

REPORT

2018 State of Distribution

Turning Challenges into Opportunities

Manufacturers and distributors are bracing themselves for what is ahead for 2018 with today's increase in competitive forces and margin pressure. Some are embracing the challenges and responding to the current marketplace by taking advantage of them and using them as an opportunity for growth. Here are the biggest trends in 2018 that executive leadership must develop a plan to address or miss an opportunity to drive growth.



Customer Transaction Management



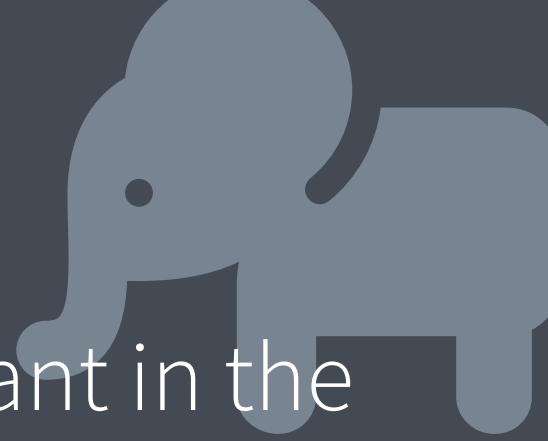
Companies must focus on maintaining customer relationship equity, or risk customers switching and giving their business to a competitor. All aspects of customer transactions must be managed to the highest level of satisfaction. To do this, distributors and manufacturers must understand their key customers and how they want to transact. This allows them to meet their needs based on their preferences and protect the customer relationship.

The changing profile of buyers and buying preferences means that sales team structures need to be re-examined. Inside sales teams must focus on managing the customer relationship, and the customer relationship equity in the company the customer is doing business with. Outside sales should focus on taking advantage of critical selling events that potential customers are experiencing with competitors. This is an event that occurs after a decision is made to purchase that negatively impacts the relationship and may lead a customer to switch to a different vendor.

To protect the customer relationship, inside sales teams should be empowered to serve their customers in the highest capacity. This means alleviating mundane tasks like manual order processing that offer no incremental value to the customer relationship. Manually keying in purchase orders arriving from customers lengthens order cycle times and introduces an opportunity for errors. This creates a scenario that makes customers open to switching due to a poor transaction experience. By automating purchase order processing, customers get their orders quickly and with complete accuracy, allowing inside sales reps to focus on meeting the needs of their customers and profit generating activities.



The Elephant in the Room: Amazon Business



Distributors and suppliers must now compete with organizations that previously were outside of their geographical footprint. Further, their own customers have elevated expectations due to Amazon Business “raising the bar” on customer experience. Using automation to reduce order cycle times and fulfilling orders with 100% accuracy can allow for growth as customers experience a similar fulfillment experience and have confidence in the company behind the sale—one that they’ve been transacting with for some time.

Additionally, instead of considering Amazon Business as a threat, distributors can use Amazon as another sales channel for inventory that doesn’t require a lot of customer service or product support. This presents the requirement of speedy order fulfillment and transaction processing. To take advantage of Amazon Business, companies need to adhere to the processing parameters set forth by the platform. Conexiom Sales Order Automation can process orders coming in from any e-commerce platform without manual intervention and deliver them into your ERP system in minutes.



Understanding Customers with Unstructured Data



Unstructured data is data that resides in unstructured formats like email. It's typically not something that most distributors think about when making operational business decisions based on sales channel data. Distributors look to typical digital touchpoints like e-commerce for customer behavior data that informs strategic decision making. However, with up to 80% of orders still being placed via email, a large portion of insights are missed.

Unstructured email data can be re-organized and analyzed with the right tools to deliver a true view of customer activity. An enormous amount of transactional data is missed because most orders come through via email. Re-organized and analyzed with the right tools, it delivers a true view of customer activity like buying trends, key customers, volume, timing, etc. which can help with forecasting and inventory management. Conexiom Sales Order Analytics programmatically scans incoming email data and restructures it into meaningful data points to deliver the missing puzzle pieces of customer order activity at your company. This analysis provides customer segmentation insights that help companies understand how their customers process transactions. Conducting a formal assessment of customer preferences reveals attitudes and preferences that can be used to inform operational decisions that can deliver optimal efficiencies.



Re-examining the Cost to Serve Customers

Distributors and manufacturers have many expensive sales platforms in place like EDI or web portals to deliver a seamless and efficient customer transaction experience. Unfortunately, the execution of these platforms is not as “simple” or seamless as originally thought. Distributors most frequently view the total sale or gross margin as a success metric. When customer exceptions within these transactions occur, it can significantly increase cycle times and operational costs to serve. Distributors must look at the entire transaction from order placement to order fulfillment. Often the realized cost to serve has an impact on margin that is not obvious to executive leadership. By not examining the number of “touches” required to process customer orders, companies could be inhibiting their own growth.

Companies can address this in two ways. The first is to automate all purchase order processing. Where EDI is too cost prohibitive, solutions that provide a similar efficiency should be examined. Additionally, a closer inspection of the method of automation needs to be explored. EDI should provide complete automation, but with exception handling an already costly automation tool may not be as efficient as originally planned. Understanding the true cost to serve can help reveal where operations are impacting profitability.



Addressing the Impact of Digital Transformation

A potential downside of digitizing business processes is the possible erosion of customer satisfaction. Companies often implement transformations with a goal of reducing operational costs and increasing efficiency without understanding the risk of compromising customer loyalty.

Typically, a company will proceed with a transformation that is purely for cost reduction and long-term efficiency, without consideration to the end customer. Others may proceed with a transformation knowing that there is a potential risk to the erosion of the customer relationship and experience, but not a real grasp of the risk to customer loyalty.

Embarking on a transformation that can negatively impact the customer relationship equity may lead to a critical selling event making a company vulnerable to competitive threats. Ultimately, customer satisfaction is a critical factor of growth and success. There are solutions that allow businesses to reap the benefits of digitization and simultaneously maintain high quality customer service. Conexiom Sales Order Automation reduces manual processing costs by 80% and decreases order cycle times while processing orders with complete accuracy. This means customer satisfaction increases, all the while reducing a company's cost to serve.

Is your organization ready to take advantage of the challenges ahead in 2018?