



NAVIGATING ECONOMIC UNCERTAINTY

3 Data-Driven Strategies to Help Distributors Survive and Thrive



Market volatility, inflation, supply chain issues, and even the prospects of a recession... distributors have their hands and heads full of concerns regarding today's economic and business challenges.

It's very easy for distributors to lose sight of what they can trust during this period of uncertainty, and that's their data.

Without a crystal ball, it's challenging to know what the future will bring. Still, forward-thinking organizations must define their business strategies, informed by data, to help navigate and execute during times of economic uncertainty.

There's no time to lose. The economy can amplify the impact of choices made.

If the economy and the business climate are good, good decisions become great (winning) choices. If the economy and the business climate are challenging, **bad decisions can be catastrophic.**



In any moment of decision, the best thing you can do is the right thing, the next best thing is the wrong thing, and the worst thing you can do is nothing."

– THEODORE ROOSEVELT



*When the going gets tough,
the tough get going.”*

– BILLY OCEAN



During an economic reset, distributors may bleed cash to get their bearings and settle how they will move forward. Suffice it to say that time is not on their side; distributors must be intentional and decisive in charting their course.

Given hefty economic headwinds, distributors need to set the sail, grab the tiller, and move forward with intention, lest they get blown way off course.

We'll outline how **3 data-driven strategies** can help distributors survive and thrive, using White Cup's platform to guide their efforts.

CRM and BI: Forging Business Flexibility and Resiliency

THEN...

CRM has been a critical software for distributors over the past few years.

Distributors have made significant strides in making their sales operations more customer-centric, and CRM has been a massive part of that. The role of CRM has grown even more exponentially important as the pandemic accelerated many digital buying trends that were already in place before COVID arrived.

NOW...

Business Intelligence is a more recent advent for many distributors. Only in the past few years have distributors really begun to understand the benefits of BI and how they can leverage it across the many facets of their operations. And, it's taken on new significance in the new normal era of volatility, uncertainty, chaos, and ambiguity (VUCA), which has made relying strictly on talent, experience, and gut instinct no longer viable.

Today, distributors need a data-driven approach to **navigate times of uncertainty and stay on top of trends, issues, and opportunities.**

Distributors are leveraging data from CRM and Business Intelligence to navigate uncertainty and find new ways to grow. They're moving into new markets or finding additional growth opportunities within their existing customer base.

This is the power of White Cup.



3 Different Approaches to Dealing with Uncertainty

There are **three basic paths** that distributors can choose to follow during times of economic uncertainty.

Some will pull back, taking proactive protective measures. Some will continue to operate in a primarily business-as-usual fashion, and some will use this time to pivot and expand their market share.

On the next few pages, we'll explore these approaches and how data can inform and guide these strategies to enable distributors to move forward confidently.



Proactively Protect

Distributors opting for a Proactively Protect strategy will **wait the storm out to arrive on the other side safely.**

They will come out on the other side because they buckle down and stay strong internally. The goal is safety and security, as opposed to risk-taking. Distributors following this course will look to trim costs to remain profitable and focus on taking care of customers in the interest of preservation.

BE DILIGENT ABOUT EXAMINING EXPENSES

The key to this strategy is to keep a close eye on expenses. Expenses are like rabbits; ignore them, and they can multiply. Monitoring expenses as a percentage of revenue is a must; if your revenues go down, your expenses should also go down to maintain average revenue and profitability per employee.



\$1,000 in extra expenses will require \$25,000 in sales to make up for it.

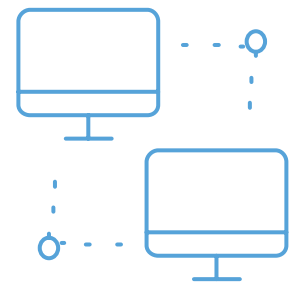
Keeping tabs on expenses can eliminate surprises on your Profit & Loss statement.

WATCH OVER INVENTORY

Distributors may need to break old organizational habits with inventory and buying patterns and pay attention to how much they think they will need in the future to avoid getting stuck with excessive inventory and remain profitable even while shrinking.

HOW? BI + CRM.

With the right platform, you can see a complete view of the key metrics of inventory turns and dying stocks. This is a quick and easy illustration of the power of marrying CRM with BI; you can take a BI tool and point it at the CRM.



Almost every ERP provides a dead stock report; it's easy to see what has been sold in the last 12 months. However, it's crucial to intervene early to catch stock lagging in inventory turns. These are those items where sales are going drastically down; this is next year's deadstock.

KEEP AN EYE ON CUSTOMER STATUS

The combination of CRM and BI can also help us understand which customers' buying patterns are in decline. Here we're looking at the last three months and the three months before to understand customer buying trends. We can see which customers are in decline. And in instances where there is no sales outreach activity, these might be priority targets for sales to call upon. This is a great way to ensure customers don't slip through the cracks, especially in chaotic times.

CUSTOMER DETAILS TO KEEP TABS ON:

- » What they're buying
- » What they're not buying
- » Time of year of key purchases
- » Current sales activities and outreach
- » Gaps in outreach or communications
- » Changes in customer details, locations, contact information
- » Amount of engagement or lack of engagement

Business as Usual

Some distributors will opt for a Business-as-Usual strategy where they will charge ahead with the belief that **everything will work out**.

Their superpowers are optimism and experience. They have lived through challenging markets before and lived to tell the tale. However, moving forward with business as usual is an excellent opportunity to invest in refining existing processes.



FINETUNE THE QUOTE TO BOOKINGS ENGINE

Now is a great time to finetune quote-to-order operations. Open quotes are an important leading indicator. An overview of sales quotes that aren't converting alongside historical performance can provide valuable data to help diagnose and anticipate what will happen in your business. Are late orders part of the problem?

OPTIMIZE PRICING

Distributors have experienced steep manufacturing price increases with unprecedented rapidity. Intelligent pricing strategies that are technology- and data-driven can empower organizations to price with confidence while adjusting to inflation and recession pressures. Pricing optimization gives distributors agility and nimbleness to stay ahead of their competition and gain laser-focus on where the most impactful pricing improvements exist and which align with their profitability goals.

THE VALUE OF PRICING OPTIMIZATION

- » Spot pricing opportunities
- » Align with profit goals
- » Stay ahead of competition

BUILD NEW, MEANINGFUL LEVELS OF CUSTOMER ENGAGEMENT

Distributors can use data as a vital sales enablement tool to build more collaborative relationships with customers by letting them know you're paying attention.

FOR EXAMPLE...

WHAT YOU SEE:

Open orders and quotes that didn't convert.

WHAT TO USE IT FOR:

Open, honest conversations with customers.

WHAT IT LOOKS LIKE:

- » "You know, I'm sitting down with you because you're very important to me, and this is what I'm seeing is going on. Can you tell me a little bit about this?"
- » "Let's work together to make this the best for both of us."
- » "Are there areas I can help you with if we're struggling on this side of the business? Let's work through it together."

This can allow sales to help them and work with them to move them up in importance to your business. This can be achieved by combining orders, for instance, reducing the cost-to-serve.

← **49% of distributors** we polled in August 2022 said they were opting to choose this approach.

Pivot and Expand

Distributors following a Pivot and Expand strategy believe they can perform better than the next distributor and seize the opportunity in this chaos.

Pivot and Expand advocates are looking to sell different or new products into existing markets or expand into new markets.

POWER MORE EFFECTIVE NEGOTIATIONS

Gross Margin Return on Investment (GM ROI) is versatile and can yield information fortuitous to opportunistic distributors. This is sales minus the cost of goods sold divided by the average on-hand value of inventory.

HOW TO CALCULATE GM ROI

$$\left[\frac{(\text{Sales} - \text{Cost of Goods Sold})}{\text{Average value of on-hand inventory}} \right] \times 100$$

This equation can be done by product group, individual product, or product line. And then, you multiply it by 100 to get to a total number to understand all the components. Our BI tool calculates these automatically and breaks down all the components.

Now think about the power of this data as a negotiation tool:

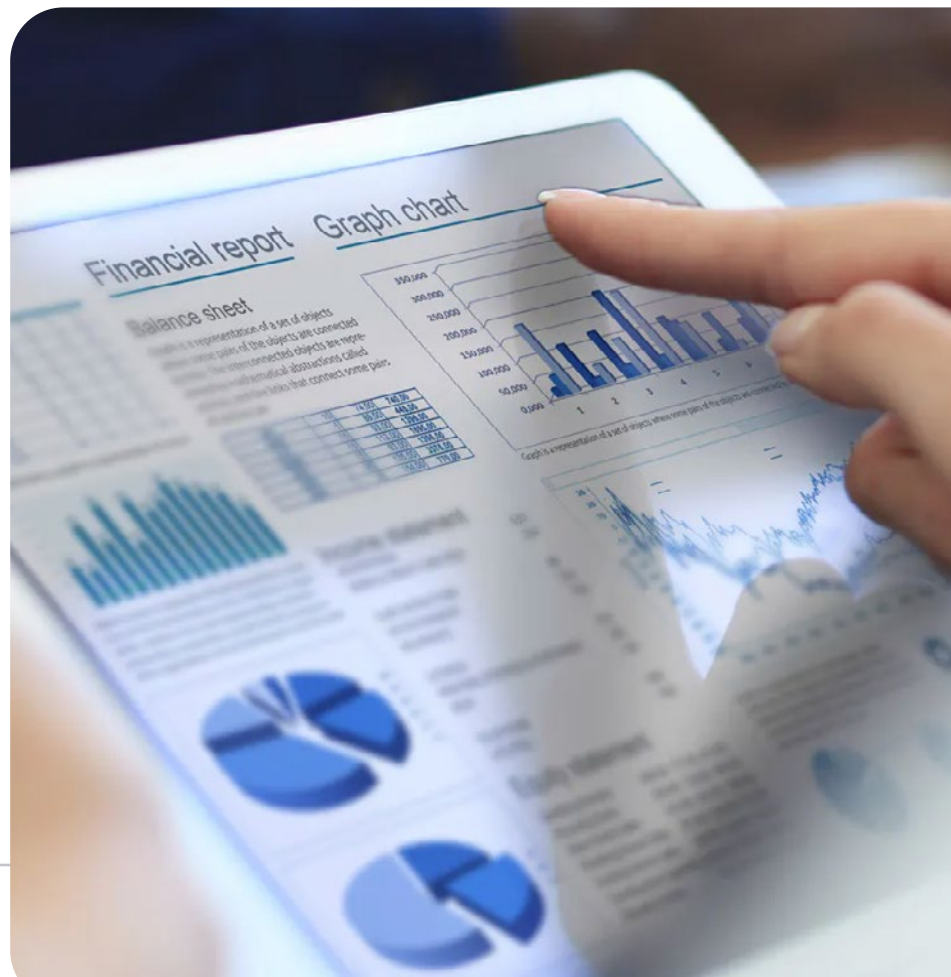
A manufacturer may have offered 25 points on a product. Let's say you want to turn it within a month to discern what the average on-hand value needs to be and multiply by 100 to establish GM ROI.

Now, if that is significantly north of average GM ROI in the warehouse...

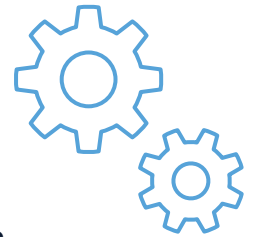
You now have the motivation to move forward with the knowledge that it's a good choice. If not, you are now armed with context to negotiate a deal that makes sense.

Maybe it's a conversation about how you need that manufacturer to let you service that OEM in your territory that they are selling to direct to drive sales up enough to make sense. Maybe the 25 points need to be 30 points. Maybe there's a conversation with sales about how 25% of sales need to be shipped direct rather than fulfilled from your warehouse. Or it would help if you had two-day shipping for the first 12 months.

Having all this context can shift the conversation to focus on real numbers and value propositions to lower your investment to minimize barriers to profitability.



AUTOMATE TO STRATEGICALLY APPLY EFFORTS TO BREAK INTO NEW MARKETS



Progressive distributors looking to expand should look to automate processes to minimize the outlay of resources.

Let's walk through an example. Once a distributor has a list of target accounts entered into the CRM, they can then develop three or four emails for an automated email campaign. This is the basis of a "drip campaign" with automated outreach occurring weekly. The system will monitor when and if the emails are opened. If a prospect clicks on a link, it triggers an action to automatically create an account and assign an action item to a salesperson. This avoids salespeople calling on prospects who may not be interested; instead, they are gauging and engaging when and where there's a greater chance of success.

UNDERSTAND THE PATH TO VALUE

It's prudent to limit the expenditure of time and effort for exploration and expansion. This requires understanding the return on investment from results stemming from activities and effort.

With the right platform, distributors are able to see the sales reps' mix of activities and bookings to understand efficiency and what activities maximize success to forge best practices among the team.

Be Certain of Your Path in Economic Uncertainty



In times of economic uncertainty, distributors **need to make their data work for them** to be a constant source of truth amid all the noise.

The problem? There's a sea of information to navigate. Tools such as CRM, Business Intelligence, and Pricing Optimization drive order from chaos and focus guiding points of light to help distributors measure and monitor what matters and inform their strategic direction.

While distributors often have CRM, BI, or Pricing Optimization tools, **the combination of these provides the context** to understand what's happening with the business by correlating activities and behavior to results.

That's the value of White Cup.

Get in the **Data-Driven Driver's Seat** with White Cup

In the distribution space, you are facing challenges never before experienced, and your customers are too. It's a whole new world that requires new strategies to unlock new sales opportunities and build relationships based on a deeper understanding of your customers' needs.

Ready to get in the **data-driven driver's seat?**

White Cup's platform consisting of Business Intelligence (BI), CRM, and Pricing enables distributors to make sense of their data and make business decisions that improve revenue performance. We can help you connect the dots of your data across critical business systems, reveal key insights via analysis, and provide the tools you need to take action for revenue improvement.

About Us



White Cup turns a distributor's sales pains into profit gains. Our CRM, Business Intelligence (BI), and Pricing software make it easier for you to sell more, keep more profit and beat the competition. With over 20 years of experience, White Cup is trusted by more than 1,000 customers globally.

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