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WEBCAST:

Take Your E-Commerce Capabilities to the Next Level



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1. This Is a Deck to Help Someone Make a Hard Decision

This is not a presentation deck, it is very dense and designed to have value after downloading it and listening to the session again

Do not try and read the slides while I am telling you stories, or your brain could go into overload

- Prioritize processing your audio inputs over your visual input
- The slides are intended for your use after the webinar during review with your team
- There are 16 links that are worth researching, that are key to creating or revalidating your North Star

I am going to tell you several stories and ask you to consider some questions that perhaps warrant some thoughtful discussion

- The slides help me remember what stories to tell and how to connect them for you and I will point out highlights
- Take your notes as we go (Slide numbers are in the top right corner), and you will be surprised at your recall upon your review

2. Start with What Decision You Are Making

Digital Isn't About Technology, It's About Meeting Changing Customer Expectations

The technology decision is about what technology stack (software company provider set) is best to help you compete in your market

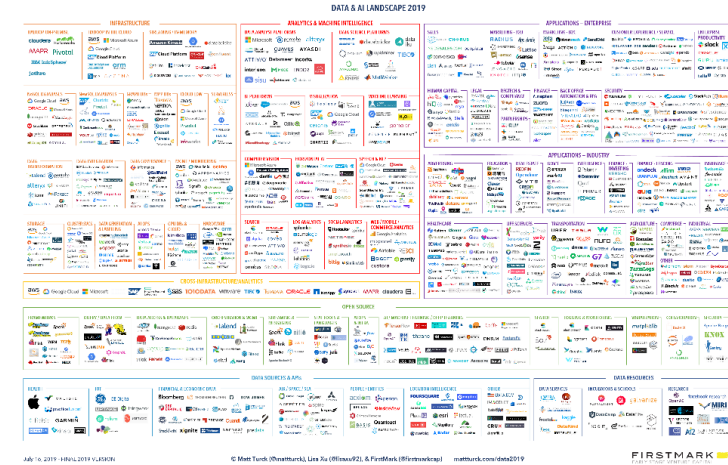
The emphasis is on technology vendors

The business decision is how do you change your value proposition to create competitive advantage with where your customers are going

The emphasis is on the value proposition

The disruption is driven by how digital can enhance your customer value proposition, it is not about simply adding digital tools to an old school model

"I sell service with excellent people"



Discussion Agenda

Please use the chat box during the discussion to interrupt me with questions

What does a fully digitally enabled distributor look like?

Most of you are inhibited by the challenges in changing your business model

This transition is only the start of a larger one

Building your North Star

Many of you are in different positions on your own digital journeys

This discussion is about how to make the best business decision on what is the next step on your own journey

Digital B2B = B2C + human contact

There Are Also Well Established First Mover Advantages – as Laggards Decline

What Does A Fully Digitally Enabled Distributor Look Like?

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1. They have value propositions tailored to clearly defined segments of customers who share similar journeys
2. They have significant competitive advantage in their clearly defined customer segments, meaning higher net profit than competitors with either a cost advantage or a price premium, or both
3. The customer experience is frictionless as they have happily joined the distributor ecosystem to help their own success
4. This distributor buys right, selling at lower margins than their competitors because their SG&A expenses are 20% lower than theirs, and their EBITDA margins are in the top decile of their industry

We don't know of any distributors that are already there in all 4 areas, but we know many who are driving hard and close to one of the above characteristics

Score Yourself on Each Strategic Driver on Your Own Scale After This Discussion

Best in Class Definitions – Where Is Your Largest Gap?

6

This helps to determine where to invest first: If you are behind your customers digital adoption rate, spend here first, then fix supplier gaps second. If you are on pace with both, spend it internally to lower your SG&A costs while improving service.

Internal adoption of digital processes

Generalist field sales reps have migrated to multichannel specialist models that rely on robust CRM systems where quoting, pricing, customer service, purchasing, and supply chain activities have been digitized and managed centrally along with >90% LOOP rate on all purchasing & shipping activity. The sales process is closely matched to the customer journey of each segment.*

Digital process adoption with customers

Customers deal with you primarily through punchouts using their I-Phones and tablets relying on their custom reorder catalogs, VMI, BIM drawings and project management support, live GPS location of their deliveries, online technical information, and all their transaction activities while your \$50,000/year in SEO provides a great growth return. The customers look to this distributor to help them make their own digital transitions.

Digital process adoption with suppliers

The distributor has top quartile fill rate and inventory turns with stagnant <1.0% with all transaction and warrantee management performed electronically, or at least the distributor is capable, even if the supplier isn't. Suppliers pay money for market information as the distributor has leveraged their big data capability. Their supply chain staff want to work with the distributor to innovate.

Core Digital Processes Needed in Any G2M Pivot

1. There must be a process to create new customers that will be led by marketing and specialized sales roles (Market Making)

Digital tools, analytics, and custom landing pages create high quality lead flow provided to a team of customer facing people that provide the value proposition to defined customer segments.

2. There must be a process to serve existing customers (Market Serving)

Much of this work may be removed from the field sales role as it uses labor roles at costs appropriate for the repeat purchasing and customer services provided. Digital is extensively deployed and the functions are often centralized. The goal is to maximize customer retention at the lowest possible cost to serve.

3. There must be a strong digital engagement processes to maintain ongoing customer involvement to deliver a value proposition that augments and enhances their multiple personal relationships with the distributor, it is no longer one-on-one with a field rep

Self-service customer portals along with business builder support resources, instant online access to their distributor solution providers, and customized apps are provided to make customers sticky. This may extend to providing customer business management software services.

4. There must be a process to expand our share of wallet with our existing customers

AI models customer buying patterns to generate specific value propositions (products or services) at specific times that may be delivered by a salesperson or digitally

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Over 50% of what today's field sales person does is replaced with digitally enabled process changes

The role components removed become less costly where they produce higher performance with stronger relationships

The split is usually between the activities associated with serving a market and those making a market

Strong field sales people will always be highly valued

Is Your January 2020 Sales Force the One You Need for 2021?

What Does Sales Transformation Have To Do With E-commerce?

9

According to the DOL we had 4.2 million B2B sales rep in 2015 but now have ~3.2 million

Replaced by inside sales and E-Commerce

Where is your firm on this transition?

Millennial buyers don't want recurring visits from sales reps

According to Gartner By 2025, 80% of B2B sales interactions between suppliers and buyers will occur in digital channels. This is because 33% of all buyers desire a seller-free sales experience – a preference that climbs to 44% for millennials.*

The Internet has created price transparency and exposed distributor cross subsidies, Amazon Business is creating existential margin pressure as the market unbundles (If they just want product, and no service, it is cheaper)

The core driver is that the general line field sales rep that takes care of all the customers in a geography is the least effective and highest cost to serve

Lower Your SG&A Costs By Getting Sales Reps Out of the Transaction Business

Specialized Selling Roles – Build Your Own Machine

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	FAM Field Acct Mgr	IAM Inside Acct Mgr	ISR Inside Sales Rep	CSR Customer Svc Rep	Specialist	TSR Telesales Rep
Common titles	SAM, AM, TM, FSR, OSR	AM, IAM, Segment AM	ISR, CSR	CSR	Many	TMR, TSR
Primary SOS⁽¹⁾	Business solution	“Relationship” = reliability and trust	Technical and transactional	Transactional	Technical or functional	Awareness
Customers assigned?	Yes, by dirt	Yes, by dirt or segment	Yes, by dirt or segment	No	Periodically, by need or project	No. Uses call list and RFM ⁽²⁾ tickler
% in field	>80% Own car	5% - 50% Shared car	<5% No car	None	>50% Own car	None
% demand creation	>90%	5% - 50%	<5%	0%	>90%	>90%
Customer relation role	Primary	Primary	Primary but often shared with FAM	Maintenance “first do no harm”	Support but Primary in peer to peer situations	Generate and find CSEs ⁽³⁾ to pass to other reps
Account capacity	~30	~100	Hundreds	Hundreds	Hundreds	Usually a set of <1,000 changed periodically
Median comp (vs. FAM)	100%	70%	60%	50%	80% - 120%	40%

(1) **Service Outputs Supplied:** the key elements of the customer value proposition

(2) **Recency, Frequency, Monetary (RFM):** analysis to determine the optimum call frequency

(3) **Critical sales event:** a sales opportunity driven by external circumstances

Source: SalesGPS

Six of the Major Forces Driving Change in Distribution

Your leadership team can determine which of these forces are impacting your competitive position, i.e. where are you compared to your innovation leaders?

1. The digitization of analog processes throughout the enterprise to include upstream suppliers and downstream customers
2. The profit potential in the transaction-based business is declining swiftly because digital is more effective, so many distributors are migrating up the customer value chain with services and other innovations
3. Customer sourcing has also migrated up their value chain by automating transaction activity so they source differently
4. Massive changes in the role of the traditional field sales representative
5. Talent management and organization structures during generational transitions
6. Adoption of analytics and AI to augment or replace much of the current experience-based human decision making increasing performance

These factors can potentially guide your investment priorities

Discussion Agenda

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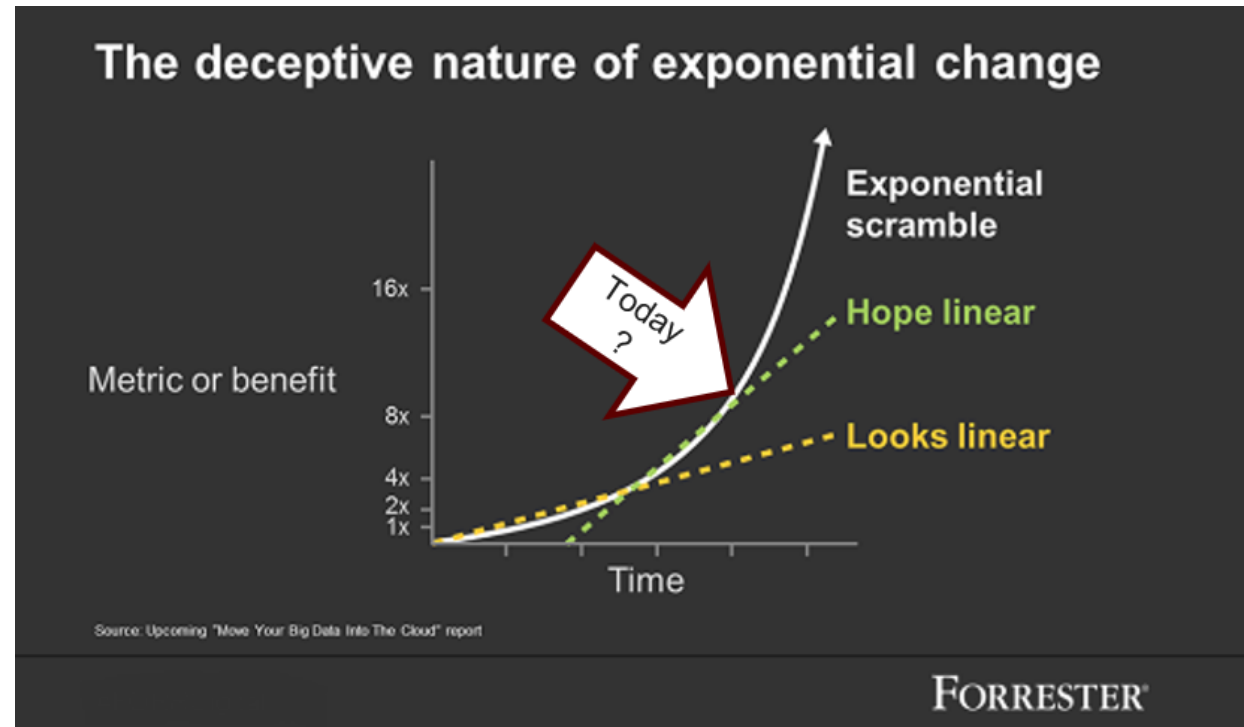
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Building your North Star

Blockbuster passed on buying Netflix for \$32M



Do you know where you stand in the digital transition compared to the leaders in your industry?

Software Is Eating the World

Marc Andreessen wrote an essay that appeared in WSJ back in 2011

The premise of the story was that anything that can become software will become software, it is only a question of when

Marketshare challengers always win at the expense of marketshare incumbents

It took 70 years to get everyone with a computer (in your pocket) and also to connect them to each other in the cloud through 5G, so consider:

- The music industry fought streaming (Napster), so what would you do if your customers were begging to buy product from you in a different way?

What would happen if they knew how much extra they were paying for your field sales force?

- Record Industry revenues shrunk for five years after it flipped, but live concert revenue grew 10 times

<https://a16z.com/2019/08/16/software-eaten-world-healthcare/>



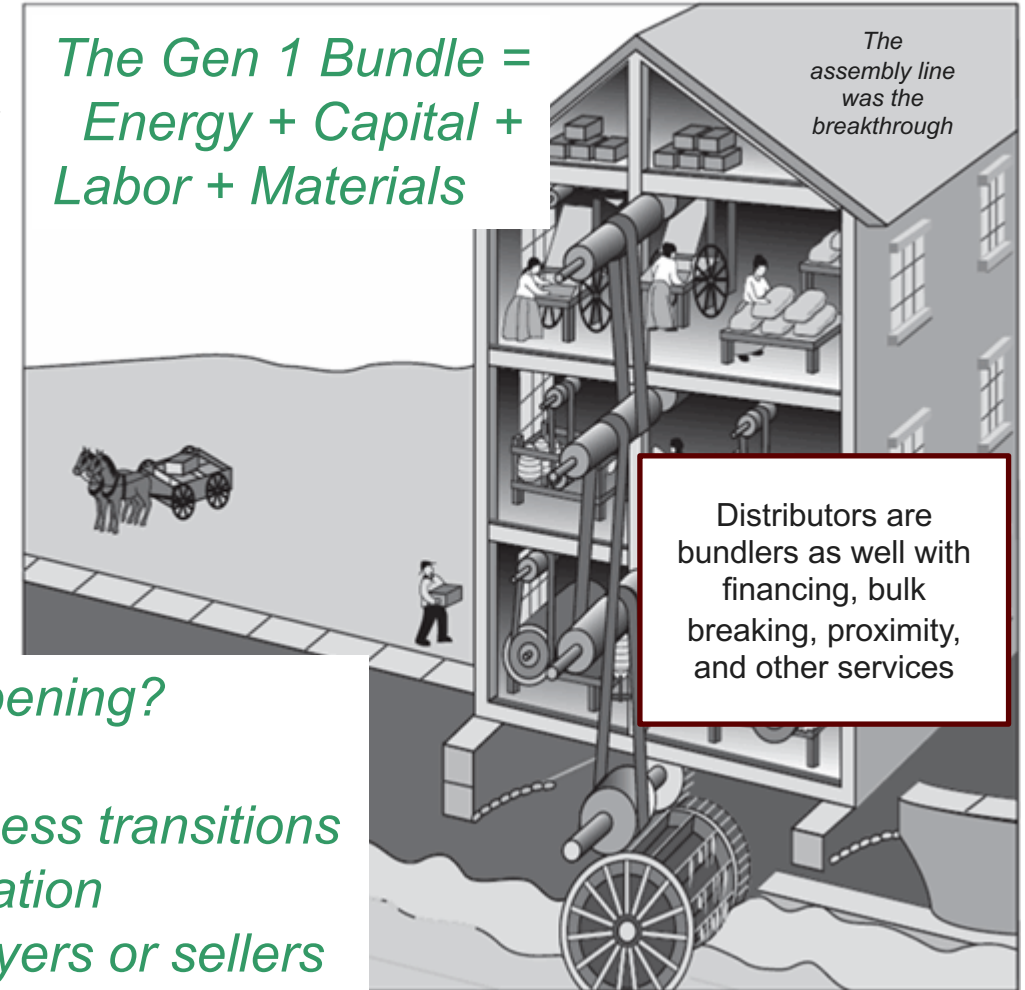
Unbundling Is The Core Of All Digital Generation 2 Models

4 Do what you do best and buy the rest
You must sell to customers the way they want to buy- it is changing rapidly

1

*The Gen 1 Bundle =
Energy + Capital +
Labor + Materials*

The assembly line was the breakthrough



5

*Gen 1 Unbundler's
VISA **Amazon is**
UPS **just a 2rd Gen**
NBC **Distributor**
Early switchboards*

3 *Why is this happening?*

- Analog to digital process transitions*
- Improved asset utilization*
- "Zero" cost to find buyers or sellers*

2

Uber	→	The world's largest taxi company, owns no vehicles.
The world's most popular media owner, creates no content.	←	Facebook
Alibaba	→	The most valuable retailer, has no inventory.
The world's largest accommodation provider, owns no real estate.	←	Airbnb

Something interesting is happening.
TOM GOODWIN

wetpoint
creative digital solutions

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Building your North Star

Your North Star describes your value proposition to your target customers at a point in the future, so you can decide:

- 1. How fast do you have to get there?*
- 2. What percent of EBIT or GP will be the annual investment level?*
- 3. Make adjustments so #1 matches #2*
- 4. Build the project plan using progressive elaboration**

Then it just becomes work

This Helps Put All the Steps and Investments for the Journey in the Right Order

The Go To Market Digital Pivot – Your North Star

Consider the changes in the market, sensing where customers will be in several years taking your best guess at what will be different

It all about helping your customers be successful in their changing environment

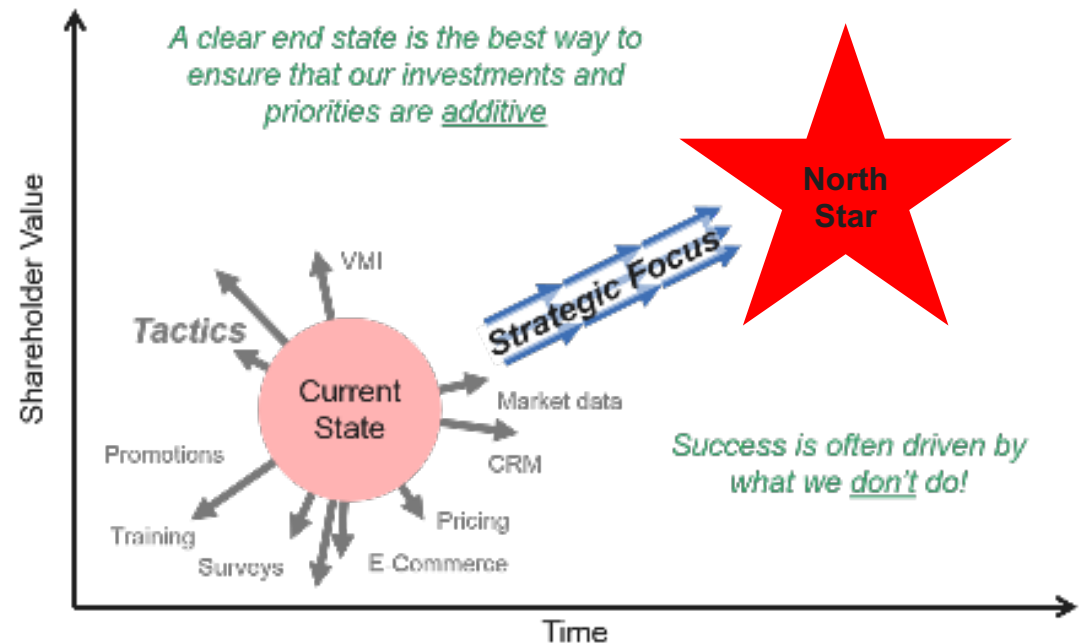
Develop very compelling value propositions for your target customer segments as this is your North Star in the diagram where they become “sticky” and want to be in your ecosystem

Backward chain the capabilities that will be needed to deliver on your North Star

This means starting with Z and then figure Y and then figure X getting to back to A so turning it around then becomes the digital roadmap

They will often group into several large common themes or workstreams

Start executing the A’s in each workstream



Create or Calibrate Your North Star – A Proven Practice

A large list of research links follow that should be reviewed by all the members of your leadership team

- Set a date for a team readout on their research findings and schedule a virtual meeting

Each team member prepares a short PowerPoint deck responding to these topics as appropriate

- These are the key things that I believe should be in our North Star value proposition
- This is what I see as our sweet spot customer segments and where they will be in five years
- These are the new things that I learned that were surprising or interesting
- This is the digital capability that, if we created it, would have the largest short term commercial impact
- This is my best guess at what the digitally leading competitors are doing right now
- I came up with a couple of insights that might have some significant positive impacts for us
- I also feel that we may be behind in some areas that could create a threat to our plans
- Based on this research I have a few insights that helped me understand what our customers have been doing that might be worth discussing
- Based on some of the innovation ideas that I have seen, I think that these might be our best potential customer or supplier to set up a digital innovation project

Additional Sources of Supplemental Information

1. <https://www.adobe.com/creativecloud/business/teams/plans.html>
2. <https://www.mdm.com/>
3. www.naw.org/ffc19
4. <https://www.loom.com/share/901fb38be1d54fe096ec19b925cc37fd>
5. <https://www.gartner.com/en/sales/research>
6. <https://www.mdm.com/sales-gps/>
7. <https://proton.ai/blog/mdm-ai-poses-a-make-or-break-challenge-for-distributors>
8. https://amazon.com/Business-Model-Generation-Visionaries-Challengers/dp/0470876417/ref=tmm_pap_swatch_0?_encoding=UTF8&qid=1575415483&sr=8-2
9. <https://www.mckinsey.com/~media/McKinsey/Business%20Functions/Marketing%20and%20Sales/Our%20Insights/Executive%20quick%20take/Executive-quick-take-Guide-to-transformations.ashx>
10. <https://proton.ai/blog/the-future-of-the-outside-sales-rep>
11. https://www.capgemini.com/us-en/service/digital-services/customer-experience/seamless-commerce-for-enterprise/?utm_source=google&utm_medium=cpc&utm_campaign=intent_offering_dcx_sales&utm_content=seamless_commerce&utm_source=adwords&utm_campaign=&utm_medium=ppc&utm_term=sales%20transformation&hsa_ver=3&hsa_grp=121250320553&hsa_cam=12595776137&hsa_ad=508390881034&hsa_acc=2114937760&hsa_src=g&hsa_tgt=kwd-1155079617594&hsa_kw=sales%20transformation&hsa_mt=p&hsa_net=adwords&gclid=Cj0KCQjwmluDBhDXARIsAFITC_5J7K4cOy2_aX86AX24x2qzW-5m1ReizH-JypZh0Ro8-1tkVHUWdywaAhGLEALw_wcB
12. <https://a16z.com/2019/08/16/software-eaten-world-healthcare/>
13. https://www.google.com/search?safe=off&rlz=1C1CHBF_enUS839US839&sxsrf=ALeKk03sNCVIsZ9V91iMiUO52WYgh23qcg:1617132195345&q=What+drives+a+business+to+the+cloud&sa=X&ved=2ahUKEwjxkbvw3tjvAhVnhq0KHfEfAulQ1QlwEXoECA8QAQ&biw=1536&bih=722
14. <https://remote.co/job/sales-development-representative-50/>

All of these links lead to others and you just need to pull on the string if it catches your interest

Be sure to include your trade association for additional insight and thought papers

Bottom Line – Build or Validate Your North Star, Then...

Take the time to engage the entire executive team in the research and discussion that is going on, not to just learn, but to decide and act

Spend some time learning what your industry's innovation leaders are doing

Keep balance in the distributor digitization stool with the three legs, always investing in your weakest area:

Technology Stack – Value Proposition – Change Management Capability

Get to the cloud as fast as possible while considering some foundation investments

- Is your ERP version current and have you engaged their digital tools (e.g. Eva & Coleman)
- You need a shareable business intelligence tool
- Engage with an AI provider to save years trying to clean up bad data
- Acquire real analytical capabilities (e.g. a data scientist), and process engineering skills
- Make sure that your CRM is designed to help sales people make better time investment decisions and 80% of the information in the system goes to them and only 20% is from them
 - Design your CRM considering customer repurchase rates, 80% has a different process than 20% (What is yours?)

Q & A Discussion

MDM Webcast: Take Your E-Commerce Capabilities to the Next Level

Description

You've stood up an e-commerce platform or started the journey. What's next? What's your new North Star for an integrated sales and marketing platform that engages customers who have more options than ever before? Join Indian River's Mike Marks and MDM's Tom Gale as they explore how leading distributors are building more customer-centric engagement strategies, processes and platforms to win the battle for wallet share in an increasingly digital and noisy world.

You'll learn:

- What the "new" B2B omnichannel North Star looks like
- How to define customer experience in 2021
- Real-world examples of AI, machine learning and automation
- Best practices for navigating often-disruptive tech upgrades



Make no little plans; they
have no magic to stir men's
blood and probably
themselves will not be
realized. Make big plans; aim
high in hope and work.

Daniel Burnham

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