

# Distribution AI: A playbook to accelerate success

As Artificial Intelligence proliferates through every aspect of our economy, distribution executives are seeking opportunities to deploy these new capabilities across their businesses.

Our research informs a new framework that sets a clear path for distribution executives to make critical AI decisions that deliver value in practical, tangible ways for their businesses, employees, customers, and partners.

*By Kevin Reid-Morris*



## About this research

Modern Distribution Management initiated this research project in early 2023 to give leaders of wholesale distribution companies a better understanding of the potential challenges and benefits of artificial intelligence. We also wanted to provide a practical guide to help distribution executives develop a strategic roadmap for leveraging AI.

Based on the early stage of AI adoption in distribution, which we validated through a survey of more than 300 industry respondents in mid-2023, we structured this research effort to complement this baseline survey to gain insights from early adopters. We conducted dozens of interviews with distributors, technology service providers, consultants and other industry participants who have been at the forefront of integrating AI into their value propositions – either as distributors or service providers to distributors in some form.

For that reason, we created a research partnership with the four sponsors listed on this page – NTT DATA Business Solutions, Profit Optics, Proton.ai and Verusen. They have made this 2023 research and report into how distributors can leverage artificial intelligence possible. We intentionally created a consortium of technology solution providers who are not only working with distributors daily on technology innovation, but who are also actively researching and identifying how to best leverage AI in their own tech stack and industry solutions portfolio.

By combining the complementary perspectives of these technology innovators together with the insights of distributors at the forefront of AI exploration, we felt we could best build a bridge from the current state of AI in distribution to a practical roadmap for implementation for every distributor, to a vision for AI's impact on the future of distribution.

### Sponsored by

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### About the author

We invited Kevin Reid-Morris, Founder at Readmore Ventures and consultant to executives and boards on matters of innovation and growth, to lead this research initiative for MDM.

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## Navigating this report



### Behaviors

The attributes of AI-savvy distributors, the main chapters in this report



### Building blocks

The primary components of each behavior



### Key questions

For reflection within each building block



### Distributor spotlight:

Real-world stories of building blocks in action

# Introduction

As Artificial Intelligence proliferates through every aspect of our economy, distribution executives are seeking opportunities to deploy these new capabilities.

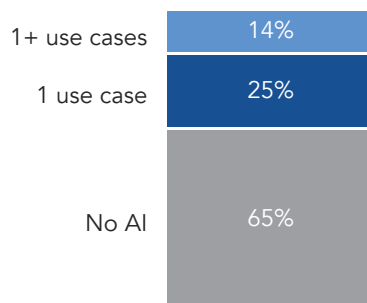
An abundance of AI-related resources is released seemingly by the minute. At MDM, we heard from executives that – while imaginative – most of these resources fail to answer critical questions about getting started and making AI practical.

Jimmy Dickinson, Vice President of Industry at NTT DATA Business Solutions, told us, “Many of the use cases discussed today seem far away. Distributors want to see the possibilities, but we must also see the practicality. That’s been missing.”

MDM research reports that distributors have been slow to adopt AI. Of our survey respondents, 62% of distributors stated they have yet to apply AI to any part of their business. 25% have applied AI in a single use case, and only 14% have leveraged AI in more than one area.<sup>1</sup>

## Distributor AI adoption

Self-reported number of AI use cases<sup>1</sup>



In response, we sought to help distributors act on AI more confidently. Our research approach included in-depth interviews with AI experts and distribution executives, seeking answers to questions like:

- Where do I start with AI in my distribution business?

- Which opportunities are most ripe for AI?
- How can I foster the conditions for AI success?

Our findings inform a new framework to help distribution executives use AI to deliver value in practical, tangible ways.

Ultimately, the distributors most successful with AI won’t be those pursuing science-fiction-like scenarios. Instead, AI value creation will belong to distributors who can organize around strategic priorities; execute AI initiatives from prototype to scale; develop AI skills; and build - with partners - robust data infrastructure.

Within each of these areas, we discovered a set of key decisions distributors must make along their AI journey, which we introduce in this report.

## Five distributor behaviors for AI success

From our research, one key insight was that the nature of questions executives are asking about AI has shifted from “why?” to “how?”. In other words, distribution executives are increasingly convinced AI can be impactful, but they have yet to put it to use.

An explosion of vendors, applications, tools, and consultancies means AI is more accessible than ever. However, using AI to create strategic value can still be daunting. We heard - and synthesized - the common behaviors distribution executives are modeling to cut through the AI hype, instigate action, and maximize benefits.


















Those behaviors are:

1. Setting strategic AI priorities
2. Activating AI programs
3. Scaling up from small prototypes
4. Investing in AI-equipped people
5. Cultivating your AI platforms

Each of these behaviors is reinforced by a series of concrete decisions executives can make to grow their AI maturity. We refer to these decisions as *building blocks*.

<sup>1</sup> MDM Research, 2023.

# Overview: Behaviors and Building Blocks for distributor AI success

Behavior	Building Block
 <p><b>1- Setting strategic AI priorities</b></p>	 Aligning AI to strategy  Multiple horizons
 <p><b>2- Empowering AI programs</b></p>	 Aligned & engaged leadership  Performance indicators  Resources
 <p><b>3- Scaling up from small prototypes</b></p>	 Small-scale experiments  Scaling AI big
 <p><b>4- Investing in AI-equipped people</b></p>	 AI skills and talent  AI-smart management
 <p><b>5- Cultivating your AI platform</b></p>	 AI data and infrastructure  Customer, supplier, and peer collaboration  AI Providers and partners

Together, these behaviors and building blocks work as a system to significantly improve AI success.

One insight from the research was that many of the keys to AI success, including our framework's behaviors and building blocks, largely apply to the commercialization of any emerging technology. To cut through today's AI hype, this is a critical point for distributors to be aware of. Executives mustn't abandon strategic rigor, ruthless prioritization, grooming of talent, or strong partnerships, what one interviewee referred to as "shiny object syndrome" when distributors chase the latest headline-making AI use case. In fact, AI is a reason to place greater emphasis on these foundational parts of your business.

Missing, incomplete, or incompatible building blocks can impede and undermine AI success, including examples we heard about through our research process:

#### **Example 1**

When looking for ways to deploy generative AI chat capabilities as a customer-facing sales aid, leadership at one national distributor overlooked the importance of incentivizing inside sales reps to work alongside these tools. Staff ultimately abandoned and worked around AI, instead of embracing its potential. Focusing on incentives and user-centred workflows can avoid adoption risk, arguably one of the most common reasons for AI implementation failure that emerged in our research.

#### **Example 2**

A leading global distributor sought to leverage a new AI application to improve the efficiency of their account management teams. Following the deployment of this application, management was disappointed not to see improvements in key account metrics. To understand why the new AI application wasn't driving sales activity, management conducted a field study to observe sales rep workflows. They discovered more prominent root causes for where AI could have generated greater returns, which would also solve more significant pain points for sales reps.

#### **Example 3**

A medium-sized distributor based in the Midwest US leveraged a temporary employee to develop an AI chatbot to support employees seeking questions about HR policies and benefits. What started as a fun, ad-hoc initiative soon became more complicated, requiring advanced skill sets, providers, and integrations. The result was a "stitched together application that just kind of worked," reports the firm's leadership. Through that initiative, the company learned the importance of strong partners and adequate funding for AI projects.

In the following sections, we outline the five behaviors and associated building blocks that emerged from our interviews with experts and distributors. Each section will introduce the behavior, followed by a deep dive into each behavior's associated building blocks. A set of clarifying questions is included to help distribution leaders reflect on each building block in their business.

We also highlight distributor stories that illuminate how executives exemplify the behaviors and building blocks in bespoke ways to suit their strategy and ambition.

Following the report, an interactive worksheet is included for use by distribution leaders individually or, ideally, with their management teams to assess their own maturity and progress against each building block.



# Behavior 1: Setting strategic AI priorities

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**"Starting with AI must begin with strategic value. If you're just trying to adopt AI for AI's sake, it's going to be difficult to find success."**

Benj Cohen, Founder at Proton.ai

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**The big idea: The distributors most successful with AI will be those with the clearest, future-facing strategic choices.**

The most advanced distributors we studied have clear, declared directions for their company's overall strategy – with an eye to future milestones such as succession, sale, and growth. This clarity helps by directing where AI can be most strategically valuable, ultimately accelerating and improving the path toward those milestones. Ideally, your strategy accounts for trends facing the distribution industry and your customers. If true, AI can be a significant enabler for unlocking value at the highest strategic level, driving growth and building resilience.

This pillar may seem distributors run the risk of pursuing ad-hoc AI initiatives, which haven't been subject to any rigorous strategic filter to determine priorities. Here, distributors must be cautious of investing precious time and resources on AI initiatives that don't improve target outcomes.



## ALIGNING AI TO STRATEGY

Strategy experts A.G. Lafley and Roger Martin famously describe strategy as "a set of interrelated and powerful choices that position the organization to win." Amongst these

choices are what Lafley and Martin refer to as primary drivers of strategy: *What is our winning aspiration? Where will we play? How will we win?*<sup>2</sup>

The most advanced AI-deploying distributors we spoke with have clear, communicated, and acted on strategic choices that lead to differentiation in their businesses. When it comes to harnessing AI, these strategic choices serve as a direction and focus areas. This strategy-first approach to deciding where to deploy AI helps distributors avoid the all-too-common decision paralysis brought on by the growing number of AI applications available or - another oft-cited condition - the ad-hoc efforts that can come from pursuing initiatives as they surface without consideration for their alignment to a greater strategic direction.

As Benj Cohen, Founder at Proton.ai told us, "Starting with AI must begin with strategic value. If you're just trying to adopt AI for AI's sake, it's going to be difficult to find success."

Critical here is the notion that your distribution business' priorities will, of course, be different from others. For example, each business, leadership team, and ownership group carries different risk appetites. Company size, specific competitive environment, and customer expectations can also help illuminate priorities.

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<sup>2</sup> Lafley and Martin, "Playing to Win," 2013

"If you look at the different verticals of distribution, there are different problems each should be thinking about applying AI to," Dickinson told us. "If you're in food, you're trying to orient your business around price fluctuations. If you're in durables, you might be trying to understand when and why customers go to competitors instead. You have to find the most valuable problems to your business or segment."

Distributors agreed and add that seeking out chronic problems or persistently untapped opportunities in the business can be a way to ensure you get the most out of AI. Michael Page, Chief Marketing Officer at R.S. Hughes told us "Our approach is always about finding and focusing on the problems that are really worth solving. That's especially important with the emergence of things like ChatGPT, which is now getting people excited. But you have to come back to the problems your business needs to solve."



### Questions for distributors

- ☐ *Do we clearly understand where our distribution business is headed - markets and products - and how those choices create distinct competitive advantage?*
- ☐ *Do we routinely review our strategic plan to ensure our AI efforts are relevant and timely to the problems and opportunities in the business and industry as a whole?*
- ☐ *Do we have criteria for evaluating and selecting potential AI initiatives that are more strategically-aligned than others?*



### MULTIPLE HORIZONS

In our conversations with distributors and AI experts, we heard about a wide range of use cases for AI: from optimizing core operations to imagining new-to-world business models.

Consider the example of a traditional distribution business model that has relied on

ability to predict, respond, and even generate products and experiences means that distributors could, in theory, launch new business models that ensure 99% uptime for their industrial HVAC clients or delivering just-in-time maintenance products to the busy homeowner.

"Many AI projects we see today are catch-up projects," Dickinson explains. "Distributors are seeing competitors with chatbots and trying to match those features. This is the low-hanging fruit - not the end game. There are game-changing, new business opportunities for distributors that will be unlocked by AI."

Tony Pericle, CEO of ProfitOptics, also sees a future where AI could transform the business models of distributors. "I believe that the distributor of the future will not be selling product as their primary source of income," Pericle told us. "It may still be their primary source of revenue, but the primary source of profit will be data. That is, the data-driven distributor will shift their focus from shipping boxes to configuring and monetizing bytes."

New AI-powered business models, in other words, could hold the potential for distributors to break free from the orthodoxies and constraints of today's models by introducing new ways to create, capture, and deliver value.



**The data-driven distributor will shift their focus from shipping boxes to configuring and monetizing bytes.**

-Tony Pericle, CEO at ProfitOptics

Two C-level executives we spoke with shared their belief that B2C businesses have developed much more sophisticated AI features than B2B distributors. Their leadership team spends time scanning for AI trends in B2C to anticipate how they might apply to distribution. "You can't just learn from distribution," one of the executives told us.



“A lot of what’s happening from AI will come from beyond. We want to be the first to know what’s possible.”

Where should AI focus, then? On improving the day-to-day? Or in launching new ventures? We believe the smartest distributors will do both in balance – using AI to improve margins in their business today while continually experimenting with new AI-enabled business models for tomorrow.



### **Questions for distributors**

- ☐ *Do we clearly understand the near-term opportunities and challenges with which AI can help improve our business today?*
  - ☐ *Do we spend dedicated time as a leadership team exploring how AI can unlock new-to-distribution business models for tomorrow?*
  - ☐ *Do we have a view of trends beyond distribution, like early adopter B2C industries, to inspire our pipeline of AI opportunities?*
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## Distributor spotlight: Alliance Distribution Partners

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# "The biggest way we'll leverage AI is in creating seamless experiences for customers."

Nathan Scott, Executive Vice President at Alliance Distribution Partners

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When Roger Woodward founded Alliance Distribution Partners fourteen years ago, he and his team committed to investing more heavily in technology and data than other startup distributors might.

"We've always tried to keep an eye on where technology is going," Woodward shared. "We built the most robust ERP system possible in the early days. Today, we're doing the same but with AI."

Woodward, President, and Nathan Scott, Executive Vice President responsible for the firm's technology portfolio, say the foresight to aggressively leverage emerging technologies came from previous experience in companies where a lack of accessible and scalable data hindered growth ambitions. When it came time to start Alliance, they instead wanted to see technology become a driver of growth by radically improving how they can serve the customer.

Today, Alliance is leveraging AI across sales, marketing, and accounting, including:

- Leveraging generative AI to augment sales & marketing teams in producing copy, documents, and product descriptions
- Providing customers and sales reps with intelligent product recommendations
- Capturing previously unstructured data from invoicing documents
- Automating AP activities

- Using AI-generated videos for customer engagement during the sales process
- Producing account briefs with smart recommendations for sales reps, integrating data from ERP, CRM, phone, and email content

In many of these use cases, Alliance has chosen to be outwardly transparent about their use of AI. Customer quotes, for example, include a section of AI-generated product recommendations with credit provided to Alliance's AI engine for their production. "We want our customers to know we are at the forefront," Scott says. "Some of it is letting the world see the technical competencies we've built, but a big part of it for us is that transparency leads to trust. We explain where those recommendations came from and the purpose behind the AI. We're clear with customers that we're using the technology to help them spot missed product opportunities."

As for Alliance's future plans for AI? It's all about the customer experience. One of the capabilities Woodward and Scott are most excited about exploring is machine vision for intelligent product identification to help make end users' lives easier. Scott shared a future scenario in which a customer might be experiencing challenges using certain welding products. AI could analyze a photo to diagnose the issue, identify the products in use, and propose alternative products to solve the customer's problem. Today, a customer would

likely need to make several phone calls, have a technical rep visit their site, await analysis of the issue, and only then be able to move forward.

"Imagine thinking a good experience is asking your customer for a part number," Scott says. "We should know that before the customer does. The distribution industry has so many parts - each with numbers and specifications - and I think one of the biggest ways we'll leverage AI is in creating seamless experiences for customers."



### **Building blocks highlighted in this Distributor Spotlight**

#### **Aligning AI to strategy**

From the outset, Alliance has set its aspiration as providing a distinctly better customer experience by leveraging technology. In the early days, this meant significant investment in

ERP and CRM systems. Today, this aspiration drives their decisions to use AI, right down to how they transparently feature AI on customer quotes.

#### **Multiple Horizons**

Alliance views its AI efforts as a portfolio of projects that range from improvements to existing operations and processes (like speeding up AP collections) to more ambitious efforts, such as generative video and machine vision for product identification. Constantly scanning for new, future-looking AI opportunities means the firm's efforts aren't one-and-done but an ongoing, balanced mix of projects actively positioning them for future success.



## Behavior 2: Activating AI programs

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**“We found that if it isn’t top-down and bottom-up – where everybody understands what we’re doing with AI and why – then it doesn’t work.”**

Michael Page, Chief Marketing Officer at R.S. Hughes

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**The big idea: Reliable AI value generation will come from a robust system of leadership, management, and resourcing commitments.**

Assume your distribution company has declared priority areas for AI spanning near-term and future opportunities. Now what? This pillar ensures AI efforts are effectively supported and monitored – like any other high-priority strategic initiative - with adequate leadership support, clear performance indicators, and financial resources.

As Michael Page, Chief Marketing Officer at industrial and safety supply distributor R.S. Hughes, told us, “Leadership today has to know why they’re pursuing AI, what they’re going to spend on it, and what results they want to see from it.”



### **ALIGNED AND ENGAGED LEADERSHIP**

Implementing AI in your distribution business will inherently introduce change. Think, for example, of the transition from staffed customer live chat to AI-generated customer interactions. Even this simple AI use case requires multiple changes: technology ( chat software and system integration), sales rep skills (from fielding inquiries to accepting a

handoff from AI), and process (who interacts with a customer and when). AI initiatives – even those that simply augment the functions we perform today – require decision-making abilities that, for the most part, reside with or should be championed by leadership.

To go beyond ad-hoc and side-of-desk efforts, leadership involvement in AI initiatives is crucial. Senior leaders’ championing of AI projects, including resolving barriers, sets a tone through the organization of commitment and dedication.

Pericle reiterates how critical a role senior leadership plays in launching and executing AI initiatives - especially when those initiatives are likely to challenge company orthodoxies about how things get done, who does them, and what data gets shared with whom. Pericle told us, “Leaders must first understand the capabilities of AI to create a vision. Next, they need to assemble the right team that understands the business, has solved complex problems leveraging data technology, and with a passion for learning. Leaders must challenge, expect failure, and encourage.”

What is the best response a leader can provide to their executive, departmental, and project leaders when approached about an AI opportunity? “What and who do you need?” adds Pericle. “Make sure they have what they

need and help them establish extreme priority. It's the foundation of making your AI efforts successful."



### Questions for distributors

- ☐ Are our leaders clear on the priorities for AI within our distribution business and empowering team members to execute in those areas?
- ☐ Are our leaders motivated to seek out, propose, and champion AI initiatives that align with priority areas and opportunities in distribution?
- ☐ Are our leaders encouraged to consider, communicate, and deliberate the potential ethical, financial, and technical risks associated with their AI efforts?



### PERFORMANCE INDICATORS

There's no debate that the great promise of AI for distributors is unlocking new business value. The question, then, becomes: what value? And how do you measure it?

For specific AI initiatives, metrics should be defined, and realistic expectations set about when they will be achieved. The frenzied hype around AI in recent months – and the explosion of available products could leave distributors believing that AI success is an overnight certainty.

We heard of several scenarios in which a new-to-AI distributor grew impatient quickly with getting an initiative developed and implemented. For a first initiative, it's important to remember that pursuing AI most likely means building new capabilities in parallel (think: scrubbing and preparing ERP data, identifying partners, and upskilling employees). These can extend the time between project initiation and launch but ultimately lead to greater success as the effort is validated and scaled in the long term.

As Dickinson told us, "You've got to expect that your first AI project will be hard. You're not going to know what to do. You might hire the wrong contractor. On the technical side, be prepared to have your first model be wrong. This comes with the territory of doing something new, and if you wait to have everything figured out before you start, you'll never start."

The bottom line: your AI initiatives should have clear leading and lagging metrics assigned to them, which reflect the strategic opportunity or challenge at hand, and realistically consider the effort involved.



**You have to expect that your first AI project will be hard... This just comes with the territory of doing something new.**

-Jimmy Dickinson, Vice President of Industry at NTT DATA Business Solutions

Beyond specific AI initiatives, we believe the most sophisticated distributors will begin to track broader, firm-wide indicators related to AI maturity, including the number of employees trained, total financial benefits realized, data quality, and portfolio health.



### Questions for distributors

- ☐ Do we have defined leading and lagging performance indicators for our AI initiative(s)?
- ☐ Do our AI initiative metrics align with our broader strategic plan and goals?
- ☐ Beyond AI initiatives, do we have indicators established for the maturity and readiness of our distribution company's AI capabilities over time?



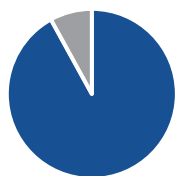
## RESOURCES

Questions of how much to invest in AI can be daunting. Experts we spoke to shared stories of distributors significantly overestimating the investment required to get started with AI and, ultimately, choosing not to pursue it.

Does AI success rely on spending millions of dollars? Or do new advances mean AI can be had for a budget?

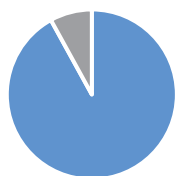
In a poll by LXT, 57% of companies with revenues between \$100M and \$500M report investing between \$1M and \$50M in AI.<sup>3</sup> The good news is that these investments are largely producing healthy returns. MIT reports that 92% of large companies are achieving returns on their investments in AI, and the same percentage of companies are increasing their AI investments each year.<sup>4</sup>

### AI investments are generating returns, leading companies to increase their year-over-year investment<sup>4</sup>



**92%**

of large companies are achieving returns on their investments in AI



**92%**

of companies that have invested in AI are increasing their investment each year

Even as technology costs fall, distributors should prepare for adequate investment in the non-technology elements which drive success, such as skill-building and partnership development.

Distributors we spoke to were hard-pressed to name a specific dollar amount they've spent or planned to spend on AI thus far. In many cases, an initiative doesn't start out seeking to adopt AI just for AI's sake. Budgets are, instead, allocated to strategic initiatives and their

respective business outcomes and, in doing so, happen to incorporate AI as they are executed. Given the swift rise of AI in just the last few months, though, we would expect more dedicated and explicit AI investments by distributors going forward.

A 2023 McKinsey study<sup>5</sup> categorized AI investments into three major archetypes of AI investment:

**Takers:** using publicly-available AI models largely available off-the-shelf, such as general-purpose chat-bots

→ Initial investment: \$0.5M to \$2.0M

→ Recurring spend: \$0.5M

**Shapers:** AI applications integrated with internal company data to produce more specific and customized results

→ Initial investment: \$2.0M to \$10.0M

→ Recurring spend: \$0.5M to \$1.0M

**Makers:** foundational models built from scratch for specific business use cases

→ Initial investment: \$5.0 to \$200.0M

→ Recurring spend: \$1.0 to \$5.0M

Notable here is the relationship between initial investment and recurring spending across levels. Where the upper band of initial investment increases by 5X and 20X between levels, respectively, the upper band of recurring spending increases by factors of just 2X and 5X. This demonstrates one of the fundamental aspects of AI at scale, which was heard many times in our research: getting from concept to launch with a new AI application is almost always harder, longer, and more expensive than distributors first expected. *Scaling*, on the other hand, is often found to be significantly easier, faster, and cheaper than expected - particularly as AI models learn and adapt.

For a small or medium-sized distributor, even the figures on the low end of the scale can be dizzying. There are, however, lean approaches to applying AI in your business. "My advice is to seek quick wins," Pericle told us, "Set the stage with a company challenge to solve a couple of smaller problems. Once you get a

<sup>3</sup> LXT, "The Path to AI Maturity," 2021.

<sup>4</sup> Eastwood/MIT, "Artificial intelligence pays off when businesses go all in," 2023.

<sup>5</sup> McKinsey Digital, "Technology," 2023.

win, making a business case to tackle larger problems becomes easier. Distributors must realize that AI is a journey, not a destination.” Other distributors and experts point out the critical role partners and providers can play in lowering the barriers to entry with AI, many citing initial pilot costs as low as \$50,000 to \$100,000 to prove a concept, demonstrate success, and then consider a larger follow-on investment.



### **Questions for distributors**

- ☐ *Have we accounted for AI investment in our upcoming budget cycles?*
  - ☐ *Do we have sufficient funding in place for our planned AI efforts? Do our budgets account for non-technology costs like training, partnership development, and data acquisition?*
  - ☐ *Have we identified ways to stage and de-risk our AI investment, releasing funds incrementally as initiatives are validated and adopted?*
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## Behavior 3: Scaling up from small prototypes

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### **“AI is a new engine for solving problems better, faster, and at scale.”**

Jimmy Dickinson, Vice President of Industry at NTT DATA Business Solutions

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#### **The big idea: Start small and overcome key risks early - like adoption - which will lead to faster and more successful at scale**

While much of the literature on AI today focuses on *what* organizations apply AI to, far less covers how organizations move from opportunity identification to launch and scale. Given that AI is still in its early days and, therefore, does introduce some uncertainty, we were interested in understanding more about how distributors are pursuing AI while managing the inherent risks.

As one expert told us, “This is about making small AI bets that could become big opportunities, a series of experiments that prove what’s possible.”

Two significant building blocks in this pillar were uncovered in our research. The first is identifying and pursuing small-scale experiments that quickly validate and de-risk AI initiatives. The second is scaling initiatives throughout the organization.

This behavior and its respective building blocks sit at the heart of a distributor’s AI capability and, as a result, perhaps deserve outsized attention regarding their alignment and coordination with other building blocks. Consider the following examples and how they inform, and could be informed by, a

distributor’s process for executing AI:

- Resources: how much and when released based on AI milestone achievement
- People: who gets involved in AI initiatives, when, and how they’re incentivized
- Performance Indicators: metrics which drive AI investment decisions



#### **SMALL-SCALE EXPERIMENTS**

Small-scale, controlled experiments can help distributors explore, learn, and validate before over-investing. They also help by building early wins and momentum, which drives adoption and further de-risks the introduction of AI into the business.

Interestingly, many of our research conversations surfaced that AI *adoption* – not technical uncertainty – is one of the biggest risks for distributors. De-risking AI means distributors should spend at least as much time understanding how to get employees, partners, and customers to adopt a new AI application as they do ensuring the technology functionally works.

As one distributor described, “We get a lot of AI guesses wrong when we start, so we’ve learned to test in quick iterations, which must



involve direct contact with users. It helps us avoid creating something that's not needed. It's not a waste of time if you learn something from it."



**We've learned to test AI in quick iterations, which must involve direct contact with users. It helps us avoid creating something that's not needed."**

*-CIO at a mid-sized national distributor*

An AI application developer told us one such story in their family-owned distribution business. "I didn't understand this early on," they started. "We spent all our time building great models to ensure our predictions were right. We were so excited. We put it in front of the sales team, and the room was quiet, except for this hearty laugh at the back of the room. They explained to us they wouldn't know how to begin to use it." That aha moment was a significant learning for the initiative and the company's approach to AI overall. Implementations now involve users from the beginning. "That's where the magic happens," they explain. "When AI supports how humans operate."



### Questions for distributors

- ☐ *For our identified AI opportunities, have we also identified the smallest possible starting point which could validate our hypotheses?*
- ☐ *Have we established experiments, including timelines and acceptable outcomes, to inform a decision for greater investment in that AI initiative?*
- ☐ *Are we dedicating as much time and effort in our AI experiments to identifying and solving for adoption and user risk as we are overcoming technical risk?*



### SCALING UP

Of course, AI's value relies on being successfully scaled and sustained through your business. The good news, Dickinson tells us, "is that AI is an engine for solving problems better, faster, and at scale. The key word is scale, and for distributors, it's all about mass. When you have 1000s of vendors and 1000s of products, anything you do at scale has a huge impact."

Experts we spoke to agreed that scale is the name of the game for AI and, in the not-so-distant future, will become a strategic and competitive imperative. Today, this imperative may be in playing AI offense: getting out ahead of competitors and peers to win opportunities before others. In time, however, scaled AI will simply be a requirement.

Distributors successfully scaling AI faster than others often had a key leader or small team responsible for stewarding AI across the organization. Cohen refers to these individuals as "sherpas" and describes them as part-operators and part-change managers. "Without this function," Cohen says, "AI doesn't scale, and it certainly doesn't scale with speed."

Scaling AI is as much a change management effort as anything else. "Just plugging in an app won't work," we heard from one distributor. "Scaling is not trivial, and we'd like to be scaling much faster, so we're ensuring we execute the change parts as well as possible."

Distributors we spoke to who were seemingly able to scale AI applications - following successful pilot or sandbox experiments - cited underlying data infrastructure and assets (another building block in our model) as a long-term investment that, over time, is making scaling easier. One distributor, who had completed a mapping exercise to take inventory of all data sources across the company, stated that their ability to scale new AI applications has improved by an order of magnitude.



## Questions for distributors

- ☐ *Upon validating an AI initiative, do we have dedicated champions who can help scale the application across our business?*
- ☐ *Over time, are we improving our ability to scale AI initiatives that are more complex and do so with speed and agility?*

Getting from concept to launch with a new AI application is almost always harder, longer, and more expensive than distributors first expected.

*Scaling*, on the other hand, was found to be significantly easier, faster, and cheaper than expected - particularly as AI models learn and adapt.

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## Behavior 4: Investing in AI-equipped people

**“There’s not a pool of talent knocking down our door with AI skills today. We’ll have to build those skills, just like we did with truck drivers.”**

CEO of a mid-sized US-based distributor

**The big idea: Make early, proactive investments in building and developing AI-related skills in employees and managers.**

If a big insight stands out across the research, it is the crucial role that your employees and managers play in making AI successful. We heard, though, that the reverse is also true: finding AI success will help distributors attract and retain top talent in the future, particularly as a new generation of employees move through the workforce.



### AI SKILLS & TALENT

In a 2023 study, Boston Consulting Group (BCG) reported that, while 86% of employees believe they need AI training, only 14% have participated in such programs. This skills gap represents an enormous challenge distributors will face in their pursuit of AI. Not only does AI training help employees build skills for AI, but BCG’s research also found that employees who receive training report greater optimism about AI.<sup>6</sup> In short: getting your people skilled for AI is critical.

“I cannot emphasize this enough,” Dickinson says about AI skill-building. “It’s huge, and the sooner you can get your people thinking about AI, the better.”

At a basic level, new skills are required for employees who even just interact with AI. Instead of responding to each customer inquiry, for example, they may transition to simply picking up conversations where AI can no longer help. Customer support and inside sales reps will need to learn new modes of engagement – both with humans and their AI counterparts. Similarly, managers may not need to learn how to code, per se, but will become adept at connecting disparate data sources, including writing and using prompts for AI tools.

**Employees are hungry for AI skills, but aren’t receiving the training they believe is required.**

**86%**

of employees believe they need AI training

yet only

**14%**

have participated in AI training programs<sup>6</sup>

<sup>6</sup> Boston Consulting Group, “AI at Work: What People are Saying,” 2023.

Leaders, owners, and even directors of distribution companies should be looking to sharpen their AI skills as well. We heard more than one story of executives who set aside dedicated time every week to learn about new AI trends and opportunities.

In parallel with efforts to up- and re-skill existing talent, distributors are also thinking about attracting and recruiting new employees equipped with AI skills. This can accelerate AI progress, with AI-capable new hires formally and informally educating existing employees.

Unsurprisingly, job displacement was a hot topic in our interviews. Dickinson told us that he sees distribution leaders who are most successfully pursuing AI being “radically transparent” about why they’re pursuing AI, what they need from employees, and where they’re heading. Most employees already recognize the possibility of AI threatening the work they do. Exposing employees to AI improves optimism, morale, and the likelihood that teams embrace – not resist – using new applications.

“We have to cut through the clickbait,” Paul Noble, Founder at Verusen, adds. “It’s easy to talk about AI scenarios where 90% of our jobs disappear in five years. That’s not what we see at all. We see new jobs getting created that don’t need to be focused on mundane tasks but are spending more time on strategic and high-value activities. It’s about human augmentation.”

Finally, in a world where demographic shifts mean talent and labor shortages will increasingly fuel the war for talent, we heard that distributors should prepare for a scenario in which AI – implemented in the business and training opportunities for employees – will become a must-have for the attraction and retention of A-players.



### Questions for distributors

- ❑ *Have we dedicated time, funding, and resources to developing AI skills for different employee groups across the business?*

- ❑ *Are we seeking to attract new talent to accelerate our AI adoption?*
- ❑ *Are we dedicating time as leaders to learn about, discuss, and prioritize new AI opportunities, skill sets, and implications?*



### AI-SMART MANAGEMENT

In a world where front-line employees have fully embraced and harnessed AI, managers will also see roles radically shift. New modes of measuring, coaching, and rewarding need to be considered.

To effectively support and mentor their sales teams, for example, sales managers are confronted with the challenge of reading and interpreting hundreds of CRM entries every month. Achieving this consistently and effectively proves to be an overwhelming task. Pericle pointed out that some distributors are now leveraging AI to synthesize customer call notes, providing sales management with focused insights into customer sentiment - a crucial predictor of future sales - and identifying sales representatives who require guidance. “Through innovative AI, sales teams can enhance productivity and sales efficiency across a spectrum of strategies,” Pericle explained.

For managers, these new realities mean a shift to what Harvard Business Review refers to as “judgment work” or leveraging AI ‘colleagues’ to take on the administrative work they previously conducted. One-third of managers in HBR’s study identified creativity as a key area for development as AI takes over their mundane volume-based work.<sup>7</sup> Consider how this changes the skill sets and profiles you recruit for when hiring managers into an AI-mature distribution business.

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### Creativity is a critical skill for managers as AI takes over administrative tasks.

**1** out of **3**  
three

managers identify creativity as a key development area as AI takes over volume-based work

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<sup>7</sup> Harvard Business Review, “How Artificial Intelligence will Redefine Management,” 2016.

One early-adopter distributor we interviewed described how this plays out in their business today as they've scaled AI applications through their sales and marketing teams. Their Chief Executive and Chief Technology Officer described how "even as deep as five levels below the C-suite, our sales managers are sharp and technology-savvy, more so than our competitors. When it comes to AI, they drive - not us. As we've seen that play out, we're hungry to bring in even more AI-savvy managers."

Finally, incentives are critical in driving employees to embrace and experiment with AI. As distributors' workforces become more skilled and adept at leveraging AI, managers should consider how they use incentives to encourage opportunity identification and adoption. Formal and informal reward systems, like awards or opportunities to work on AI initiatives, can signal to employees that there's a growing expectation and direction toward AI application in all areas of the business.



### Questions for distributors

- ☐ *Are our managers actively seeking new ways of assessing and incentivizing performance as their teams adopt AI?*
  - ☐ *Do we reward – formally and informally – employees and managers who are actively seeking out opportunities to introduce, improve, or scale AI in every part of the business?*
  - ☐ *Are supports in place to transition managers to higher-level strategic and creative work as their time is freed up from administrative tasks?*
-



## Behavior 5: Cultivating your AI platform

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**“You don’t have to be afraid of adopting AI. You just have to know who you’re working with.”**

CXO at a national distributor

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**The big idea: Distributors who augment internal AI efforts with external capabilities and partners will drive greater value faster.**

One of the reasons commonly cited by distributors for not pursuing AI initiatives was the impression that their businesses possessed insufficient data to create, train, and implement models.

“Many distributors come to us and explain that their data is horrible, worried that AI is out of reach for them as a result,” Cohen told us. “And the reality is that’s just not true. In distribution, everyone has some good data and some bad data. Remember that distributors have perfect ERP data, which gets taken for granted because it’s just the nature of the business. Product and customer data? That tends to vary from distributor to distributor.”

Here, we heard loud and clear how critical external assets, capabilities, and collaborators are. These connections can help offset what distributors may be lacking within their businesses, but more importantly, serve as force multipliers by accelerating and amplifying impact.



### DATA AND INFRASTRUCTURE

For distributors, one of the first steps in their AI journey might be conducting an inventory of

the data they already possess. While ERP is a notable data source for distributors, other sources might include CRM, accounting systems, and e-commerce analytics.



Distributors come to us and explain that their data is horrible, worried that AI is out of reach for them. That’s just not true.

-Benj Cohen, Founder at Proton.ai

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While these might seem obvious, explicitly naming, assessing, and tracking the quality of data sources can be enormously helpful. It can surface easy-to-overlook data sources that, in reality, can be of tremendous value to AI model development.

“As an industry, distributors generate more data than other channels and markets,” says Dickinson. “We have loads of customers, products, interactions, and touchpoints. The question is less about having the data and more about: Are we capturing it? Are we engaging with it? Can we get it into models?”

The other value in understanding your distribution business’ data assets is identifying

what you *don't* have - both in quality or quantity. For example, knowing you have incomplete CRM records can help surface data priorities, like seeking external partners or datasets to complete those and even using AI applications to do so.

We believe that most AI-mature distributors will manage data assets like a portfolio - growing, improving, and curating a signature dataset collection that supports unique models for competitive advantage. The best example we came across of this approach was distributor Palmer Donavin, one of the featured distributor spotlights in this report, which maintains an ecosystem map of all data sources from across the company. A dedicated team of data employees work with key areas of the business to evolve data assets and support the development of new AI applications as a result.



### Questions for distributors

- ☐ *Have we conducted an inventory of data within our business to identify assets, gaps, and opportunities for additional sources?*
- ☐ *Does our data inventory include structured, unstructured, traditional, and non-traditional data sources?*
- ☐ *Does our business maintain a living, updated library of company data sources, including tracking improvements in quality, quantity, and accessibility?*



### CUSTOMER, SUPPLIER, AND PEER COLLABORATION

In an AI-rich world, distributors may go beyond transactional relationships with customers to instead foster collaboration partnerships in which mutually beneficial data can be exchanged and leveraged.

Consider, for example, that you are an HVAC parts distributor and work with your three largest HVAC installation customers to share real-time location and scheduling data for their

residential job sites. Suddenly, it becomes possible to introduce new revenue-driving predictive shipping solutions, like getting parts to those customers on their job sites exactly when needed. Go even further to consider the possibilities of each HVAC installer being able to exchange with you their residential homeowners' data sources, like performance data from smart water heaters and thermostats.

These scenarios, which will rely on new types of relationships being forged with customers, unlock major growth drivers for your business, even introducing new-to-distribution business models. When customer data flows freely and AI models can be supported, new recurring revenue, subscription-type models (HVAC-maintenance-as-a-service, for example) even become possible. These relatively simple examples don't yet consider the full possibilities of generative AI.

Less formally, there is also tremendous benefit in distributors making dedicated efforts to explore and discuss opportunities together with industry peers. This can be particularly helpful for smaller distributors without the resources to make major investments in in-house teams or consulting firms. In our research interviews, Pericle challenges distributors to find new ways of working together to advance mutually beneficial AI outcomes. Such collaborations can help to reduce investment minimize risk, and share rewards across non-competing groups of distributors. "These labs," as Pericle refers to them, "could create and access AI on a shared basis. For example, ten participating distributors each investing \$50,000 could lead to \$500,000 in outcomes. Obsession with IP ownership needs to change. Distributors who engage in co-creation will harness AI more effectively and also foster innovation that propels the industry forward."

These collaboration opportunities are particularly interesting for groups of distributors who service similar markets - HVAC installers, for example - but with different product portfolios. Sharing data with peer distributors can help each other develop better data sources and AI models with new insights



about total customer share of wallet and buying behavior.



### Questions for distributors

- ❑ *Are we actively seeking new data-based relationships with customers, suppliers, and peer distributors where mutually beneficial AI value can be unlocked?*
- ❑ *Of these stakeholders, have we explored AI partnership models where each party can co-invest in a way that shares risk and capital outlay but significantly benefits our business?*



### AI PROVIDERS AND PARTNERS

If the previous building block is about looking at your existing relationships as could-be AI assets, this building block is about seeking *new* partners specifically for their AI assets and capabilities. “Distributors can’t afford to drag their feet when it comes to AI adoption. With advanced AI providers already available, partnerships are critical,” adds Noble.

Experts and distributors stressed this building block as important for several reasons, namely the acceleration of time-to-impact, reduction of up-front spending, and rapidly increased learning cycles.

For small and medium distributors, this is especially critical. A growing number of AI-powered providers are at the ready. “Many providers’ capabilities eliminate the need for distributors to clean and organize data to get started,” Noble says. “Whether it’s generational or just company orthodoxy, we no longer have to assume these capabilities need to be built in-house. The power is in your network, and that should drive how distributors think about partnering for AI.”

Beyond vendors, partnerships specifically to grow AI skills are less common, but potentially an overlooked opportunity for distributors. Universities, for example, should be considered

ripe for research partnerships and training efforts for employees and teams. Over the last two decades, AI-related research globally has increased by over 600% and with AI as the most popular specialization chosen by PHD computer science students, this research output and available expertise will continue to rise.<sup>8</sup>



**We no longer have to assume these capabilities need to be built in-house. The power is in your network.**

-Paul Noble, Founder and CSO at Verusen

Finally, there are data-specific partners that we believe will become increasingly important for distributors as well. These include specific agreements with non-traditional companies, government agencies, and institutions that serve as data inputs to distributors’ AI models, such as Internet of Things (IoT) data, advanced weather predictions, and even financial data.



### Questions for distributors

- ❑ *For our distribution business’ identified strategic priorities and data gaps, have we sought to find and partner with AI-enabled providers who can improve our speed, impact, and learning?*
- ❑ *Have we sought out partners who can accelerate and improve our efforts to build AI capabilities or specific data assets, like training providers, universities, or non-traditional data sources that could lead to competitive advantage?*

<sup>8</sup> Nature, “The race to the top among the world’s leaders in artificial intelligence,” 2020.





## Distributor spotlight: Palmer Donavin

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**"We looked at every piece of data we own. Amazingly, it was more than we thought. We were sitting on all kinds of opportunities."**

Dariusz Dabek, Chief Information Officer at Palmer Donavin

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In a board of directors meeting three years ago, the leadership team at Palmer Donavin, a building materials distributor with locations in the Midwest and Southeast US, shared the news with directors that in the not-so-distant future, their ERP system would need an overhaul. One board director, a senior executive with expertise in digital transformation, chimed in. Her advice to Chief Executive Officer Robyn Pollina and Chief Information Officer Dariusz Dabek was that there were two ways of thinking about this moment. The first was to pursue the ERP system migration as just that - get from new to old in as painless a manner as possible. The second approach would require zooming out from the ERP issue and, instead, thinking about this as an opportunity for long-term investment in digital and data transformation.

Whether or not Pollina or Dabek realized it at the time, their decision to pursue the second path has paid back in spades, including by setting a foundation for future AI success. Instead of just adopting a new ERP to replicate what old systems could do, the pair worked with their leadership team to first conduct a company-wide mapping exercise of all data assets.

"It was the first-ever mapping of our data ecosystem," reports Dabek. "We looked at every piece of data we own and if they do or do not talk to each other. Amazingly, the map was bigger than we thought. We were sitting on all kinds of data opportunities."

Dabek and Pollina credit the map as the springboard for their recent AI efforts, which to date have included digital sales recommendations and self-serve chatbots for employees seeking HR information, amongst other ongoing initiatives that have generated incremental revenue that will soon surpass \$1 million. The company's exhaustive inventory of data assets means that, at the outset, every AI project is already ahead - skipping over the painful, tedious, and manual effort so many distributors face just getting to the starting line on a new project.

Beyond accelerating data collection efforts, their map has become crucial to their search for AI partners. "Now we approach prospective AI partners with our map," Dabek tells us. "It's one of the filters we use to understand what's in-house and how we can enhance it with providers. We can see where we need partners, and partners can see all our assets they'll be working with."

Palmer Donavin today looks at every touchpoint across the business as an opportunity to collect data and, in doing so, is building stronger AI capabilities for the future. The company has since invested in a permanent team to manage and grow data and AI assets. "It's part of our company fabric now," shares Dabek.



## Building blocks highlighted in this Distributor Spotlight

### **AI data & infrastructure**

For Palmer Donavin, AI infrastructure is viewed as a portfolio to be managed and curated, just like a suite of product offerings. This unique perspective means decreased speed and cost, more robust AI capabilities, and superior profitability outcomes.

### **Leadership**

Senior leadership, together with their board of directors, made the strategic decision to make long-term investments in AI capabilities, even when they may have been more effort, with an eye to future opportunities and trends.

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# Closing

This research aims to help distributors cut through the hype of Artificial Intelligence and take meaningful action today, practically and ambitiously. The behaviors and building blocks surfaced through the research are only valuable if used. Here are four ways to use this framework to increase AI success in your distribution business:

## Provoke

Use this report to imagine and see new possibilities for AI and the course of action you may take to get there. If you've made it this far, the good news is that you're already on your way!

## Discuss

Use this report to kickstart conversations with your leadership team, ownership group, and board of directors to foster a shared language around the work ahead as you begin investing in AI. Start by sharing this report with those stakeholders and setting aside time for

discussion of the implications for your distribution business.

## Evaluate

Use this report to assess your distribution business' current state within each building block. Which are present in your company? Which aren't? Which need work? Use the worksheet in the following pages to assign scores to each. If you're just starting with AI, do this with your leadership team to generate an action plan, identifying tactics to begin implementing. If you've already started using AI, use the worksheet for a current-state evaluation of your efforts. Both can be excellent activities leading up to - and in - your team's next strategy retreat.

## Evolve

Use this report periodically to measure your business' growth in each building block and pillar over time. If conducted annually, for example, you can track which building blocks are maturing and by how much. You might set targets with your leadership team for target-state maturity levels by your next evaluation.

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**Kevin Reid-Morris** is the Founder of Readmore Ventures, a consultancy focused on helping executives and boards solve matters of growth, resilience, and innovation.

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# AI in distribution: An interactive worksheet for AI maturity

## Is your distribution business building the foundations for AI success?

This MDM research project demonstrated that leading AI-adopting distributors ensure that a common set of mechanics, or building blocks, are present in their companies.

The interactive worksheet on the following pages is designed to help distribution executives and your leadership team identify priority areas for investment and development, with the goal of driving greater speed, confidence, and returns by leveraging the power of AI.



# How to use this worksheet

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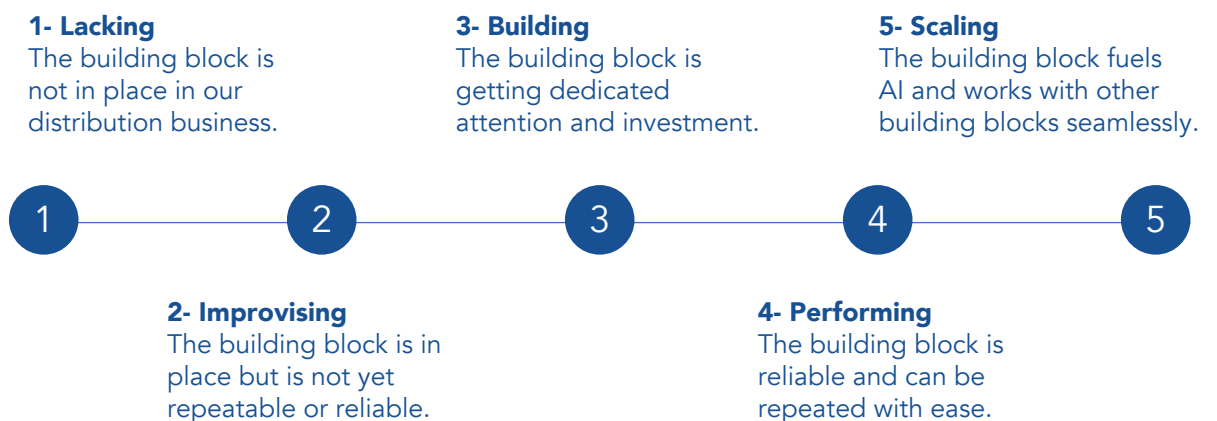
Fill out a score for each of the AI in Distribution Building Blocks, using the scale provided below. You may wish to have your leadership team each complete the scoring independently to gather a broader range of perspectives and viewpoints based on their seat in the organization.

Once scores are gathered, use the provided reflection questions – individually and/or as a team – to chart your path forward.

Set a date in your team’s calendar to conduct this evaluation again, ideally at a cadence to gather refreshed scores prior to strategic planning meetings or executive retreats. Monitor your progress and evolution together using the behaviours and building blocks identified in this research.

## The AI in Distribution Building Blocks Scale

Use the following scale to assign a score for each building block on the following pages. Remember to apply your scores on the building block specifically as they apply to your company’s AI efforts.





## Behavior 1: Setting strategic AI priorities



### Aligning AI to strategy

Do we clearly understand where our distribution business is headed - markets and products - and how those choices create distinct competitive advantage?

Do we routinely review our strategic plan to ensure our AI efforts are relevant and timely to the problems and opportunities in the business and industry as a whole?

Do we have criteria for evaluating and selecting potential AI initiatives that are more strategically-aligned than others?



### Multiple horizons

Do we clearly understand the near-term opportunities and challenges with which AI can help improve our business *today*?

Do we spend dedicated time as a leadership team exploring how AI can unlock new-to-distribution business models for *tomorrow*?

Do we have a view of trends beyond distribution, like early adopter B2C industries, to inspire our pipeline of AI opportunities?



## Behavior 2: Activating AI programs



### Aligned & engaged Leadership

Are our leaders clear on the priorities for AI within our distribution business and empowering team members to execute in those areas?

Are our leaders motivated to seek out and champion AI initiatives that align with priorities and opportunities in distribution?

Are our leaders encouraged to consider, communicate, and deliberate the potential ethical, financial, and technical risks associated with AI efforts?



### Performance indicators

Do we have defined leading and lagging performance indicators for our AI initiative(s)?

Do our AI initiative metrics align with our broader strategic plan and goals?

Beyond AI initiatives, do we have indicators established for the maturity and readiness of our distribution company's AI capabilities over time?



### Resources

Have we accounted for AI investment in upcoming budgets?

Do we have sufficient funding in place for our planned AI efforts? Do budgets account for non-technology costs like training, partnership development, and data acquisition?

Have we identified ways to stage and de-risk AI investment, releasing funds incrementally as initiatives are validated?



## Behavior 3: Scaling up from small prototypes



### Small-scale experiments

For our identified AI opportunities, have we also identified the smallest possible starting point which could validate our hypotheses?

Have we established experiments, including timelines and acceptable outcomes, to inform a decision for greater investment in that AI initiative?

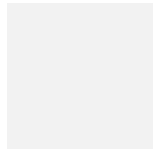
Are we dedicating as much time and effort in our AI experiments to identifying and solving for *adoption* and *user* risk as we are overcoming technical risk?



### Scaling big

Upon validating an AI initiative, do we have dedicated champions who can help scale the application across our business?

Over time, are we improving our ability to scale AI initiatives that are more complex and do so with speed and agility?



## Behavior 4: Investing in AI-equipped people

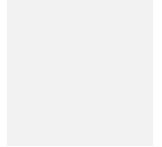


### AI skills & talent

Have we dedicated time, funding, and resources to developing AI skills for different employee groups across the business?

Are we seeking to attract new talent to accelerate our AI adoption?

Are we dedicating time as leaders to learn about, discuss, and prioritize new AI opportunities, skill sets, and implications?

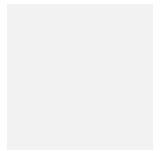


### AI-smart management

Are our managers actively seeking new ways of assessing and incentivizing performance as their teams adopt AI?

Do we reward – formally and informally – employees and managers who are actively seeking out opportunities to introduce, improve, or scale AI in every part of the business?

Are supports in place to transition managers to higher-level strategic and creative work as their time is freed up from administrative tasks?



## Behavior 5: Cultivating your AI platform

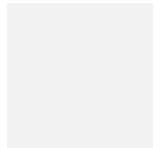


### AI data & infrastructure

Have we conducted an inventory of data within our business to identify assets, gaps, and opportunities for additional sources?

Does our data inventory include structured, unstructured, traditional, and non-traditional data sources?

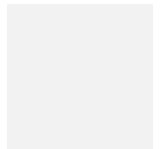
Does our business maintain a living, updated library of company data sources, including tracking improvements in quality, quantity, and accessibility?



### Customer, supplier, and peer collaboration

Are we actively seeking new data-based relationships with customers, suppliers, and peer distributors where mutually beneficial AI value can be unlocked?

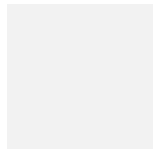
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### AI providers and partners

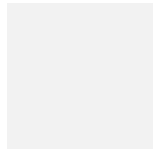
For our distribution business' identified strategic priorities and data gaps, have we sought to find and partner with AI-enabled providers who can improve our speed, impact, and learning?

Have we sought out partners who can accelerate and improve our efforts to build AI capabilities or specific data assets, like training providers, universities, or non-traditional data sources that could lead to competitive advantage?



## TOTAL SCORING

Add the scores of all Building Blocks together and divide by 12 to determine your average:



# Advancing ai maturity in your distribution business

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Use the following questions to reflect and discuss your overall score:

Which building blocks  
are the most robust?

Which building blocks  
are the least robust?

What actions might we take to  
improve priority building blocks?

What score would we be  
satisfied with in 12 months?