

Revenue Intelligence: The Defining Advantage in Post-Pandemic Markets

Best practices to drive revenue, improve margin and engage customers.



Since the onset of the pandemic, Modern Distribution Management has identified key differentiators between distribution organizations challenged to tread water and those able to strengthen profitability and customer loyalty. The biggest differentiator is how the successful organizations effectively use data analytics tools across operations, sales and marketing, while struggling organizations are holding on to the status quo. And the gap is widening. This report distills MDM research from the past two years to provide a roadmap for how distributors can use advanced analytics best practices to drive revenue growth and profit despite (and often because of) a volatile market environment.

Capability Gaps Exposed by the Pandemic

Adoption of analytics has been slow across distribution channels. In a survey conducted by MDM Research nine years ago, just 12% of respondents said they relied on analytics for all of their sales, marketing and operational decisions. *More than a third said their executives don't understand or support the use of analytics.* Or they don't know where to begin.

There is no question those numbers have grown significantly in the past decade, and especially in the past two years. But research since the onset of the pandemic clearly indicates that the [power of data analytics tools](#) — pricing, customer experience, business intelligence — has advanced far faster than the organizational capability to effectively deploy and leverage the value.

At one level, that's not a surprise. Historically, distributors have focused, with good reason, on operational excellence as the core benchmark for competitive advantage. Competitive benchmarking was largely defined by transactional performance — fill rates, response times, procure-to-pay cycles. These remain important KPIs. But a funny thing happened on the way to the pandemic.

With the rapid rise of Amazon Business and other non-traditional competitors since 2015, a majority of distributors turned their attention to eCommerce platform development. Meanwhile, cloud computing enabled an explosion of a whole new technological ecosystem of point-of-sale solutions. Increasingly, distribution leaders faced a rapid paradigm shift in the role of IT, from transactional and operational to strategic, impacting sales and marketing in new and challenging ways. Life got more complicated than in the days when ERP systems ruled the roost alone. Then came 2020.

Data Analytics as a Business Transformation Tool

Most consumer-driven industries have leveraged data analytics for a long time. But as noted, the wholesale distribution industry has been relatively slow to adopt technology and has shied away from the investment, with pretty good reason. It's been a profitable business with a high return on invested capital (ROIC), nevertheless.

Average gross margin in 2021 for the U.S. wholesale distribution industry was 20%, ranging from 5% for oil and gas products distributors to a high of 33% for commercial equipment and supplies distributors, according to MDM Research's annual industry factbook, Economic Benchmarks for Wholesale Distribution. Overall, U.S. distribution generated record revenues of \$7.1 trillion in 2021; nearly one-third of GDP flows through distribution channels.



Beyond conventional KPIs for operational and financial performance, one of the early applications of data analytics in distribution has been in the pricing arena. With the complexity of product lines, SKUs, sales channels and transaction volume, pricing analytics has been a low-hanging-fruit area for

The Evolution of Analytics in Distribution



distributors to increase bottom-line margin rapidly by 200-300 basis points or more in a relatively short timeframe.

More recently, business intelligence technology has provided leadership teams with better visibility into all operational corners of the business beyond financial performance analysis historically managed by Excel documents. And, as we'll address later in this report, customer experience and Revenue Intelligence analytics are the latest frontiers as digital and sales channels have become much more complex in the past two years.

Fear is a powerful motivator. Throughout the last half of the past decade, leading distributors tracked by MDM started transformational journeys, often motivated by the rise of digital disruptors and resulting competitive and potentially existential threats of their radically different cost structures — targeted at commodity products. As Amazon's Jeff Bezos has been famously quoted, "Your margin is my opportunity."

Reacting to the threat, leaders have focused on reducing cost structures, with the sales process front and center. Across distribution sectors, payroll associated with the sales force is between one-third and one-half of total payroll cost. These transformational journeys have focused on a range of cost-control and productivity opportunities, from rebuilding salesforce structure to automating workflows.

The Pandemic Game-Changer

COVID-19 changed almost everything. Even with the recent waves of disruption, margin structures across most distribution sectors remain strong, with largely incremental year-to-year downward pressures. At the same time, the fight for margin growth has never been more complex nor as extreme.

Product backlogs stretching weeks to months are commonplace, while supplier price increases have moved even faster in the opposite direction — from months to weeks to retroactive. Supply chain, inflation, market instability, talent drain — these intensifying and persistent issues are challenging every aspect of distributor operations and profitability, even with record-demand pushing revenue.

But at the heart of everything is the customer, and that's where the pandemic shuffled the deck more than any other factor. Customer behavior was changing even before 2020. The pandemic sent those changes into hyperdrive. As shared at MDM's 2021 Sales GPS Summit, the fifth annual conference

MDM has hosted to support distribution business model transformation, buyers are using a range of increasingly digital channels to engage with their suppliers.

With the overnight shift to virtual selling environments, traditional distribution sales models — with siloed sales, marketing, eCommerce and fulfillment channels – were immediately stressed. According to Gartner keynote speaker Maria Boulden, “44% of people who run the buying cycle for their company would prefer not to engage with a seller at all — not on the phone, not in a chat and certainly not in person.” A year later in 2022, Boulden shared with MDM, that number is now in the mid-60s percentile range. In Boulden’s words: “Woe to the company that is not actively developing their virtual and digital engagement strategy for those clients.

“It’s about meeting customers where they are and the way they want to engage,” Boulden says. “We’re seeing a lot more sophistication with regard to harnessing digital, harnessing virtual and embedding people at the right places, where you know your customer’s buying behavior so well that you anticipate where they’re going to get stuck or find that friction, and you know exactly how to make it go away.”

Boulden’s prescription goes to the mandate for a more integrated set of analytic tools to measure customer experience and behavior, and give your sales team the insights to create the optimal experience in a noisy marketplace. Five years ago, the technology for that was complex and expensive; the juggernauts invested heavily in driving customers to increase their purchasing on more profitable eCommerce channels while reducing branch locations and sales costs. Today, the analytics and customer engagement playing field is very close to level.

Next-Stage Data Analytics: Revenue Intelligence

Overall, this industry is in the early stages of transition to digital-first distribution. An outside salesforce will still be a critical piece of B2B go-to-market strategy for every size distributor, but sales process has to advance to keep pace with customer expectations and margin pressure. There’s been a rapid maturity in data analytics adoption as the race shifted to capture customer attention, regardless of how and where they want to engage. Sales and marketing functions by necessity have had to embrace a more data-driven mindset to compete effectively.

Market knowledge, speed and agility have become high-performance distributors’ best weapons to combat the overnight shift to virtual and loss of traditional customer engagement channels. With the pressures discussed above, organizations have flattened and integrated teams across all areas – IT, sales, marketing, financial, fulfillment. In the process they’re managing more complex, disparate streams of data to make more informed business decisions.

A Spring 2021 MDM survey found that 69% of more than 200 respondents said the primary goal of their current/scheduled technology investment is to either provide additional value/service to customers or improve overall customer experience. The leading solutions include customer



relationship management software (CRM), business analytics/intelligence and pricing optimization tools. That portfolio reflects a significant shift from pre-pandemic focus, when a majority of distribution sales organizations struggled to gain traction with CRM tools. But it's not surprising; disruption spurs action.

With this recent data analytics maturity, with increased focus on CRM, business intelligence and pricing optimization, we've seen the new concept of Revenue Intelligence emerge. At its core, the value of Revenue Intelligence is in connecting insights from a combined set of analytic tools — financial and operational key performance indicators (business intelligence), including pricing analytics — with a customer relationship management platform.

In its "[Market Guide for Revenue Intelligence Platforms](#)," management consultant firm Gartner found that 65% of B2B sales organizations will transition from intuition-based to data-driven decision making, using technology that unites workflows, data and analytics.

Research firm Forrester defines Revenue Intelligence in this way: "The related shift to digital engagement (self-guided and personal) has made it imperative to have comprehensive insight into buyer relationships and engagement activity and to use this intelligence and insight to improve the buying experience and optimize revenue engine performance" (The Forrester Wave: Revenue Operations and Intelligence, Q1 2022).

For distributors, Revenue Intelligence is a way to drive revenue with a more data-driven culture and kill data-free decision making that has been the norm for years. "The shift is from doing things based on perception and history with, 'I've always done it this way, it's worked fine and I understand my customer base' to making data-based decisions," says Brian Friedle, Vice President of White Cup, which has pioneered a Revenue Intelligence software suite specifically for distributors. "I've never seen a distributor not be surprised when they dig into their data and discover different truths than what they thought or things they didn't know they were doing wrong."



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BRIAN FRIEDLE
Vice President of Business Development
White Cup



It's fair to say many distribution executives don't have intensive knowledge about optimized pricing models, much less about all the ins and outs of what a CRM fully encompasses. The good thing is that expertise in those areas isn't necessary when Revenue Intelligence is applied as a technology tool. The provider of that tool

can take care of installation and have a pre-configured, industry-specific analytics package ready on day one. This allows distributors to view tailored workflows, reports, and pricing out of the gate.

Revenue Intelligence also integrates what has previously been disparate analytic point solutions.



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RESEARCH FROM
Gartner

“Until fairly recently, there’s been the notion that ‘I need to get this tool to solve this problem and I need to get that tool to solve that problem,’” explains Friedle. “We’re now seeing people understand that they need these tools to interact with each other. They’re seeing that they can build multiple things if they have multiple tools that can be used at the same time for a common goal.”

The pandemic forced distribution organizations to embark on some type of transformational effort. The mantra increasingly has been to become a “data-driven” organization. There are lessons distributors can take from other industries that have faced earlier waves of disruption and developed more sophisticated ways to manage the complex customer lifecycle to optimize revenue opportunity and profit streams. Revenue Intelligence is rapidly becoming best practice for top-quartile distributors.



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About White Cup

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.