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From Silos to Synergy: Transforming B2B Distribution with Automation and Collaboration

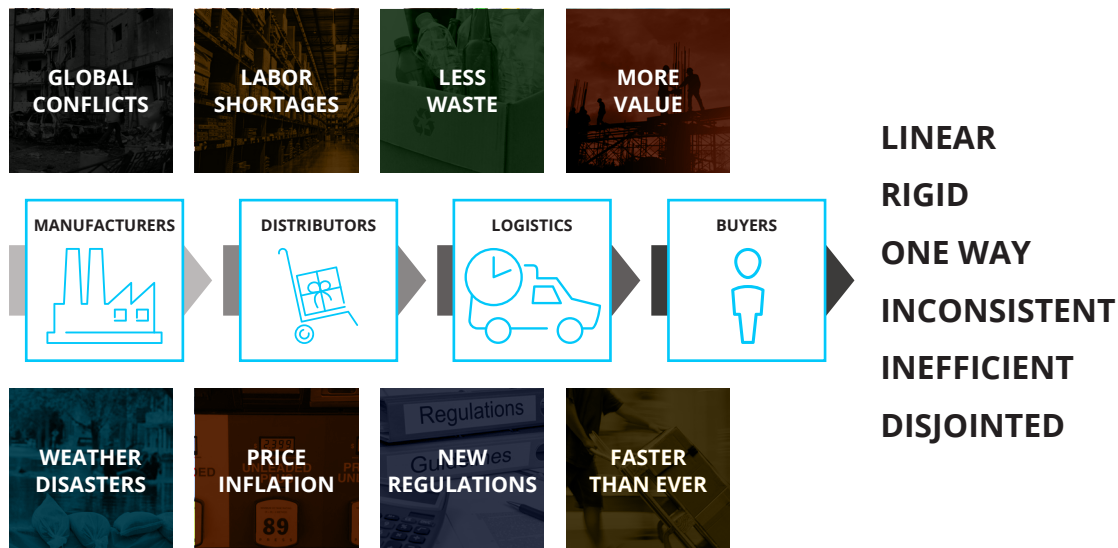
By Ian Heller

**DISTRIBUTION
STRATEGY GROUP**

Introduction and Overview

Whether your distribution company is technology-forward or early stages, this whitepaper will provide insights into how digital solutions can help you build the interconnected, dynamic supply chains necessary to scale your processes and optimize growth. For many distributors, this will require a reassessment of their current supply chain operations, which tend to be linear, rigid, one-way, inconsistent, inefficient and disjointed.

Today's Distribution Supply Chain

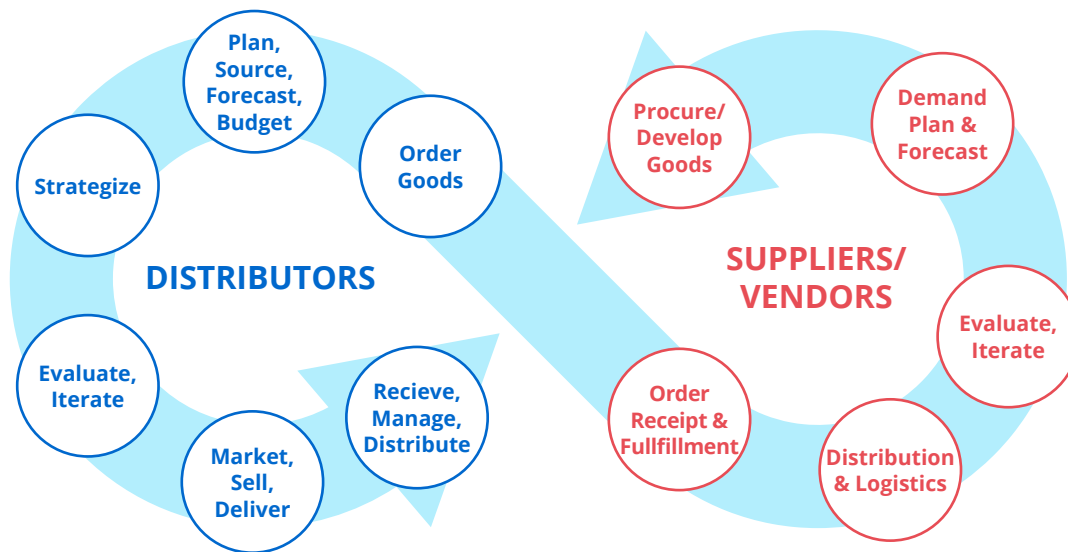


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In the increasingly complex B2B distribution landscape, strong supplier relationships and collaborative partnerships are essential. Distributors who create a supply chain built on trust and data transparency can respond faster to customer demands and market changes. This collaborative approach, supported by digital solutions, provides distributors with a strategic advantage to maintain efficient and resilient supply chain operations.

Most of the world's largest distributors – think of the multibillion dollar firms in Maintenance, Repair and Operations (MRO), pharma, food and facilities maintenance – have embraced advanced technologies to streamline their supply chains and workflows, building efficient and seamless connections from suppliers to customers. These companies aggressively evaluate and implement automation across their enterprises and compare favorably with the leading retailers in terms of technology adoption.

Ideal State of the Distribution Supply Chain



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Some other large distributors – typically those that operate as a large number of holding companies – often don’t achieve similar levels of automation and sophistication. And as you move from the very largest to more mid-sized companies, you see a rapid drop-off in technology investment and the increasing use of old-fashioned processes and manual labor.

As competition increases – and as new entrants like Amazon Business and Walmart Business take share – we’re likely to see even more rapid change in distribution. Distributors that have been slow to embrace leading technologies find themselves increasingly faced with the challenge of adapting to a more interconnected, dynamic supply chain.

Creating this kind of supplier-to-distributor-to-customer supply chain effectiveness isn’t necessary just to prepare for yet another crisis (e.g., pandemic, deteriorating relations with China, Panama Canal delays); customers increasingly expect faster response times, seamless transactions and greater transparency. To hold onto (and hopefully grow) market share, distribution companies need up-to-date solutions that support efficient communication, accurate transactions and aligned processes between their suppliers and customers.

Real-time visibility into orders, inventory and shipments is no longer a luxury – it’s a requirement for success. Readily-available digital tools can enable collaborative commerce so distributors can streamline their processes and improve efficiency across the supply chain.

We'll go deeper into each of these areas to explore opportunities and solutions distributors can leverage to achieve better supply chain visibility, accuracy and effectiveness:

- **Evolving Customer Demands and Supply Chain**
- **Breaking Down Data Silos for Enhanced Visibility**
- **Automation in Streamlining B2B Processes**
- **Data Integration and Collaboration for a Strong Distributor-Supplier Relationship**
- **Leveraging Technology to Stay Ahead of Industry Trends**

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B2B customers' requirements get more stringent all the time; this is driven by advances in technology, emerging and evolving competition and new standards for outstanding service and visibility. Often, these standards are set by what customers are experiencing as retail customers – effortless access to endless assortment; immediate answers to any question about any product or service; real-time notifications and updates; and seamless transactions. Distributors need to rethink their existing supply chain practices to meet these heightened expectations.

One area where retail experiences have brought new expectations to business buyers is the requirement for complete transparency about product availability, delivery timelines (and often real-time progress), order status, lead times, etc. Another key aspect of evolving customer demands is the increasing emphasis on customization and personalization. B2B customers now expect tailored solutions that address their specific needs, whether it's customized packaging, specialized delivery options or unique product configurations.

The relentless rise of eCommerce now means that few distributors can compete without the ability to provide a seamless online experience, self-service portals, quote and order automation, easy access to order history and more. This requires a robust digital tech stack that not only supports online transactions but also integrates smoothly with existing systems to provide a unified customer experience.

To achieve these goals, distributors need to invest in flexible systems that can accommodate unique customer needs and achieve collaboration across the supply chain. They also need to collaborate across their supply chains because data sharing is an essential part of the solution.

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Data is required for efficiency, responsiveness and customer satisfaction but many distributors keep it in “silos,” which prevents it from being shared across departments, systems and partners.

Data silos can arise for various reasons, including legacy systems that don't play well with others, separate databases across departments or even a lack of standardized processes for data collection and sharing. Employees often struggle to piece together fragmented information, leading to delays, errors and missed opportunities for improving service.

To enhance visibility, distributors need to connect their various systems to ensure make data accessible in real-time to all stakeholders. Moving data into a cloud-based platform to create a central repository for all supply chain information is a great start. This provides real-time access to inventory levels, order status, and shipment information, arming employees with the information they need to make the right decisions, faster, leading to better customer service and more efficient operations.

Creating a central repository allows for much better application of analytics tools to get better inventory forecasting and planning. Consider how much better your forecasts would be if you combined data from sales, purchasing, inventory management, suppliers and supply chain to understand not only demand but how long it's likely to take to replenish each SKU in each of your locations.

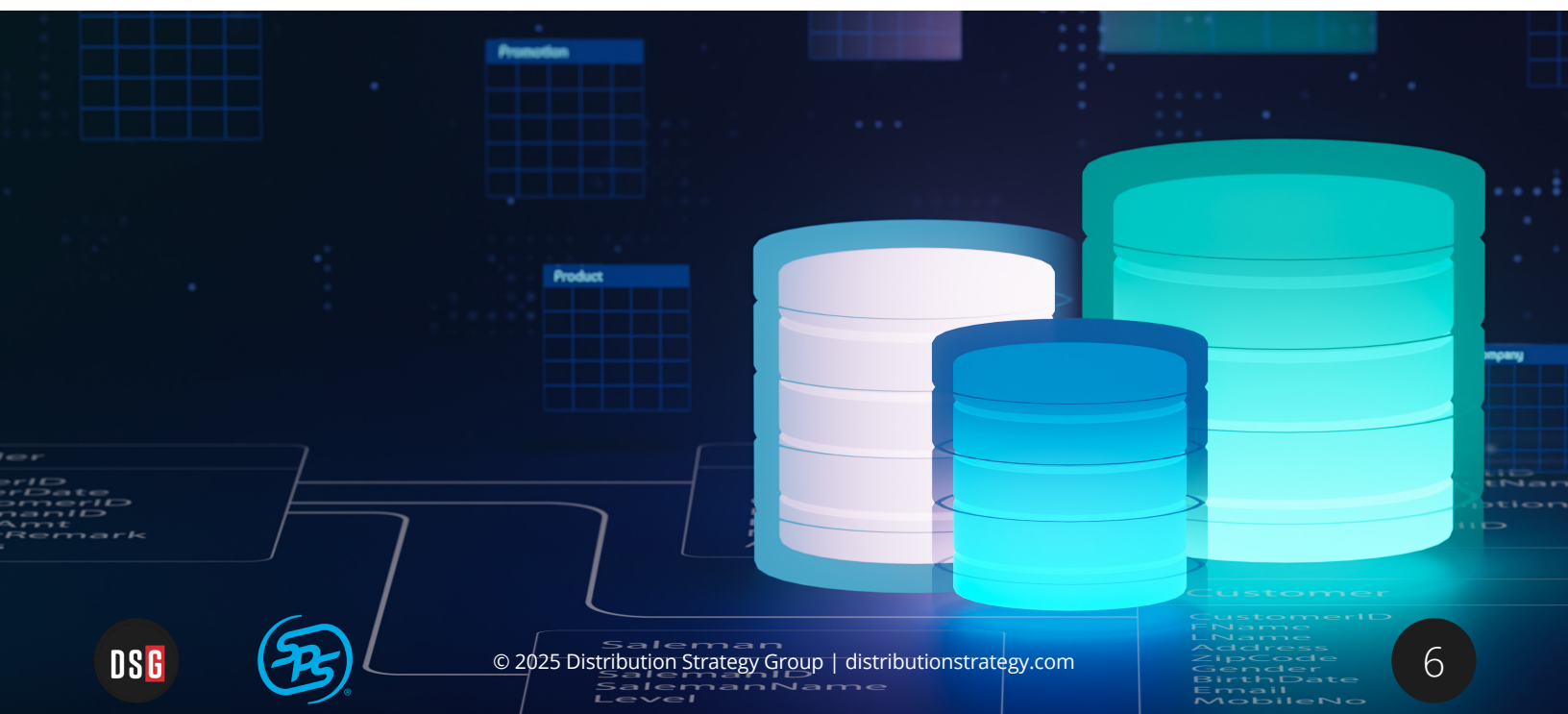
This helps distributors reduce stockouts and excess inventory and ensures that products are available when and where customers need them. Simultaneously improving service levels and working capital performance this way is a huge win for any distributor.

By enrolling suppliers, logistics partners and even customers into the process, distributors can create a more cohesive and responsive supply chain, but this kind of collaborative commerce is only possible when all parties have access to the same up-to-date information.

To break down data silos effectively, distributors should consider the following strategies:

- 1. Invest in Integrated Technology Solutions:** Implement cloud-based platforms and enterprise resource planning (ERP) systems that provide a single source of truth for all supply chain data. These systems should be capable of integrating with existing (and emerging) tools.
- 2. Standardize Data Collection and Sharing Processes:** This will help prevent the creation of new data silos and ensure that everyone's working with the same information.
- 3. Create a Culture of Collaboration:** Educate your organization on the benefits of effective data management and sharing! When employees understand the benefits, they'll be more likely to help eliminate silos.
- 4. Partner with Technology Providers:** Work with technology partners that facilitate data integration and collaboration. They have the tools and expertise you need to break down data silos and achieve end-to-end supply chain visibility.

Real-time data is vital for a responsive supply chain, but it's equally important to ensure this data reaches all key stakeholders, including suppliers. When suppliers have access to the same up-to-date information on inventory levels, order status and forecasts, distributors can minimize disruptions and improve customer satisfaction.



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By automating repetitive tasks, distributors can free up employees to do more value-added activities that drive sales and improve customer satisfaction. Another benefit of automation is that you reduce the opportunity for manual errors that can result in angry customers, delays, miscommunication, order returns and lost revenue.

Automating tasks such as order processing, inventory tracking, customer emails like order notifications, backorder updates, credit line information and more can help distributors get better operational efficiency while responding more quickly to customers. Automation also provides for scalability – it's no coincidence that most distributors that grow over the long-term have invested heavily in technology. Automation allows distributors to handle higher volumes of activity without a corresponding increase in labor costs (and mistakes).

Of course, automation should extend beyond the walls of the distributor's business; it can also improve collaboration with suppliers and customers. Electronic data interchange (EDI), for example, allows distributors to seamlessly share information with their partners where all parties have access to the information they need to make smart decisions and keep operations running smoothly.

To fully leverage the benefits of automation, distributors should consider the following steps:

- 1. Identify Repetitive and Time-Consuming Tasks:** These tasks are prime candidates for automation and can provide the most immediate return on investment.
- 2. Implement Scalable Automation Solutions:** Cloud-based automation platforms are often ideal for this purpose, as they can be easily expanded as your needs evolve.
- 3. Integrate Automation with Existing Systems:** This one seems obvious, but you wouldn't be the first company to buy a new technology only to find it difficult and expensive to integrate with your core systems like your ERP and CRM. As the saying goes, measure twice and cut once.

- 4. Train Employees on Automation Tools:** This is another step that seems obvious but often gets less attention than it deserves. It's very common for distributors (and to be fair, all companies) to have many capabilities in their existing technologies that they could leverage but don't because no one has taken the time to learn how to use them.

Automation in B2B processes shouldn't end within the distributor's four walls. Using tools like electronic data interchange (EDI), distributors can automate the exchange of essential information with suppliers, streamlining everything from inventory updates to shipping schedules. This interconnected approach enhances supplier collaboration and allows distributors to scale efficiently. Automation is about enhancing efficiency, reducing costs and improving the overall customer experience. And, in an increasingly competitive market, it's a critical tool for staying ahead and delivering the level of service your customers expect.

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Much of the value a distributor offers customers is its product assortment, making strong supplier relationships an essential core competency. Driving data integration and collaboration with suppliers creates transparency and efficiency, as well as a more connected and responsive supply chain. It's also a great way to build trust with your suppliers – immediate transparency and full data sharing means you're not hiding anything!

For distributors, this means integrating data from their own systems – such as ERP, CRM, WMS and inventory management systems – with data provided by suppliers. This will lead to improved forecasting and better insight into sales trends. Shared data like this can also be used in joint business planning with suppliers.

Another significant benefit of collaboration is the ability to respond quickly to disruptions, whether they are caused by natural disasters, supply shortages or wild cards like attacks on container ships.

Here are some fundamental strategies to achieve effective data integration and collaboration:

1. **Implement Data Integration Tools:** These tools should be capable of integrating data from multiple sources, including ERP, CRM and supplier systems.
2. **Establish Clear Communication Channels:** This may include using cloud-based collaboration platforms, shared dashboards and regular calls to anticipate and address any issues.
3. **Set Shared Goals and Metrics:** You and your suppliers can align these around business plans and customer expectations.
4. **Leverage Technology for Real-Time Collaboration:** Cloud-based platforms and electronic data interchange (EDI) are two common solutions here.

Collaboration with suppliers is central to a distributor's value proposition. By integrating data from ERP, CRM, WMS and supplier systems, distributors and suppliers can better forecast demand, adapt to changing trends, and plan jointly for business growth.

Effective collaboration also enables distributors to respond rapidly to disruptions—whether due to natural disasters or supply shortages. Technology solutions, such as those provided by SPS Commerce, facilitate this data integration, creating a single source of truth that enhances visibility and trust.

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More than ever, technology plays a central role in enabling distributors to anticipate changes, adapt quickly and deliver superior value to their customers. This is essential if distributors want to enhance their operational capabilities and optimize sales and profits by meeting customer expectations.

One of the most significant trends shaping the distribution industry (and the rest of the world) is the increasing use of artificial intelligence (AI). AI is revolutionizing distributors' capabilities with better insights into customer segmentation and needs, improving margins, optimizing working capital performance, automating complex processes and much more.

The emergence of AI has drowned out another important technological trend that is essential to good supply chain management. The Internet of Things (IoT), which leverages sensors and smart tags, can provide real-time visibility into inventory levels, product location, temperature and humidity, and more. This level of visibility is particularly valuable for industries like food and beverage or pharmaceuticals.

Distributors also need to focus on enhancing the customer experience through technologies like Customer Relationship Management (CRM) and eCommerce systems that provide a seamless experience – you need to be same company online, over the phone, in the branch and when your sales rep visits a customer.

Robotic process automation (RPA), which involves the use of software robots to automate routine tasks, such as data entry, order processing and invoicing, is another technology that distributors can leverage. Implementing RPA lets distributors free up their employees to focus on more strategic activities.

Distributors should consider the following strategies to leverage technology more effectively:

1. **Invest in Advanced Analytics and AI:** These technologies can provide a significant competitive advantage by enabling data-driven decision-making.
2. **Adopt IoT Solutions for Enhanced Visibility:** Integrate IoT data into your supply chain management systems to improve efficiency and reduce the risk of disruptions.
3. **Utilize Cloud-Based Platforms:** Cloud-based solutions provide the flexibility needed to adapt to changing business needs and ensure that critical data is always accessible.
4. **Enhance the Customer Experience with CRM and eCommerce:** These systems are no longer optional for most distributors.
5. **Implement Robotic Process Automation:** Better accuracy, faster work and lower cost – who doesn't want that?

More than ever, staying at the forefront of technological innovation is essential for maintaining a competitive edge and driving long-term growth.

Conclusion

The B2B distribution industry is rapidly transforming, driven by powerful new competitors, ever-growing customer demands, advances in technology and the need for greater efficiency across the supply chain. To stay competitive and meet the high expectations of today's customers, distributors must embrace solutions that foster transparency, collaboration and responsiveness.

By breaking down data silos, distributors can achieve enhanced visibility and make informed decisions that lead to a more agile and efficient supply chain. Automation is a key driver of operational efficiency, reducing errors and enabling scalability, while data integration and collaboration strengthen relationships with suppliers and create a cohesive, responsive supply chain.

Leveraging technology to stay ahead of industry trends and exceed customer expectations is essential.

Distributors who adopt the tools and strategies laid out in this whitepaper will position themselves to outperform competitors in the long term. It's tough to beat a company with better data, better analytics, better supplier relationships and a relentless drive to satisfy customers.





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Since 2001, SPS Commerce has helped businesses like yours work together with your trading partners, strengthen your global supply chain and better serve your customers. We do that by empowering data collaboration across the supply chain with our expert team, proven process and industry-leading technology.

Our mission is to connect all trading partners by making it easy to join and use our retail network, freeing you to focus on what you do best. Learn more: <https://www.spscommerce.com/about/>



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About the Author

Ian Heller has more than 30 years of experience executing marketing and e-business strategy in the wholesale distribution industry. He has written and spoken extensively on the impact of digital disruption on distributors.

Ian entered the distribution industry as a truck unloader at a Grainger branch while in college. He eventually became Vice President of Marketing there and has since held senior executive roles at GE Capital, Corporate Express, Newark Electronics and HD Supply. Ian most recently served as President and COO for Modern Distribution Management, a specialized information and analytics firm serving the wholesale distribution industry.

Ian earned a BA in History from Roosevelt University and an MBA from the Kellogg School of Management at Northwestern University, where he was elected commencement speaker by his classmates and won the Dean's Distinguished Service Award.

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