

Modern DISTRIBUTION MANAGEMENT®

Intelligence for Wholesale Distribution Professionals

■ Emerging Technologies

Tools Provide Actionable Intelligence

Business intelligence technology accessible to companies of all sizes

This article examines trends in business intelligence and how distributors are using these tools to get smarter about sales, marketing and overall strategy.

By Lindsay Konzak

Distributors have questions, and many are looking to business intelligence technology tools to get the answers.

- Why are customers unprofitable?
- How can we work more closely with vendors to reduce costs?
- Why was margin off this quarter?
- Which salesperson is contributing most to Gross Profit? Least?

Data from the past is helping them gain a better understanding of trends to help improve the future.

"It's more than just pulling the data out and viewing it," says Kelly Squizzero, director of product management for Infor Distribution. "It's being able to take action from that data."

As with other tools we've examined in the MDM Emerging Technologies Series, business intelligence is growing in popularity in part due to the recession and subsequent economic uncertainty.

"I think it's accelerated the interest in tools where there is a very quick return on investment," says Tim Reynolds, president and owner of Tribute Inc., a software provider focused on the fluid power and hose and accessories sector.

But business intelligence tools still have a ways to go in distribution markets. In a recent MDM survey, about 35 percent of distributor and manufacturer respondents said they had implemented business intelligence software tools. A little less than 20 percent said they had plans to.

But technology providers say interest and demand for these tools is growing

quickly. Gartner Inc. reports that business intelligence platform, analytic applications and performance management software revenue was up 13.4 percent worldwide in 2010.

"It's very important to our customers ... Our customers are definitely looking for what I would consider role-based dashboards so that they can see the data in a meaningful view to their role in the organization," Squizzero says. "All distributors know they have a lot of data. It's getting access to it.

"That's what they are looking for tools to help them with."

Changing Market

Business intelligence at its core is getting access to data within business systems and using analytics and modeling to drive better decision-making and performance. Due to rapidly improving technology, how companies view business intelligence software is shifting.

"Maybe five or six years ago, business intelligence was viewed as a report system," says Roman Bukary, head of manufacturing and distribution industries at NetSuite, a Web-based business software provider.

"... The analogy that everyone in the business intelligence world used was it's like driving at highway speeds and trying to steer your vehicle while staring only in the rearview mirror. It's crazy, and it's no way to drive a business."

Technology has advanced to a point where it can quickly generate actionable intelligence based on data that already exists in a system. "Business intelligence today is real-time, it crosses departments, and it allows you to get to the information that really matters," says Greg Dehnke, director of business development for Blue



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Horseshoe, a reseller and developer of business software with a focus on warehouse management.

"So many companies have gotten bogged down in Excel, and it's so cumbersome, it's not real-time, and it's error-prone," he says. "It's so important to be able to mine that data and to be able to use it, rather than just getting hung up on the financial data. There's so much more that's out there."

Analytics are now presented on an interface that can be used by anyone in the organization; before, an analyst would be required to crunch the numbers.

"Business intelligence was traditionally limited to a set of power-users," says Ranga Bodla, director of industry marketing at NetSuite. "You really needed to understand the technology, you had to be able to jump on one foot while putting your hand on your head."

But self-service is more the norm now, he says, which makes business intelligence tools increasingly a part of business processes, rather than an afterthought.

"That's a really big change," he says.

'Consumerization' of BI

According to Gartner, the "consumerization" of business intelligence tools is helping with adoption throughout organizations. Consumer expectations of quick and easy access to relevant data – in part thanks to Google – have increased expectations on the business side. Consumers have also come to expect user-friendly applications that are available on multiple platforms, including mobile.

"If you look at how you personally use the Web today, it's different than how you used it three years ago. Since your personal preferences have changed over time, then how products are being delivered is also changing," says Bob Conti, president of Sales Apex, a business intelligence tool for distributors.

Still, Gartner contends that across industries, fewer than 30 percent of potential users of business intelligence tools use the technology, due to difficult-to-use tools, slow response to data requests and content that is only marginally relevant to the task at hand.

These trends are driving software companies to improve upon what's out there. Large software companies still dominate the overall market, including SAP, Oracle and IBM, but smaller platforms for business intelligence tools have also emerged, providing simpler and more affordable tools that open up business intelligence tools to smaller and mid-sized distribu-

tors.

An example is Sales Apex, a platform developed with a focus on getting distributors up and running on the system in less than a month.

Sales Apex developers also focused on making the platform easy to update and access: Data is downloaded from a distributor's transaction files at the end of each month, and the resulting analytics are accessed by distributors over the Web.

In addition to the standard data around sales and gross profit, the platform integrates cost allocations, so that a distributor can get a more complete view of profitability by customer, vendor, product line and salesperson.

A Game Changer

WAXIE Sanitary Supply, San Diego, CA, a distributor of sanitary and related supplies in nine western states, adopted the tool earlier this year. For Bob Gattis, general manager of WAXIE's Arizona operations, it was a "game-changer."

"I'm in it daily," he says, "whether it's in relation to the things I can do to better wrap my arms around my larger customers and understand what's going on with them, or I'm addressing businesses that are less profitable."

Gattis says using business intelligence tools such as Sales Apex has helped him have more productive conversations with customers, vendors and salespeople.

One of Gattis' most-used parts of the system is what-if scenarios – a feature many platforms are starting to include. What-if scenarios allow Gattis to model what might happen to the profitability of a particular customer if order size were increased or fewer deliveries made, for example.

A big priority for distributors when using these tools is drilling down more deeply into their customer base. "Any information they can get on the performance of a customer is very important to them," says Infor's Squizzero. More and more, distributors are also using these tools to analyze the profitability and efficiencies of their suppliers.

Oftentimes, especially at the start, distributors are surprised by what they find.

Conti provided an example on order size. He says that many salespeople say they take small orders from customers to eventually get big orders. But a business intelligence tool can show visually, by customer, how many large orders were from that customer for a set period of time, and test the reality of these claims.

"You can see that 92 percent of the orders were up to \$100 and the rest were around \$300,"

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he says as an example. "And that's why we're not making money."

That stimulates discussions with salespeople and customers. "That's what you're trying to do here," Conti says. "You can provide the information so that people can change their behaviors."

"When they have the data, it's hard to argue with it," Squizzero says.

Paralysis of Analysis?

There's always a danger when more users have more access to data in a distributor's system that they may not see the forest for the trees.

Gattis recognizes the risk of "paralysis of analysis" at WAXIE and says he tries to focus on the "big rocks." "I am concentrating on my largest accounts and my largest unprofitable pieces of business," he says. "If I make changes on either of those I'll have the most dramatic effect on my business."

To do this he limits the data he pulls from his system to small lists – even though he could pull the top 1,000 customers or more, he limits it to 10 to avoid overwhelming his salespeople.

"It's a fine line between having people use the tool as a tool versus people wasting all their time just looking at data," Conti says. "At the end of the day, I want the salespeople out there selling and just doing it in a much smarter fashion."

In addition to avoiding "paralysis of analysis," distributors also have to train employees to use these tools effectively. Guy Blissett, author of the 2010 Facing the Forces of Change book from the National Association of Wholesaler-Distributors, told MDM last year that employees should have a comfort level with basic statistics and analysis so that they don't follow the numbers blindly.

"Analytics is very data-driven and increasingly enabled by software to get that analysis done quickly and at a different level than before," he says.

"... doing the analysis is one thing – but being able to use that analysis in your business requires some new skills and capabilities on the personnel side and new organizational considerations."