

# The State of Data Analytics in Distribution

Distributors realize the benefits of leveraging data analytics throughout their operations. But how many have actually put such tools into practice — and where? This report examines just that.



# The What, Where and How of Distributors' Data Analytics Use

Often viewed as laggards when it comes to digital adoption, distributors have learned to embrace digital transformation over the past decade, largely out of an “adapt-or-die” market mentality. This has been especially true coming out of the COVID-19 pandemic. Accelerated customer buying habits have forced distributors to deliver the digital buying experience modern customers prefer. To do so, leveraging customer data has proven crucial to sales and marketing operations.

The importance of using data analytics to inform decision-making isn't up for debate. It's been a long-accepted reality in distribution for decades.

But how many distributors have actually put the relevant tools into practice, to what extent, and where in their business? Modern Distribution Management (MDM) and White Cup sought to find these answers and provide an industry snapshot of how data analytics is being applied today, as well as where it's headed.

To do so, we surveyed over 100 distributors with a range of questions about their data analytics usage and prioritization. You'll find plenty of resulting insights in the pages ahead and our takeaways from each data point.

The benefits of modern data analytics tools such as Customer Relationship Management (CRM), Business Intelligence (BI) software and Pricing Intelligence software are many. They take the guesswork out of decision-making. They provide real-time information at a time when speed is vital. They democratize data use across the organization and help distributors un-silo departments that were previously using disparate processes. They show distributors what their customers want — not just from a product demand standpoint, but how they want to buy it. That's just for starters.

Despite these known benefits, our research shows there remains a large portion of distributors that have yet to get on board with maximizing data analytics to improve their business. While cost is always a known barrier, our findings illustrate that staffing resources and technical know-how are seen as the largest obstacles to improving distributors' use of data and analytics in sales.

Thankfully, both are solvable with modern data analytics tools.

The pages ahead will detail MDM's latest research into the utilization of data analytics in distribution — including barriers, frequency, application areas, prioritization, planned investment and more.



## Research Details

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In February 2023, MDM and White Cup conducted a survey of 110+ distributors with more than a dozen questions asking about:

- What their largest barrier is to use data analytics more effectively in sales
- What their leadership commitment is for leveraging data analytics in sales
- What business areas they apply data analytics to
- What types of data they collect and analyze to support sales
- What their data analytics utilization rates are
- What data analytics tools they use
- What data and information they prioritize to increase sales
- How often they analyze historical sales data (Both with existing and prospective customers)
- How much they prioritize data analytics for growing and executing sales
- If they plan to increase their data analytics usage in sales
- What their biggest data analytics priority is in the year ahead
- Which data analytics tools they are most interested about investing in
- How likely they are to budget for a data analytics tool in the next 12 months



# Barriers to Distributors' Data Analytics Growth

## 1: Staffing Resources, Not Cost, is Distributors' Biggest Barrier

We asked the prior question about leadership buy-in because it's frequently cited as the biggest barrier to successful technology adoption in distribution. And whenever technology investment is discussed, cost is often the first barrier cited.

But for data analytics use in sales, neither of those elements were one of the two barriers cited by our survey respondents. Instead, it was "Staffing Resources" that was the top barrier vote, and by a wide margin as 39.6% of our respondents picked it as their largest barrier to better data analytics use in sales — far ahead of "Technical Know-How" at 17.8% and Cost at 16.8%. Leadership buy-in was picked by only 10.9% of respondents, while 14.9% picked "Other."

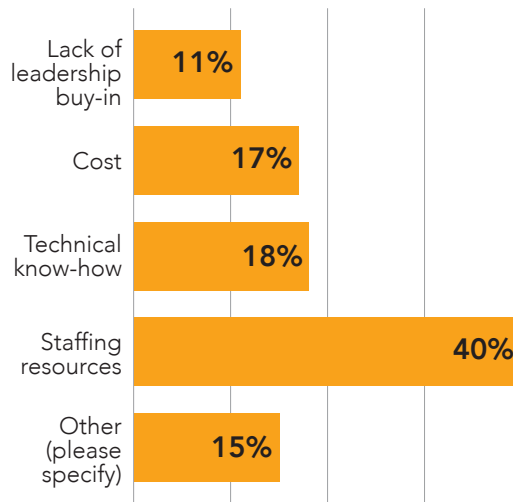
This was arguably the most interesting finding from our survey, given the aforementioned tendency for cost and leadership buy-in to be technology barriers. The clear choice of staff resources here as the largest barrier tells us many distributors think they don't have enough people in place to utilize data and analytics to their full potential in sales processes.

Going back to the write-in responses for our respondents' biggest data analytics priorities, one of the most common elements mentioned was the need for cohesiveness between different departments. Here's just a sampling of that distributor commentary stated in their priorities:

- "Increase the number of sources of data we bring together. ERP transactional sales data, CRM customer activity and quoting activity, website and online catalog search and order activity..."
- "Determine operational synergies."
- "Bringing in the data from all divisions."
- "Cohesiveness among departments to share and collaborate."

**Consider the following:** Distributors are making great strides to de-silo their sales and marketing processes, and a major part of that is sharing customer data throughout the organization. And while we didn't list cross-department data sharing as one of the available barriers for respondents to choose, they undoubtedly told us that it's a formidable one.

### What is the largest barrier your company faces in the better use of data and analytics in sales?



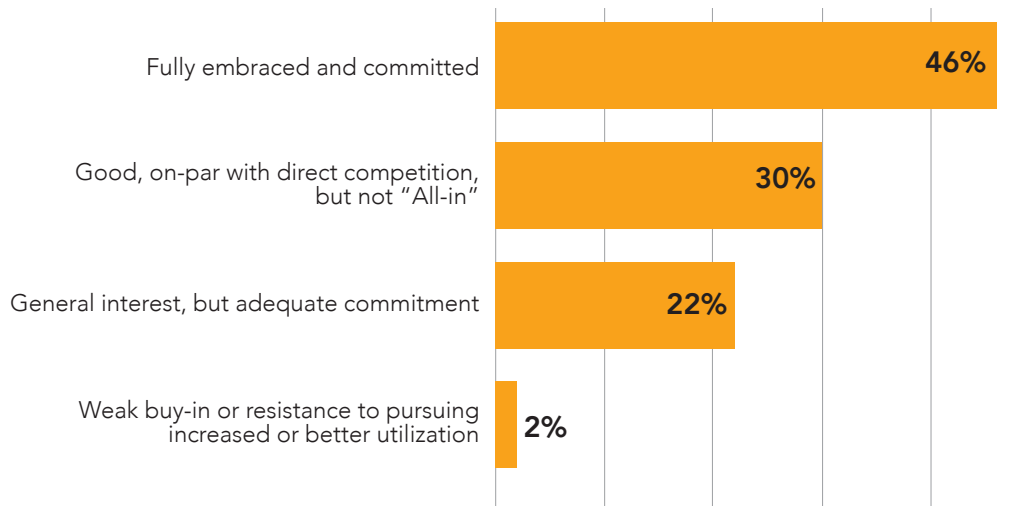
# Barriers to Distributors' Data Analytics Growth

## 2: Leadership is Largely On-Board with Data Analytics Commitment

When it comes to technology — or any company innovation, for that matter — one of the biggest roadblocks to successful adoption is leadership buy-in. No matter how viable a concept is put forth by lower-ranking staff, it doesn't mean much if leadership isn't all-in on it.

Encouragingly, our distributor respondents indicated that their company's leadership is largely on-board when it comes to improving sales data and analytics utilization. 46% of them said their leadership has fully embraced the subject, while another 30% said leadership commitment is Good — on-par with direct competition, but shy of "all-in".

### Which phrase best matches your company's leadership commitment to improving sales data and analytics utilization?

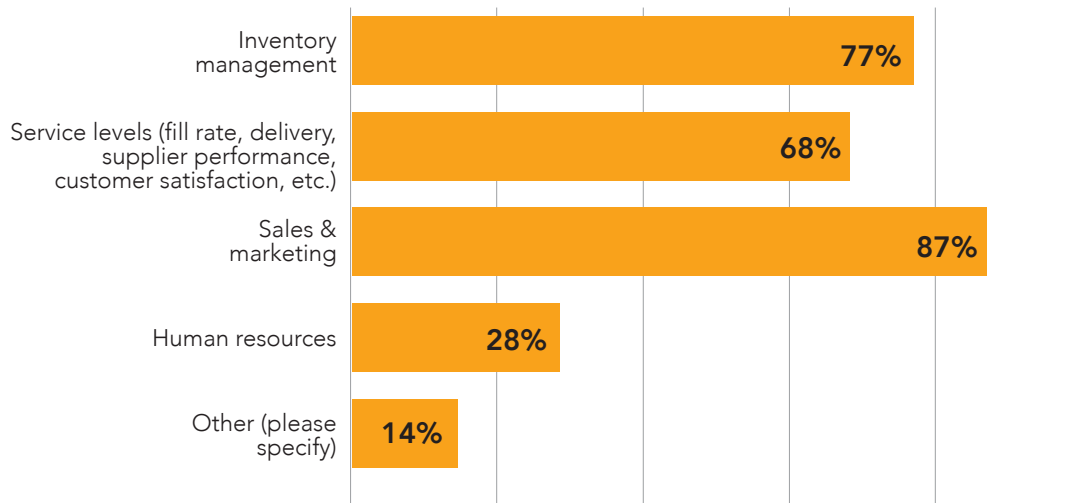


**Consider the following:** Like with cost, leadership buy-in is typically one of the biggest barriers to any distributors' technology initiatives, so it is encouraging to see that's not the case here. It appears staffing resources is instead distributors' biggest challenge to achieving optimal data analytics use.

### 3: Sales & Marketing is Top Application Area, but It's not Alone

While distributors are far more than just selling organizations, their core function and bulk of their business is comprised of sales activities. So, it's no surprise that our respondents picked sales and marketing as the area of their business where data analytics are applied the most to improve operations (86.7% of respondents), though Inventory Management (77.0%) and Service Levels (68.1%) weren't far behind.

#### In what areas of your business do you use metrics and data analytics today to improve operations?



“Customers leave for many reasons, but most distributors don't know why. When you understand the specific reasons, you can make changes to eliminate issues within your control. Data analysis can decrease customer churn by up to 15%.” — White Cup

## Distributors' Data Analytics Use

When asked what types of data they collect and analyze to support sales, Transactional data likewise expectedly led the way, picked by 78.8% of our distributor respondents. Our results show the importance of digital visibility, as Website Activity Tracking was the second-most popular data channel picked (61.1%), followed by Social Media Engagement (52.2%).

**Consider the following:** Given the amount of supply chain volatility post-2020 and the industry's newer fixation on improving the customer buying experience, real-time data insights into inventory management and service levels (fill rates, on-time delivery, supplier performance, customer satisfaction) have proven pivotal.

### What types of data do you currently collect and analyze to support your sales process

Transaction data (ERP or other software)

79%

Lead-gen data (online forms for contact info, firmographics, content access, registrations or other qualitative data)

51%

Surveys (customers or suppliers)

51%

Website activity tracking (cookies, pixels, Google Analytics or other)

61%

Social media engagement tracking (social media platform or third-party)

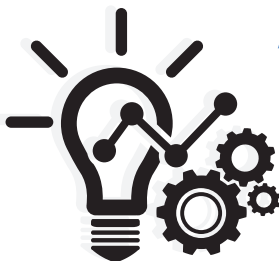
52%

None of the above

0%

Other (please specify)

4%



“What distributors need more than ever is a way to find missing dollars and garner an extra point in the margin game. Empowered with BI data analysis and discovery, savvy distributors can craft a specific action plan to realize sales gains and profit improvements.” — White Cup

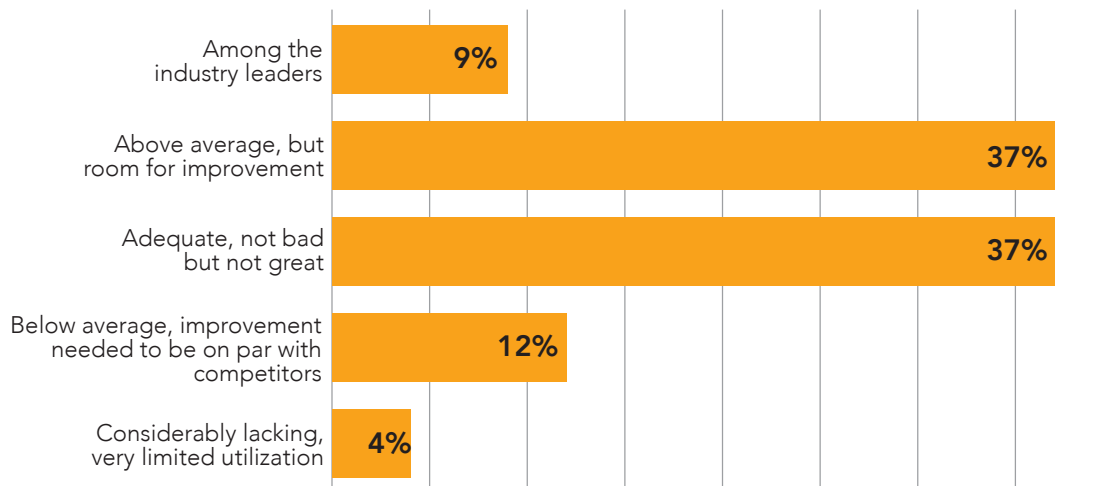


# Distributors' Data Analytics Use

## 4: Plenty of Room for Utilization Improvement

As a whole, the distribution sector has made significant strides over the past decade when it comes to applying data analytics to make sales process decisions, rather than the age-old method of relying on experience and “gut” feel from seasoned sales and management staff. But as our data shows, few rated themselves as industry leaders (8.9%) when it comes to how effectively they are using data analytics. An equal amount of respondents — 37.2% — rated themselves as Above Average or Adequate, while another 16.8% said they are below average or worse.

**Which description best matches your company's current use of data analytics to support your sales process?**



**Consider the following:** This suggests an overall lack of confidence in how distributors are using data analytics, but again, many firms only jump-started into leveraging it post-2020 out of necessity once B2B buying behavior trends accelerated.



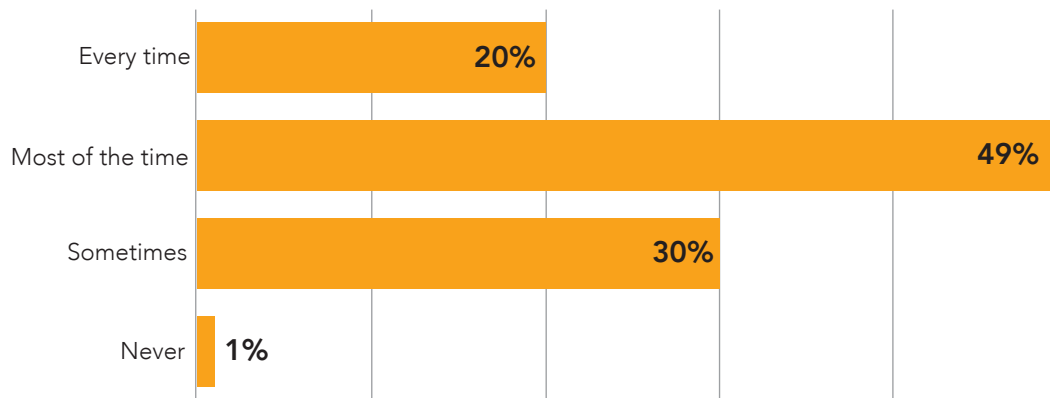
“CRM technology makes sales and marketing workflows more efficient and makes critical processes faster and easier, so teams can make more calls, send more emails, and ultimately close more deals.” — White Cup



## 5: Buying Behavior Highly-Valued, but Not Always Applied. Why?

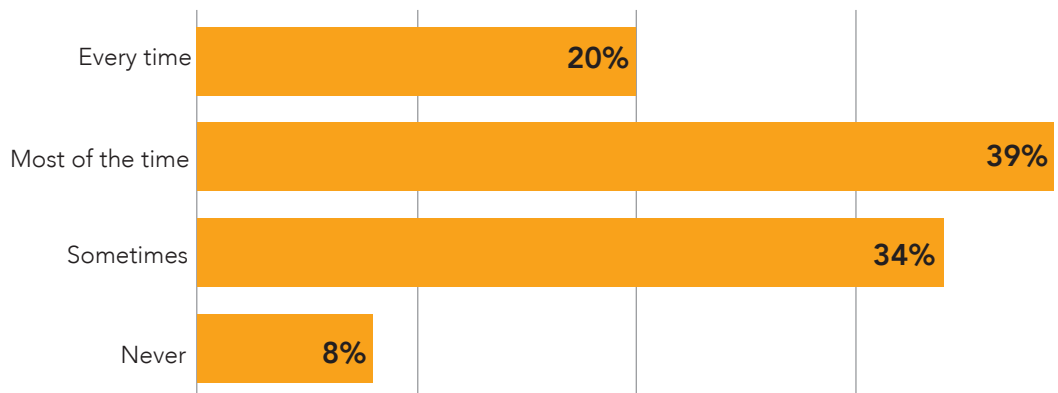
Like most of B2B, distribution sales rely predominantly on repeat purchases — the same customers buying the same products, often in the same quantities and on a predictable schedule. But our research shows that looking to past activity certainly isn't imperative for every sales opportunity. When it comes to working with new customers, only 20.0% of our respondents said they analyze historical data "Every time." 49.0% said they do so "Most of the time," while a somewhat surprising 30.0% said they do "Sometimes."

### How often do you analyze historical sales data when working with existing customers?



What about when prospecting for new business? We posed the same question with that angle, which produced interesting differences than those above: 19.8% of respondents said they analyze historical sales data "Every Time" when prospecting and a similar 33.7% said they do so "Sometimes." 38.6% said they do "Most of the Time" — 10 percentage points lower than with current customers — while 7.9% said they "Never" do.

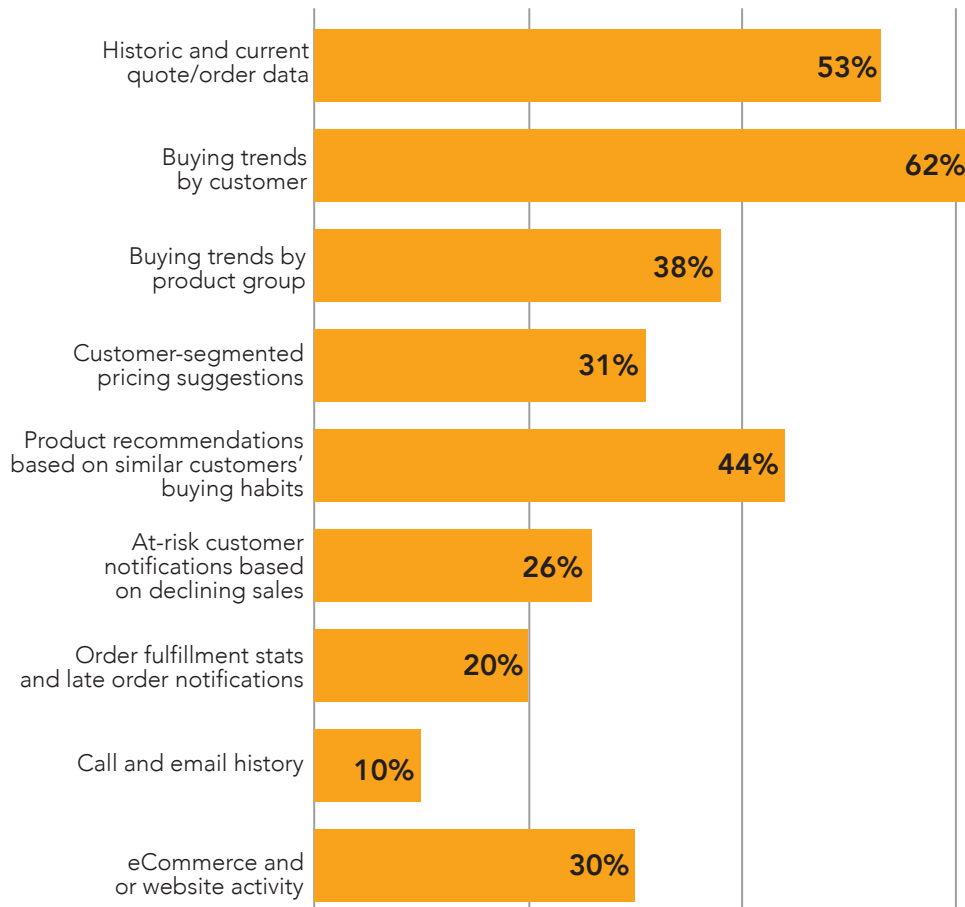
### How often do you analyze historical sales data when prospecting for new customers?



## Distributors' Data Analytics Use

But just because distributors aren't applying customer sales history data for every sales opportunity, it doesn't mean they don't want to, or are able to, each time. When we asked distributors to pick the attributes most valuable to increasing sales, "Buying Trends by Customer" and "Historic and Current Quote/Order Data" led the way, chosen by 61.4% and 52.5% of respondents, respectively. "Product Recommendations Based on Customers' Buying Habits" was next at 43.6%.

**From the following, choose what you consider to be the three most valuable to increasing sales**



**Consider the following:** That latter data point shows that distributors place a high value on historical customer activity and buying trends. So what is stopping them from always using it? Given our respondents' indication that staffing is their biggest barrier to better data analytics use (Q1), their staff may not have the bandwidth, or tools, to apply that historical data to their sales processes. It's typically easier for distributors to earn more revenue from their current, dependable customer base than from new customers, and despite the rapid rise of eCommerce, Marketplaces and other digital sales channels, the notion that "the past predicts the future" isn't going to change anytime soon.



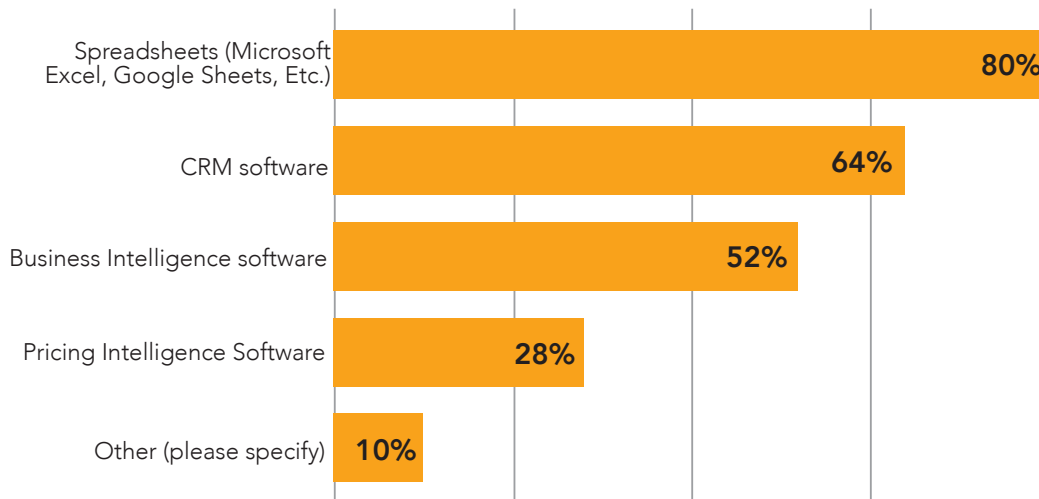
# Distributors' Data Analytics Use

## 6: Most Using Modern Tools, But Still Rely on Spreadsheets

We like to think the distribution sector has become progressive when it comes to technology adoption, and our research was encouraging in regards to modern data analytics tools. More than half of our respondents say they are using CRM Software (64.3%) and Business Intelligence Software (51.8%), while 1-in-4 are using Pricing Intelligence Software — a particularly valuable tool amid inflation impacts post-2020. As their name suggests, these tools are enabling distributors to take the guesswork out of sales operations and pricing strategies and leading to smarter decisions.

But particularly interesting here was that when asked what data analytics tools they are utilizing, spreadsheets was the leading choice, by far, picked by 80.4% of respondents. Compared to those other tools, spreadsheets are seen as an outdated data collection method that relies on manual entry. Such manual data entry has proven to be a time-consuming process for sales staff who would be better-positioned to use that time doing high-value, customer-focused activities instead of punching in data. Besides the time suck, that manual data entry naturally brings an element of human error, and spreadsheets are often limited in access from those staff who could benefit from that information.

### What analytics tools are you using to leverage your data?



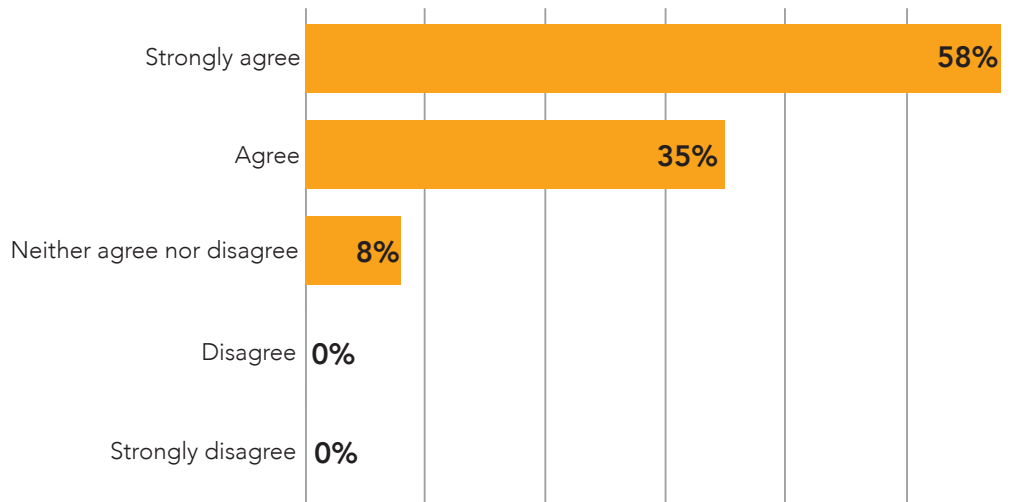
**Consider the following:** So why are distributors still relying on spreadsheets if they are also utilizing CRM, BI and Pricing Intelligence? The answer may be that they are collecting data in a spreadsheet format before transferring it to their CRM, BI or Pricing tool for analysis. Integrating your technology with your ERP and data sources may be the most effective solution for this.

## 7: A Powerful Sales Weapon

Distribution sales reps have become inundated with an increasing amount of challenges as customers expect increasingly more from their buying experience. Beyond just products, others are looking for solutions that involve services that distributors have leaned into to differentiate themselves. It's an effective combination, but it adds moving parts for sales staff to keep track of and apply appropriately. Data analytics tools can be a sales reps' best friend when closing deals, or even a lifeline.

More than 92% of our distributor respondents agree that data analytics is an important tool for growing and closing a sales pipeline, with 57.4% of respondents strongly agreeing in that affirmation. Only 7.9% were neutral, and not a single respondent disagreed.

### Indicate how important you consider data analytics to be as a tool for growing and closing a pipeline



**Consider the following:** Data analytics tools empower distributors — especially their sales staff — to make smarter and faster decisions by having real-time information at their side. When these modern tools are built specifically for distributors, they are particularly powerful.



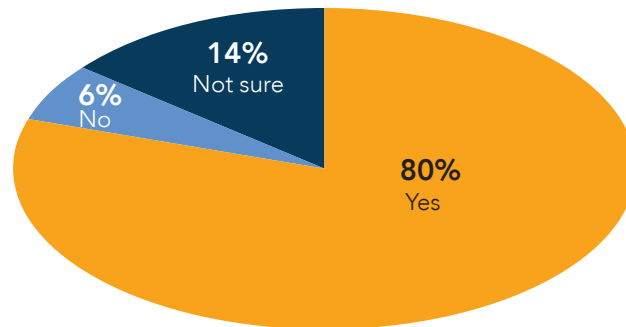
“BI can laser-focus on critical inventory turns and sales performance metrics, giving distributors powerful insights to enable them to avoid a dead stock destiny.” — *White Cup*

## 8: Vast Majority of Distributors Plan to Increase Usage

It often takes a seismic market shift to spur distributors into progressive action, and it appears that the COVID-19 pandemic's resulting impacts on customers' buying behavior, supply chain conditions and talent resources have proven the need for greater data analytics usage.

More than 80% of our distributor respondents said they plan to increase their usage of data and analytics in the year ahead..

### In the year ahead, are you planning to increase your usage of data & analytics in your sales process?



**Consider the following:** The generational shift to Gen-X, Millennials and even Gen-Z staffers in executive and management positions has undoubtedly led to greater comfort with embracing data analytics among other technology tools. More and more distributors are describing themselves as “data-driven” when it comes to their decision-making.



// Distributors who win won't have one-size-fits-all pricing; they'll have data-driven intelligent pricing practices to offer the right price to the right customer at the right time. Knowledge is pricing power; they'll put in place the ability to run what-if scenarios to predict market share, revenues, and margins at various price points. // — *White Cup*

## 9: Distributors Have a Mixed Bag of Data Analytics Priorities

So, where will that higher usage of data analytics come from? For some, it's getting more out of what they already have. We asked our respondents what their highest priority is in the year ahead to improve their data analytics capabilities, and left it open-ended. We received over 90 written responses, and numerous said or alluded to making better use of their current tools.

"Coaching the team to use the tools that have been invested in," one respondent said.

Others are looking externally, perhaps lacking modern tools that can package customer data into actionable insights.

A handful of respondents mentioned BI dashboards as their top priority, some mentioned upgrades needed to ERP and CRM software, some pointed to automation capabilities, and others still flatly mentioned investing in more analytical software.

And for others, it appears to be some of both. Said one respondent:

"We need better engagement and buy-in from the sales team. Our new sales manager plans to use analytics to support and grow sales initiatives. Once we can link sales growth with actionable analytics, ownership may be willing to invest in increased analytics capabilities."

Here is a selection of additional thought-provoking commentary our distributor respondents answered this question of prioritizing their data analytics capabilities:

- "Continuous training and improvement, using state-of-the-art analytic tools."
- "Having a fully-functional data warehouse."
- "Get them faster in order to make more timely decisions."
- "Automating certain tasks of reporting, allowing more time to provide valuable face-to-face with our customers."
- "Leveraging machine learning and new pricing software."
- "Getting our salespeople to use it proactively."
- "Sales opportunity and pipeline process maturity."
- "Adoption of a data-driven process mindset."
- "Developing a BI and analytics strategy."
- "Bringing in the data from all divisions."

**Consider the following:** A handful of respondent comments had the sentiment of that last one — finding synergy in the data use across the organization, rather than different departments using disparate data processes that don't talk with each other. We continue to see more distributors discuss the benefits of democratizing data analytics company-wide, which is something that modern CRM, BI and pricing software excel in.

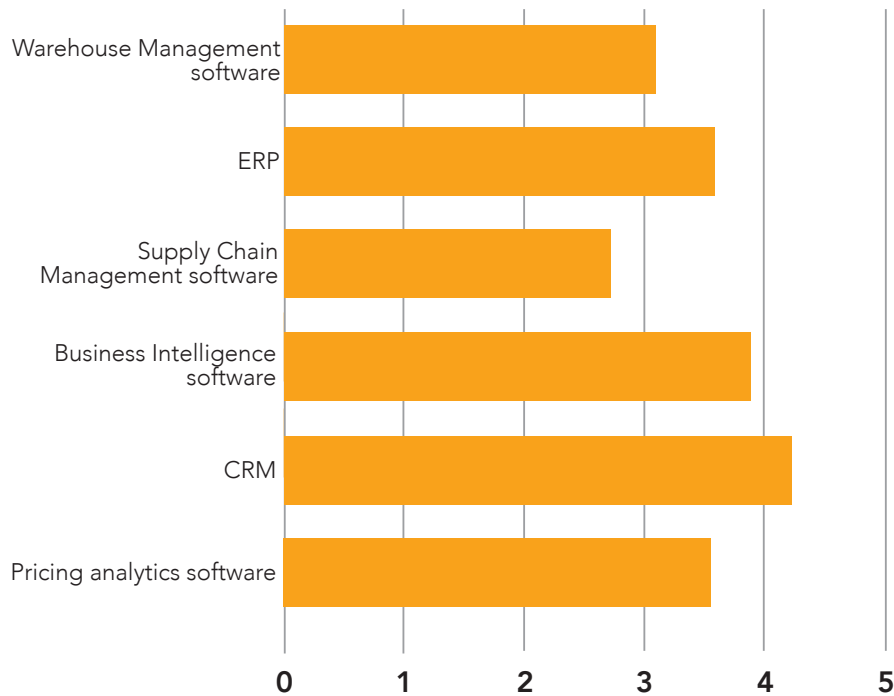


## 10: CRM, BI Seen as Most Important Tools to Invest In

We know distributors have data analytics usage top-of-mind. But what do they plan to do about it? We certainly wanted to take a look at distributors' path forward with data analytics in sales and what tools they prioritize. We asked our respondents to rank the importance of six of the most popular data analytics tools they would consider investing in to improve their sales process.

The results were close, but ranked 1-6 (6 being most important), CRM came out on top as the highest-prioritized tool with a total score of 4.22 and the top pick of 31.9% of our respondents. BI software was second at 3.88 (and the top pick of 21.7%), followed by ERP at 3.60 (24.7%) and Pricing Analytics Software at 3.56 (11.5%). Warehouse Management Software and Supply Chain Management Software were a distant fifth and sixth.

### Rank the importance of the following data analytics tools you would consider investing in to improve your sales process.



**Consider the following:** While CRM was expectedly the highest-prioritized data analytics software — given that it's where distributors are housing customer information — our results here clearly showed that distributors are also seeing the benefits of BI and Pricing software, which both scored favorably.

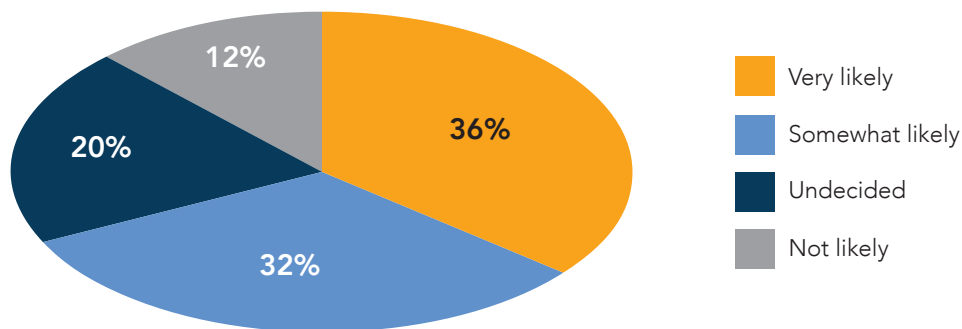


## 11: Vast Majority of Distributors Are Likely to Invest in Data Analytics

We've discussed a lot about the many benefits of modern data analytics tools in distributors' sales processes, but it's one thing for these companies to understand those advantages, and another for them to actually invest in them.

So, we ended our survey by asking our distributor respondents how likely they are to allocate budget to a data analytics tool in the next 12 months. And like we've seen often in this research, the results were encouraging. 36.0% indicated they are very likely and another 32.0% said they are somewhat likely. 1-in-5 respondents said they were undecided, while just 12.0% said they weren't likely.

### How likely are you to allocate budget to a data analytics tool in 2023?



**Consider the following:** The fact that more than two-thirds of our respondents are at least somewhat likely to invest in data analytics tools is encouraging — even if some of these distributors are doing it as a way to catch up with competitors that were early adopters.



“Savvy distributors will leverage BI to keep tabs on expenses and the trending of expenses as a percentage of sales. If expenses are running amok, BI can provide insights for further investigation into how to rein them in.”

— White Cup



## So, What Did We Learn?

Our survey data made it clear that distributors highly value the potential benefits data analytics can have on their sales operations. Here is a summary of the research takeaways:

**1: Staffing Resources, not Cost, is Biggest Barrier.** Cost is usually the go-to pick for technology investment barriers, but not for our respondents, who cited staffing resources as their clear biggest hurdle to make better use of data and analytics in sales.

**2: Leadership is Largely On-Board with Data Analytics Commitment.** 76% of our respondents said their executive leadership is at least on par with direct competition in terms of their commitment to data analytics initiatives, with 30% rating their leadership as “all-in.”

**3: Sales & Marketing is the Top Application Area, but It’s Not Alone.** Sales and marketing were naturally the leading business area for utilizing data analytics, but inventory management and service levels weren’t significantly behind.

**4: Plenty of Room for Utilization Improvement:** Just 8.9% of our respondents rated themselves as industry leaders when it comes to their utilization of data analytics in sales processes.

**5: Buying Behavior Highly-Valued, but Not Always Applied.** Why? Only 20.0% of our respondents say they analyze historical sales data when working with existing or prospective customers, but most agreed that buying behavior is very valuable to increasing sales. Staffing resources are likely a major factor here.

**6: Most Use Modern Tools, but Rely on Spreadsheets.** Our respondents said that spreadsheets are the most popular analytics tool they use to leverage their data, and by a considerable margin.

**7: Data Analytics Seen as a Powerful Sales Weapon.** 92% of our respondents agree that data analytics is important for growing and closing a sales pipeline.

**8: Vast Majority of Distributors Plan to Increase Usage.** More than 80% of our respondents plan to increase their usage of data and analytics in the year ahead.

**9: Distributors Have a Mixed Bag of Data Analytics Priorities.** Some of our respondents want to get more out of the data tools they already have, some are looking externally, and others are somewhere in the middle.

**10: CRM, BI Seen as Most Important Tools to Invest In.** The versatile functionality of CRM software is difficult to overvalue, and our respondents scored it as their top-prioritized tool to budget for. BI was second.

**11: Vast Majority of Distributors Are Likely to Invest in Data Analytics Tools.** More than two-in-three respondents indicated they are likely to budget for a data analytics tool in the year ahead.



## Give Your Staff the Resources it Needs

While all of the above data points are notable, the one we found the most striking was that our distributor respondents see staffing resources as their biggest barrier to making more effective use out of data analytics in sales.

Thankfully, this is one of the key issues that modern data analytics tools solve. Distributors are always navigating how to run as lean as effectively possible and do more with less and upskill their existing workforce. Technology-driven tools — including business automation — continue to lower the need for additional staffing resources. In sales, such technology quickly pays for itself once data is leveraged for faster decision-making.

When integrated with an ERP platform, the data analytics tools of BI, CRM and pricing optimization technology provide sales reps with everything needed to effectively sell and retain customers:

- Customer trends for smarter sales activities;
- Optimal pricing recommendations directly in their quoting tool;
- Automated workflows based on lead activity;
- And more

This means no spreadsheets, manual work or additional hires are needed just to manage reports or a clunky, disjointed technology stack. Plus, a distributor can lean on a vendor's professional services team for improved implementation, adoption and ROI, if resources are scarce.

These modern data analytics tools empower your staff to work smarter, faster and easier.





### We Help Distributors Innovate

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### About White Cup

White Cup offers data-driven selling technology that makes selling smarter, faster, and easier for distributors. White Cup's industry-specific CRM, Business Intelligence (BI), and Pricing products drive revenue, improve profits, and reduce overall costs. With decades of industry experience, White Cup is trusted by more than 1,000 customers globally.

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