the following 18 months. They then need to attain a blanket PO with multiple releases.

This is an incredibly complicated transaction. First, your team must have the upfront expertise to identify what products are required. Then, they must have the ability to manage blanket PO releases and process invoicing and payment. Your team also needs the logistical capability to deliver the product at a specific time each day to the correct location and person. Depending on the project, the contractor may even expect you to provide some level of safety training to meet OSHA requirements.

The technology demand for this type of project is significant. First, you will need a robust warehouse management system and ERP to manage blanket PO releases. Next, automated invoicing and payment collection options are necessary so you don't encounter reconciliation problems. Then, a CRM will help you manage customer needs and expectations while developing training schedules. Finally, touchless ordering and replenishment automation will ensure

the contractor receives the items they are expecting daily without having to input new orders repeatedly.

This is a complex purchase. It is not something you can accomplish through a retail store or purely digital website alone.

> The core technology stack for this type of order includes:
>
> → Robust WMS functionality
> → Automated invoicing and payment collection
> → CRM
> → ERP
> → Touchless ordering

Next Steps

Customer Experience can be defined as the overall impression a customer has throughout the entire customer journey. How many roadblocks do you put in their way (maybe inadvertently) to completing a transaction with your business? What do you do to make it easier?

Some surveys indicate that over 85% of customers would pay more for a better customer experience, from shopping and buying to the support after the sale. This has become increasingly true in B2B markets.

Digitally mature competitors are rapidly gaining share, and customers have quickly shifted to digital shopping and buying. Marketplaces are proliferating, and product availability and fulfillment are now commoditized.

Technology is a key element of establishing, maintaining and improving the overall experience for customers. If you want to win, prioritize a strategic deployment of the technologies outlined in this report in line with the value you deliver and the journey your customers prefer to go on with your business.

2022

DISTRIBUTION STRATEGY GROUP

About Distribution Strategy Group

Distribution Strategy Group's thought leadership, research and consulting services are led by a team with decades of experience as senior operators in the distribution industry. They have since worked with more than 70 distribution companies to build a solid foundation to win in today's changing market.

Distribution Strategy Group offers strategic guidance for distributors in the face of disruption, including:

- Digital and ecommerce strategy
- Customer lifecycle management strategy
- Customer analytics
- Sales channel strategy

Contact us:
distributionstrategy.com | 303-898-8626 | contact@distributionstrategy.com

Thank you to our sponsors:

EPICOR

epicor.com

conexiom

conexiom.com

Turn Your Customer Experience into a Competitive Advantage with Sales Order Automation

Conexiom is a fully automated, purpose-built document automation solution that solves the shortcomings of RPA, OCR, and workflow technologies. Easy to implement and works perfectly with your customer's current ordering process.

Complex Data Transformation

Automates the transformation of millions of electric documents, regardless of the format, complexity, or repeatability.

100% Data Accuracy

Documents are transcribed with 100% data accuracy at the line level, eliminating costly and error-prone mistakes caused by human error and typical of other automation solutions.

Touchless Document Processing

1,400 proprietary machine learning algorithms eliminate all manual processing of documents and allows your team to focus on delivering greater levels of customer satisfaction.

★ ★ ★ ★ ★
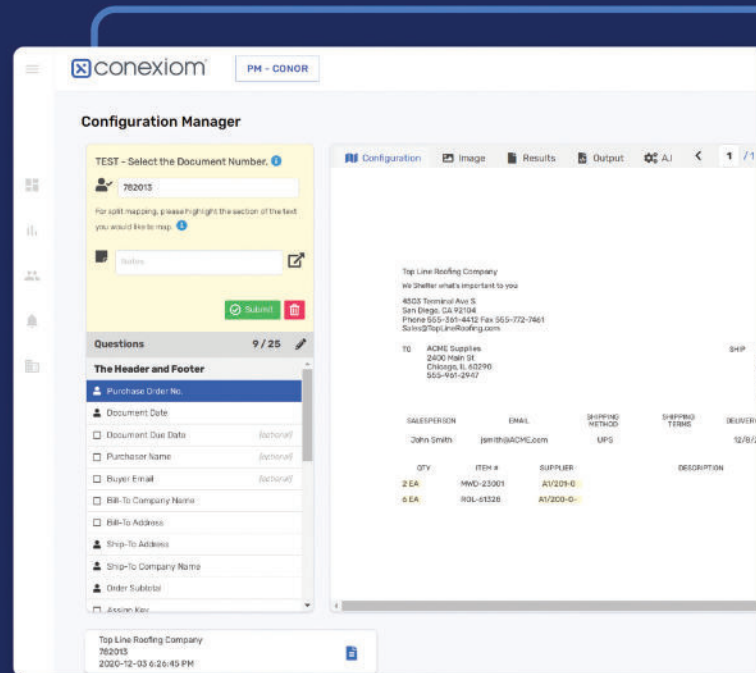
I can't imagine going back to what we did previously without Conexiom.

Andy K.
Full review on G2.com

Get up and running with Touchless Sales Order Automation in as soon as 30 days on **Conexiom.com**

"The fact that people at Epicor live and breathe distribution shows in the products."

Kevin Reidle, Executive Vice President
Hodell-Natco Industries, Inc.

Our enterprise-wide solution "gets it". We get you, too. You've got unique distribution challenges, which is why our ERP solution was designed with distributors, for distributors like you. We go beyond standard ERPs to provide innovative, highly-focused solutions that are made for—and essential to—your business.

EPICOR

EPICOR.COM/DISTRIBUTION

SOLUTIONS FOR: Automotive | Building Supply | *Distribution* | Manufacturing | Retail