How and Where Distributors Can Leverage Automation in 2023

infor

Executive Summary

As companies have struggled to pivot normal operating procedures over the past few years, automation tools have rapidly emerged as levers to not just manage stretched employee resources, but to support a deeper business model transformation. Automation – often referred to as Robotic Process Automation (RPA) – typically yields the highest and fastest return-on-investment of any technology deployment, especially in early adoption stages.

The threshold to get started is low. While artificial intelligence and machine learning are the current sexy topics (we'll get to this later), the sweet spot of automation is in fairly basic workflow, document management, data retrieval and process simplification – reducing or eliminating clicks to get stuff done faster and more accurately!

In this report, we'll examine ways in which distributors are navigating this journey, expanding the use of automation across every area of the business – customer-facing, back-office, warehouse and delivery. We'll share insights from a distributor that has created transformational leverage through process automation. And we'll also offer a few tips on how to frame your own successful automation deployment.

Key Takeaways

Automation is accessible today. As in many areas of technology, the number of automation solutions has exploded, especially post-pandemic as distributors rushed to process orders under challenging conditions. At the same time, automation return on investment has also increased dramatically, particularly in cloud-based environments, as weekly or monthly tasks are converted from hours or days into minutes with automation support.

Automation is agile. Automation facilitates real-time data visibility and transparency. It frees team members to focus on higher-value activities that elevate customer service levels and drive deeper customer engagement. The same is true with supplier-facing automation to create stronger go-to-market partnerships.

Automation is a force multiplier. By allowing you to focus on the exceptions and not the mind-numbing tasks, automation tools have powerful multiplier effects. When repetitive transactional order-entry tasks are automated, job satisfaction increases and company culture is perceived as more attractive in a time of intense talent competition and retention challenges. An "automation toolbox" supports a customer-first mindset that examines long-held assumptions for task execution; it fosters a creative culture with the tools to solve critical constraints across the organization.

From a customer's laptop to your warehouse loading dock, here are insights on how to advance deployment of automation tools in the year ahead.

Simple Steps, Big Results

Midwest Wheel Companies is an 18-branch distributor based in Des Moines, Iowa. The company sells a full line of replacement heavy-duty fleet products, light truck accessories, light trailer projects, commercial fleet parts and school bus replacement parts. Steve McEnany, vice president of marketing and technology at the 112-year-old company, has been leading a multi-year adoption of automation tools across the organization.

"For us, the goal is to evaluate anything that is repetitive. We look for any area of the business, any task, any process that can be done automatically, where 90% of the time it can be done exactly the same way. Those are prime targets to automate," McEnany says.

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Software "robot" application code is written to perform repetitive human manual steps – a series of human-computer interactions – that reduce keystrokes, menu navigation and data manipulation/ retrieval. These programs are built using application programming interfaces (APIs), which have become the arterial system for cloud-based technology. In simplest terms, an API is the networking bridge between two software components – often an ERP or other database resource and a Web browser-based application, such as business intelligence or customer relationship management (CRM) software.

For most of Midwest Wheel's automation journey, McEnany has been the sole automation application creator, without having a deep knowledge of coding. With some basic training, he's been able to write routines that have compressed process steps across the organization from multiple steps and clicks to one or two. He's also created data retrieval programs for financials and rebate management that have shaved hours off monthly report production.

Improve Customer Experience

As distributors have strengthened eCommerce capability to support traditional outside and inside sales channels, automation tools have elevated every phase of customer acquisition, nurturing and retention. Customers are increasingly going omnichannel in their vendor interactions.

Sales reps are critical but high-performance distributors are providing customers with self-service tools for product and solutions research, inventory status and every aspect of the order process. And they are using multiple devices and channels – phone, tablets, laptops; text, email, browsers… and yes, some customers still fax in orders. While EDI has been driven by larger corporate accounts, there are still distributors manually processing fax orders from smaller customers. Ouch.

For that reason, sales and marketing is an area where some of the most advanced tools have developed to support sales teams. These include lead scoring, CRM alerts, customized drip email campaigns and other "trigger" tools programmed for specific actions based on digital behaviors. Well-crafted tools trigger response through compelling incentives or other calls to action that increase prospect conversion rates.

At Midwest Wheel, when a new account is opened in the system, the customer automatically receives a confirmation; an alert is sent to a salesperson informing them of the action. When the company receives a first order, an automated note goes out to the customer thanking them you for the order. "These little things are really mundane, McEnany says, "but it's that hand-holding that you've got to do with the customer; you can really automate a lot of those steps."

Pricing is a critical customer service component. Beyond sophisticated pricing optimization software that automates traditional pricing functions, automation can ensure that customers see consistent, real-time pricing based on specific rules created for types of customers or specific agreements. "Having systems tied tightly together is critical to that," McEnany says. "No matter how you approach us, you're always seeing your price and product availability for your warehouse. So there's never that guessing point."

Boost the Back Office

Workflow processes and document management are two back-office functions where automation has seen significant adoption rates over the past 24-36 months as many distributors experienced either double-digit growth, worker shortages or both. Pricing is a prime example. As suppliers accelerated price change cycles, distributors that had automated the upload process were able to stay on top of margin protection effectively in real time.

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> Something that was taking someone a couple hours… now it's a 10-minute deal, and they're done for the month.
> "

"Some distributors may have document management capabilities, but they haven't yet executed on it," says Kelly Squizzero, Senior Director, Industry & Solution Strategy, at Infor. "People have certain technologies but aren't leveraging them. Or maybe they don't know of a particular use case that would enable them to leverage those technologies."

The same is true across the entire procure-to-pay cycle, from purchase order to collections, where many repetitive tasks are required to track and validate transactions. When customers request a copy of an order or invoice, many accounting staff still print it, scan it and then attach to an email. An automation application can call the APIs to reprint all open invoices and email them to the customer. Three-way matching (PO-delivery-invoice) by an accounts payable team member is another prime area where automation reduces complexity and increases both accuracy and speed with suppliers and customers – a critical thread in the quest to be a preferred business partner.

"Regardless of how a customer wants to order, automation can help you manage today's more complex digital sales channels – text, email, Web, EDI and marketplaces," Squizzero says. "In one case, Amazon will send a distributor a monthly order summary spreadsheet, and it's up to the distributor to figure out how to apply that. And they've automated that, because they have the technology built into the system to leverage those APIs and do that match to a particular payment and invoice. That's a case of applying artificial intelligence to figure out where it didn't find a match, what to do, and then managing the exceptions."

Tracking rebates automatically was one of the first areas Midwest Wheel addressed in 2015, when they were spending a day or two monthly pulling spreadsheets and downloads. "Our analytics tool now sends me an email at the end of the month with everything I need to turn in," says McEnany. "Some go directly to the supplier because I don't need to review. That automation is a huge gain for us; rebates are key to a distributor's profitability. There are a lot of lines you couldn't sell if you weren't managing the rebates."

Automate the Warehouse

While robotics are becoming more commonplace to assist every phase of pick, pack and ship, distributors are automating traditional manual pick-ticket processes at every step – barcoding, handheld mobile devices, cycle counts. "It's night and day from 10 years ago in the ways to automate the warehouse," says Will Quinn, director, Industry & Solution Strategy, Infor, whose career includes leadership roles in warehousing and logistics, including one of the largest U.S. distributors of general-line industrial products.

"There is so much that can be done with automation in the warehouse now to make things more efficient," McEnany says. Like most distributors, Midwest Wheel has not deployed robots in the warehouse, but "we have gone a long way in automating how we want things to process through the warehouse and to make sure the order is always right." That includes pulling zones by carrier and product type. The company also has a dashboard that shows where 50 trucks are at any given moment; deliveries are captured on tablets and everything is pushed back into the business system where different departments and customers can access real-time information.

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Automate Next Steps

There are opportunities in every corner of a distributor's operations where automation can have incremental and transformational impact. Here are a few takeaways to help you frame your own next steps:

- **Identify bottlenecks**
  Every company has throughput challenges at every level of the organization. It's important to prioritize specific problems that automation tools can solve, and quantify the ROI impact – even if back-of-the-envelope estimates.

- **Research solutions**
  You may already have document management and process automation tools in your current tech stack. Do an audit. Evaluate what current technology partners offer today for automation tools – it's changed quickly!

- **Create a structured automation plan**
  Like any capability development process, this is a journey. Prioritize the low-hanging fruit, the talent required to support the automation effort, and realistic small steps without overloading limited resources.

Every company has a cognitive bias when it comes to problem-solving. That's a fancy way of stating the maxim that if all you have is a hammer as a tool, then everything looks like a nail (Abraham Maslow). The beauty of automation is adding an expanded set of tools that can have exponential ongoing impact relative to deployment costs.

We're at an early stage of embedded automation helping distributors compete in more complex market environments. Artificial intelligence and machine learning are already helping distributors customize offerings and services to specific customer segments, or offer product recommendations to drive cross-sell opportunities. The "Star Wars" capabilities of a few years ago are much more accessible today to distributors of every size.

There is no "ideal" automation portfolio or best practice. Every distributor has unique operating environments, technology stacks and critical constraints. Think beyond the hammers your team has used to get work done and challenge the "we've-always-done-it-that-way" mindset – there's a much more powerful set of tools that can help with the heavy lifting.

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