



# What Are Distributors' Post-Pandemic Technology Investment Plans?

*COVID revealed deficiencies in many companies' technology capabilities; here's where they plan to invest next.*



## Survey Results Report

When it comes to the bottom line, the pandemic didn't treat every company the same. Yes, COVID-19 was an equalizer of sorts. Most states went into lockdown, many businesses were closed and quarantining became the norm for millions of people. Distribution, for the most part, was deemed an essential business, but even still, many distributor customers had to shutter their doors for weeks or even months at a time. The impact was both severe and long-lasting.

But some distributors were better suited to handle the necessary transition to remote working, the pivot to selling PPE and the shift to more online ordering. Others weren't. Some companies struggled due to simple exposure to the wrong product mix or legacy processes that prevented nimbleness in a period that called for rapid reaction.

This industry inflection point became evident when perusing public company earnings reports and seeing how companies' top lines performed beginning in the second quarter of 2020.

From a planning perspective, especially when considering post-pandemic market moves, COVID-19 did level the playing field. It forced all distributors — no matter their vertical, geography or end customer profile — to rethink their existing and planned technologies. It made them reassess how they have traditionally served customers and how they should do so moving forward.

MDM and Infor teamed up to understand the current challenges across the wholesale landscape and help distributors not only gauge how their business responded during COVID but also ensure they can differentiate from their competitors for the remainder of 2021 and beyond.

For this executive guide, we conducted an exhaustive survey of more than 200 distributors, manufacturers who sell through distribution and service providers to the channel.

The results were eye-opening. In the pages that follow, you'll see the truths MDM and Infor uncovered about how the industry adapted its technology during COVID and where it goes from here.

This whitepaper examines key trends for distribution, including the continued importance of customer service, the enhanced role of technology, the growing reliance on e-commerce, and the adoption of mobile, cloud and other essential tools.

It also answers key questions around the investments that distributors have made — or plan to make — and where they are aligning resources as the economy enters a post-pandemic phase.

The MDM-Infor Technology Trends Survey 2021 will provide valuable insights into how wholesale distribution navigates COVID, where it goes from here and what preparations still need to happen should another disruption ravage the industry again.

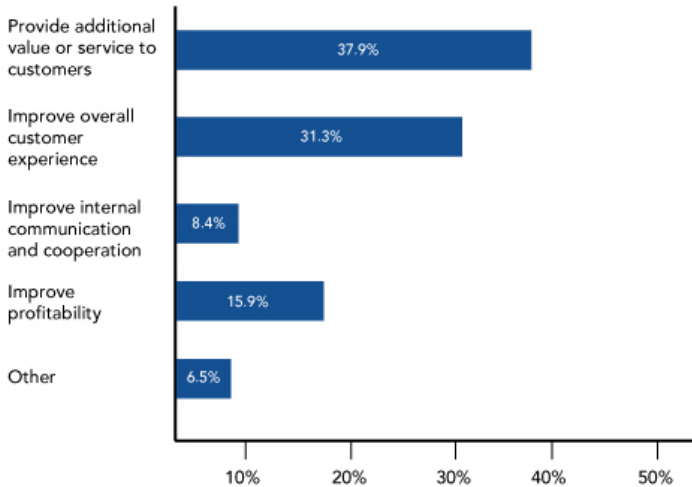
## To invest or not to invest

Distributors have one goal in mind when it comes to technology investment — improving their customer service. That ranked higher than even improving profitability, with nearly 70 percent of survey respondents listing some form of customer service or experience as most critical.

Survey respondents overwhelmingly said that providing additional value or service to customers (37.9 percent) or improving their overall customer experience (31.3 percent) were their primary goals for current technology investments.

Coming in second and third, respectively, were improving profitability (15.9 percent) and improving internal communication/cooperation (8.4 percent).

### What is your primary goal with current technology investment (or scheduled investment if there is no current initiative)?



The solutions in which distributors have invested or plan to invest varies by timing in relation to COVID. Pre-pandemic, for example, most distributors said CRM and project management were their top investments.

During the last 12 months — basically, the worst of COVID (remember, this survey was conducted in May) — the investment areas were the same but the percentage of companies making investments in all areas of solutions dropped significantly.

Looking ahead, both within the next 12 months and beyond, companies are looking to invest in guided selling, a tool that helps a salesperson by streamlining product suggestions for customers based on their current and projected needs.

As for technologies, there was a similar shift in pre-, mid- and post-pandemic investment priorities. Before COVID, mobile devices and integration technologies (APIs) were all the rage. Those were among the leading investment priorities during the pandemic, albeit at a lower rate.

And looking ahead to the next 12 months and beyond, Image/video recognition (QR codes), APIs, and artificial intelligence rise to the top.

## The e-commerce imperative

E-commerce was the real MVP of COVID-19. Distributors that were able to pivot to selling online surged to the front of the pack as customers sought ways to reduce their interactions with salespeople or walking into branches.

As the pandemic choked out the country's economic engine, the savviest of distributors — those who entered COVID with a system in place — didn't miss a beat.

## What Are Distributors' Post-Pandemic Technology Investment Plans?

Those who were slightly behind but used the newfound downtime to beef up their online shopping and ordering capabilities now enter the post-pandemic phase in good shape.

Companies that lagged are now seeing that they can't afford to face another period of stay-at-home orders and social distancing without a robust e-commerce system in place.

Distributors saw a higher percentage of their sales come from e-commerce during the last 12 months compared to pre-pandemic, and they expect those percentages to rise in the next 12 months as B2B buyers continue to seek online shopping and purchasing based on habits developed during COVID.

For example, of the more than 200 survey respondents, the vast majority (66.3%) said that less than 10% of sales came through e-commerce before the pandemic. But that number dropped to 52.5% during the pandemic. And even fewer distributors, just 33.7%, expect less than 10% of sales to come from e-commerce in the next 12 months.

Contrast that with the next range of e-commerce sales as a percentage of overall revenue. Pre-pandemic, 16.3% of respondents said 11%-25% of sales came through e-commerce. That number grew only slightly, to 17.3%, for distributors during the pandemic. But that percentage spikes to 28.1% of survey respondents after the pandemic.

Distributors know their customers are shopping online. They need to be online to meet their needs. Now they just need to begin their journey or, more likely, grow their e-commerce maturity.

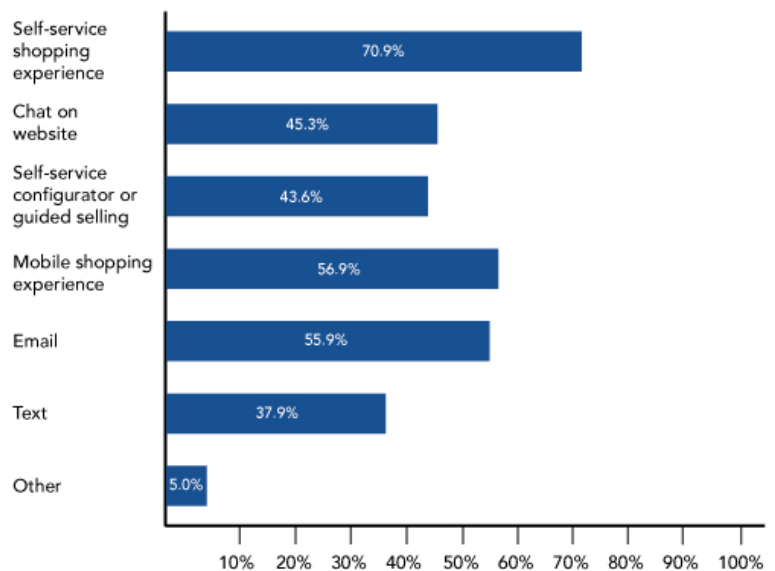
## The importance of customer service & experience

For any distributor, customer service is king. That was true before COVID struck, but the pandemic heightened the need for a distribution business to uncover the needs and wants of their customer and offer the solutions to match.

It might have been happening prior to the spring of 2020, but the last 16 months have elevated the importance of customer experience.

Customer experience means different things to different distributors. For some, it meant offering touchless or curbside pickup during the pandemic. But for others — for those who deemed it essential to think about the future viability of their business, it meant adding online tools that enable easier shopping and purchasing from a distributor.

**For these sales and customer service tools, which do you think will be important to your customers in the next 12 months?**



## What Are Distributors' Post-Pandemic Technology Investment Plans?

The MDM-Infor survey asked what customer service and sales tools distributors think are important to offer their customers in the next 12 months, and all the available options received a fair amount of consideration. Yes, distributors know they must have a dynamic online experience for their customers if they hope to win more of their wallet share.

The solution with the highest share of votes at 71% was “self-service shopping experience.” The “Amazon-ification” of B2B buying is undeniable, and distributor customers have said again and again — directly to MDM but also in this survey — that being able to shop online, from the comfort of their home or office (or home office), is paramount.

Moreover, that shopping experience needs to, if not completely match, at least come close to their B2C experience. That means distributors are being asked to add website chat and guided selling to their online stores. In the survey, 45.3% and 43.6% of customers, respectively, said those features will be important to their customers in the next 12 months.

Distributors also expect their customers to demand sales and service tools around mobile shopping (57%), email (55.9%) and text (38%). There is more color around mobile shopping in the next section of this whitepaper.

## The move to mobile

Distribution was already moving in the direction of more mobile offerings — including mobile-friendly websites that use responsive design to dedicated apps for ordering — but the pandemic further accelerated this category.

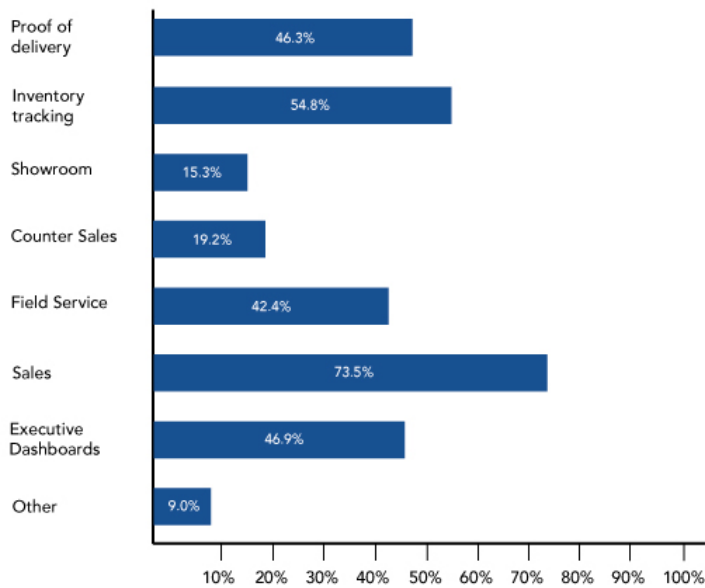
We already lived on our smartphones before COVID, so the lockdowns and quarantines meant that even during work hours people were using them for nearly everything not done on a laptop. It was commonplace for someone to tune into a Zoom meeting from their car or makeshift home office.

But as business starts to return to in-person, there’s no indication that we will rely less on our smartphones. The question for distributors is how to make their practices and processes mobile-friendly so that in a hybrid work environment —remote and in the office — employees and customers alike can conduct business while on the go.

When respondents to the MDM-Infor survey were asked how they plan to use their mobile devices in the next 12 months, they proved that mobile is here to stay and should grow more dynamic as we come out of COVID.

Almost three-fourths of respondents, 73.5%, said they would use their mobile devices

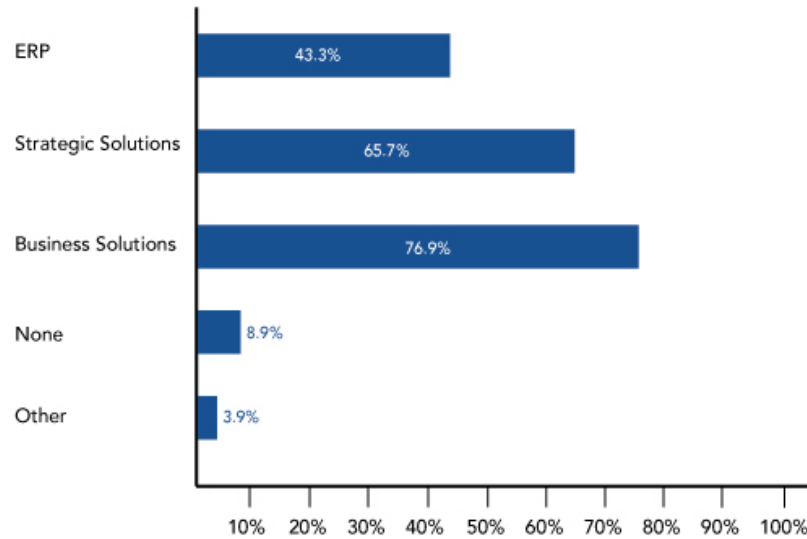
### How do you plan to use mobile devices in the next 12 months?



for sales. More than half, 54.8%, selected inventory tracking (respondents could select more than one option), while nearly half answered with executive dashboards (46.9%), proof of delivery (46.3%) and field service (42.4%).

## Room to improve on cloud adoption

### What level of cloud adoption do you have?



Distributors who responded to the MDM-Infor survey have mature cloud adoption for many of their key technologies, but there remains room for improvement as cloud computing grows in importance.

More than three-fourths of companies, 77%, have comprehensive cloud adoption for business solutions such as email, payroll, Zoom and other tools.

However, that number drops to 65.7% — still decent but could grow — when it comes to cloud adoption for strategic solutions such as CRM (customer relationship management), BI (business intelligence), HCM (human capital management), WMS (warehouse management system) and others.

And only 43.3% of survey respondents said they have attained cloud adoption for their ERP (enterprise resource planning).

The good news is only 9% of companies listed “none,” meaning cloud is on the radar of companies even if they have some work to do before reaching full adoption.

## Where do companies need IT talent?

As companies invest in their technologies — whether that’s e-commerce, mobile, cloud, something else or a combination of these — they’ll need the right talent to ensure the implementation and companywide adoption.

In today’s world of cybercrime and hacking, it’s no surprise that distributors ranked cybersecurity as the No. 1 most important IT skill to employ as we enter the post-COVID landscape.

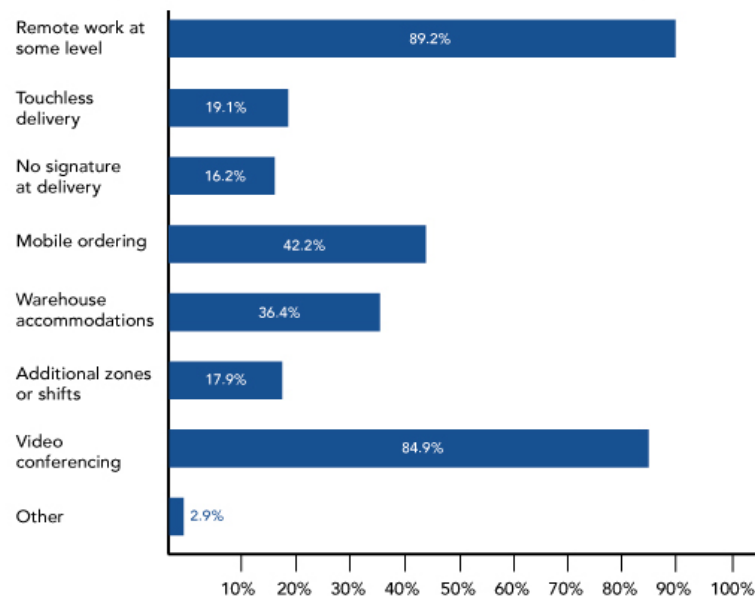
Other skill sets that survey respondents have their eyes on as they deploy new technologies across their business include “BI, AI, data management or analysis,” “business continuity,” “integration skills (API management)” and “database management or admin.”

## Post-COVID changes

One of the final questions on the survey, "What changes have you made within company operations that will continue to be a part of your ongoing business beyond COVID-19 disruption?" received a wide variety of responses but two emerged as the clear favorites for companies.

Nearly all respondents, 89%, said "remote work at some level" will be one of the changes that sticks around once COVID is behind us. This is not at all surprising given the national trends of employers looking to maintain some semblance of a remote or at least hybrid work environment.

### What changes have you made within company operations that will continue to be a part of your ongoing business beyond COVID-19 disruption?



Of course, distributors employ a fair amount of people who need to physically staff a warehouse or DC, so this would apply only to office workers.

Coming in a close second at 85% was "video conferencing." Zoom, Teams, Skype, Webex — these have become household words in the last 16 months and it appears that nothing will change that. Why meet in person when a 20-minute video chat will do?

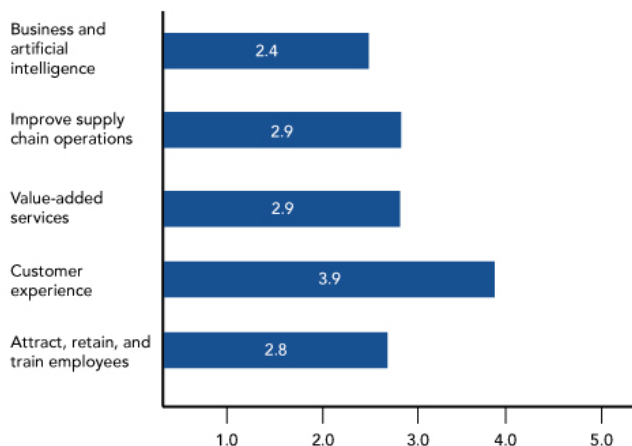
Other technologies that distributors expect will remain a priority as we transition out of COVID include "mobile ordering" (42.2%), "warehouse accommodations for social distancing" (36.4%), "touchless delivery" (19.1%) and "additional shifts or zones" (17.9%

## Important investments

Lastly, we asked survey respondents to rank the investments they plan to make post-pandemic. "Customer experience" scored the highest with 40.3% of people placing it No. 1 and an overall weighted score of 3.86.

Tied for second were "improve supply chain operations" and "value-added services" with scores of 2.91.

### Rank in order of importance where you plan to make the most significant investments.



## Methodology

The survey results presented in this whitepaper are the result of an online survey of readers from MDM ([www.mdm.com](http://www.mdm.com)) in May 2021.

MDM is the only specialized information business that provides high-level in-depth resources to executives who are in or serve the wholesale distribution industry. It completed a survey in conjunction with Infor ([www.infor.com](http://www.infor.com)), which builds business applications with last mile functionality and scientific insights for select industries delivered as a cloud service.

Most survey respondents (55.8 percent) identified as wholesale distributors; 17.4 percent were manufacturers and 11.6 percent were consultants. The remaining 15 percent identified as a hybrid model (distributor and manufacturer), software provider or "other."

Most distribution sectors were represented, including Industrial (23.7 percent), Building Materials & Construction (9.8 percent), Electrical (7.5 percent), HVACR/Plumbing (7.5 percent), Fasteners (5.8 percent) and Power Transmission & Bearing (5.2 percent).

Size distribution of respondents was diverse with 9.5 percent of respondents below \$2 million in annual revenues; 39.9 percent between \$2 million and \$50 million; 15.5 percent between \$50 million and \$100 million; 19.1 percent between \$100 million and \$500 million; and 16.1 percent over \$500 million.



## About Infor

Infor is a global leader in business cloud software products for companies in industry specific markets. Infor builds complete industry suites in the cloud and efficiently deploys technology that puts the user experience first, leverages data science, and integrates easily into existing systems.

Over 67,000 organizations worldwide rely on Infor to help overcome market disruptions and achieve business-wide digital transformation.



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