

Research Report

Global distributors transform to adapt, survive, and thrive

Distributors are modernizing to overcome a range of challenges

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Introduction

Distributors are investing in digital transformation and circular economy practices in order to adapt, survive and thrive.

Distribution is proving to be a resilient and innovative sector. Distributors around the world are currently facing huge external and internal pressures, but they are rising to the challenges. The majority of them are putting in the hard work and resources required to transform, adapt, survive, and thrive in an unpredictable business climate.

Their strategies include undergoing extensive digital transformation and technology modernization, migrating core applications like ERP and CRM to the cloud, adopting circular economy practices, and introducing servitization—offering customers additional services and solutions related to core distribution activities. Among their objectives are greater cost control, improved operational flexibility and speed, enhanced customer experience, and greater resilience to external forces.

This IDG-Sage global report will discuss the concerns, drivers, and expectations of modern distributors, and offer expert commentary and strategic advice.

It draws on data gathered from real-world business and technology leaders including distribution, retail, transportation and warehousing. For executives and operational leaders, it offers insights into the practices and investment areas of distribution industry peers from across the world. And it points toward strategies and innovations that will lead to success going forward.

Our research took place between October and November 2020. It surveyed 652 Director/C-Level business and IT leaders globally in businesses with 50 to 4,999 employees. 201 in North America, 401 in EMEA, and 50 in Australia.

Our wholesale trade and distributor respondents included firms that work in professional and commercial equipment and supplies, grocery and related products, furniture and home furnishings, household appliances and electrical goods, machinery, equipment and supplies, apparel, and motor vehicles and parts.

And our transportation and warehousing respondents came from freight trucking, warehouse and storage, courier and express delivery services, air, rail, water, or urban transportation, and postal services, among others.

Research at a glance:



2020
Oct–Nov



652
Director–C-Level



Global
Business pool



Our most notable findings include the following:



Addressing business challenges through modernization

The external forces of greatest concern to distributors are recent global events, supply chain disruptions and rising costs.

To address these challenges, the most common areas of focus are customer service and experience, cloud-based apps, and e-commerce.



Yielding results with digital transformation

About 8 in 10 distributors currently have a digital transformation strategy.

Leading the list of benefits realized from digital transformation are cost reduction, data security, and delivery speed.



Advancing cloud usage and maturity

Most distributors have implemented cloud-based business applications, with North America being further along than other regions in adoption of cloud apps.

Most distributors surveyed said they are either innovators or early adopters of cloud-based applications.



Pursuing the circular economy

About three in four have adopted a circular economy strategy, in order to increase productivity, efficiency, and resiliency.

Reducing carbon footprints and environmental concerns are the top drivers.



Adopting emerging technologies and innovations

Among the technologies and innovations studied, cloud, Robotic Process Automation (RPA), and Internet of Things (IoT) have the highest adoption levels.

Roughly 9 in 10 say that implementing new technologies and innovations into distribution operations is challenging. Organizations mainly felt they lacked expertise, knowledge, and skills, or that the cost outweighed the return on investment.



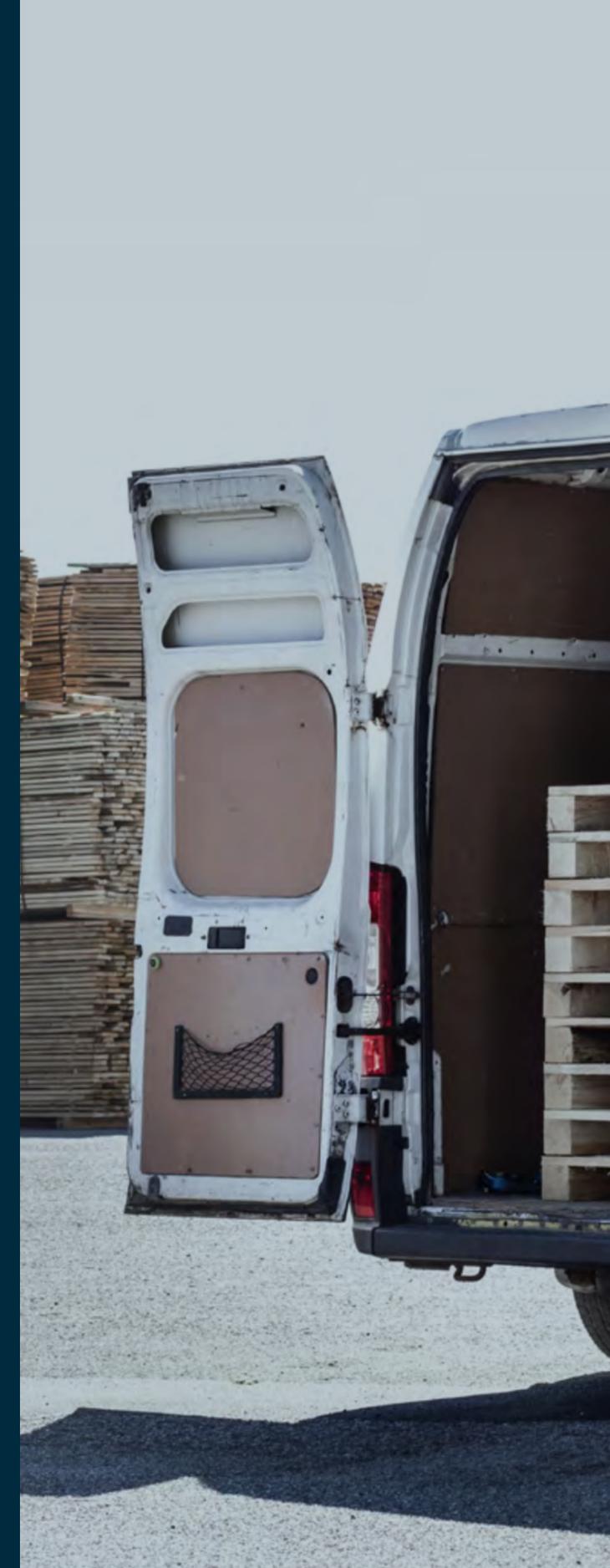
Introducing servitization

More than half of distributors are pursuing a servitization strategy, particularly so they can offer credit financing and data services to customers.

Credit financing is the most common element of servitization employed, followed by data services and product customization.

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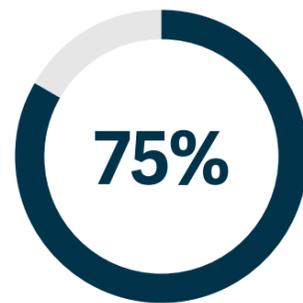
The current state

The distribution sector is not alone in needing to cope with one of the most challenging periods in recent history.

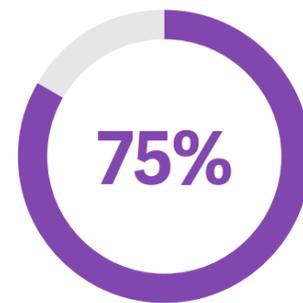
The most common business challenges that distributors face:



recent global events



supply chain disruptions



rising costs and margin erosion

But due to the nature of the industry, which centers on providing the infrastructure and means to link supply with demand, distributors operate right on the front lines of change.

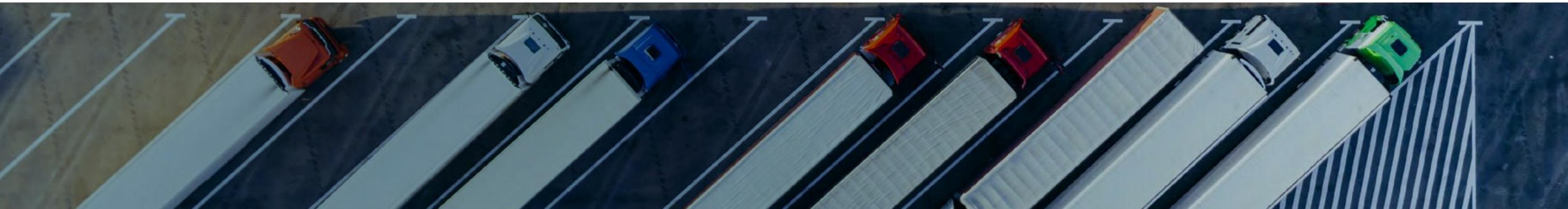
Understandably, then, the most common business challenges that distributors face are external forces that include recent global events **(81%)**, supply chain disruptions **(75%)**, and rising costs and margin erosion **(75%)**.

Currently, distributors also find it difficult to meet the needs and expectations of customers and their changing behaviors **(72%)**. Other external challenges include unpredictable or fluctuating customer demand **(71%)**, and increased competition **(68%)**, particularly big-name web pure-plays like Amazon and eBay.

In addition, regulation, legislation, and compliance are presenting big challenges for companies **(70%)**, as continual changes in regulations across the world require vigilance and action.

Meanwhile, businesses are working to mitigate internal challenges to cybersecurity **(67%)**, managing cost and profitability **(67%)**, and accurate forecasting of sales and demand **(67%)**.

Other internal problems include supply chain visibility **(64%)**, innovation **(63%)**, and e-commerce **(63%)**, as distributors carry the weight of increased online ordering and procurement.



The current state

Jessica Groopman, Industry Analyst and Founding Partner at Kaleido Insights, comments:

"It's such a difficult time for businesses in many industries the world over. COVID, as an umbrella external pressure, has disrupted consumer demands and has led to an entirely new realm of sanitization, ecosystem instability, political uncertainty, and omnichannel disruption. Security issues have risen **600%** this year because the pandemic introduces widespread business and consumer vulnerability, and bad actors are doubling down on that."

"But many companies were very early in grappling with this whole issue of cybersecurity, and with the increased number of endpoints, as the entire landscape of organizations continues to grow wider," she adds. "Meanwhile, companies are trying to transition to the cloud, and investing in creative ways to double down on critical infrastructure. I would argue that what we think about as innovative right now has also fundamentally shifted."

On top of all these pressures, says Groopman, distributors are questioning which direction they should go in with their digital transformation and what their end goal is, while they respond to huge shifting trends such as direct-to-consumer, on-demand, and competition against hyper-scalers like Amazon and Google.



"We at Kaleido Insights term this a crisis cake. In other words, companies aren't just grappling with one issue, but many different issues stacked on top of each other that often compound one another. The question they're asking is: how do we pivot in a way that is both innovative, but also gives us resilience and agility?" says Groopman.



600%

Increase in security issues



Jessica Groopman
Industry Analyst and Founding
Partner at Kaleido Insights



Taking action

Whether the challenges are external or internal, organizations are either taking action now or planning to address them through technology.

39%

The most popular course of action is to improve customer service and the customer experience **(39%)**. This is becoming essential in a highly competitive marketplace, where consumers expect to use the delivery method and channel of their choice, and receive a personal and responsive service.

37%

Distributors are also implementing cloud-based technology and applications **(37%)**.

North American businesses are more likely to be boosting their e-commerce capabilities **(44%)**, compared with EMEA distributors **(34%)** and Australian ones **(24%)**.

Companies are also using digitization and automation to make processes more efficient **(34%)**, which speaks to the heightened need to optimize supply chains following recent global events. Distributors are also implementing new collaboration tools and technologies **(33%)**, with many using advanced, real-time data analytics **(29%)**, which are becoming necessary to predict demand. Goods stockpiling has led to a false picture, making it hard for distributors to predict future demand levels, and distributors recognize that data-centric technology can assist here.

Two other factors requiring distributors to take action are regional legislation and security. Regarding legislation, distributors that operate in multiple regions need to be agile and responsive to changing rules. The protracted process of the UK leaving the European Union is an example of this. Groopman says,

“With North America and European distributors in particular, the major differences I see are around the regulatory atmosphere and general geopolitical posture. It plays out in several areas, for example tariffs which have had a major impact on distribution markets.”

Distributors must also be attentive to changing security and privacy requirements globally, and the macro conversion of politics and technology, adds Groopman. An example of this is how businesses deal with personally identifiable information, which is crucial to distribution operations and must be judiciously stored, accessed, and disposed of.

One of the consequences of these macro trends is for distributors to focus their strategies and actions more on immediate requirements and consequences. “Distributors are thinking in smaller increments of time, as it’s more strategic to think in two-year increments for example, and this is one of the outcomes,” comments Groopman.

Leveraging technology

Technology, plays a key role in how distributors are adapting to changing requirements.

The cloud is proving particularly useful to distributors in modernizing their business applications, with **42%** saying they are early adopters and **22%** saying they are innovators of cloud. This is consistent across all regions that we studied.

Indeed, the majority of distributors are now running core business applications on public clouds, operated by third-party providers, or dedicated private cloud infrastructure. This is despite around two-thirds finding it a challenge to implement cloud apps into their distribution operations.

Distributors chose public cloud for many core technologies – it was the most popular choice for ERP (**47%**), CRM (**44%**), payroll (**43%**), HR (**38%**), and BI (**37%**). The proportion of respondents running these applications on private cloud networks ranges between a fifth and a third. And around a quarter of organizations are currently planning to use cloud-based applications.

According to our research, North American distributors are further along than other regions in their adoption of business cloud applications, leading the EMEA and Australia regions in terms of their usage levels. North American distributors are also more likely than other regions to have a hybrid on-premise/cloud ERP solution (**43%**), compared with around a third of EMEA and Australian firms.

Among the advantages of moving to the cloud, cited by businesses planning to do so, are that their current IT infrastructure is costly to manage (**50%**), time-consuming to manage (**50%**), or that it no longer supports their business requirements (**33%**). A third of respondents said their software needs to support flexible working.



Cloud usage
in distribution

42%

early adopters

22%

innovators





Jessica Groopman comments that public and private cloud configurations can offer distributors three main categories of benefits.



Real-time visibility

The first advantage of cloud is that it helps them move from silos to having increased real-time visibility of their data, “unlocking what’s going on in the business in real time.” This includes product levels and materials replenishment, serial numbers, shelf lives and expiration dates, and geographical locations: “all of the different pieces that go into moving ecosystems of goods.”



Data analytics

The second is that it helps businesses to track that data over time, through the use of data analytics, AI, and Machine Learning (ML). There are opportunities that arise, not just in real time, but over time, such as defining and correcting an anomaly that appears in the course of doing business, says Groopman.

“This is where it becomes very powerful, particularly as big data begins to accrue over time. We’re not just seeing a real-time snapshot, we’re learning trends over time in sales, markets, movements and vendors. This can create many opportunities around risk mitigation, avoiding errors, reducing the amount of duplication of data entry, and much more.”



Ecosystem access

The third advantage is that employees across all functions, and partners involved in the distribution ecosystem, can access information on-demand via dashboards, applications, and particularly via mobile interfaces. Ecosystem visibility is also critical for improved supply chain efficiencies and optimization.

Global digital transformation expenditure

Despite the challenges presented by the global health crisis, worldwide spending on the digital transformation of business practices, products, and organizations will continue at a solid pace, according to IDC.

The analyst firm forecasted that global spending on digital transformation technologies and services would grow **10.4%** in 2020 to **\$1.3 trillion**. The firm said that while this was notably slower than the **17.9%** growth in 2019, it remains one of the few bright spots in a year characterized by dramatic reductions in overall technology spending.

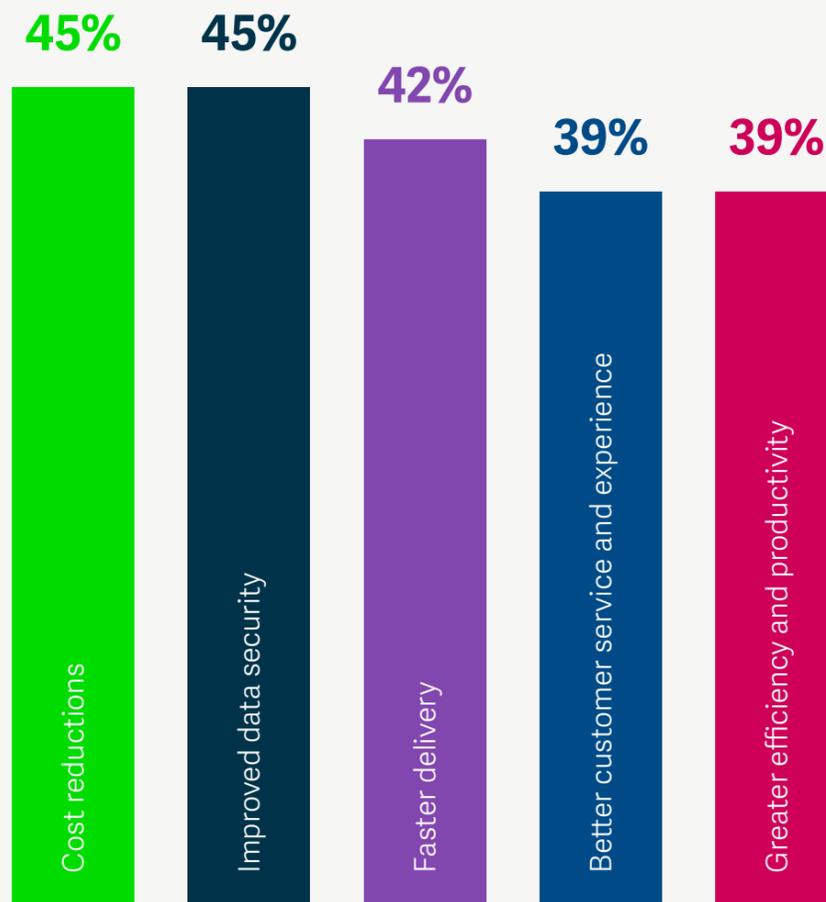
"COVID-19 has upended the global economy, with direct negative implications on the way that businesses invest in IT. Digital transformation technology investment has not gone unscathed, but so far it has been affected to a lesser extent since many large-scale digital transformation projects underway or planned are instrumental to broader strategic business initiatives. Compared to IDC's pre-COVID-19 forecast, the five-year growth rate for digital transformation spending has declined by less than two percentage points."

Craig Simpson, Senior Research Manager,
IDC Customer Insights and Analysis Group.

Global spending on digital transformation technologies and services:



Advantages distributors are experiencing as a result of their digital transformation strategies:



New technologies and innovations

Like other traditional sectors, distributors have become used to operating through manual, paper-based processes, where information resides in silos. But things are changing rapidly.

A huge proportion of our respondents, **79%**, have a digital transformation strategy—and it's enabling them to prepare for the future.

The main advantages that distributors are experiencing are cost reductions (**45%**), improved data security (**45%**), faster delivery (**42%**), better customer service and experience (**39%**), and greater efficiency and productivity (**39%**). Other benefits that business leaders mentioned are increased e-commerce capabilities, increased revenues, improved inventory management, enhanced payroll processing, and real-time data analytics.

As part of their transformation programs, distributors are evaluating and implementing current and emerging technologies. Technologies with the highest adoption levels by far are cloud (**84%**), Robotic Process Automation (RPA) (**81%**), and Internet of Things (IoT) (**75%**). Nearly one-third (**31%**) have begun using AI/ML. North America has generally higher adoption levels, particularly for autonomous picking robots and blockchain.

Implementing new technologies and innovations into distribution operations is difficult, however. Roughly 9 in 10 respondents find it a major (**62%**) or moderate (**25%**) challenge. As to why it's a "major challenge," distributors cite lack of expertise, (**18%**), cost and ROI (**16%**), training and educating users on new technologies (**11%**), and integrating emerging tech into existing systems and processes (**9%**).



From physical to digital

Jessica Groopman comments that for non-digital-native distributors, or companies that exist “far beyond the realms of the web” and are rooted in “the physical world, and all of the chaos of moving things across large distances,” adopting emerging technologies is an embedded challenge.

“New technologies like sensors, IoT, 5G, and all these real-world infrastructure pieces are crucial to that, but it’s a very different transformation journey than a company that exists or was born online,” she says.

However, she adds, “More and more, technology vendors like Sage are playing a role in accelerating digital transformation.” By incorporating emerging technologies into their platforms, such as ML and RPA, distributors can utilize them without having to develop them internally. “Many of these new capabilities are actually being driven by the solution providers. So, this is another way in which companies are accelerating the digital transformation journey, but it still remains early days.”

Consequently, distributors still have a way to go and may not be as digitally mature as they believe they are. One in four say they are near (21%) or at completion (4%) of their digital transformation, with North American distributors more likely than other regions to be further along in their journey. However, Groopman says that digital maturity and advancement are subjective notions.

“Taking technology over the last 10 years, the goalposts have shifted in terms of how we define what’s advanced. With AI and ML, there is a big gap between the aspirations for AI and the execution of AI. I would point to the difference between a connected node, a single business function, or a part of the organization that was cloud-enabled, versus something that is more holistic, interconnecting the whole organization and delivering not just functional intelligence and agility, but the ability to access things on demand. All the benefits of cloud infrastructure at a functional level, versus something that is informing other parts of the organization,” says Groopman.

From physical to digital

She adds, “One of the telltale signals of maturity, when it comes to cloud and the use of data generally, is moving out of silos and using data, analytics, and predictive capabilities to get visibility generally to inform other parts of the organization, whether it’s efficiencies, sustainability, or being able to cross-pollinate. To what extent distributors are there—fully merged front and back offices, and all of the different functional lines and different geographies—remains to be seen. But certainly, companies are seeing the benefits in that direction.”

“And certainly, the global events of this year have only accelerated transformation, as even though we are shocked in many ways as consumers, or are working from home in many remote environments, what that translates as in terms of delivery and distribution, is much more need for cloud computing, on-demand and dashboards, whether you’re an employee, somebody in the field, or an end customer.”

Emerging technology advantages

Cloud platforms can yield cost, time, flexibility, and process advantages for distributors. For example, by bringing together multiple accounting activities into one application, uniting distribution operations across global territories, and generating consistent compliance data.

Robotic Process Automation (RPA) and warehouse automation can increase operational efficiency by automating manual tasks from shipment scheduling to inventory management and tracking.

Artificial Intelligence (AI), Machine Learning (ML), and advanced data analytics can lead to supply chain predictive forecasting, planning and management, process and business workflow efficiencies, trend analyses, smart, data-driven decision-making, effective warehouses, and waste reduction.

Internet of Things (IoT) technology can be combined with data analytics to gain warehouse and logistics efficiencies, smart endpoints, and sensor-based intelligence.

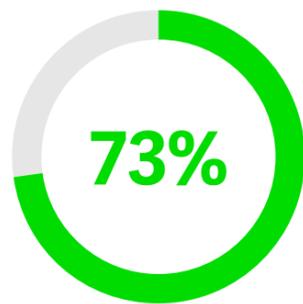
3D additive printing can be used to reduce transport costs and the need to hold stock by creating products and parts closer to the customer, on demand.

Blockchain can offer secure, transparent, and auditable transactions.

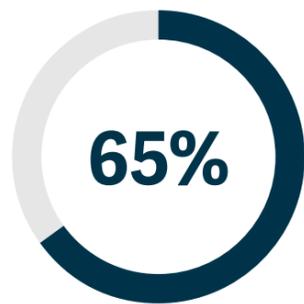
The Green Agenda

Along with transforming digitally, distributors around the world are rapidly advancing their circular economy transformation.

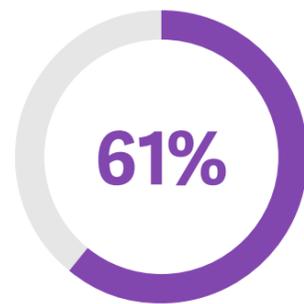
Top three sustainability strategies:



product recycling and reverse logistics



low/no emission internal logistics



low/no emission internal supply chain

A global supply chain survey carried out by IDC found that, when it comes to sustainability, distributors worldwide are influenced by consumers, regulations, and new technologies to improve their environmental impact.

In order to tackle these challenges, the top three sustainability efforts are focused on product recycling and reverse logistics (**73%**), low/no emission internal logistics (**65%**), and low/no emission internal supply chain (**61%**). Circular economy principles are key to these.

A linear economy creates waste, due to a “take, make, use, and dispose” process. Conversely, a circular economy eliminates waste through a cycle of “make, use, return, recycle, reuse, and make.” It achieves its aim by continually routing products and materials to channels centered on activities such as recovery, reuse, recycling, refurbishment, reconditioning, and resale. Circularity also involves replacing scarce resources with renewable, recyclable or biodegradable materials, to take waste out of the picture.

Circular economy business models are growing in popularity, and are likely to be more common in the future. In fact, analyst firm Gartner predicts the circular economy will be the only economy by 2029, replacing wasteful linear economies. The analyst firm says this will be down to consumer and shareholder preferences shifting towards sustainability, a trend that is clearly underway.

“Organizations are under pressure to reduce the amount of waste they’re producing, from consumers and governments alike,” says Steven Steutermann, Managing Vice President in Gartner’s supply chain practice. “The solution to this challenge is a shift towards a circular, waste-free economy. The supply chain will play a key role in this process.”



The Green Agenda

According to our research, almost three-quarters of those surveyed say they have a circular economy strategy, with Australia slightly behind the other regions. Driving their strategy is a whole host of benefits and objectives.

The most commonly cited benefits include reducing the carbon footprint (**39%**), addressing environmental concerns (**38%**), increasing productivity, efficiency, and resiliency (**32%**), reducing waste to landfill (**31%**), and improving competitiveness (**31%**). Distributors also recognize the need to improve their brand image and reputation, adopt advances in circular-economy-focused technology and innovation, improve their long-term profitability, gain energy efficiency, and reduce their use of natural resources and energy.

Indeed, half are already experiencing significant benefits from the circular economy, with an additional third expecting gains in the short-term: of one to three years. But most distributors say at least moderate transformation is needed to adapt, with North American companies further along in their circular economy transformation than other regions.

However, there are challenges across the globe of transforming operations for the circular economy. The key problem is transforming existing business practices, say **76%** of respondents. Around **74%** say that aligning the goals of sustainability and profitability is an issue for them. A similar percentage say it is hard to find a balance between compliance and competitiveness. Adapting supply chain practices, and the costs associated with it, were also mentioned as difficulties, along with changing the company culture and a lack of customer or market understanding of the value that circular economy practices provide.

Jessica Groopman notes, “Generally speaking, The Green Agenda is one of the core charters of every distributor moving forwards. The chasm to cross is: aligning the purpose and objective of a circular economy, which is to say huge waste reduction and environmental sustainability, with business efficiencies and profitability. How do we increasingly reduce the waste that we produce, the miles travelled, and the many opportunities to improve efficiency, at scale across our ecosystem, while also driving profitability? A lot of companies are coming up against friction between these two objectives. The ones that are doing this best have managed to align these core principles in a way that one works well for the other.”

Transforming through servitization

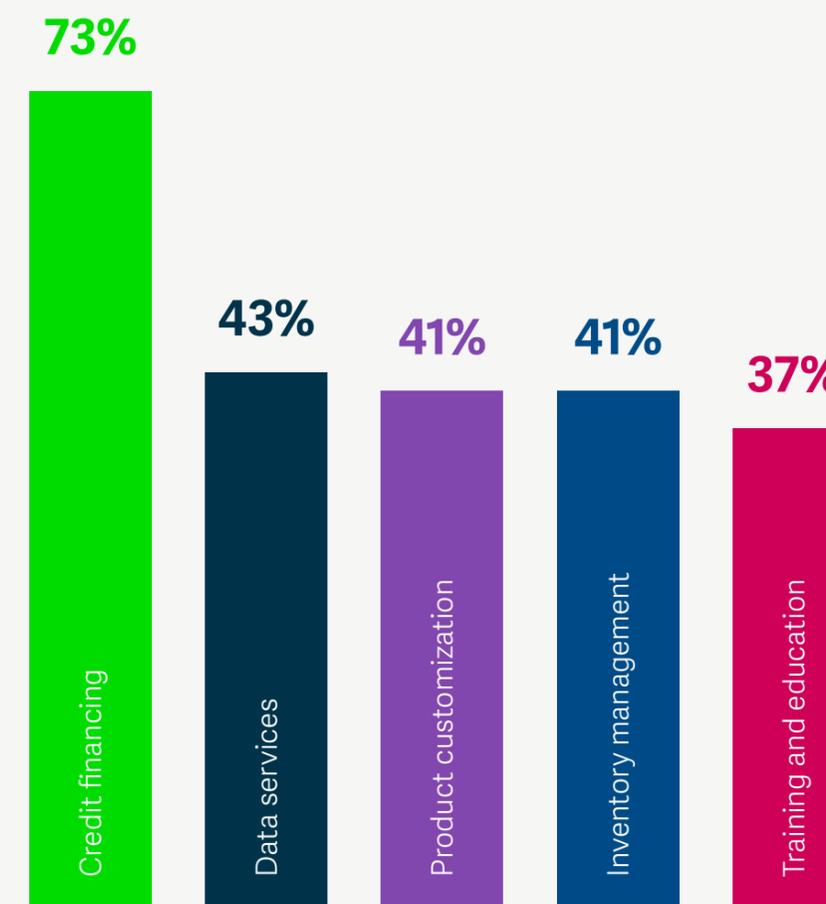
Servitization—offering customers additional services and solutions related to core distribution activities—can help support The Green Agenda by offering resource-efficient-related services to customers.

Indeed, more than half of the distributors surveyed, with a larger percentage in North America, are pursuing a servitization strategy. Of those distributors with a servitization roadmap, around 4 in 10 believe they are at, or near completion of the project. However, the majority of distributors recognize that it's not a quick fix – **85%** said that pursuing servitization would require at least a moderate transformation of their business.

Servitization is proving to be a rich and profitable source of service innovation. Distributors are offering credit financing (**73%**), data services (**43%**), product customization (**41%**), inventory management (**41%**), and training and education (**37%**). In addition to these, around a third of distributors are offering servitization features around packaging, installation and component assembly, consulting, inspection and field service, maintenance, and repair.

Not all distributors are fans of servitization, however. For the companies that do not have a servitization strategy, there are many barriers preventing them from pursuing one. Among these are “ROI, cost, and budget” (**23%**) and “unclear business case” (**23%**), with around a fifth finding the biggest impediments were a lack of essential in-house skills or knowledge, which is particularly an issue for smaller companies. Other barriers were a lack of IT infrastructure, and the belief there was no viable market or competitive advantage for servitization in their sector.

Servitization profitability:



Transforming through servitization

Groopman says that, like digital transformation, servitization advancement can be viewed as a scale, with a better website, an e-commerce strategy, or hiring consultants to help develop a service and support arm at one end of the scale.

However, the other end presents profound opportunities for transformation. The key point is part versus whole. Just “digitizing” one piece (e.g. a website) is not digital transformation.

She explains that the more advanced organizations are thinking about their entire ecosystems as marketplaces, using servitization as the underlying principle to offer the best services for specific kinds of ecosystem interactions in specific regions. Groopman asks, “How are we using sensors, IoT, or ML to improve visibility and use those insights to better inform the service model itself?”

Equally provoking is the concept of collaborating with competitors, and offering a shared model in the best interests of the customer, says Groopman. From a cultural perspective, this is still very challenging for distributors, although we are seeing more and more of it, she adds.

One company that is benefiting greatly from the servitization model is network technology firm Cisco, which has a technology refresh program that features a marketplace for buying low-priced, reused equipment, such as refurbished routers and switches, says Groopman.

As well as gaining from financial services such as financing and leasing, the company also benefits greatly from having access to end-to-end marketplace data. “This is something that is fundamentally new for so many legacy companies and distributors.”

It gives them the ability to ask questions like:

- What products are being shared in secondhand markets?
- How often are they being shared?
- What clients are buying them?
- What products are the most sustainable or reliable?
- What do we need to tweak in terms of engineering for the next generation?
- Which customers are buying or selling?
- How are they interacting with each other?
- Are there opportunities there?

Data-centric service models

“What is so powerful about aligning these goals with these kinds of programs is that it’s not just about the circular economy in terms of efficiencies and driving costs down for the company and the customer.

“It’s also about enabling all of those interactions that can be used to optimize engineering, distribution itself, different marketplace offerings, and different service models,” Groopman says.

Another growing trend in servitization is to have local accessibility to resources, whether that’s products, services, refurbished equipment, or packaging opportunities. “All of this is moving outwards, moving to the edge. And it’s not just about business value at the edge, it’s about upholding values at the edge: a customer value proposition relative to your competitors which differentiates on the basis of purpose, contribution to a greater cause, such as sustainability, scientific contribution, public health, access, and inclusion, etc.”

As servitization becomes increasingly data-centric in deriving value from the combination and analysis of diverse data sources, a big question that will arise is: who owns the data? And, additionally, who owns the customer relationship?

Distributors will increasingly ask which customers are they the best at serving and how can they better serve them, and they will partner more where it makes sense, says Groopman. “It’s one of the interesting things about digital, which we call ‘the partnering of strange bedfellows’: partnering with unlikely companies or competitors, in the interest of the customer, for example to offer a shared model. Data and analytics is a huge enabler, but those interactions are part of it too, and here it can be best served by those strange new partnerships. This is still very challenging for companies, although we are seeing more and more of it,” says Groopman.



Data-centric service models

The tensions will, therefore, arise as distributors compete with each other while also using the same technology companies and platforms to deliver cloud-based services:

- Procurement and ordering systems
- Supply chain platforms
- Logistics providers
- Courier and shipping firms
- Shared e-commerce infrastructure

Groopman says there is a real internal friction. Distributors understand that there's financial and social value in adopting new digital capabilities. But they also realise that they may be disintermediating themselves by offering a new interface to their customers that might be hosted by a major competitor like Amazon, for example.

"There are cultural challenges that have to do with companies digitally transforming themselves, but there's also this broader ecosystem of cultural recalibration, (competitive shifts that are all tied up with how much we're extending our customer relationship) versus disintermediating ourselves, even though we are benefiting in terms of data, visibility, and efficiencies."

The future landscape, therefore, is likely to be one of collaboration between partners and rivals on one hand, with fierce competition to derive value and capitalize on the customer and operational data that gets generated through that collaboration. Businesses are already operating in this world, but it is likely to get much more complex very soon.

Conclusion

The current climate poses colossal challenges for distribution companies around the world, and an uncertain future. From the global health crisis to cyberattacks, political changes and regional tariffs, distributors are fully aware that they need to be resilient and responsive to change.

However, digital infrastructure, platforms, and tools are playing a huge part in equipping them to cope with current and future change. Business cloud applications, such as ERP, CRM, and BI, enhanced with emerging technologies like AI, ML, data analytics, IoT, and RPA, are helping companies to reimagine and modernize their operations. Together, they are enabling proactive and agile supply chains, increased automation, data-driven e-commerce and business processes,

circular economy practices, and better cost management. There are certainly hurdles to overcome now and in the future. Digital and circular economy transformation can also be a long road. But it's a road that many distributors have made progress along, with late starters rapidly catching up. The technologies and innovations are there; the challenge is how you use them to adapt, survive, and thrive.



Digital transformation is an ongoing journey

As Groopman comments, “At Kaleido Insights we define digital transformation as a technological, a cultural, and an operational shift—all three of those—through which organizations are leveraging data to deliver value, to innovate with agility and sustained ‘vitality’. It’s not just about today. It’s about being proactive in looking ahead.”¹

“I would argue that there is a fundamental misunderstanding of the nature of transformation in that it is not a destination. The goalposts are constantly moving: how do you define digital? The tools we have to implement digital and even the intentions, metrics, and values of how we are using technology, are all in a state of flux. Digital transformation has everything to do with this, though it’s not just technological.

“Regarding emerging technologies, there are so many technologies evolving right now compared with 5 to 10 years ago. There’s increasing adoption of RPA, AI, and ML, and we’ve done a lot of research on blockchain and see huge opportunities for distributed ledgers there, in terms of getting visibility of all of the different pieces in the chain, and actually reconciling that information across many different actors. We also increasingly see a move to local additive 3D printing. 5G is increasingly coming online, which makes all sorts of applications that have been confined to the lab more feasible in real-world environments, distribution being a big example of that.

“Besides looking at what we would call the kaleidoscope of emerging technologies, the key point is that they actually become viable and transformational when they come together. Emerging technologies converging together is where the real opportunities lie. It’s also about the impacts they are having on the distribution ecosystem and market, across the entire value chain, for suppliers or manufacturers, retailers or customers. Recycling, and the entire circular economy, for example, are impacted by these emerging technological convergences, that we are just now beginning to see coming into focus.

“However, I think that many companies in the distribution industry and beyond are still in the early days. We measure companies by 60 different criteria, and often we see ‘partial’ maturity versus holistic vitality, where digital is strong in a specific functions or team, but the rest of the organization is not leveraging digital as a whole.

“Digital transformation is an ongoing journey and the function of applying data, analytics, and all of the proliferation of emerging technologies is not just about catching up and having better e-commerce solutions or more target marketing. It’s about using this information for organizational intelligence, and cross pollination, to be more proactive, and that’s why the vitality piece is so crucial to understand.”

¹[Kaleido Insights, 2019.](#)

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