



# How to digitally transform your distribution business

Distribution sector  
whitepaper



# Digital transformation in your distribution business

Distributors can use readily available resources and expertise to ensure their business viability and competitive edge in well-planned, strategic initiatives





# The challenge: Translate opportunities into results

Leaders in many distribution companies see the promising opportunities of engaging with attractive providers in the global supply chain, digitizing processes and products, implementing profitable multi-channel strategies, taking advantage of the scalability and economy of the cloud, and serving customers with a better experience. They require a practical, sound approach to translate these opportunities into results. They also realize that the best of their current practices may not help them outperform the competition and address increasingly urgent business challenges:

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**Globalization** enables formidable, lower-priced competitors to emerge from almost anywhere.

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A tidal wave of **mergers and acquisitions**, combined with modern e-commerce resources, results in much larger, more powerful competitors with vast resources.

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**Consumers are more informed and influential** than ever, and they are learning how to make themselves heard.

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To remain competitive, distributors need to **introduce new products and services**, but the risks can be very high.

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Meeting **compliance, quality, and security standards** is becoming more complex and costly.

## Time for digital transformation

The most forward-looking distributors embark upon digital transformation initiatives instead of relying on more conventional ways of using technology and process optimization to generate sustainable, long-term advantages.

Digital transformation does not simply mean acquiring and deploying more and better technology. **In digital transformation strategies, companies use computerized technologies and digitally facilitated processes to rebuild their operations and gain the nimbleness to deliver valuable innovation to their customers.**

Recent technological advancements make digital transformation realistic and affordable for many more distribution companies. At Columbus, we have a track record of many years of helping distributors succeed. We know how to design and accelerate your digital transformation in a low-risk, results-oriented manner.



# Enabling technologies and resources for business transformation

Many distributors already own essential building blocks for digital transformation:

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The **ERP** system is a digital, connected business platform that links business groups, subsidiaries, and the supply chain. For digital transformation it is critical that your ERP system has the scalability and flexibility to support your growth and strategic direction.

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Your **business processes** are a repository of organizational knowledge, experience, and best practices for enabling people, systems, and infrastructures to be effective. Digital process modeling helps you identify and act on opportunities for improvement.

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If your company is similar to many, a wealth of data assets regarding all aspects of the business lives in a variety of systems and storage mechanisms. To take advantage of your **big data** as meaningful intelligence, you need to either integrate those systems—which can be costly—or bring the data together in a robust, scalable environment, such as the cloud. Then you can apply analytical tools to it and perform evidence-based planning and decision-making.

Other, rapidly evolving technologies have in recent years become more mature and affordable, and can powerfully support digital transformation in your distribution business:

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Within the **internet of things (IoT)**, data streams from connected sensors on almost any durable product or equipment item let you understand the items' real-life utilization and performance. Analyzing IoT data can help you improve your products and find better ways to meet customer needs.

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The **cloud** offers the best opportunity to implement your applications, data, and digital processes in a highly scalable and flexible manner. Instead of acquiring more servers, software, and networking equipment, you can implement ERP and other applications securely in the cloud, deploy cloud-based data storage and analytics, and seamlessly bridge systems and resources on-premise and in the cloud.

Two ubiquitous technologies are essential in developing systems of engagement that can serve consumer audiences:

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Consumer sharing in social media can multiply the impact of your spending and activities in marketing and communications. Consumers expect your company to have a **social** presence that provides context, content, and community to enhance their use of your products and services. Social listening yields valuable data that you can combine and analyze with your other big data to design the best possible customer experiences, products, and delivery systems.

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Billions of people learn about companies and brands, compare offerings, connect with their peers, and consume content on their mobile devices. Your customers want to manage their daily lives in a seamless, digital, **mobile** environment. That includes interactions, purchases, and service engagements with your company. Mobility can also help you advance your digital transformation internally, for instance, by bringing ERP and decision-making capabilities to employees at any time, in any location.



# Digital transformation in a distribution company

The most successful digital transformation initiatives underway in distribution businesses today typically combine the ERP foundation with the other enabling technologies mentioned. Columbus has helped a number of distributors achieve noteworthy results in digital transformation, including:

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Acting on new revenue and  
market opportunities

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Shortening innovation and go-to-market cycles

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Reducing the risk and cost of introducing  
new products

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Delivering profitable, immersive  
customer experiences

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Collaborating effectively with customers  
and resellers to create product and  
service improvements

Let's take a look at a typical scenario based on our distribution clients' experiences with digital transformation.

## **Reliable, but uneven and aging out of the accessible market**

A distributor of high end industrial electrical components sells to clients through a variety of channels—online, a catalog, and a call center, and through field sales reps. It also maintains a service department. With increased competition from lower-priced providers, the company finds it increasingly difficult to meet sales and growth targets.

Business leaders analyze data from the ERP, sales, and logistics systems to get a better sense of the company's performance. The results are mixed: On the plus side, customers appreciate the reliability of the products. They like that the company provides helpful content and user guidance online.

Across sales channels, the brand experience is uneven. Catalog sales handled by the call center often fall short of the same level of engagement that field sales reps provide. Additionally, each sales rep has a different approach and the client's experience depends on who's on duty and how well they are trained. Business leaders analyze data findings from the ERP, sales, and logistics systems in combination with social listening to get a better sense of the company's performance. The results are mixed:





## The company turns itself into a system of engagement

Traditionally, the company has distinguished systems of record, such as ERP, WMS, and systems of engagement, such as the website and CRM.

Company leaders come to the conclusion that this is an outmoded approach. For the company to become more agile and competitive, all of its processes and systems need to support an excellent distribution experience.

The distributor's new business plan focuses on increasing revenue and market share by providing a vastly improved customer experience, with a special, targeted effort to gain more wallet share of their clients. Complementary initiatives include:

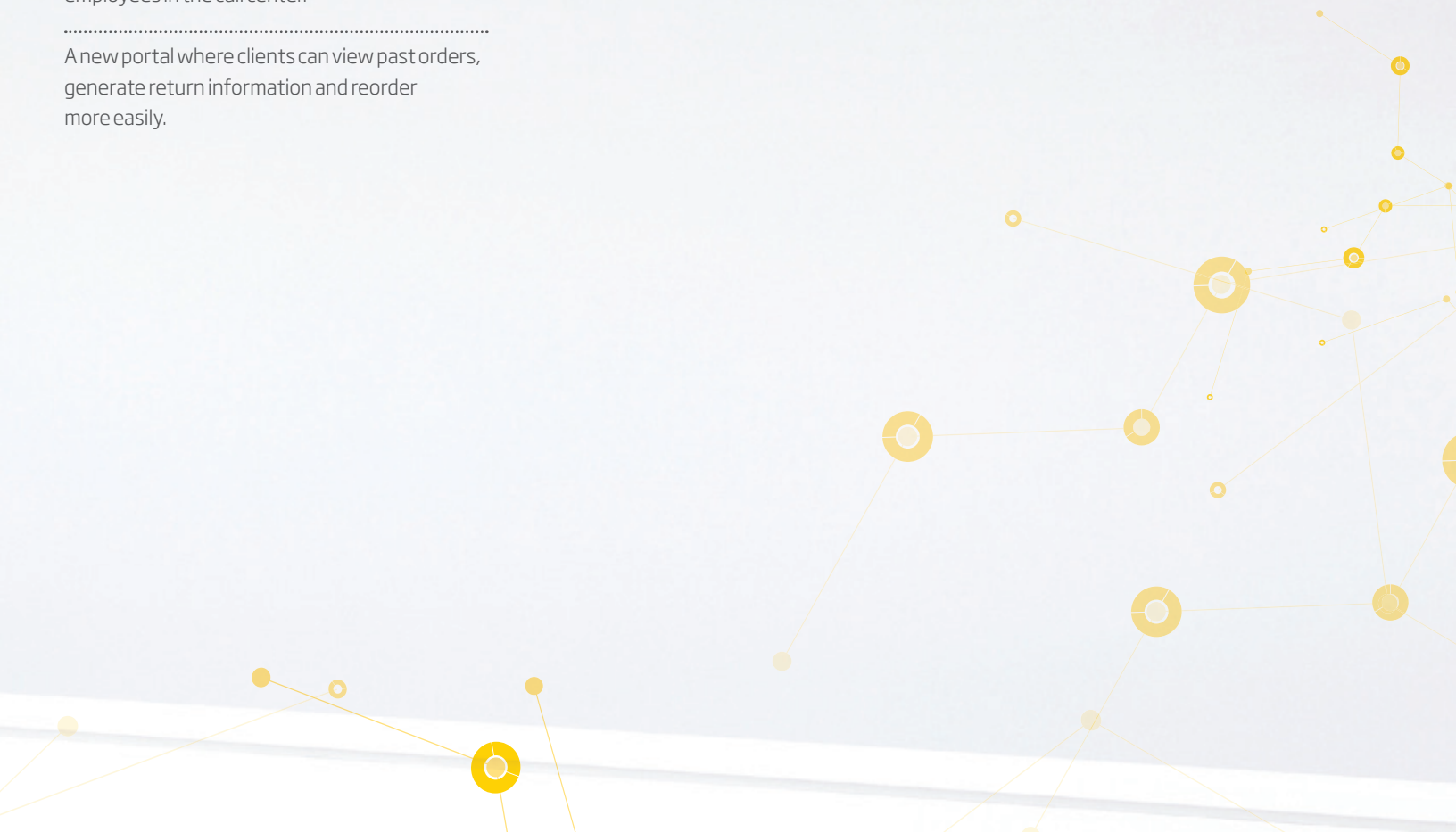
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A new sales training and incentive program for employees in the call center.

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A new portal where clients can view past orders, generate return information and reorder more easily.

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Addition of FAQ section and the website chat functionality to enhance client experience and provide a higher level of service.

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Greater use of mobile ERP and the move of a number of applications into the cloud, so field sales reps can, while in the field, quickly recall past orders, check inventory and place orders more immediately and provide better service and make intelligent recommendations on additional or alternative products.

A subsequent review of business and brand related data shows that revenue is increasing, there is encouraging growth from customers ordering from different product segments, and the distributor's brand equity has increased. Soon, it also becomes visible that customer erosion from lower-cost competitors has come to a halt.



# Get started

In surveys, between a quarter and a third of business executives state that digital transformation is a matter of survival for their businesses. Many distributors will embark on digital transformation initiatives, sometimes without the right strategic planning and commitment. If you want to maintain a competitive, innovative edge, the time to take advantage of digital transformation opportunities is now, before a larger number of your competitors adopts it.

Even before you begin detailed planning, we recommend several basic steps in designing digital transformation in your distribution operation:

## Prepare a strategy:

Identify and prioritize **areas of concern** where you already own the data and insight to pursue measurable improvements. Bring digital transformation first to those sales channels and segments of the business where desirable results are most likely.

Think of digital transformation as a **business initiative**, not as a project that should be handled by the IT department.

Consider digital transformation a **sustained effort**. Your industry and market will continue to present changes and challenges that business transformation can help you address.

## Optimize resources and technologies:

**Your ERP system is the best foundation for digital transformation.** Review existing systems to assess how well they can support a digital transformation effort.

Evaluate the economics and operational advantages of **cloud technology** for your business. Transfer workloads, data, and applications whenever it makes sense.

Use your insight to **build the right systems of engagement** where your customers, suppliers, and employees will engage.

Ensure that **business processes** run as efficiently and free from waste as they can, and introduce any improvements that make sense.

## Involve the right people:

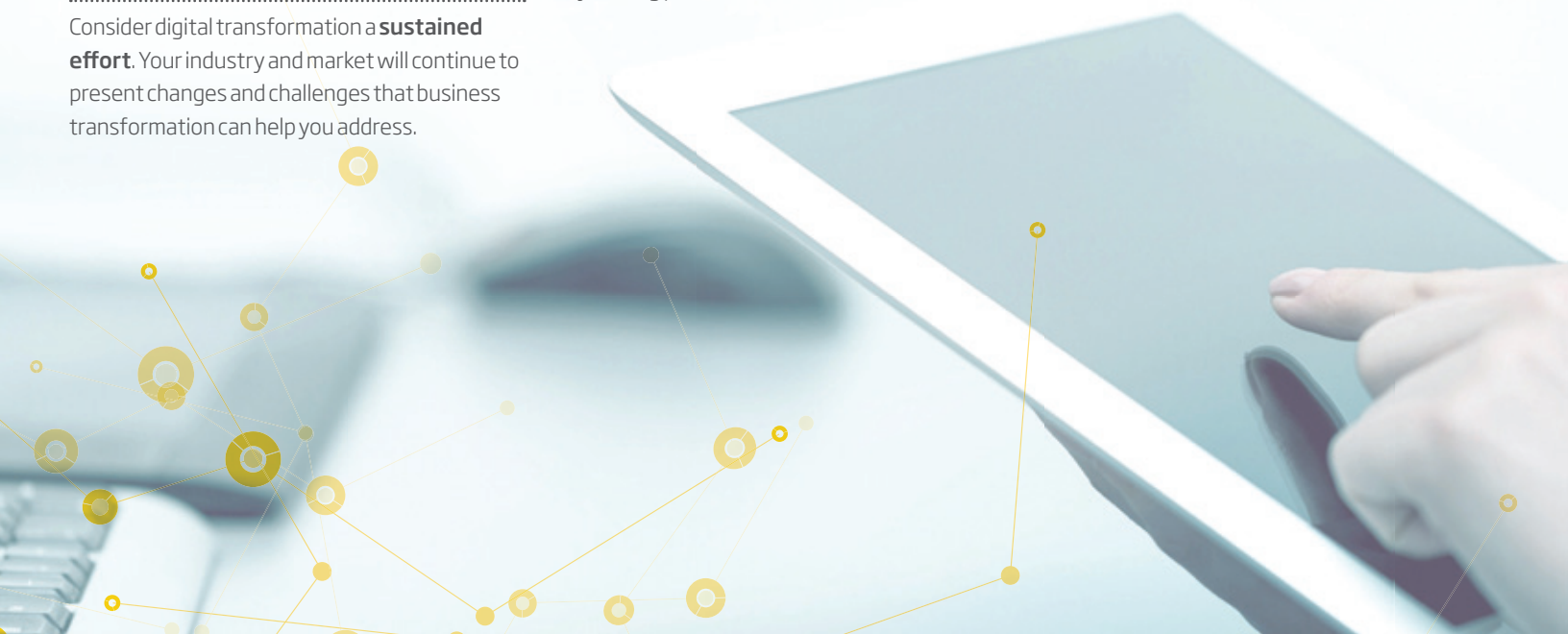
Pay close attention to the **voice of your customers** in social media and in every touch point with your people, products, and services.

Develop a timely, proactive **communications strategy** to support a digital transformation initiative, involving all company employees and key trading partners.

Strengthen the **relationships with business partners** who share your long-term vision. Your preferred trading partners should be the ones who support your digital transformation, because it can help them become more effective, customer-centric companies.

Once digital transformation is underway, evaluate what it requires in order to stay relevant and effective. As distribution companies see results from their digital transformation efforts, they often create new executive roles, such as the chief innovation officer or the chief digital officer. In some organizations, digital transformation leads to companion efforts to rebrand and reposition the company based on its enhanced understanding of consumers and opportunities.

Columbus offers the expertise and resources to help you plan digital transformation, put it into practice, and achieve sustained results.



At Columbus, we help our customers digitally **transform** their businesses and improve the value realization of their business application investments. We **mitigate** the inherent risks associated with implementing, upgrading and replacing legacy ERP systems. We **lead** our customers with best-practice consulting services we have refined over thousands of engagements. We take care of our customers and aspire to keep them for life.

To learn more about how Columbus can help you digitally transform your business, contact your local Columbus office.

➤ [www.columbusglobal.com](http://www.columbusglobal.com)