# Adding Value to Your Distribution Business

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## Introduction

A fundamental principal of business operations is distinguishing your company from the competition.

In a recent research report, McKinsey and Company stated that "digital giants like Amazon Business consider how much they can improve customer experience with their current capabilities and infrastructure" when deciding to enter an industry.[1]

You want your customers to know that you are there for them, not just now, but also for the long-term. Delivering value-added services to your customers is critical to validating your dedication to customer service and ensuring your longevity.
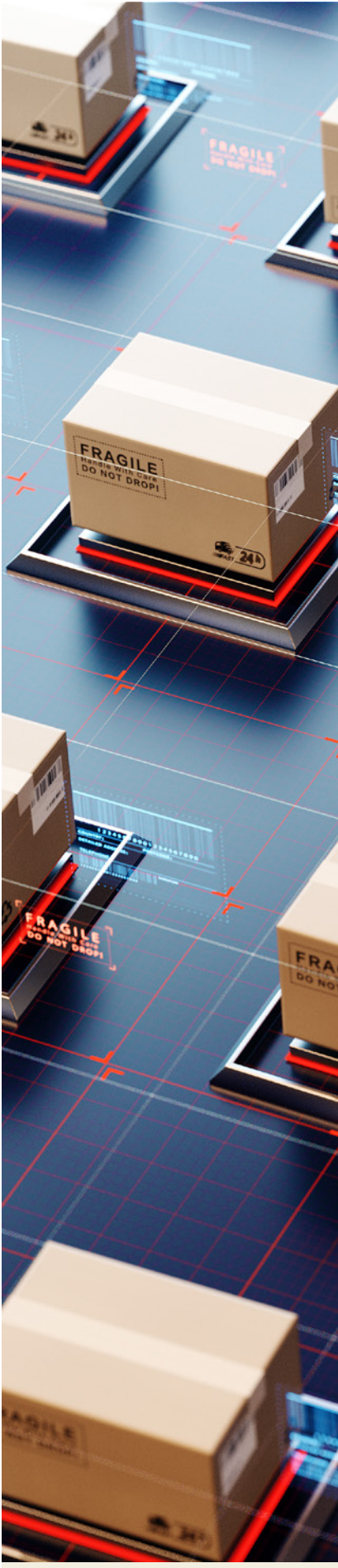
[1] The coming shakeout in industrial distribution, McKinsey and Company, May 2019 | Report

## Services

## Find Value-Added Services That Will Benefit Your Existing Customers

Offering value-added services is nothing new for distributors—many have been providing kitting, assembly, and other services for some time. However, many distributors decide to offer a value-added service because it makes most sense to them—either from a revenue or product extension perspective—rather than their customers. While this is a good strategy from a business and operations perspective, it doesn't take customer demand into consideration. It's important to ensure that the service will actually benefit existing customers, lure new customers away from the competition, and is something you can deliver upon without a huge amount of rework or investment to be successful and profitable.

How do you determine which services will most benefit your customers? Start by asking them.

A quick survey can reveal insights into services that would benefit your customers and it may also help you gauge the price threshold they are willing to pay for these services. Since employees are the ones who are mostly interacting with customers, it's also a good idea

to ask them if they've received specific requests or have input on the ideas the business is considering.

Value-added services can be implemented in many areas of your distribution business, including:

- ▶ **Production**—Assembly, light manufacturing, and fabrication
- ▶ **Service**—Field service and maintenance, in-house repair, solution design, and engineering
- ▶ **Products**—Project staging, custom products
- ▶ **Rentals Management**—Rentals of a product for one time or infrequent need
- ▶ **eCommerce**—Purchase of off-the-shelf, regularly purchased items online
- ▶ **Digital Content**—Interacting with your customer digitally, eg: deliver product training via live streaming

It's also vital to measure how much it will cost to implement the service—both with regards to capital investment and labor—and what your expected return on investment (ROI) and timeline is for recouping the costs associated with offering the service. If you've never offered value-added services before, we recommend that you attempt to incorporate something that can be achieved by existing human and equipment resources as much as possible—with a plan for continued development and investments to occur over time.

## Examine The Competitive Landscape

To truly add value to your customers—and to your bottom line—distributors should identify value-added services that set them apart from the competition. Start by examining the competitive landscape to identify what types of services other distributors are offering—as well as services they are not providing. This will help you uncover areas of opportunity and help to determine what the market is willing to accept with regard to cost and service offerings.

For example, you may find that a large percentage of your competitors are offering the same type of service you're considering launching. Perhaps the service is a natural extension of your business and will be relatively simple and cost-effective to implement. In this scenario, you may decide to offer the service at a lesser price to entice new customers. However, unless you can really outperform the competition, increasing the opportunity for customers to obtain this service may erode its value to the point where customers no longer feel like they should have to pay for it.

Conversely, you may discover a great opportunity to offer a service that no competitors currently provide. Before you dive in head first, determine if there's a reason no one else is providing the service—you may find that other companies have tried and failed for reasons that may also plague your

business. Similar to new product development, this is a great arena to learn from others' mistakes.

One example would be offering digital content to your customers. If your sales team has been doing their job, they already have great relationships with your customers. How feasible is it to visit them regularly? With a growing set of accounts, regular, personal face to face interactions aren't feasible. The trend of doing more digitally and less in person has been exponentially growing. "Manufacturers will partner with distributors who can deliver their value digitally over those that can't," says John Gunderson, VP Analytics & E-Business, Modern Distribution Managment.[2]

Some examples of offering digital content would be live streaming product training or creating a YouTube channel with video content around your business solutions, or even building an online community for your customers if relevant.

For many distributors, renting equipment is another way to offer a service that customers will appreciate. Often a customer is not interested in buying a piece of equipment because it is not needed regularly, the price is too high or they have a one-time unique need. They have a need for which renting is a perfect fit. Using a cloud-based rental software solution designed specifically for wholesale distributors and fully integrated into cloud ERP software, distributors of all sizes can efficiently offer product rentals to customers without needing standalone, disconnected software. Offering these services allows you to grow margin through rentals—a proven, highly profitable business model—and strengthen customer loyalty by providing product in new ways with more value, and establish new lines of revenue.

Ultimately, your goal should be to find a niche service that you can offer that very few competitors provide—and do it well.

Another key to success is to ensure that the service is priced clearly and appropriately to avoid confusion from customers—and even internal sales personnel—with regard to what is included in the price of the service. Since customers have a tendency to ask for more services without incurring additional expense, it's important that requirements are well defined and that the service is clearly outlined to avoid scope creep.

## Monitor Success and Measure ROI

Perhaps one of the more challenging elements to implementing new value-added services to your distribution business is monitoring its success and measuring ROI on the program.

Developing defined processes around the implementation, delivery, and utilization of the service is pivotal to its ultimate success.

One of the ways to accomplish this is by developing a services team that can assess ongoing program performance and provide suggestions for improvements. This—in conjunction with the utilization of an enterprise resource planning (ERP) system to automate, track, and provide analytical data—can provide key insight on ROI. For example, ERP systems can be used to track and manage manufacturing, field service, maintenance fees, and consulting services.

An online storefront may also be used to market and sell value-added services—alleviating time and effort from customer service, inside sales, and/or accounting that would otherwise be used to support ordering and payment. When eCommerce is rolled into an ERP system, it further assists with tracking ROI.



[2] Support Your Customers: Don't Stop Selling Because of Coronavirus by John Gunderon, VP Analytics and E-Business, Modern Distribution Management, March 16, 2020

## Summary

Incorporating the right value-added services into your distribution business can have a tremendous impact on your bottom line, but it requires careful planning and thoughtful implementation. The upfront investment warranted by the services must not outweigh the long-term potential profitability of the program. Leveraging existing systems—including ERP software—as well as capital and personnel resources can help mitigate the risk and keep expenses in check.

Modern business systems—like Epicor® Prophet 21® Solutions deployed in the cloud—are designed to integrate processes and maximize productivity.

Business systems from Epicor can also support the unique processes of a wholesale distributor like no other software provider. Born in distribution, Epicor software solutions have enabled distributors for over five decades to improve their productivity by eliminating or connecting disparate systems and streamlining tasks.

> Visit **www.epicor.com/distribution** to learn how Epicor Software ERP solutions can help you grow, thrive, and compete in the ever-changing distribution landscape.

## About Epicor

Epicor Software Corporation drives business growth. We provide flexible, industry-specific software designed to fit the precise needs of our manufacturing, distribution, retail, and service industry customers. More than 45 years of experience with our customers' unique business processes and operational requirements are built into every solution—in the cloud or on-premises. With this deep understanding of your industry, Epicor solutions dramatically improve performance and profitability while easing complexity so you can focus on growth. For more information, connect with Epicor or visit www.epicor.com.

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