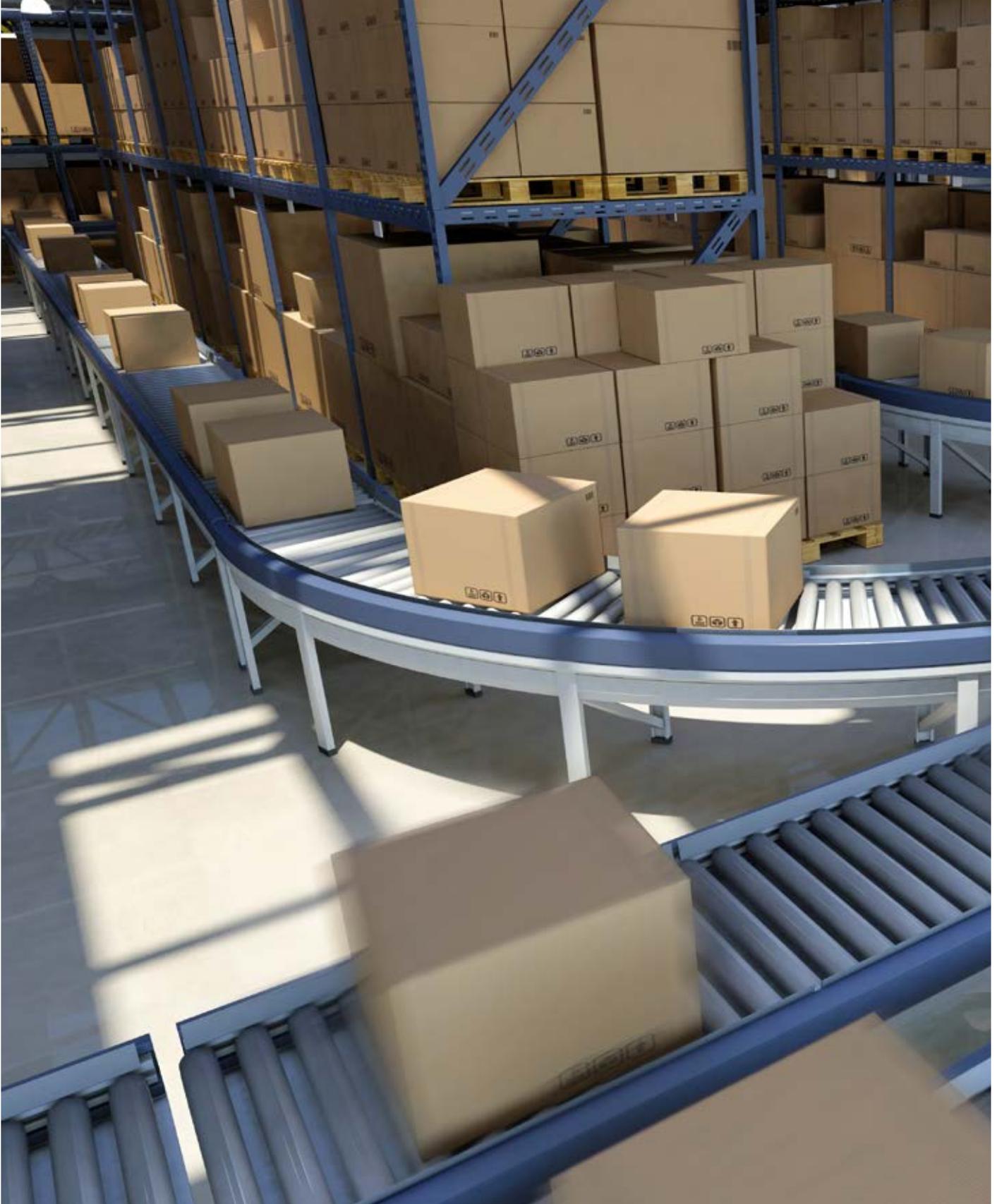
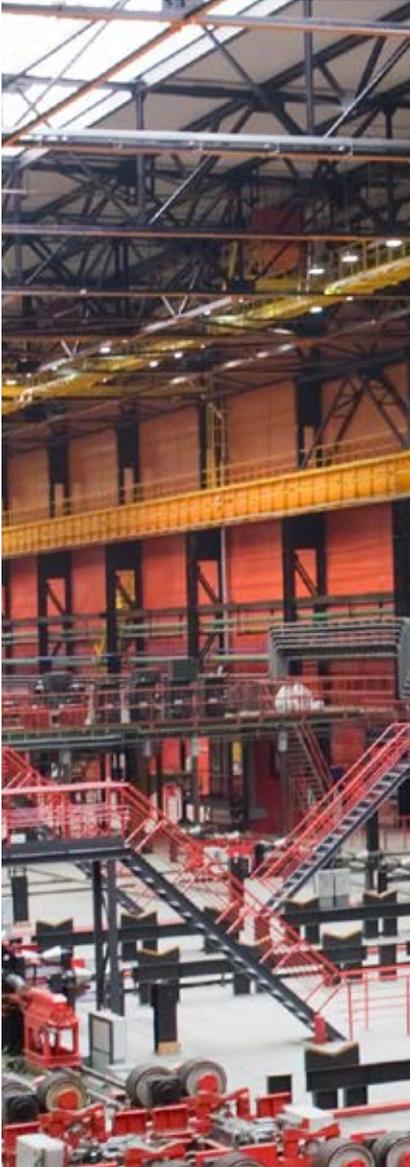


# Digitalization Doesn't Have To Be All-Or-Nothing

A look at the journey to digitalization, its benefits, and tools to help the process



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One would be hardpressed to find a distribution executive who doesn't agree that the future of their industry is digital. Business-to-business distributors have long been behind the times when it comes to technology innovation—and slow to adopt it. Nonetheless, distributors have gradually been implementing or upgrading software and business tools and hiring more tech-savvy employees to increase the digital element of their culture. As a result, both their customer-facing operations and back-end functions are becoming more efficient.

## The State of Distributor Digitalization Today

Many leading distribution companies fully embraced going digital years ago and are now in a great position to match or exceed today's rapidly changing business climate and the buying habits of customers. Still, many other distributors—especially those that are small to midsize or family-operated for generations—are lagging behind and struggling to make the digital transition.

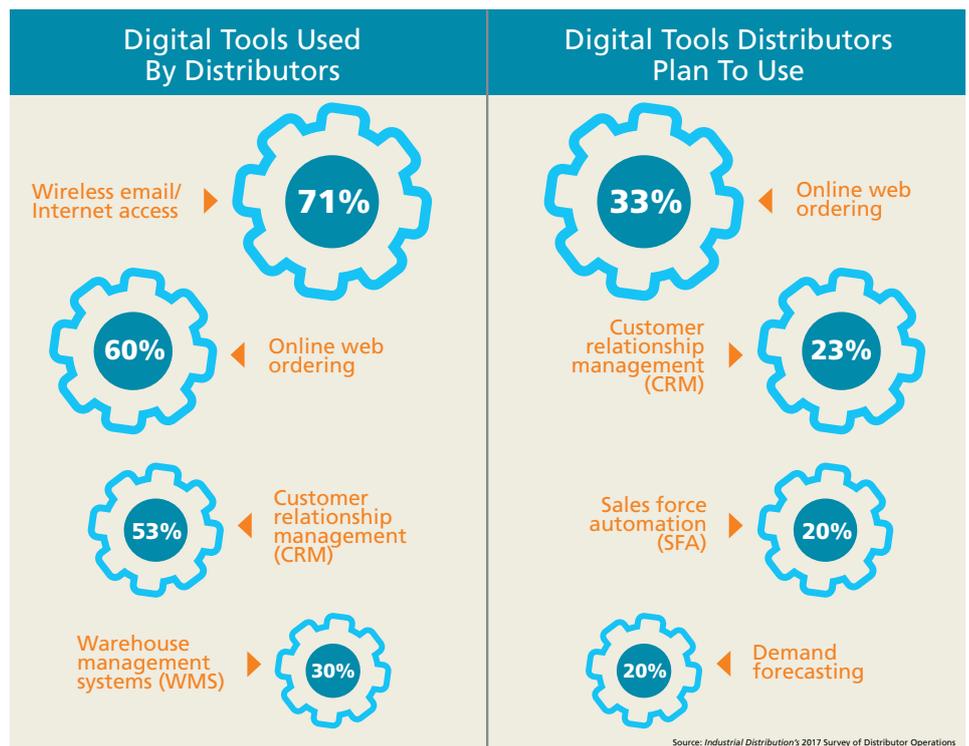
This disparity was evident in Industrial Distribution's 2017 Survey of Distributor Operations, which polled 300 industrial distribution employee respondents. Its survey

report showed the following respondent statistics:

- ▶ Only 27% utilize enterprise resource planning (ERP) software—which was actually down three percentage points from ID's 2015 survey
- ▶ Only 53% utilize customer relationship management software (CRM)—down three points from 2015 and a surprisingly low number, considering respondents chose CRM as the business technology that has the greatest impact on their business
- ▶ Only 20% utilize sales force automation (SFA)
- ▶ 60% utilize online web ordering
- ▶ 14% said they are likely to adopt ERP over the next two years—up six points from 2016
- ▶ 23% are likely to adopt CRM over the next two years
- ▶ 20% are likely to adopt SFA over the next two years
- ▶ 19% can't recall how long it's been since their last website redesign
- ▶ 49% update their website content less than once per month
- ▶ Only 33% have a mobile app for their website

Another noteworthy stat from ID's survey on the digital front is that 63% of 2017 respondents said eCommerce is a priority for them. While that figure has ticked up over

All these stats paint a picture of a distributor landscape hesitant to embrace digitalization—even though they acknowledge its importance.



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the years—58% in 2014 and 60% in 2016—it shows that a whopping 37% of respondents don't prioritize eCommerce. That's despite 39% of respondents choosing online web ordering as one of two digital technologies that have the greatest impact on their business. In June of 2017, market research firm Forrester estimated that 2017 full-year B2B eCommerce sales would be \$889 billion, and that figure is expected to reach \$1.2 trillion by 2021. Despite the rapid recent and expected growth of eCommerce, distributors are still lagging behind overall.

## Barriers To Entry

Why has digital adoption been so slow amongst distributors? The first factor most people want to point to is cost. Sure, becoming a digital-first distributor has a price tag, but the mistake many executives make in this regard is looking at digitalization as one massive, all-or-nothing project. Because of this, digitalization appears too big, too expensive, and too complicated to handle.

Digitizing every facet of your distribution business from scratch surely would be expensive—but adding even a single digital element is better than none, and the cost is substantially more affordable when taking the approach of picking individual business processes to digitize.

The bigger negative impact the “all-or-nothing” view creates is a culture of resistance to digital. In an industry that still has a large workforce portion

Like any business cultural shift, digitalization starts at the top.

comprised of baby boomers, distribution employees are often happy to be set in their ways.

“Executive buy-in is highly important—it's required,” said Mark Jensen, director of product management at Epicor Software. “The companies I've talked with that are doing it well—or at least continuing to improve—are willing to make mistakes and push forward despite some of the complexities and hardships, and executives are leading that charge.”

Another factor holding distributors back is a lack of tech-savvy personnel. Small companies and those with an older workforce likely have limited employees devoted to information technology—if any. This can make the concept of integrating new software and technology a daunting one.

Digitalization is much more manageable when viewed instead as a process, with step-by-step goals to accomplish along the journey. Expecting your business to go from primitive to suddenly having every digital tool available is widely unrealistic for even the largest of distributors, much less those that have less than \$10 million of annual revenue.

## Digitalization Elements and Benefits

The pros of prioritizing digital in your distribution business are many, and it can provide return on investment in many forms. Here are just some digital elements that can considerably improve your customer-facing operations:

### Digitizing your SKU catalog

Your 1,000-page print catalog may have been your bread-and-butter for decades, but today's buyers are shifting to a digital preference for product viewing at an increasing rate. Even downloadable PDF catalogs are outdated today. If you don't offer eCommerce, having a digital catalog at least provides a quick and easy way for your customers to view product information.

### eCommerce

The growth of eCommerce in B2B is undeniable, and even if your customers aren't currently asking for it, it's only a matter of time, so you might as well get ahead of the curve. There are numerous eCommerce providers that can tailor a platform for your business. A highly responsive eCommerce offering enables customer feedback and can help increase customer loyalty.

### Mobile app

Even some mobile-responsive websites are difficult to navigate on a smartphone or tablet, so providing your customers with all the features of your website in an easy-to-use app makes doing business with you even simpler.

## Get Help

Many distributors like to keep everything in-house when it comes to business upgrades, but finding help is one of the biggest keys to success in the digital journey. For those small and midsize companies that don't have the in-house resources to implement individual digital solutions, finding an outside partner may be their only option. That's certainly not a bad thing, however, as providers like Epicor have been helping distributors choose, implement, and support the level of digitalization that is right for them.

“We really value the opportunity to help with more than just providing processes,” Jensen said. “We help them look at their whole business and figure out what needs to change to support the growth they want to see.”

“It's not that they couldn't do this on their own—it's how much time and effort it would take,” added Tony Corley, Epicor senior product marketing manager. “It's something where we have experts in almost anything they'd need. They'll save themselves a lot of time and effort by utilizing us as a partner.”

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## A Case For ERP

When it comes to the digital solutions that can boost back-end operations and employee efficiency, distributors should first look to ERP. Depending on the provider, an ERP system can include all the digital tools a distributor could ever need and more. An ERP system is now the backbone for many distribution companies, consolidating and streamlining various operations together and eliminating business silos.

As a premier ERP provider for distributors, the latest Epicor® offering—Prophet 21®—ties together order entry, financial management, procurement, warehousing, CRM, eCommerce, inventory management, performance management, and more into a complete solution that is web-based and extended to run on any browser. This allows distributors to access the software from any device, anywhere.

Enabling your employees to drive information or dashboards to their cell phone lets them take your business on-the-go. Reducing the reliance on printing out reports to get information cuts down on office clutter and greatly speeds up the information sharing process, while metrics lead to smarter business decisions instead of relying simply on intuition.

While ERP has become synonymous with back-end operations, its features also have customer-facing benefits.

By eliminating manual order entry responsibilities, ERP frees up distribution customer service representatives to do more important and business-growing tasks.

“Some of our customers’ service reps were primarily entering orders. Now, they’re looking to make those people more like business analysts—helping customers find a better deal,” Jensen said. “The transaction isn’t the big deal, it’s how we’re helping and analyzing

that customers’ purchasing patterns. Now, they can actually charge an additional one to two percent on an item because these services are something that customers appreciate.”

In a market that is more competitive than ever, distributors need any advantage they can find, and the ability of ERP to enhance customer relationships is a key differentiator.

“We always think of the benefits distributors look for,” Corley added. “We try to help them increase sales, increase margins, improve employee productivity, and set themselves apart from competition.”

Because Prophet 21 users can pick and choose the features they want, it enables them to right-size their ERP and add additional features as their business grows. Maybe your business doesn’t need all the bells and whistles ERP can offer, so it makes more sense to buy only what you’ll use.

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## About This Report

This report was sponsored by Epicor and prepared by Mike Hockett, Editorial Content Director, Manufacturing Group, Advantage Business Media, a data-driven marketing solutions company serving industry professionals in the manufacturing, science, and design engineering markets.

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