

What It Takes to Embrace AI in Distribution for Next-level Business Success

Find out how wholesale distribution executives in various stages of adoption have practically applied artificial intelligence to transform their day-to-day business. This guide will provide insights into how to craft an AI strategy, tips for practical implementation, and inspiration for your business's next big leap.

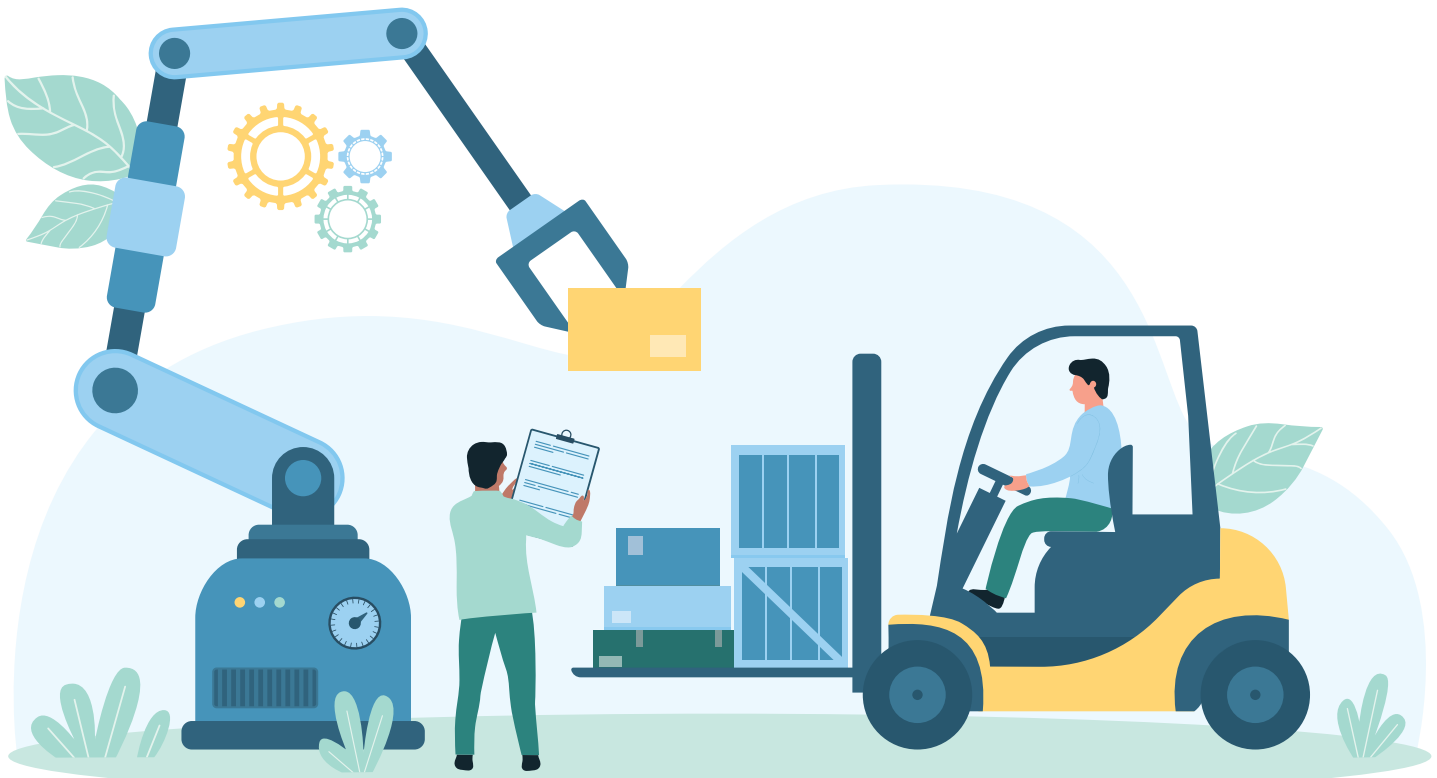


While the capabilities of artificial intelligence (AI) models and their potential to change the competitive landscape of wholesale distribution are advancing dramatically, the industry is still early in its adoption.

Whether you're a distributor that has just begun to apply AI to a part of your business, or you've yet to implement the technology at all, you're not alone. In a survey conducted by Baird and Modern Distribution Management in mid-2023, roughly 66% of the [500 wholesale distribution executives polled](#) indicated they hadn't used AI in their business anywhere, and 25% had applied AI in just one use case.

This guide will follow three distributors that are at various stages of AI adoption, and shed light on how AI can be effectively applied across multiple facets of a business. The voices we will profile in this guide are not a select group of experts in AI technology, but rather distribution executives just like you who have found a place for AI in their business, witnessed the success of it, and are now champions of it.

Although among the newest and shiniest technology to enter the distribution space, AI isn't as foreign a concept as it may first appear. After all, distributors are no stranger to partnership. Whether it's through supplier relationships, logistics providers or information technology providers, distributors are constantly working to deliver the best and most efficient experience for the people buying their products and reduce the expense of acquiring and delivering those products. You can think of AI as another kind of partner.



No matter where your business is in the process of AI adoption, the following guide will offer insights and strategies to help you, realistically, leverage AI for stronger business success in the future. The following case studies will start by detailing the initial efforts of building AI foundations and continue to show advanced practitioners pushing the boundaries of innovation.

Taking the Leap

Stephen Swords, Owner of Parts and Service Solutions, a distributor for the Pilot Flying J truck stop group, is gearing up to take a calculated leap into AI.

Parts and Service Solutions (PSS) is a joint venture with Pilot Travel Centers created to provide cleaning supplies, retail items, restaurant equipment, and more to the truck stop group's more than 700 locations across 44 states and Canada.

PSS is in the early stages of looking into the adoption of AI, but its Owner Stephen Swords, says the business is ready to "take that leap" to better serve its primary customer and follow Pilot, which has been a cautious, but early, adopter of AI in its own business.

Some cautionary tales in the media can make the leap seem risky, but for Swords, it will be a calculated approach at the beginning that starts with an internal integration with Pilot. He called it a walk-run-sprint strategy, which will start in a test environment before going live.

"Our stance would be that we're going to first use AI to make [product] recommendations, but still have that human touch, fine-tune it, work with it, and then feel more comfortable to rely on it doing its recommendation and running the business more day-to-day," he said.

Building the Foundation

Paper, pulp, and packaging materials distributor Central National-Gottesman is early in its development and adoption of AI, which it sees as a way to advance its business objectives.

New York-based Central National-Gottesman — a distributor of various commodities, primarily papers, pulp and packaging materials, as well as metals and wood products — is in the early stages of adoption.

Its Chief Information Officer Jim Panos says implementing AI in the business requires two things (and most distributors likely already have a head start):

1. Structured Business Process
2. Relevant Data



Panos says understanding your business process will help you know where the intelligence can fit in, and having useful data will provide the best results.

Panos says you must ask yourself: "Is this data relevant for what I'm trying to accomplish for the business objective available, and accurate in a way that I can use it to deliver whatever my objective is, and I'm trying for."

Leading the Charge

Benco Dental was an early adopter, and now an advanced practitioner of AI in its dental equipment distribution business, embracing its use on the sales front to predict customer purchases.



Pennsylvania-based dental equipment and consumables distributor Benco Dental was the original customer of the AI-powered sales platform, Proton.ai. The company has implemented its customer-centric sales side through the platform and is now embarking on implementation in its IT and operations functions.

In sales, Benco Dental Co-Managing Director Chuck Cohen says AI provides functionality you can't find in any other tool.

"Like every distributor, we've got a ton of data that we're sitting on from customer data to invoices to everything customers have ordered," Cohen explains. "AI allows the computer to basically figure out what the customer is going to buy next before the rep can figure it out. It allows us to sort through all that data and provides the most likely next purchase as the reps are walking into the dentist's office."

Cohen says AI is not a single answer to a single problem, rather it's at least four different use cases that can be beneficial in the distribution industry. He describes those as:

- 1. Copilot:** "Baking" AI into existing platforms already in use.
- 2. Sales & Recommendations:** Predicting what the customer will purchase next.
- 3. IT Efficiency:** Support programmers to build code more efficiently.
- 4. Operational:** Improving day-to-day business operations.

"All four of those use cases are different," Cohen says. "All four of those use cases need to be handled differently. I think when we figured that out, it allowed us to then go after each one differently with different tools and different objectives."

A few years ago, Benco Dental embarked on an initiative the company called scalability, in which it evaluated how its IT foundation could be enhanced and rebuilt to be ready to scale up to over \$1 billion in sales.

“One of the decisions we made was that Infor was going to be our new ERP system,” Cohen says. “I think getting the basic foundation of your ERP and your basic IT systems correct is key because you can’t really add new things if the whole IT system is built on sand. Infor is our keystone, our foundation, the IT solution that we are going to use going forward, and without Infor as that foundation, I’m not sure how we could fully implement AI.”



Change Management: How to Lead and Support an AI Implementation

From the IT perspective, Central National-Gottesman’s Panos believes there are two ways to approach an AI implementation, and one is IT-driven.

In the IT-driven approach, the IT department would take ownership of understanding not only the AI toolset capabilities, but understanding the prerequisites for doing those functions, and understanding how to measure its success.

In other instances, IT will give leeway for others in the business to explore and experiment with tools they believe will help creatively accomplish a business objective.

“If you want to go ahead and try to do some of that on your own, with or without [IT’s] help, we’re willing to do that, because you might learn something that’s really valuable,” Panos says. “Eventually, we want to bring that back into the fold so we can support it properly, and so we don’t have a lot of pilots out there just kind of doing their own thing.”

Testing is fine, with the right boundaries in place to make sure your information is protected, he adds.

Who's Job Is It?

As you may notice in the case studies featured in this guide, the ownership of implementing AI doesn't fall on one person, or on one role. Getting started doesn't always mean being the expert on backend information systems, although it can be the case.

"I think that's the job of the technology group to at least understand the tools," Central National-Gottesman's Panos says. "Now, it's not the job of the technology group to say this is where you should use them. That's a C-Level discussion. But, understanding what tools are available, understanding the risks and intellectual property or confidential information — that's something that the IT group and the security group, depending on how your information technology group is organized, really have to focus on to make sure you don't get yourself into trouble."

At Benco Dental, it's the Chief Information Officer's responsibility to be the "most versed" on the team when it comes to AI tools, and report to the senior leadership team every quarter how AI is being used.

Benco Dental is also working on "baking" AI into its continuous improvement department to explore ways it can continue to improve the efficiency and productivity of its team.

"Identify someone at the senior level who is going to really own being the most versed in AI," Cohen advises. "So there's someone who's really tasked with driving the conversation at the senior team level. Because if the senior team is not embracing it, I don't think you're going to make any progress."



The largest challenge of introducing AI tools on the sales side was not its functionality, but getting their sales reps to use the tool, Cohen says. Once a few users began making more sales, his team used it as leverage to encourage its use and get sales reps out of their comfort zone to embrace the new tool.

"The data shows clearly from our from our implementation, that the reps who use it more often are selling more and growing [their pipeline] faster than the reps who are not using it," says Cohen, who also shares the successes of the team regularly.

When implementing any new technology, Panos says the messaging has to be right.

“People have their self-worth. This is what I do well, this is what makes me special,” Panos says. “If you can’t handle the messaging right, and you don’t handle implementation right, you can take that away from them. That’s debilitating for people, and that will get you the resistance that will get you the nonperformance. That’s the piece of change management, the empathy, that you’ve got to have in doing this.”

What’s the Next Step?

“We’re seeing some use cases in distribution that I would have described as science fiction just a year ago,” says Steve Levy, Vice President of Enterprise Architecture at Infor. “What we’re going to do in three years is revolutionary.”

For Central National-Gottesman, Panos says the distributor will invest in a holistic technology stack, including robotics process automation (RPA), and productivity tools such as document and workflow management. And, AI will be a large part of that investment, especially as it becomes more deeply integrated with existing tools.

Panos says he will keep monitoring what makes sense for what people want to do and what makes sense for the business objectives.

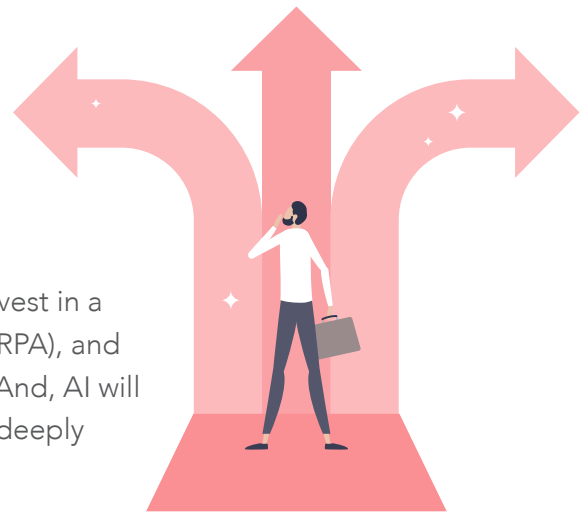
“Step-by-step, we will do it methodically,” he adds.

For Benco Dental, Cohen says he hopes to continue to analyze the capabilities of AI and other tools like RPA and find ways to continuously improve performance and business efficiency.

Where the future takes distribution, it’s clear that harnessing the power of AI is about identifying your business processes and strategy and connecting the dots in terms of how to make it more efficient and streamlined. It’s like every other partnership and technology that distributors maintain on a daily basis, and it’s about making it work for you.

“Choosing the right technology partner or partners is essential in realizing the value that you want out of the future technologies,” Levy advises. “You really want to make sure that your partners are aligned with your objectives and they’re just using technology to get it done.”

Within five years, AI might not only be a competitive advantage, but maybe a competitive necessity, Panos says.

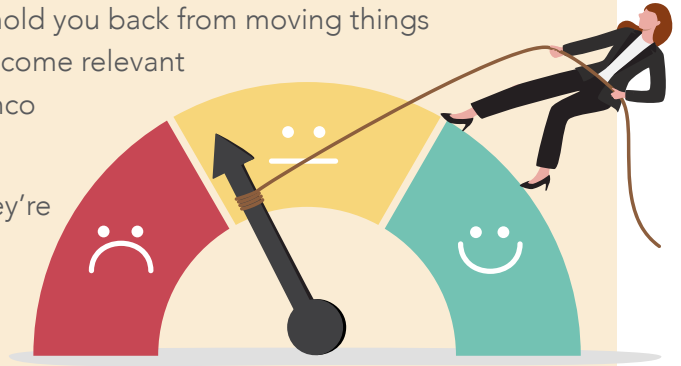


What's Stopping You from AI Implementation?

My data isn't the best quality.

The need for clean data is important, but don't let it hold you back from moving things forward. AI has the power to help clean up data to become relevant and useful, explains dental equipment distributor Benco Dental's Co-Managing Director Chuck Cohen.

"Nobody should stop AI implementation because they're nervous about the quality of the data. AI can be powerful in cleaning up the data, which then has an impact throughout the business," he says.



I'm scared my employees won't embrace the change.

Central National-Gottesman's Jim Panos suggests that leaders tread lightly and give full transparency to their team.

"This is not a technology project, this is a business transformation project," he says. "You've got to understand transformation involves changing yourself and understand what the motivations of the people are that you're really trying to

work with. Make them part of the process, not have the process done to them."

Cohen says getting the sales management team and frontline sales leaders on board early is key to change management.

"It's all about building a culture that embraces change when you can," Cohen says.

I'm overwhelmed.

Start with the simple stuff, Panos says, such as reading documents and invoices.

"Start from that, learn from it, and move step-by-step down the process until you say, 'Hey, here's another place where I've got some algorithms or something that AI can do for me just to make my job easier or community with my customers or partners easier,'" Panos explains.





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