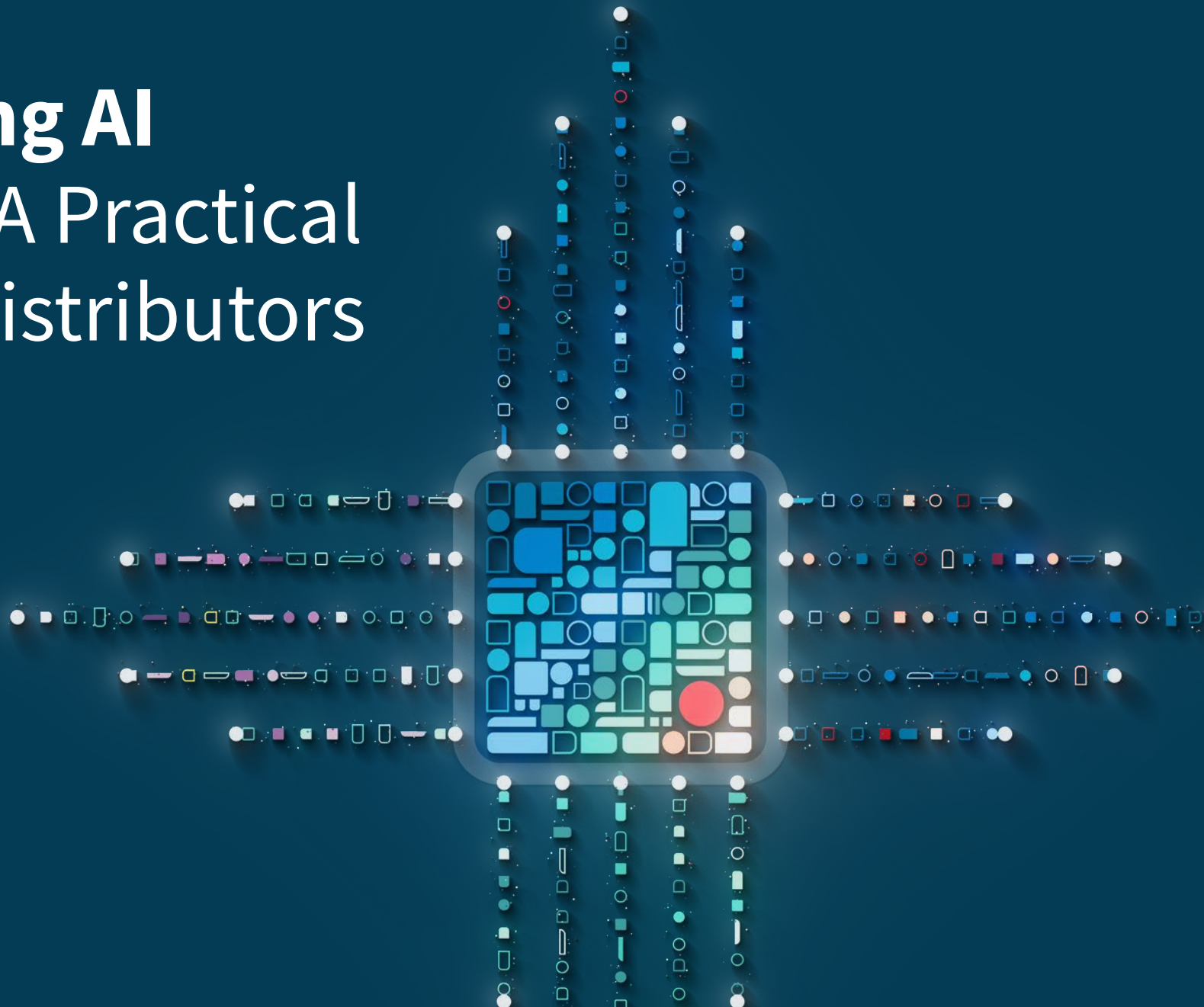


EPICOR

Accelerating AI Adoption: A Practical Guide for Distributors



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The AI Adoption Gap in Distribution

Like many sectors, wholesale distribution faces numerous challenges in today's environment. A recent Deloitte study reports that returns on capital invested in the distribution sector are in decline compared to previous years¹. Difficult environments, however, often compel business leaders to challenge assumptions about productivity, strategy, efficiency, and focus. This reassessment may present a unique opportunity for distributors to leverage the promise of artificial intelligence (AI).

Despite this promise, many wholesale distributors have been slow or hesitant to explore and adopt AI wholeheartedly. In a 2024 study by Wakefield Research, more than one-third of survey respondents felt that their C-suite didn't fully understand AI, and nearly half reported challenges justifying or requesting resources for AI implementation. Of those who have implemented AI, 90% reported they were discovering new use cases and, as a result, 94% are planning to expand their AI efforts. Benefits reported include efficiency and productivity (64%), cybersecurity and threat detection (60%), and better decision-making (59%). Other benefits noted by their research included increased work flexibility (49%), greater job satisfaction (45%), more time for skill development and creative thinking (44%), and enhanced workplace safety (39%)².

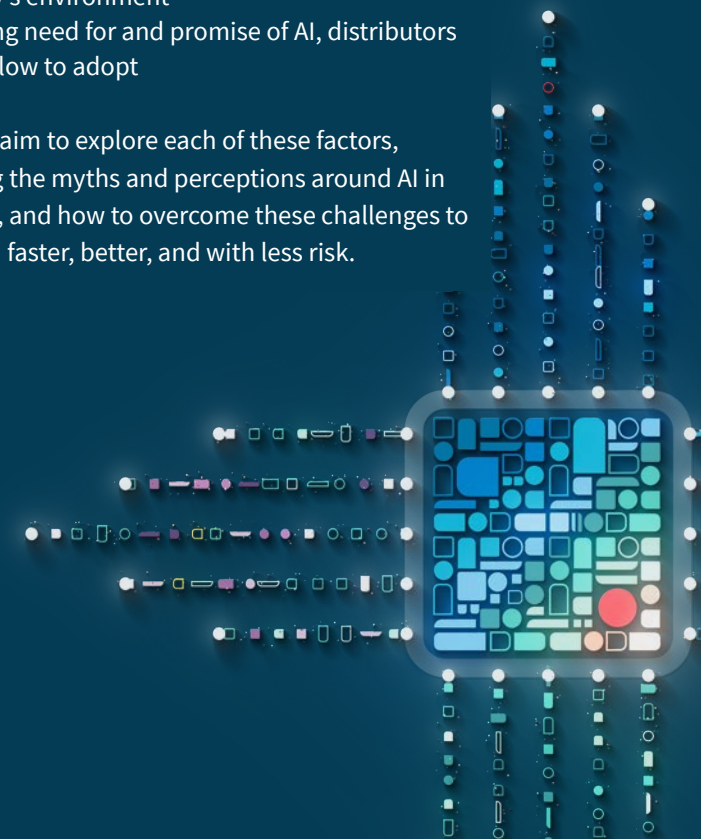
1- Deloitte, *Winning at the Wholesale Distribution Inflection Point*

2- Wakefield Research & Honeywell, *Industrial AI Insights*

To summarize this context about today's wholesale-distribution environment:

- The sector is increasingly under pressure to find new sources of value creation
- AI offers enormous potential and proven benefits when implemented in strategic areas
- Many of these benefits can help distributors thwart potential disruption in today's environment
- Despite the pressing need for and promise of AI, distributors are still relatively slow to adopt

In this white paper, we aim to explore each of these factors, focusing on uncovering the myths and perceptions around AI in wholesale-distribution, and how to overcome these challenges to achieve success with AI faster, better, and with less risk.



Section 1:

Why AI? Why now? Why Distribution?

The convergence of several factors makes AI particularly relevant for distributors at this juncture:

Increasingly Accessible

AI technology has become more accessible than ever before. A growing ecosystem of applications, lower barriers to entry, and offerings from both established vendors and innovative startups have contributed to falling costs. This democratization of AI allows distributors of all sizes to explore and implement purpose-built AI solutions tailored to their specific needs.

Evidence-Based Benefits

Early adopters in the distribution sector are already reaping tangible benefits from AI implementations. From optimizing inventory management to enhancing customer service, AI is proving its worth across many facets of distribution operations. These success stories provide a roadmap for others in the industry to follow.

A Competitive Requirement

The distribution industry is in the midst of a digital revolution. AI serves as a cornerstone of this transformation, enabling distributors to streamline operations, gain deeper insights from their data, and make more informed decisions. As the industry evolves, AI adoption may become less of a competitive advantage and more of a necessity for survival.

Changing Customer Expectations

Today's customers demand speed, convenience, and personalized experiences. AI-powered solutions can help distributors meet these expectations by providing faster response times, more accurate product recommendations, and improved overall service quality. By leveraging AI, distributors can stay ahead of evolving customer needs and preferences.

Evolving Workforce Dynamics

As a new generation enters the workforce, there's an increasing expectation for sophisticated, technology-driven work environments. AI presents an opportunity to upskill and reskill employees, making their roles more engaging and productive. This not only improves operational efficiency but also helps attract and retain top talent in a competitive labor market.

Despite these compelling reasons, a recent study by Modern Distribution Management (MDM) found that 65% of distributors have yet to adopt AI in any area of their business, with another 25% having implemented only one use case. Leaders often cite data quality issues and a lack of in-house expertise as primary barriers. This perception persists despite distributors possessing vast amounts of valuable data within their Enterprise Resource Planning (ERP) systems—data that can provide a solid foundation for AI initiatives.

As Greg Hartunian, CEO of Smart Software (an Epicor solution) notes, “Distributors are often richer in data assets than they realize. Everything they need for demand forecasting and inventory planning is embedded within their ERP systems”. This report explores how distributors can leverage existing data assets to drive impactful AI use cases. We aim to dispel common myths, identify low-hanging fruit, and highlight achievable benefits. By doing so, we hope to empower distributors to embrace AI as a tool for navigating current challenges and positioning themselves for future success.



Section 2:

Debunking Common Myths about AI in Distribution

Top AI Myths in Distribution:

Myth 1:

“Our Data Isn’t Good Enough.”

Myth 2:

“AI Will Replace Jobs.”

Myth 3:

“AI is Too Expensive and Complex for Us.”

Myth 4:

“AI is Just a Passing Trend.”

Myth 1: “Our Data Isn’t Good Enough.”

Many distributors believe that AI requires flawless data to deliver meaningful insights. However, this assumption often underestimates the value of existing data assets. Most Enterprise Resource Planning (ERP) systems already contain structured, reliable data sufficient to support valuable AI applications.

A McKinsey report suggests that distributors who leverage their existing ERP data can significantly improve forecast accuracy and inventory management, leading to cost reductions and enhanced service levels.³

Greg Hartunian from Epicor reinforces this point: “Everything you need for demand forecasting and predictive inventory planning is already in your ERP”. For any information that might be missing, duplicated, or inconsistent in your ERP, a new wave of tools — many of them AI-based themselves — are available to intelligently correct these issues without the tedious and daunting manual methods that may have been required several years ago. Yes, AI tools today can help get your data cleaned, organized, and scrubbed so that you can pursue AI more easily, faster, and with better outcomes than most distributors might think.

Many distributors also dismiss the value of unstructured data as being valuable to their future efforts. One tile and stone distributor we spoke to was surprised to hear that visual scanning of remnant material pieces represented an enormous opportunity to sell—and generate revenue from—offcuts, using a simple AI model to pair remnants with inbound orders. At scale, these opportunities have the potential to transform distributors’ businesses by moving inventory, delighting buyers, and tapping into new revenue sources — all with data and assets in their core ERP system.

³ <https://www.mckinsey.com/industries/industrials-and-electronics/our-insights/distribution-blog/how-generative-ai-is-disrupting-distribution>

Myth 2: “AI Will Replace Jobs.”

There’s a widespread concern that AI will lead to job losses, particularly in roles involving manual or repetitive tasks. However, the reality of AI implementation in distribution often tells a different story.

AI is typically deployed to support employees rather than replace them. McKinsey’s research highlights that in many cases, AI and automation improve employee productivity and job satisfaction by reducing tedious tasks, rather than causing layoffs.⁴ For instance, a regional grocery chain that implemented automation across its distribution centers achieved:

- 20% run-rate savings
- Fourfold productivity increase
- 20% reduction in space usage

Mark Jensen from Epicor explains, “AI can free up employees from repetitive tasks, allowing them to focus on higher-value work without reducing headcount.” Distributors who have implemented AI often find that it enables their teams to engage in more strategic, customer-focused activities.

Myth 3: “AI is Too Expensive and Complex for Us.”

Many mid-sized distributors assume that implementing AI requires a massive budget and a specialized IT team. However, recent advancements have made AI more accessible than ever before.

The proliferation of low-code and off-the-shelf AI solutions has significantly lowered the barrier to entry. According to McKinsey, companies focusing on practical AI applications like demand forecasting and inventory management often see a return

on investment within the first year.⁵ This makes AI an increasingly cost-effective solution for mid-sized distributors.

Hartunian advises distributors to explore options with their ERP providers. These providers often offer integrated AI tools to reduce complexity and make AI more affordable. These solutions can provide a straightforward path to AI implementation without the need for extensive in-house expertise.

Myth 4: “AI is Just a Passing Trend.”

Some distributors view AI as merely the latest technology buzzword, destined to fade away like other trends. However, the evidence suggests that AI is here to stay and will play an increasingly crucial role in the distribution industry.

A Gartner study predicts that by 2025, 70% of organizations will have operationalized AI architectures. This indicates that AI is not just a fleeting trend but a fundamental shift in how businesses operate. For distributors, ignoring AI could mean falling behind competitors who are leveraging it to gain significant advantages in efficiency, customer service, and strategic decision-making.

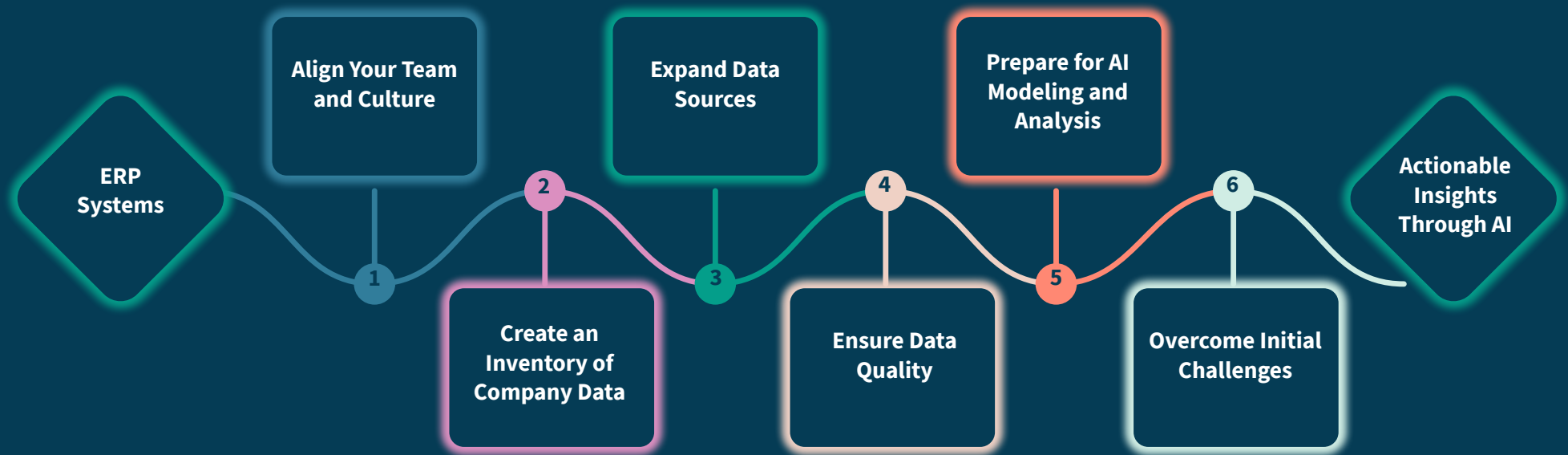
By dispelling these myths, distributors can approach AI with a more realistic and optimistic perspective. The key is to start small, begin with AI applications already available within the walls of your company (like through your ERP system), focus on practical applications, and build on successes over time. As the distribution industry evolves, AI may play an increasingly central role in driving competitiveness and innovation.

⁴ McKinsey & Company, *Navigating Warehouse Automation Strategy for the Distributor Market*

⁵ McKinsey & Company, *The State of AI in Early 2024*

Section 3:

Identifying and Unlocking Data Assets



Before diving into the technical aspects of AI implementation, it's crucial to lay a strong foundation by aligning your team and fostering a culture that embraces innovation. This initial step sets the stage for successful AI adoption across your organization.

Align Your Team and Culture

Start by clearly articulating why AI is critical for the future of your distribution business. Explain what AI means for your organization and dispel common misconceptions. This communication should come from the top and cascade through all levels of the company.

Define AI-Driven Initiatives:

- Hold town halls or department meetings to discuss AI strategy
- Share success stories from other distributors or related industries
- Address concerns about job security openly and honestly

Create an environment that encourages learning, experimentation, and innovation. Consider establishing an annual AI innovation award to recognize teams that create value through AI. And encourage key leaders to sponsor AI initiatives in their functional areas.

Create Targeted AI Action Plans:

- Challenge each department leader to sponsor one AI initiative per quarter or year
- Establish company-wide goals for AI-driven efficiency improvements or cost savings
- Track and report on the number of employees trained in AI-related skills

Highlight how AI will create new career pathways and opportunities for employees to engage in more strategic, creative work. Offer training and upskilling programs to help employees adapt to AI-enhanced workflows. Connect AI initiatives to your company's broader mission and vision, emphasizing how AI will ultimately help serve customers better. Remind your team that they likely already interact with AI in their daily lives, both personally and professionally, to demystify AI and make it feel more approachable. For example, a modern ERP system is almost certainly utilizing AI today to enable functionality that your team uses and benefits from.

Other examples include:

- Autocorrect and predictive text in emails and messaging apps
- Design suggestions in presentation software like PowerPoint
- Voice assistants on smartphones or smart home devices
- Personalized recommendations on streaming platforms or e-commerce sites
- ERPs that already leverage AI capabilities to perform core functions

By highlighting these everyday AI interactions, you can help your team understand that AI is not a distant, intimidating concept but a technology they're already familiar with and benefiting from.

Create an Inventory of Company Data

With your team aligned, focus on identifying and leveraging your existing data assets. Many distributors underestimate the wealth of information they already possess, particularly within their Enterprise Resource Planning (ERP) systems.

Begin by conducting a thorough assessment of the key data types, including:

- ERP
- CRM
- Fabrication, manufacturing, and material use
- Supplier and vendor information
- Company financials
- Customer trends
- Business intelligence
- Competitor information and benchmarks
- Human Resources Information Systems (HRIS)

This assessment often reveals underutilized data that can support AI-driven insights. For example, one building materials distributor was amazed after conducting a company-wide search for data sources to kickstart their AI exploration. Their company 'data map' is now a living document shared across the business and even with external partners. When starting a new AI or strategic initiative, the company looks to its data map to understand what existing assets they have to get started, to communicate with partners the key inputs, and to articulate where further work might be required to fill in data gaps.

Expand Data Sources

While ERP data forms the foundation, consider enriching your dataset with complementary sources:

- Third-party market information
- Internet of Things (IoT) sensor data from warehouses or vehicles
- Non-traditional and unstructured data sources (examples include: satellite imagery, analog records like printed orders and tags)

This approach provides a more holistic view of your business environment and customer needs. As the CEO of a business solutions leader notes, “I believe that the distributor of the future will be able to leverage AI to transform their business models.” For example, a medical supplies distributor successfully layered market trends onto their internal data, enabling them to adapt inventory strategies to projected seasonal and market shifts

Overcome Data Quality Concerns

Although data quality can be beneficial for effective AI implementation, it shouldn't prevent your distribution business from pursuing AI. Many tools today can assist in identifying and rectifying data quality issues, even when handling thousands of SKUs. If you fear that your ERP, for example, might have missing, duplicate, or even incorrect information—fear not! Good AI applications are able to identify and even resolve these issues. Gone are the days of tedious manual scrubbing for weeks or months before putting data to use. The even better news here is that after the initial learning curve, most distributors find that scaling AI systems becomes significantly easier, faster, and cheaper as data quality improves with each and every use case they deploy.

Prepare for AI Modeling and Analysis

Things you can do as a distributor to ensure your data is ready for input into AI applications include:

- Exporting data from company and software systems into a common repository or data lake
- Clarifying who in your company has read, write, and decision rights over select data sources, so access is streamlined and controlled
- Leverage external tools and vendors for cleaning and resolving data issues, many of which use AI themselves to automate data scrubbing

Overcome Initial Challenges

Investing in AI may come with challenges, especially in the early stages. As one senior executive put it, “You have to expect that your first AI project will be hard... this just comes with the territory of doing something new.” However, the potential rewards far outweigh the initial hurdles. Recent studies indicate that 92% of large companies report returns on their AI investments, with the same percentage planning to increase their AI budgets annually.⁶ These statistics underscore the value and confidence businesses are placing in AI technologies.

By unlocking the value of your existing data assets and aligning your team around AI initiatives, you can set a strong foundation for AI success in your distribution business. Remember, the key is to start small, focus on practical applications, and build on your successes over time while keeping your team engaged and informed throughout the process.



Expert Insights:

A conversation with Mark Jensen from Epicor on Demystifying AI for Distributors and Unlocking Potential with Existing Resources

Mark Jensen has nearly three decades of experience in ERP software and over eight years at Epicor, where he currently serves as the Director of Product Marketing. With a deep focus on distribution, Mark has been instrumental in helping companies leverage AI to streamline operations and make smarter, data-driven decisions.

Under his leadership, Epicor has expanded its AI capabilities, embedding intelligent tools directly into ERP systems to support distributors of all sizes. In this conversation, Mark shares his perspective on the myths surrounding AI in distribution, practical applications that deliver immediate value, and how distributors can take their first steps into the world of AI—revealing that many are closer to AI readiness than they might think.

Mark sat down with our research team to share his perspective on getting started with AI in distribution. An edited version of the conversation follows.

Distributors often think they're not ready for AI. Can you tell us what's behind that perception, and how true it actually is?

Mark Jensen: A lot of distributors believe they're far from ready to use AI because they assume their data isn't organized. What's surprising is that the ERP systems many distributors rely on daily are already rich in data that can support AI. Distributors might think they need to start from scratch, but they're closer to AI readiness than they realize. They just need to unlock the value in their existing data.

So the idea that you need advanced data systems or a team of experts to get started with AI—would you call that a myth?

Mark Jensen: It's one of the biggest myths out there. Most distributors have what they need: an ERP system filled with structured data. It's not about having perfect data; it's about using what you have. ERP data is central because it's curated, updated, and vital for daily operations. By leveraging the right tools, distributors can tap into AI without massive data restructuring.

Can you share a few practical examples of how AI is already being used within distribution to make a difference?

Mark Jensen: Absolutely. One use case is AI-driven querying. Users can ask their ERP for insights—like how a product line performed last quarter or which suppliers are most cost-effective—without needing to run multiple reports or switch screens. AI is introducing the ability to have a conversation with your ERP, which also drives better employee learning. Another example is AI for inventory management. AI can forecast demand, optimize stock levels, and identify substitute products when something's out of stock. These are practical solutions that directly enhance day-to-day operations.

It sounds like these AI applications are designed to simplify work, rather than create more complexity.

Mark Jensen: Exactly. AI can automate repetitive or time-intensive tasks, freeing up employees to focus on strategic work. For example, instead of spending time

manually maintaining product substitution lists, AI can suggest substitutes based on actual sales patterns. This doesn't just save time; it improves the accuracy of recommendations and enhances customer satisfaction. AI is there to support, not replace, people's roles, enabling them to do more with less hassle.

Beyond current applications, what benefits do you see AI bringing to distributors in the near future?

Mark Jensen: AI is evolving rapidly, and one area we're excited about is deeper supplier relationship management. Imagine being able to identify and prioritize purchase orders that need immediate attention and automate follow-up communications—all within the ERP system. AI can also tackle data deduplication, which can be a huge time-saver in inventory management, helping to clean up data inconsistencies that often go unnoticed. These advancements make distributors' operations more efficient, reduce errors, and open the door to even greater AI-driven insights.

What advice would you give to distributors looking to start their AI journey?

Mark Jensen: Start small and start smart. First, familiarize yourself with basic AI concepts; there are plenty of free resources available from reputable sources. Next, engage with industry peers or associations for guidance and firsthand experiences. And perhaps most importantly, talk to your ERP partner. Ask about their AI capabilities and roadmap. At Epicor, we work closely with our customers to integrate AI solutions tailored to their needs, ensuring a smooth transition into this new landscape.

It sounds like with the right approach, distributors can start using AI sooner rather than later.

Mark Jensen: That's exactly right. Distributors have more resources at their disposal than they often realize, and AI is increasingly accessible. By demystifying AI and taking those initial steps, distributors can position themselves to reap significant benefits, both today and in the future.

Section 4:

Spotting Strategic Use Cases for AI

Steps		Key Actions
01	Review Operational Pain Points	<p>Begin by identifying recurring challenges in your distribution business. These might include:</p> <ul style="list-style-type: none"> • Frequent stock-outs or overstock situations • Unpredictable demand fluctuations • Persistent supplier delays • Inefficient order processing <p>Inventory management and demand forecasting often emerge as prime candidates for AI intervention. These areas can significantly impact both cost control and service quality by addressing issues like overstock and stock shortages.</p>
02	Focus on High-Impact Areas	<p>Direct your attention to tasks significantly affecting costs, efficiency, or customer satisfaction. For many distributors, inventory optimization and demand forecasting yield substantial returns when enhanced with AI. Other areas like finance & accounting and even customer service can be low-hanging fruit for distributors seeking to create impact quickly with AI.</p>
03	Check Data Availability	<p>Evaluate whether relevant data is accessible in your ERP system. AI applications depend on existing data to generate insights. Inventory optimization, for example, relies on historical sales data and supplier lead times typically stored within ERP platforms.</p> <p>Additionally, consult with partners who may provide complementary datasets, such as:</p> <ul style="list-style-type: none"> • Suppliers offering SKUs, product information, market trends, and increasingly more abundant data to distributors • Manufacturer catalogs and PIM systems • Logistics partners sharing transportation metrics • Industry associations providing broader market intelligence <p>This combined approach enriches your dataset and enhances the accuracy of AI insights.</p>

Steps		Key Actions
04	Prioritize Simple, High-Benefit Applications	<p>Start with straightforward use cases that are easy to implement but offer clear benefits. Demand forecasting is an excellent entry point for many distributors, allowing teams to quickly see results and build confidence in AI capabilities.</p> <p>Consider these additional high-impact applications:</p> <ul style="list-style-type: none"> • Inventory Optimization: Use AI to forecast demand accurately and adjust reorder points, helping maintain optimal stock levels. • Automated Product Substitutions: Streamline the process of suggesting alternatives when items are out of stock, enhancing customer service. • Personalized Recommendations: Leverage AI to provide tailored product suggestions based on customer purchase history, improving engagement. • Predictive Maintenance: Implement AI to anticipate equipment failures and schedule maintenance proactively, reducing downtime. <p>These applications can deliver tangible benefits quickly, setting the stage for more complex AI initiatives in the future. For instance, a building materials distributor adjusted reorder points using AI, achieving a 12% reduction in inventory costs and a 15% decrease in stock-outs⁷.</p> <p>By starting with these focused applications, distributors can build momentum and demonstrate the value of AI within their organizations.</p>
05	Set Measurable Goals	<p>Establish specific targets for your AI initiatives. For example:</p> <ul style="list-style-type: none"> • Reduce stock-outs by 15% within six months • Increase demand forecast accuracy by 10% in the first quarter • Decrease order processing time by 25% over the next year <p>Defining clear goals helps ensure AI initiatives align with business objectives and allows for performance tracking and adjustments as needed.</p> <p>As the founder of a leading AI solutions provider for distributors notes, “Starting with AI must begin with strategic value. If you’re just trying to adopt AI for AI’s sake, it’s going to be difficult to find success.”</p>



Section 5:

Example AI Use Cases for Distributors

Adopting AI offers significant advantages for distributors enabling streamlined operations, reduced costs, and enhanced customer satisfaction. Here's a closer look at some of the first AI use cases distributors should consider and the value they can unlock.

Use Case 1: Smarter Inventory Forecasting & Management

AI-driven inventory optimization helps distributors reduce costs by accurately forecasting demand and dynamically adjusting reorder points. This approach helps ensure that the right stock levels are maintained without excessive inventory, freeing up capital that would otherwise be tied up in overstocked products.

Real-world impact: A Japanese distributor implemented AI for inventory management and demand forecasting, resulting in a 23% increase in forecasting accuracy, an 8% reduction in unsold inventory value, and a decrease in stockout rates to 4%, allowing for improved cost efficiency while maintaining availability of products for customers⁸.

Use Case 2: Opportunity Identification

AI can analyze customer data to recommend products, services, and even pricing optimization for high-priority accounts and present these to sales reps and management sorted by opportunity size, territory, urgency, or other factor.

Real-world impact: One distributor leveraged AI to analyze account data, surfacing more than \$2 billion in opportunity that was not visible to the distributor prior to implementing the AI solution⁹.

⁸ FPT, *AI x RPA for Automated Inventory Management*

⁹ McKinsey & Company, *Revolutionizing Sales in Distribution: Harnessing the Power of AI*

Use Case 3: Enhanced Customer Satisfaction

AI enhances customer satisfaction by enabling personalized services, such as tailored product recommendations and proactive order reminders. By analyzing purchasing patterns, AI can predict reorder cycles and customer needs, creating a smoother experience that fosters loyalty.

Real-world impact: A medical supplies distributor used AI to predict clients' reorder cycles, notifying them in advance when supplies were low. This proactive approach led to a significant increase in customer satisfaction, as clients valued the reliability of timely reminders and consistent supply.

Use Case 4: Improved Risk Management

AI's predictive analytics allow distributors to better manage risks associated with supply chain disruptions and demand fluctuations. Using historical data to model various scenarios, AI can guide distributors in setting reorder points and stock levels that minimize risks without tying up excess capital in inventory.

Real-world impact: A furniture distributor utilized AI to anticipate supplier delays and adjust reorder points accordingly. This proactive strategy reduced emergency orders by nearly half, enabling the distributor to maintain high service levels while managing inventory expenses effectively.

These examples illustrate that AI is not merely a theoretical concept but a practical tool that can drive real benefits for distributors. By embracing AI technologies, distributors can work smarter, enhance customer experiences, and build more resilient operations for the future.

Expert Insights:

A conversation with Greg Hartunian on Unleashing AI for Inventory Management

As the CEO of Smart Software, acquired by Epicor in 2024, Greg Hartunian has developed innovative tools that use AI to help businesses optimize inventory and improve supply chain efficiency. Greg, now Director of Sales at Epicor, brings over 25 years of expertise in inventory forecasting and demand planning to the distribution sector. In this conversation, Greg shares his insights on the myths around data readiness in distribution, how companies can better leverage existing ERP data for AI-driven forecasting, and the practical steps distributors can take to reduce stockouts and streamline inventory management.

Greg sat down with our research team to share his perspective on AI in distribution. An edited version of the conversation follows.

Do you think distributors often underestimate their data readiness for AI?

Greg Hartunian: Absolutely. Companies that have invested in an ERP system are richer in data than they realize. For inventory planning and forecasting, all the necessary data already exists within ERP systems—transaction histories, sales orders, shipment records, and supplier receipts. This data is the raw material for accurate demand forecasting and predictive planning, which can help distributors optimize their inventory without massive data cleansing efforts.

Should distributors hold back on AI if they feel their data isn't sufficient?

Greg Hartunian: The phrase “garbage in, garbage out” often stops companies from pursuing AI initiatives, as they assume their data quality isn't up to par. But what I find is that this reasoning becomes an excuse for inaction. In reality, distributors can start with the data they have, and through purposebuilt tools like those from Smart Software, now part of Epicor, we can identify and clean up gaps in data quality. Waiting to “perfect” the data only leads to missed opportunities.

What are some practical, low-hanging fruit opportunities for distributors starting with AI and predictive tools?

Greg Hartunian: The biggest opportunity lies in setting effective stocking policies. For each item in inventory, distributors make two key decisions: the reorder point and the order quantity. These are critical, yet most distributors set them once and forget them. With probabilistic forecasting, AI can analyze demand patterns and lead times, and then adjust reorder points and order quantities dynamically. This approach reduces stockouts, cuts excess inventory, and helps ensure that resources are allocated efficiently.

How do Smart Software's AI tools simplify these inventory management tasks?

Greg Hartunian: We use probability modeling to generate forecasts of a range of potential demand scenarios rather than a single, static forecast. This method helps distributors predict inventory metrics such as the likelihood of stockouts or overstock situations for each SKU and location. By integrating with Epicor, we can deliver these insights in real-time, enabling distributors to adjust inventory decisions proactively. And because it's based on historical transactions, it's relatively “data-light” and easy to deploy.

Why do some distributors hesitate to adopt these AI-driven methods?

Greg Hartunian: Often, they view AI as overly complex or believe their organization isn't sophisticated enough. Many AI applications do require massive data sets and will apply complex models that necessitate extensive training, but our probability-based approach is designed to be easy to understand and implement. Our simulations leverage real past transactions, giving distributors a realistic view of future inventory needs without needing deep technical expertise.

Looking forward, how will AI and predictive modeling continue to benefit distributors?

Greg Hartunian: The future lies in using AI to support dynamic inventory decisions that adapt to changing conditions. With probabilistic forecasting, distributors can maintain the right stock levels while minimizing risk and cost. AI will also allow them to move away from reactive adjustments and manage inventory as a strategic asset. Our goal at Epicor is to make these capabilities accessible so that every distributor can unlock value from their existing data without needing a major data science investment.

Embracing AI in Distribution

As distributors navigate the AI landscape, it's clear that the path to success lies not in radical overhauls, but in building upon existing strengths. Mark Jensen aptly notes, *"AI is not about starting from scratch; it's about building on what distributors already have."* By focusing on practical applications and achievable goals, distributors can realize immediate benefits while positioning themselves for continued innovation.

Recommended First Steps:

1. Work with Your ERP Vendor:

- Speak with your AI provider to understand what their AI-driven product roadmap is
- Seek AI features that strategically advance your business, not just flashy add-ons
- Evaluate their ethics and principles of your ERP partner around data use, customer information, and bias mitigation
- Assess their in-house AI expertise and commitment to advancing their product roadmap

2. Engage with Industry Peers:

- Learn from successful AI adopters through case studies and industry webinars
- Participate in distribution-focused AI forums and conferences
- Consider joining industry user groups focused on AI implementation
- Visit nearby distributors already using AI to learn from their experiences

3. Prioritize High-Impact Areas:

- Focus on applications aligned with your existing strategic plan and operational roadmap
- Create business cases for potential AI applications while balancing risk, reward, and strategic fit
- Target opportunities that offer significant cost savings, revenue growth, or competitive advantage
- Start with proven areas like inventory optimization and demand forecasting for quick wins

As the CEO of a leading pharmaceutical distributor said, *"In distribution, the companies that thrive are those that see technology not as a threat, but as a powerful ally."*¹⁰

By taking these steps, distributors can harness AI's potential without becoming overwhelmed. The key is to approach AI as a tool to enhance existing strengths and address specific business needs, rather than a wholesale replacement of current systems.

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“In distribution, the companies that thrive are those that see technology not as a threat, but as a powerful ally.”



Appendix 1: AI Implementation Roadmap for Distribution Leaders

The following checklist is a practical guide for distribution leaders ready to implement AI in their organizations. By following these steps, you can systematically assess your company's readiness, identify opportunities for AI integration, and align initiatives with your strategic goals. Each item is designed to prompt thoughtful consideration and action, helping ensure that AI adoption delivers tangible benefits to your distribution business.

1. Communicate a Vision and Inspiration for AI

- ☑ Communicate the importance of AI to key stakeholders.
- ☑ Plan regular updates on AI initiatives.
- ☑ Provide inspiration and encouragement to employees at all levels.
- ☑ Bust myths, especially around job displacement.

2. Inventory Data Sources

- ☑ Conduct an inventory of existing data sources.
- ☑ Identify structured data (ERP, CRM, financial records).
- ☑ Assess unstructured data (emails, social media feedback).

3. Align AI with Strategic Goals

- ☑ Review the company's strategic plan to help ensure AI efforts are relevant.
- ☑ Identify high-impact areas for AI implementation.

4. Set Measurable Goals

- ☑ Establish specific targets (e.g., reduce stock-outs by 15%).
- ☑ Define key performance indicators (KPIs) for tracking progress.

5. Build Skills and Partnerships

- ☑ Assess current in-house AI expertise and identify gaps.
- ☑ Explore partnerships with technology providers for support and resources.

6. Pilot and Scale AI Initiatives

- ☑ Start with small-scale pilots to test AI applications.
- ☑ Develop a plan for scaling successful pilots across the organization.

7. Foster an AI-Friendly Culture

- ☑ Create training programs to upskill employees on AI technologies.
- ☑ Encourage a culture of innovation and experimentation within teams.

8. Support Ethical Use of AI




- ☑ Establish data governance policies to protect customer information.
- ☑ Regularly audit AI systems for bias and compliance with regulations.

To make the most of this roadmap, start by engaging key stakeholders and communicating the value of AI within your organization. Begin with a thorough inventory of your data sources to lay a strong foundation for identifying actionable insights. As you progress through the checklist, focus on aligning AI initiatives with your broader business objectives and fostering a culture that embraces innovation.

Remember, adopting AI is not an overnight transformation; it requires commitment, collaboration, and continuous learning. By taking these initial steps, you can position your distribution company to harness AI's full potential and drive meaningful improvements in your operations.

Appendix 2: Planning Your First AI Initiative

Use this worksheet to plan and describe your first AI project. This will help you align your initiative with strategic goals, identify resources, and set clear objectives.

Block 1: Strategic Alignment	Block 2: Implementation Planning	Block 3: Measuring Success
<div>Theme: Ensuring your AI initiative supports your business goals</div>	<div>Theme: Preparing resources and timeline for your AI project</div>	<div>Theme: Defining and tracking the impact of your AI initiative</div>
<div>1. How does this AI initiative support your overall business strategy?<div><input checked="" type="checkbox"/> Cost reduction: _____<input checked="" type="checkbox"/> Revenue growth: _____<input checked="" type="checkbox"/> Customer experience: _____<input checked="" type="checkbox"/> Operational efficiency: _____<input checked="" type="checkbox"/> Other: _____</div></div>	<div>4. What data sources will you leverage for this initiative?<div><input checked="" type="checkbox"/> ERP system: _____<input checked="" type="checkbox"/> CRM system: _____<input checked="" type="checkbox"/> Sales history: _____<input checked="" type="checkbox"/> Inventory data: _____<input checked="" type="checkbox"/> Other: _____</div></div>	<div>8. How will you track and assess the progress of this<div><input checked="" type="checkbox"/> Regular review meetings: _____<input checked="" type="checkbox"/> Data collection methods: _____<input checked="" type="checkbox"/> Feedback mechanisms: _____<input checked="" type="checkbox"/> Adjustment criteria: _____</div></div>
<div>2. What specific business challenge or opportunity will this AI initiative address?<div><input checked="" type="checkbox"/> Existing pain point: _____<input checked="" type="checkbox"/> Untapped opportunity: _____<input checked="" type="checkbox"/> Competitive pressure: _____<input checked="" type="checkbox"/> Industry trend: _____<input checked="" type="checkbox"/> Other: _____</div></div>	<div>5. What resources will you need?<div><input checked="" type="checkbox"/> Budget: _____<input checked="" type="checkbox"/> Technology: _____<input checked="" type="checkbox"/> Personnel: _____<input checked="" type="checkbox"/> Training: _____<input checked="" type="checkbox"/> Other: _____</div></div>	<div>9. What are the next steps to launch this initiative?<div><input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____</div></div>
<div>3. Which key stakeholders need to be involved?<div><input checked="" type="checkbox"/> Executive sponsor: _____<input checked="" type="checkbox"/> Project lead: _____<input checked="" type="checkbox"/> IT support: _____<input checked="" type="checkbox"/> End users: _____<input checked="" type="checkbox"/> External partners: _____<input checked="" type="checkbox"/> Other: _____</div></div>	<div>6. What is your projected timeline?<div><input checked="" type="checkbox"/> Start date: _____<input checked="" type="checkbox"/> Key milestones: _____<input checked="" type="checkbox"/> Target completion date: _____</div></div>	
	<div>7. What are the potential risks and mitigation strategies?<div><input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____<input checked="" type="checkbox"/> _____</div></div>	

To maximize the value of this worksheet, engage your leadership team in completing it together. This collaborative approach will help align your AI initiative with your company’s strategic goals and ensure buy-in across departments. As you work through each section, remember that successful AI implementation is a journey that requires patience, adaptability, and a willingness to learn.

By thoughtfully planning your first AI project using this framework, you’re taking a significant step towards transforming your distribution business. Remember, the goal isn’t perfection, but progress. Start small, celebrate early wins, and be prepared to iterate as you gain experience. Your commitment to this process will position your company to leverage AI’s full potential and drive meaningful improvements in your operations.

Accelerating AI Adoption: A Practical Guide for Distributors

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