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A Distributor's Guide

How to Simplify Your Tech Stack to Fuel Growth

Surrounded by market challenges, how does a distributor navigate an endless array of available technology tools and vendors of them? This report examines how a simplified, consolidated tech stack is a winning path forward.

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Technology: Helping and Complicating

As technology has empowered distributors to do more than ever before, it has created arguably just as many new challenges for them to contend with. It isn't hard to empathize with any long-tenured distribution executive who longs for the days before eCommerce — before customers expected self-service tools and instant access to inventory and shipping information and before catering to a hybrid or partially remote workforce.

Technology has complicated distributors' operations. But it has also made life easier in many aspects. It has allowed distributors to rely increasingly less on assumption and trust data in their decision-making. Technology tools have revolutionized inventory management, demand forecasting, sales order processing and plenty of other crucial operations to make distributors more accurate and efficient at what they do.

All of these trends were already in place before 2020, but the mega disruption that was the COVID-19 pandemic threw them into overdrive — forcing many distributors to accelerate their pace of technology adoption. This push to avoid being left behind resulted in distributors adopting all kinds of different technology tools from a pool of vendors that grew alongside demand.



There is a tech tool for every challenge. The downside is that this can easily lead to decision paralysis — there is an overwhelming amount of options to pick from, and choosing the right tools and the right vendors for them is a challenge in itself.

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And the options have been endless. For virtually every facet of a distributor's operations in any department, there is a technology tool they can utilize. Some are in the form of automation, some are organization tools, and others aid in digitization. Some tools are specialized for the sales department, and some are for warehousing.

This assortment comprises a company's tech stack — a collection of technologies used to create a complete platform to handle any function, and a term that quickly became commonplace in the distribution sector's lexicon post-pandemic.

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But that doesn't mean simplicity can't still be the best path forward for today's distributor. This report will detail the myriad market challenges facing distributors today, how distributors are addressing those challenges with increased use of technology, and how a simplified, consolidated technology approach is proving effective in this endeavor.

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Challenges Abound: Some Old, Some New

We could spend volumes covering all the challenges distributors face today. For the purposes of this report, we will focus on challenges that distributors look to alleviate using technology. Following is an incomplete list:

- Isolated systems, disparate/disconnected solutions — resulting in inaccurate, stale, incomplete data and information
- Inability to provide remote workforce with easy, real-time access to data and applications needed to maximize productivity and efficiency
- Lack of full/unified visibility across the organization — impairing staff ability to effectively optimize resources, minimize costs and make smart/informed/fast decisions
- Staff needing to multisource ERP tools or pay other organizations for additional reporting not available in current tools
- Lack of key functionality needed to scale, modernize, innovate, compete and grow
- Tedious, time-consuming manual processes throughout operations due to lack of visibility and automation. This inefficiency increases expenses and ties up valuable resources that could be focused on high-value customer and growth activities
- Increased competition and pressure to provide an Amazon-like ease of experience
- Competition intensity that may directly limit their customer and revenue growth goals and causes pricing pressure, reducing their profitability
- Need for agility to keep up with rapid changes and pivot quickly
- An inability to scale up or down, resulting in paying for unused resources
- Needing to manually keep on-premise deployments up to date
- Heavy customization combined with a lack of IT capacity to deploy updates
- Disjointed finance, operations, sales, CRM — inefficient and expensive

Nearly all of the above stem from distributors' challenge of meeting the growing and changing customer demands. Some have existed even before the widespread adoption of eCommerce and the greater digital ecosystem, but most are a result of those.

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Challenges Abound: Some Old, Some New

A 2022 Microsoft survey of over 3,000 small and medium businesses (SMBs) indicated that these businesses expect newer technology to help them:

- Achieve growth
- Cut costs
- Improve efficiency
- Access new markets
- Improve sales and marketing
- Retain and acquire new customers
- Improve margins
- Innovate

So, how can technology be put to use to directly address all the above? As we'll discuss further ahead, the biggest technology tools distributors have used are ERP and CRM softwares. And over the past decade-plus, the cloud has taken both platforms to another level. Alongside ERP and CRM, leading distributors have leveraged business intelligence (BI) and automation software to make smarter decisions and do more with less.

The potent combination of cloud-based ERP, CRM, BI and automation tools has empowered distributors to achieve the following:

- Connected key functions throughout the organization (finance, ops, sales, service)
- Unified data — enabling them to make better decisions and move faster, with everyone working with the same consistent, accurate, real-time information
- Scalability/Agility — use/pay for only the computing power they need, and quickly adapt to change
- Mobility — off-premise access reduces risk of downtime and improves business continuity
- Lower total cost of ownership

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A Modern Tech Stack

Enterprise resource planning (ERP) software usage became widespread in distribution in the 1980s and 1990s as its accessibility and affordability increased; and Customer Relationship Management (CRM) software likewise took off in the late 1990s and 2000s. Both have undergone massive evolutions since then, and today's modern, leading platforms offer a library of tools and capabilities that cater to distributors' ongoing digital transformation and need for flexibility.

ERP has served as the engine that drives the car for much of the distribution sector for decades, and distributors continue to find that CRM is critical to providing customers with the customized buying experience they now expect.

In a 2022 survey of 120+ distributors by Modern Distribution Management, nearly 62% of respondents said the way customers engage with their sales and customer service teams has changed moderately or a lot since the beginning of 2020. That survey — in which 59% of respondents had less than \$200 million in annual revenue — found that approximately 55% of respondents were using CRM to help support their sales efforts. CRM was the top choice among a list of 10 tools and technologies available to choose from. Self-service visibility into inventory availability and sales order/process automation were the second and third-most picked options — which are valuable features that modern ERP and CRM software offers.

62%

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A Modern Tech Stack

And while ERP and CRM are separate, major software platforms, they complement each other in functionality as the key components of a tech stack. But it wasn't always this way.

"Six or seven years ago, there was a strong paradigm shift in affordable business intelligence," says Perry Prescott, Senior Solutions Architect at Enavate, a full-service technology consulting firm and Microsoft Dynamics 365 partner. "Before, we (technology partners) would come in and do a large implementation for ERP, and then we'd ask if you want business intelligence, and they'd say yes, and we'd say, 'It's another half million dollars.' And the reality now with the [Microsoft Azure Stack](#), [Power BI](#) and [Power Automate](#), is that I have the ability to mine data in different ways."

Today, distributors can utilize their ERP and CRM as a simple yet robust data warehouse that they can plug BI into and mine all their desired data in a drag-and-drop fashion. This leads to new perspectives in how charts, graphs and key performance indicators can be viewed. "And then we start looking at trends and trend lines with that data through these tools," Prescott notes.

"It has made business intelligence accessible and affordable, and the time it takes us to deploy standard templates available through Power BI is nominal."

– Perry Prescott, *Senior Solutions Architect at Enavate*

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All in One vs. One of Many

Over the past few decades, consumers have gravitated toward one-stop shopping experiences. It's the same for distributors and their technology. Consolidating your tech stack providers means less integration between different software, less vendor staff needed to communicate with, and fewer process differences between different technologies. There is essentially no technology language barrier between products of the same vendor. Having ERP, CRM and BI from the same provider just makes things simpler.

"The reality is, with modern, tier-one ERP, the goal is to get most of the functionality and integration all within the core system itself," Prescott explains. "And then we use these other systems that are very specialized, but they're integrated back to the core ERP. And they're consuming all the critical data and all master data flows from ERP."

Prescott elaborates that this leads to strain on an ERP system, just like heavy data usage strains a home's WiFi strength. And many distributors are relying on older ERP software not intended to handle the data strain of today's tech tools. An ERP built to offer the functionality of tools otherwise bolted-on can handle that data flow with ease.

On the customer management side, a modern CRM works hand-in-hand with ERP. Beyond providing sales force automation, CRM provides the ability to see many assets from a bird's-eye view. Distributors have catalogs, price agreements and quotes, leads, rebate structures and many other customer-specific values which ERP can control some of — but not in a user-friendly way for a sales rep and a customer, like CRM specializes in.

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All in One vs. One of Many

"Keeping that data tied to the CRM prevents it from polluting the ERP," Prescott says. Prescott adds that a CRM has proven very useful for distributors that have added discrete manufacturing to their business and requires configure-price-quote (CPQ) functionality. In the end, a vendor that can provide added functionality when needed can save a distributor from going through the same conversations with disparate providers.

In today's speed of business transformation, distributors don't have time for trial-and-error when it comes to their tech stack.

"We used to think about standing these big monolithic systems up and bringing in new partners for each business function. Now it is just bolt-on functionality into the core software for us," Prescott details about the Microsoft Tech Stack. "All of that is inherent in these core systems."

45%

45% of SMBs utilize external consultants to manage their technology.

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Cloud Movement

Above all else, the massive disruptions caused by the COVID-19 pandemic showed distributors that the most valuable business attribute may be speed and flexibility. Many distributors that were technology laggards learned this the hard way when it came to scrambling for alternative suppliers, enabling office staff to work remotely or in a hybrid environment and keeping up with customers' rapidly-escalating preferences for a digital-first or completely digital buying experience.

This is precisely the strong suit of cloud-based software — especially with ERP and CRM. Untethered from a facility, cloud software scales with a business, is always available from virtually anywhere and offers lower total cost of ownership.

How?

- Cloud-based software is maintained, updated, secured and supported by its vendor, meaning its user doesn't have to dedicate staff resources to those tasks.
- Looking at efficiency, cloud software users only pay for the services they use.
- [A 2019 study by SherWeb](#) found that the average monthly cost of a cloud server at \$314 vs. \$1,476 a dedicated on-premise server.
- Mobility — cloud software enables staff to access data and applications from any device in any location and at any time.
- For security, cloud also has the advantage. Cloud users are protected in the event of an outage or facility disaster, and its vendor has dedicated professionals protecting your data and activities from potential cyber threats.

Microsoft's 2022 study found that while most SMBs today report greater use of on-premise solutions than cloud solutions, the needle is moving toward the latter. Whereas 44% of respondents indicated their current software solutions are entirely or mostly on-premise, those same SMBs expect that figure to fall to 38% in just two to three years, while those with equal cloud/on-premise, mostly cloud and all cloud increase from 57% to 62% in that period.

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Distributors Lean More on Vendors

The days of distributors buying a technology solution from a vendor, installing it and then both sides going their separate ways have quickly faded. Today, distributors are looking to vendors as consultative partners — able to help guide their technology decision-making, ensure a smooth installation and be able to troubleshoot any issues that arise throughout the lifespan of that product.

The Microsoft SMBs study found that 51% of respondents indicated they expect technology partners to proactively suggest new solutions and help shape their technology strategy. That's much more involved than selling and walking away.

This long-term relationship distributors now expect from their technology partners mirrors how distributors have likewise evolved to support their customers: reshaping the image they project as not just product houses, but as service and solutions providers.

The extremely fragmented distribution sector primarily consists of SMBs — a demographic of businesses with up to 300 employees — where dedicated, internal IT staff are typically tasked with keeping systems operating as intended and troubleshooting issues, rather than excel at platform development. This is evidenced by the Microsoft study finding that 45% of SMBs utilize external consultants to manage their technology.

"SMBs want to make the most of technology, but tend to hire generalist IT personnel who can handle day-to-day issues such as systems management and maintenance," the report stated. "As a result, to fully capitalize on the opportunities that technology offers them, they tend to turn to technology partners."

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A Suite Solution

When it comes to technology vendors, it pays for distributors to look for a solutions partner rather than a single tool provider — one that can provide ongoing support, complementary products/services and suggest technology that can help your business over the long haul. With all of these factors accounted for, a distributor may end up choosing a technology partner over the needed solution due to the intangible benefits that the partner offers. Finding a tech partner that can alleviate numerous challenges can save immense time and resources compared to bolting on different solutions from different vendors.

This is why a partner with an array of solutions can be so advantageous for distributors.

Microsoft has several such offerings:

Microsoft Dynamics 365 is an end-to-end suite of cloud-based SaaS business intelligence services and applications that combine all of your company's essential sales, marketing and service apps into a single platform. This connects key business processes and provides your staff teams with every tool needed to be more effective and productive. It's the only cloud-based solution that offers all you need for ERP and CRM in one place.



Microsoft Azure is a suite of over 200 different products and cloud-based services designed for building, running and managing your operations across multiple clouds, with the tools and frameworks of your choice.

Helping distributors with their Microsoft Dynamics 365 and Azure integration and ongoing support is [Enavate](#), a full-service technology partner providing consulting, cloud and managed IT support services. This allows decision-makers to stay focused on their business' mission and vision while knowing their day-to-day operations are under control. Ultimately, Enavate helps distributors remain focused on what they do best: serve customers.

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Enavate transforms businesses and the lives they touch.

Our consulting, Cloud and managed IT support services enable key decision-makers to focus on their organization's overall mission and vision, knowing that the day-to-day operations are under control. Distribution and manufacturing clients rely on our industry expertise to optimize their sales teams, enhance their customer service and streamline their supply chain.

Enavate is recognized as a leading Microsoft Dynamics technology and service provider specializing in digital transformation for distributors and manufacturers.

Visit enavate.com to learn more.

How and Where Distributors Can Leverage Automation in 2023



We Help Distributors Innovate

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