

SHIFT



the **future** of distribution

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REDWOOD ADVISORS

State of Distributor Go-to-Market Models

How Distributors Can Maximize Value Today

Presented by John Nantz of Redwood Advisors



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Agenda for today's session

- Distributor value proposition
 - Five imperatives to maximize value
 - Key implications for your organization
 - Live activity
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Research approach

- **Held interviews** with 25 distribution leaders and industry experts
 - **Surveyed 100 distribution leaders** to capture key trends & insights
 - **Conducted in-depth research** across key sources and thought leaders in the industry
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Three ways to create value

Value driver

Traditional distribution

Value-add services

Custom solutions

Overview

Provide customers with a well-suited product portfolio, convenient order-taking, and fast fulfillment

Create value for customers not through product distribution but via key services including kitting, installation, QA, training, maintenance, etc.

Create custom solutions to address the specific needs of high-value customers (i.e., the customer has a problem but does not know how to solve it)



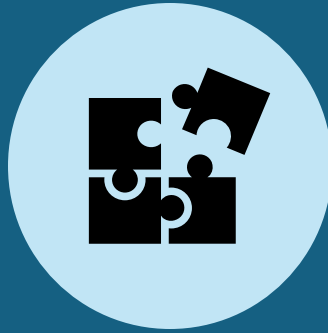
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Three strategic priorities for the future



**Optimize your
sales force**



**Deliver
solutions, not
just products**



**Adopt next-
generation
technologies**



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Five key imperatives for distributors today

- Optimize your sales force
- Deliver solutions, not just products
- Adopt next-gen. technologies



**Optimize your
sales force**



**Drive deep
customer
integrations**



**Build-out core
value-add
services**



**Become a true
custom
solution
provider**



**Adopt next-
generation
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Imperative 1: Optimize your sales force



**Optimize your
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**Drive deep
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Imperative 1: Optimize your sales force

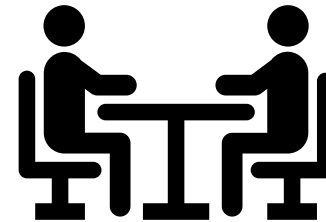
Key insights:

- **Sales-specific costs** (e.g., personnel, commissions) often represent **30-50% of SG&A**
- **67%** of survey respondents are either **using hybrid sales now or plan to** in the next year or two

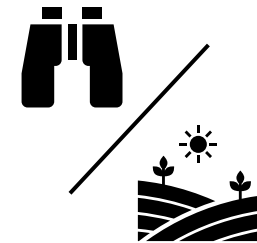
What you can do



Leverage inside sales to address more customers at a lower cost compared to outside sales



Assign some high-value accounts **both an outside and inside sales rep** in a hybrid model



Assign responsibility for “landing” new accounts to **hunter reps** & “retaining” existing accounts to **farmer reps**



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Imperative 2: Drive deep customer integrations



Optimize your
sales force



Drive deep
customer
integrations



Build-out core
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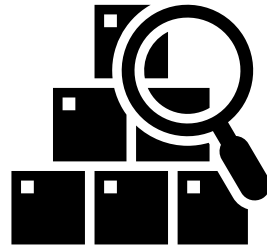


Imperative 2: Drive deep customer integrations

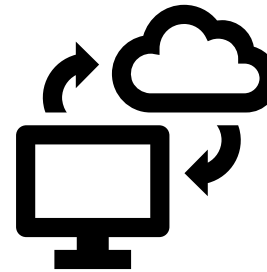
Key insights:

- **35%** of survey respondents **offer PO integrations** like ERP integrations
- VMI can often **reduce distributor operating costs by 5-10%**

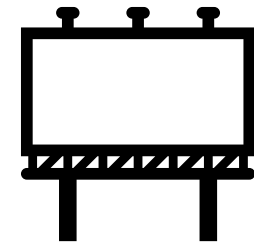
What you can do



Offer vendor managed inventory to key accounts



Establish **ERP integrations** (or other self-serve tools) with repeat customers



Run **co-marketing initiatives** with key customers



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Imperative 3: Build-out core value-add services



**Optimize your
sales force**



**Drive deep
customer
integrations**



**Build-out core
value-add
services**



**Become a true
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Imperative 3: Build-out core value-add services

Key insights:

- **88%** of survey respondents **offer at least 1 value-add service** today
- Some distributors report **margins of up to ~40%** on key service offers
- **43%** of survey respondents say that **services make up 10%+ of their revenue**

What you can do

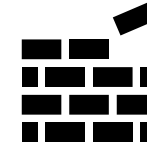
Upgrade your offers to include value-add services like ...



Kitting



Light assembly



Installation



Regular servicing



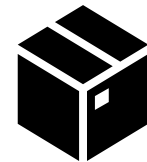
Assurance testing



Repairs



Training



Warehousing

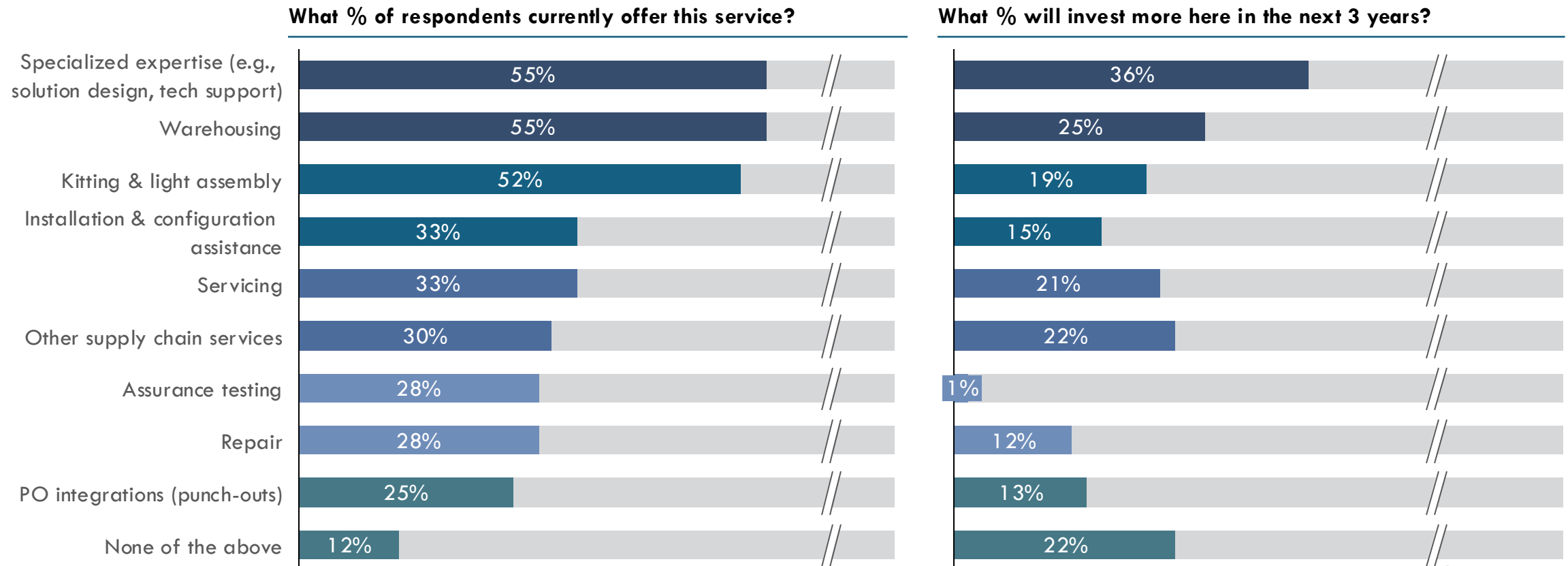


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Distributors are betting on value-add services

Value-add service current & future-state overview (% of survey respondents)



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Imperative 4: Become a true custom solution provider



**Optimize your
sales force**



**Drive deep
customer
integrations**



**Build-out core
value-add
services**



**Become a true
custom
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provider**



**Adopt next-
generation
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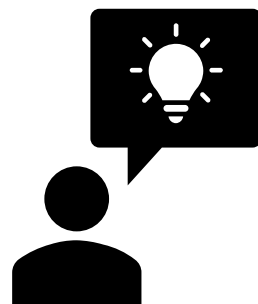


Imperative 4: Become a true custom solution provider

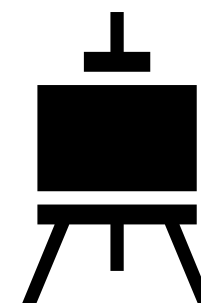
Key insights:

- **55%** of survey respondents **offer tailored services based on internal expertise** like solution design
- Custom solutions can unlock as much as **30%-40% higher margin** than generic products

What you can do



Practice consultative selling by sharing internal expertise and recommendations on top opportunities



Design customized solutions for your top customers to address their specific pain points & use cases



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Imperative 5: Adopt next-generation technologies



**Optimize your
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**Drive deep
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**Become a true
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Imperative 5: Adopt next-generation technologies

Key insights:

- **30%** of survey respondents use **AI & Machine Learning tools**
- **Order entry tools** like Canals AI can **save 10+ hours a week** for sales reps
- **64%** of respondents use **custom analytics tools & dashboards** for initiatives like pricing optimization

What you can do

Implement new tools for use cases including ...



Automating order entry



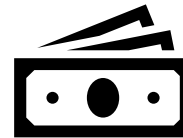
Analyzing customer data



Enlisting chatbot support



Qualifying leads



Optimizing pricing

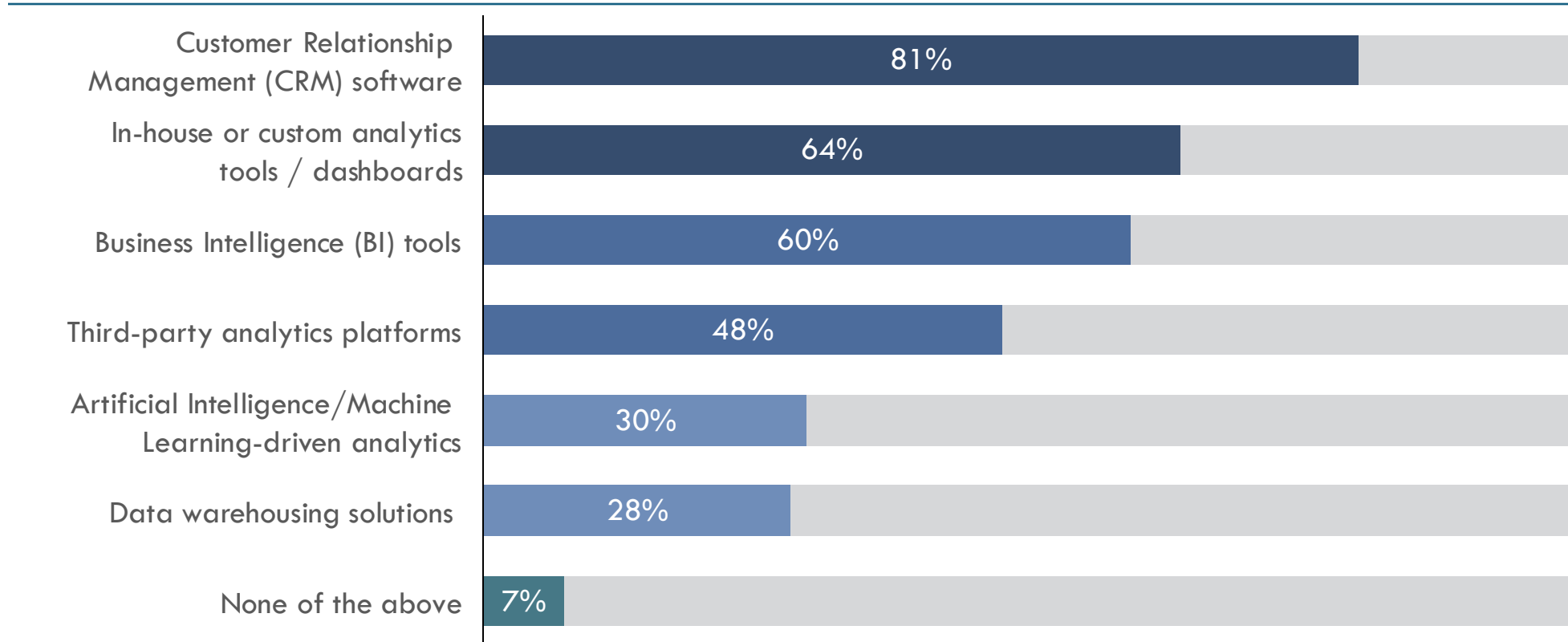


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Many distributors have already begun investing in advanced tools

What % of respondents are already using top tools / solutions? (% of respondents)



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Live activity: Scan to join



Live activity: Scoring the imperatives

Maturity Assessment Instructions: Give your organization a score from 0-4 for each key dimension



Key dimension	Key question	Scoring explanation
Optimized salesforce	Has your org. structured and equipped its salesforce to optimally match today's customer preferences (e.g., inside sales, hunter-farmer model)?	<ul style="list-style-type: none">• 0: Traditional outside sales dominates• 2: Some updated roles, inconsistent processes• 4: Optimized sales model, roles, & processes
Deep integrations	To what extent do your systems and processes integrate with customers and suppliers (e.g., VMI, ERP integrations, co-marketing)?	<ul style="list-style-type: none">• 0: Manual interactions with minimal integration• 2: Some isolated digital integrations• 4: Consistent digital & operational integrations
Value-add services	Does your team offer services beyond product delivery that solve customer problems or create efficiency (e.g., kitting, training, QA)?	<ul style="list-style-type: none">• 0: Focus solely on product fulfillment• 2: Select services available with little marketing• 4: Services are core to your offerings
Custom solutions	Can your organization deliver tailored solutions that go beyond standard offerings (e.g., engineering, packaging)?	<ul style="list-style-type: none">• 0: Standardized offerings with little flexibility• 2: Customize on request; limited formal process• 4: Custom solutions are a core capability
New technologies	Is your organization leveraging emerging technologies (e.g., order entry automation, AI, advanced analytics) to lower costs and enhance operations & customer experience?	<ul style="list-style-type: none">• 0: Minimal investment in digital innovation• 2: Deploying next-gen tech in key use cases• 4: Next-gen technologies are integrated, scaled, and delivering business value

What to do next: Potential steps to improve

See below for some potential action items to address imperatives you'd like to improve on (e.g., scored 2 or less)

Key dimension	Optimized salesforce	Deep integrations	Value-add services	Custom solutions	New technologies
Potential next steps	<ul style="list-style-type: none">• Review & refine your customer segmentation to enable best-practice channel & rep assignment• Conduct a territory overlap assessment to determine how much overlap exists between outside sales territories	<ul style="list-style-type: none">• <i>If relevant, conduct a VMI assessment for your top ~10 uncovered accounts</i> to determine potential high-value targets for a VMI add-on effort	<ul style="list-style-type: none">• Design and deploy a survey to customers and/or account managers to identify top potential value-add services of interest• Conduct a services diagnostic to assess and prioritize 2-3 top potential value-add offers to develop	<ul style="list-style-type: none">• Hold a 1-2 hour meeting with key executives & sales leaders to identify potential custom solutions for customers• Task a sales leader with interviewing 5+ top customers on potential needs addressable via custom solutions	<ul style="list-style-type: none">• Identify one business area (e.g., pricing, order entry, customer service) where new tech could drive clear value creation• Identify & assess 3+ top potential tools specific to your top priority business area• Consider running a pilot with the key tool(s) to assess potential impact



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What's next?

Need additional support to get to action quickly on these imperatives?

Contact John at john.a.nantz@rwadvisors.com

Scan to read the full report or visit
<https://rwadvisors.com/publications/>





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September 18-20, 2023 📍 Denver, CO



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