



Innovate or Die!

The Coming Commoditization of Distribution: Disruption and What You Can Do About It

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Real Results Marketing, Inc.



- **Technology (especially AI)** will revolutionize procurement
- **Assortment and availability** have been commoditized
- **Generational change** will drastically change customer expectations
- Distributors and their channel partners must adapt and **innovate or die**



**Disruption has reached
the distribution industry**

Artificial Intelligence Will Revolutionize Distribution

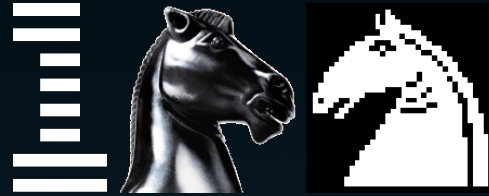
You Must Understand Artificial Intelligence to:

- Know your digital competitors
- Plan new capabilities
- Anticipate customer needs

Here's a Quick Primer



Traditional Technology:



Deep Blue

- Programmers consulted with Chess experts
- Hard-coded calculations by hand
- Did not “learn” chess and could not improve
- Chess is a “finite” game

“It is not an artificial intelligence project in any way.”

-Joe Hoane, IBM Deep Blue Programmer

Artificial Intelligence:



- Go is an “infinite” game
- AlphaGo fed data of average players
- Played against itself millions of times
- Beat an 18x world champion

“AlphaGo dazzled its opponent with creative moves, one of which overturned hundreds of years of Go wisdom.”



Emergency: What Should You Do?

☐ Swerve Right

☐ Flash Your Lights

☐ Dukes of Hazzard Slide!

☐ Swerve Left

☐ Honk the Horn

☐ Close Eyes & Pray

☐ Hit the Brakes

☐ Check the Mirror



The AI System Has the Data You Don't

- Traffic Behind Me: Distance, Speed
- Road Surface Grip/Traction Limits
- Deer's Most Likely Next Action
- Shoulder Room, Left and Right
- Traffic Approaching: Distance, Speed
- Vehicle Speed
- Required Braking Distance
- Time to Impact



Emergency: What Should You Do?

- ☒ Swerve Right
- ☐ ~~Flash Your Light~~
- ☐ ~~Pukes or Hazard Slide~~
- ☐ ~~Swerve Left~~
- ☒ Honk the Horn
- ☐ ~~Close Eyes & Pray~~
- ☐ ~~Hit the Brakes~~
- ☐ ~~Check the Mirror~~
- ☒ See the Deer Before You Do
- ☒ Pre-Trigger Airbags/Seat Belts
- ☒ Coordinate Response with Surrounding vehicles

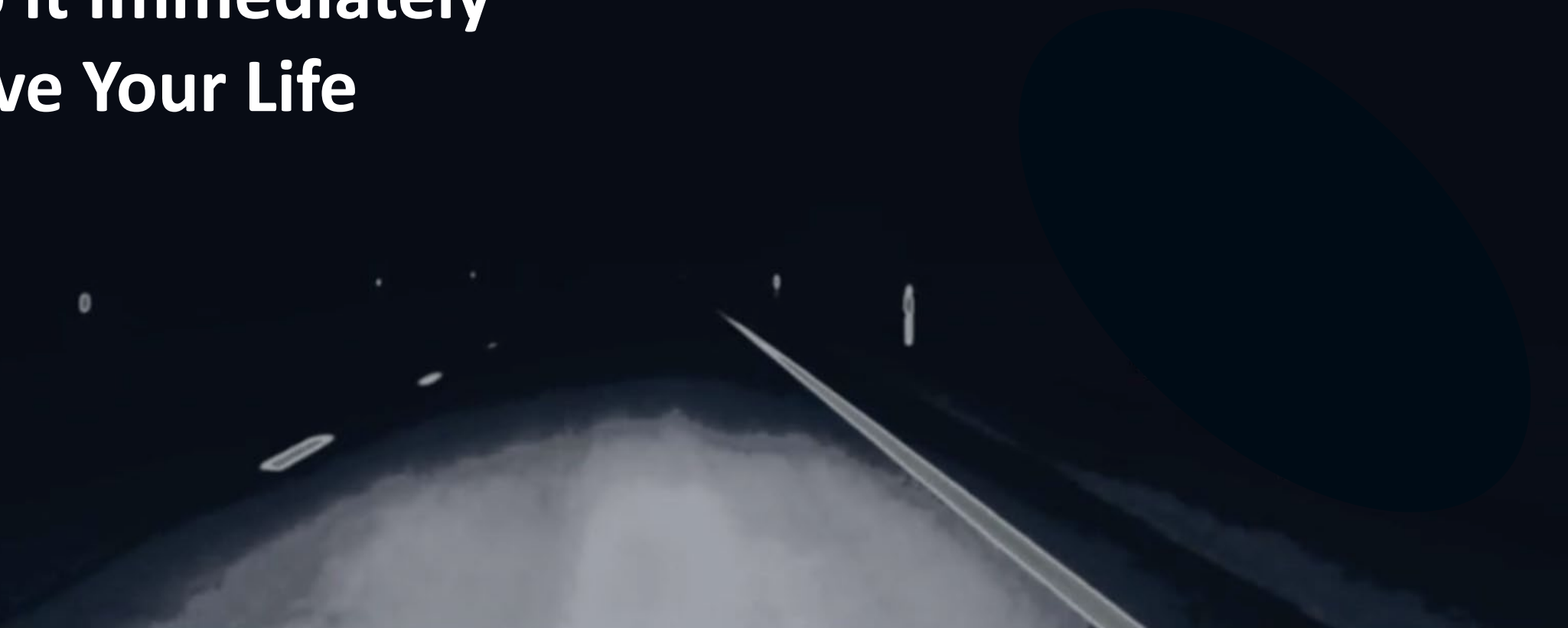


Autonomous Vehicles Will

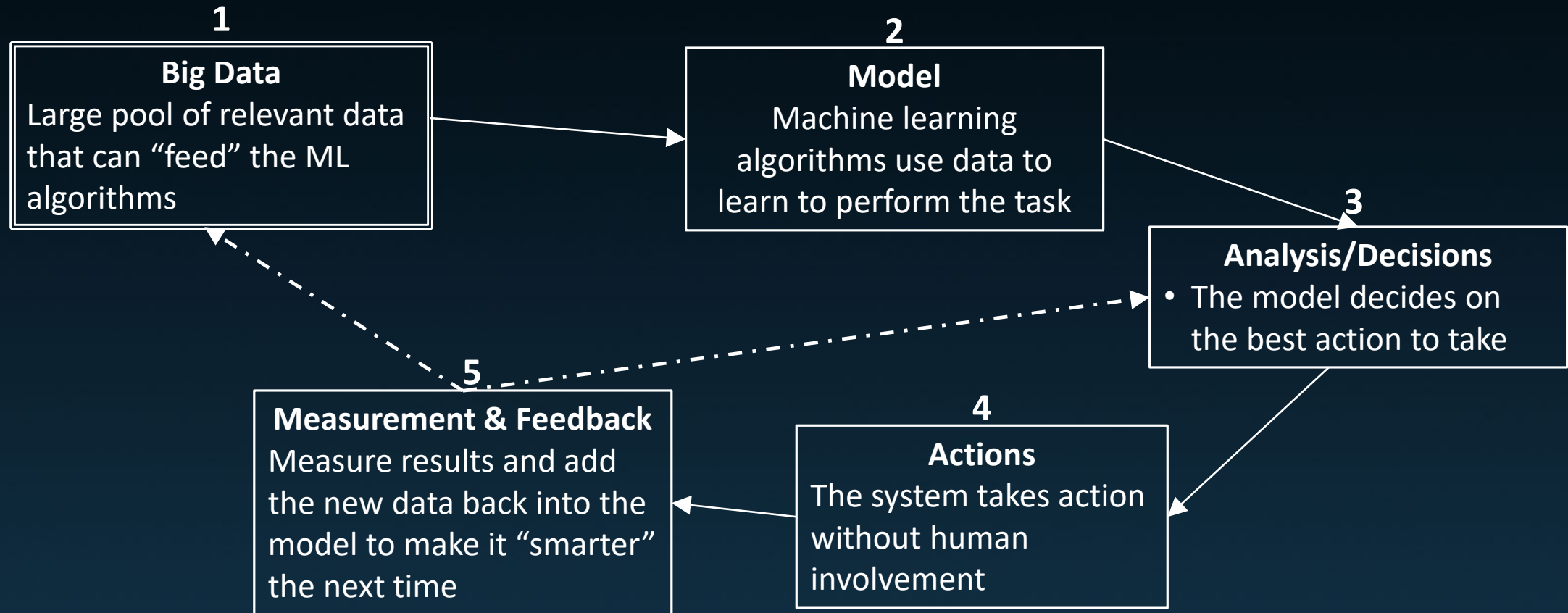
- React Before You Can
- Have Data You Don't
- Know What to Do
- Do it Immediately
- Save Your Life

AI Will Make it Safer to Sleep

Behind the Wheel than Steer It



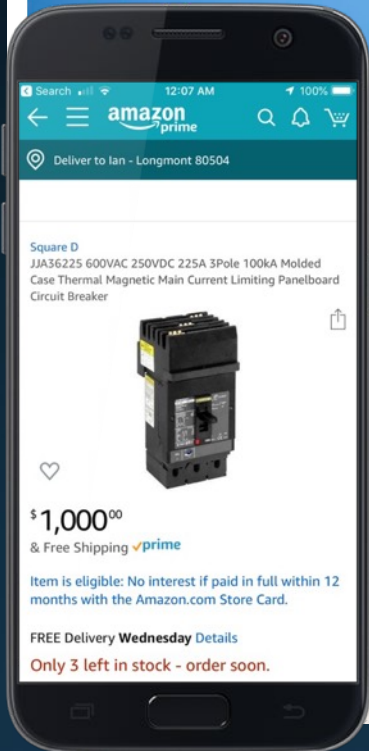
A Simplified AI System*



BUSINESS

UPS Gets FAA Nod for Widespread Drone Deliveries

Federal approval marks another important gain for champions of commercial unmanned aircraft



Introducing
echo frames
Never miss a moment
with Alexa



Introducing
echo loop
Keep Alexa on hand

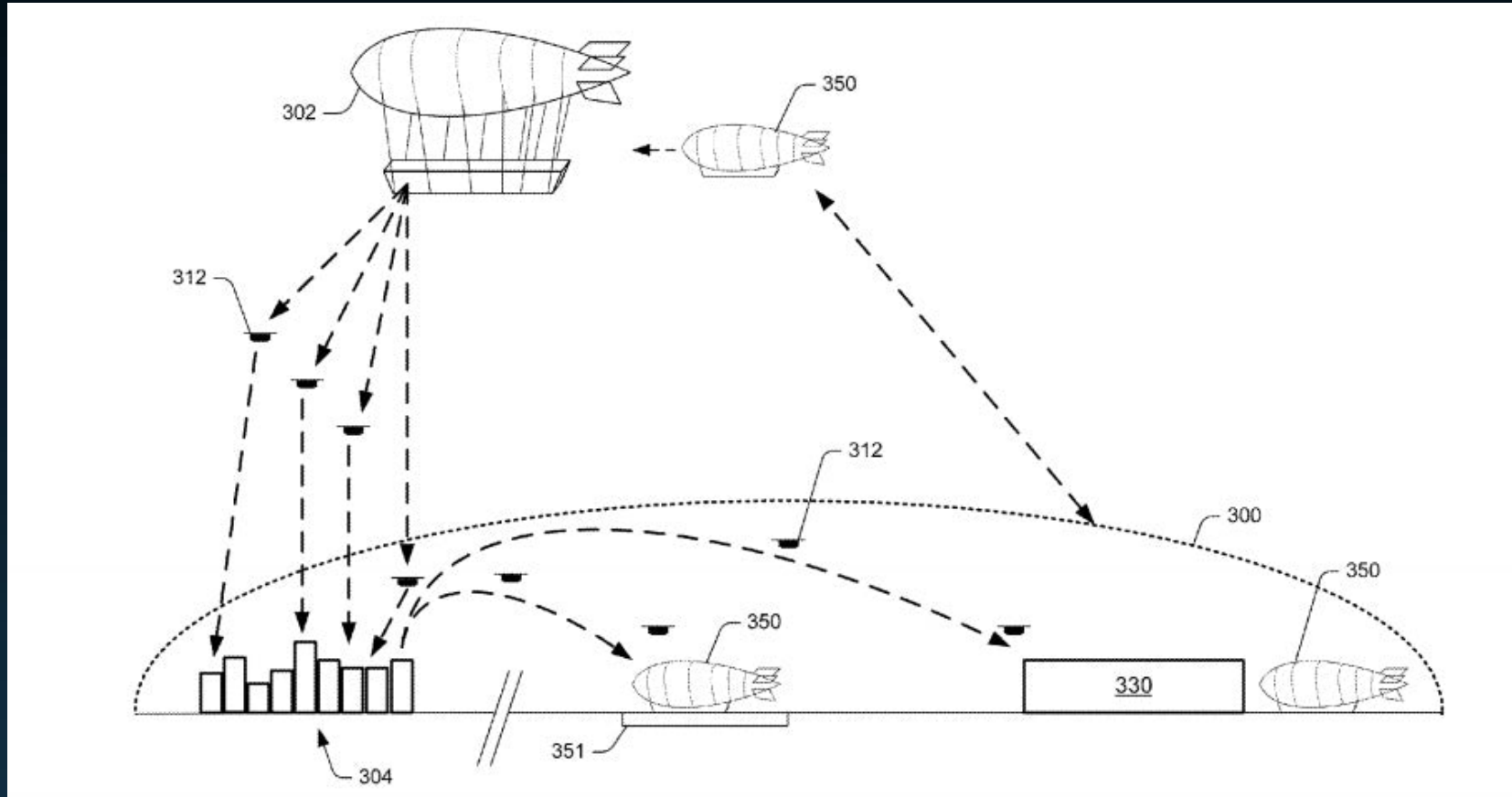




“Our vision is that Alexa will be the world's most knowledgeable product expert who knows you, in a store that sells everything – a digital product expert that is always available, with super-human knowledge of every product ever made.”

**Amazon wants to remove the keyboard
from the buying process**





AI Use Cases in Distribution / Supply Chain



Inventory forecasting

- History
- Weather
- Economic data
- Upcoming promotions
- Anticipated price changes
- Google analytics
- Sentiment analysis

Warehouse Operations

- Robotic picking & packing
- Pallet & truck loading/optimization
- Order measurement driven packaging recommendations

Product Data

- Gather, organize and match product attributes
- Translate between languages
- Match voice/image inputs to product data attributes

Asset Protection

- Facial recognition for access control
- Scanning for safety compliance
- Shrink reduction through anomaly detection

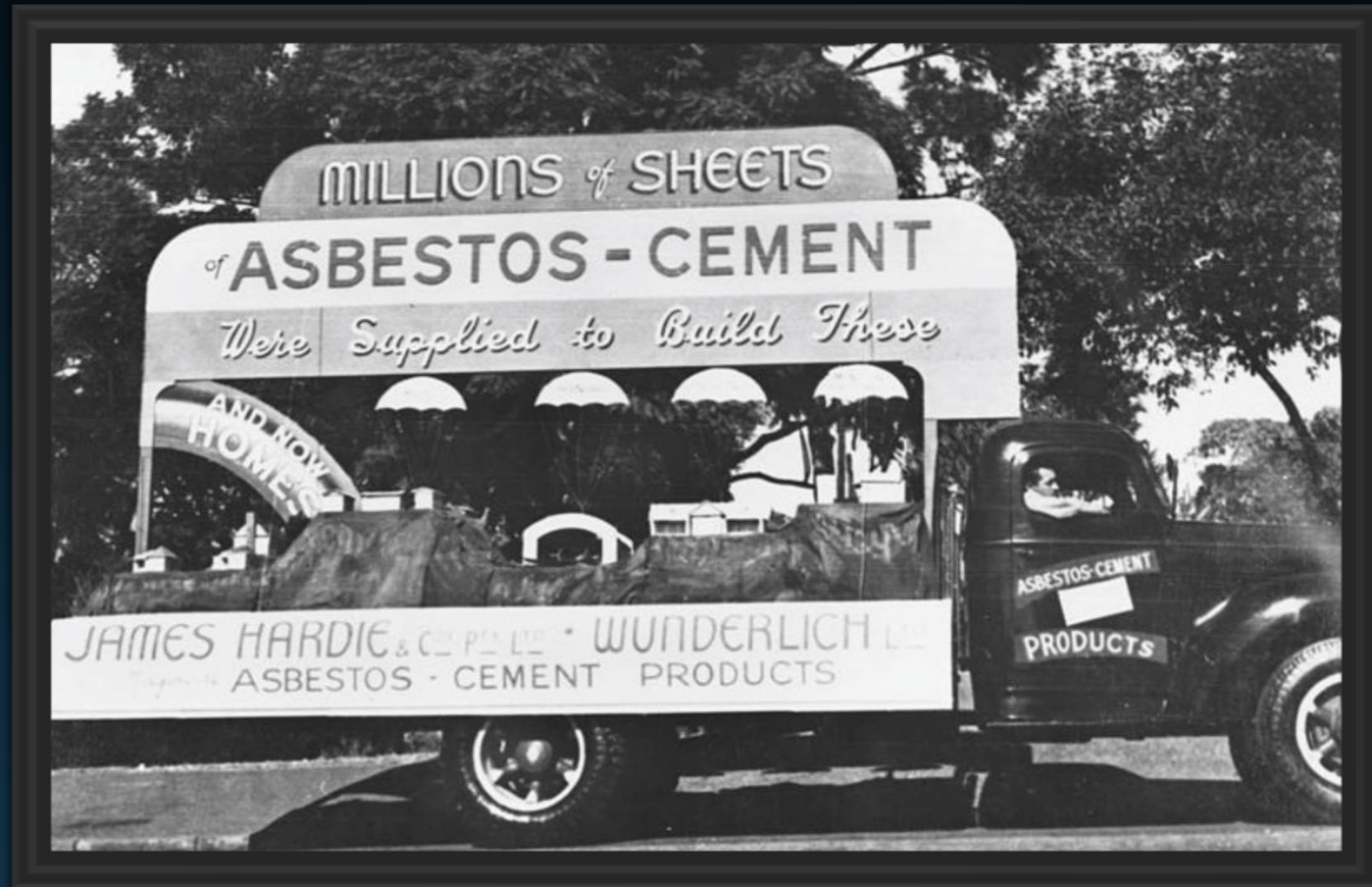
Delivery Operations

- Dynamic delivery routing
- Autonomous vehicle navigation



Assortment and availability have
been commoditized

Remember When Distribution Was Simple?



**Hundreds of
Manufacturers**



Distributor



**Thousands of
Customers**



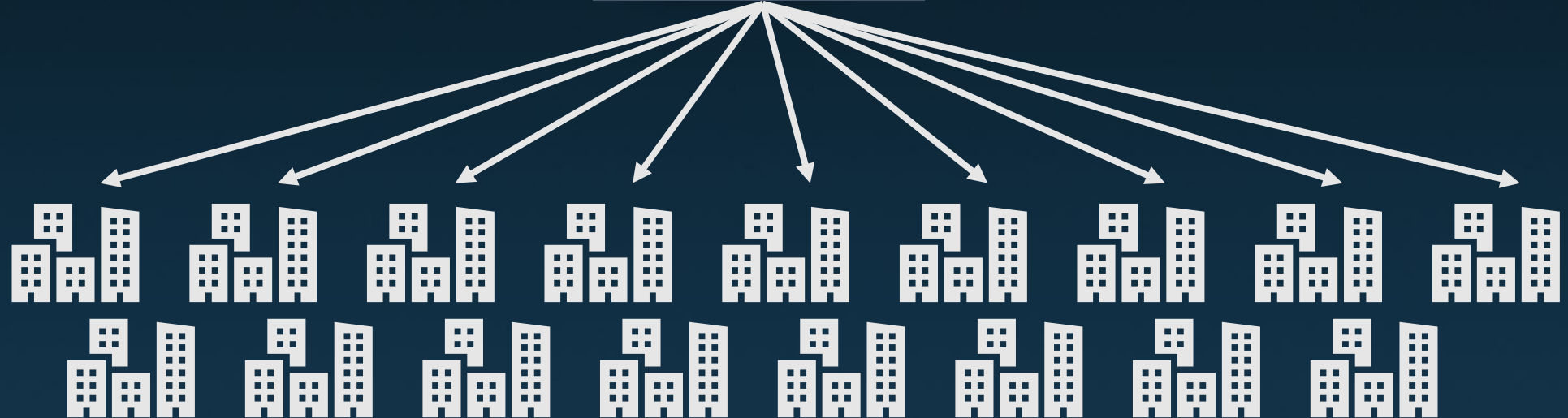
**Hundreds of
Manufacturers**



Distributor



**Thousands of
Customers**



**Hundreds of
Manufacturers**



Distributor

For Manufacturers

- Geographic Coverage
- Product Availability
- Sales/Marketing
- Break Bulk

For Customers

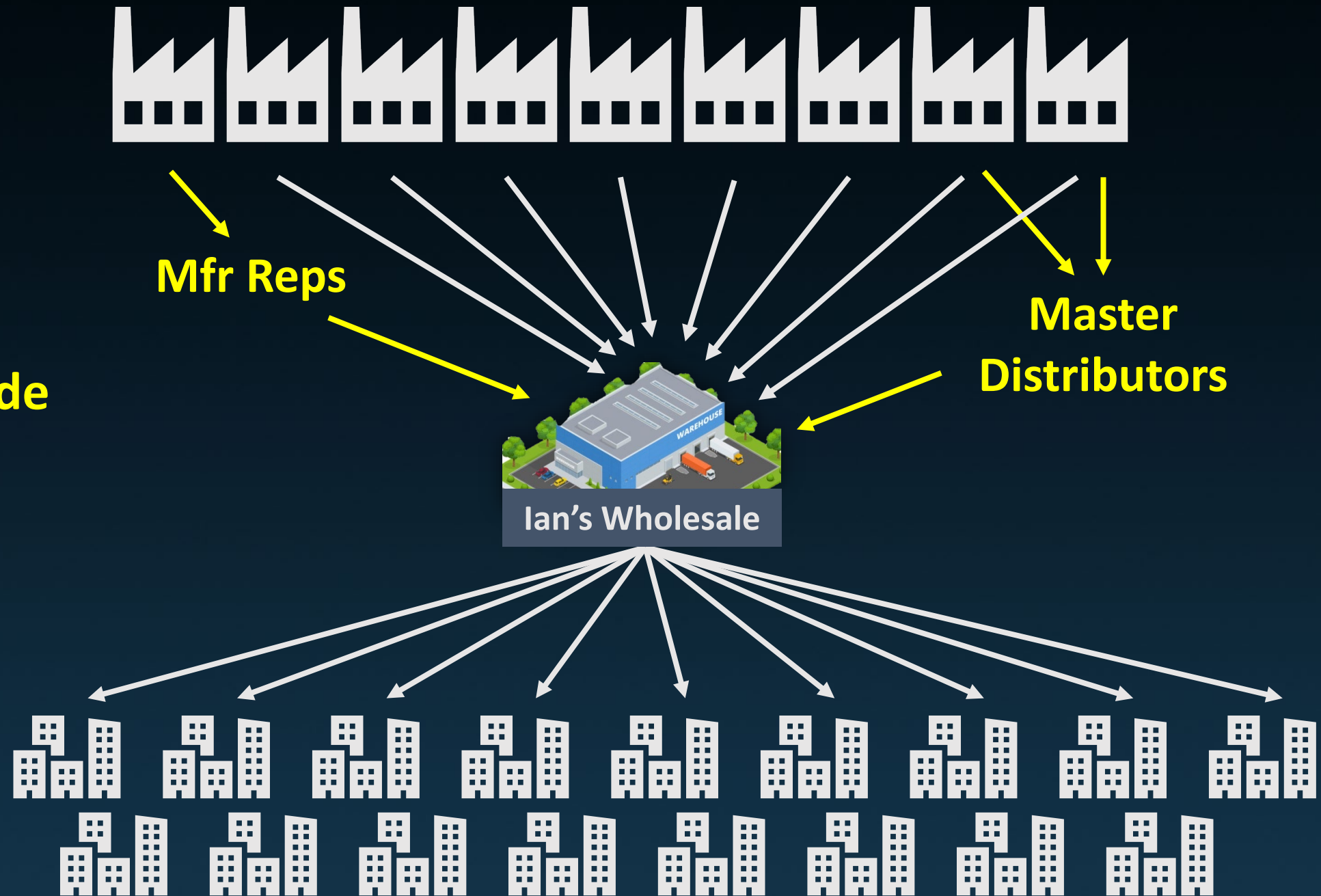
- Assortment
- Financing
- Product Availability
- Tech Support

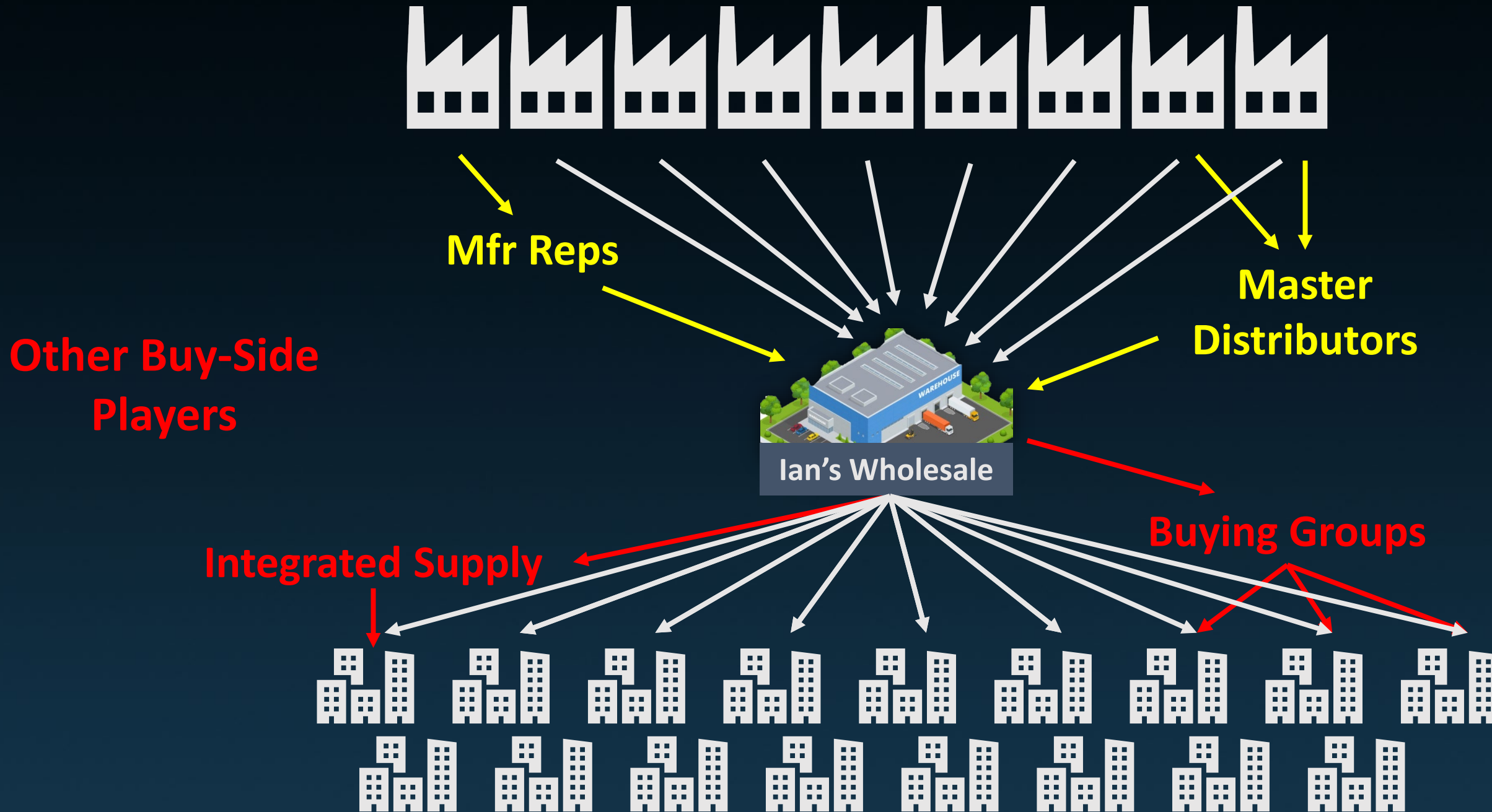


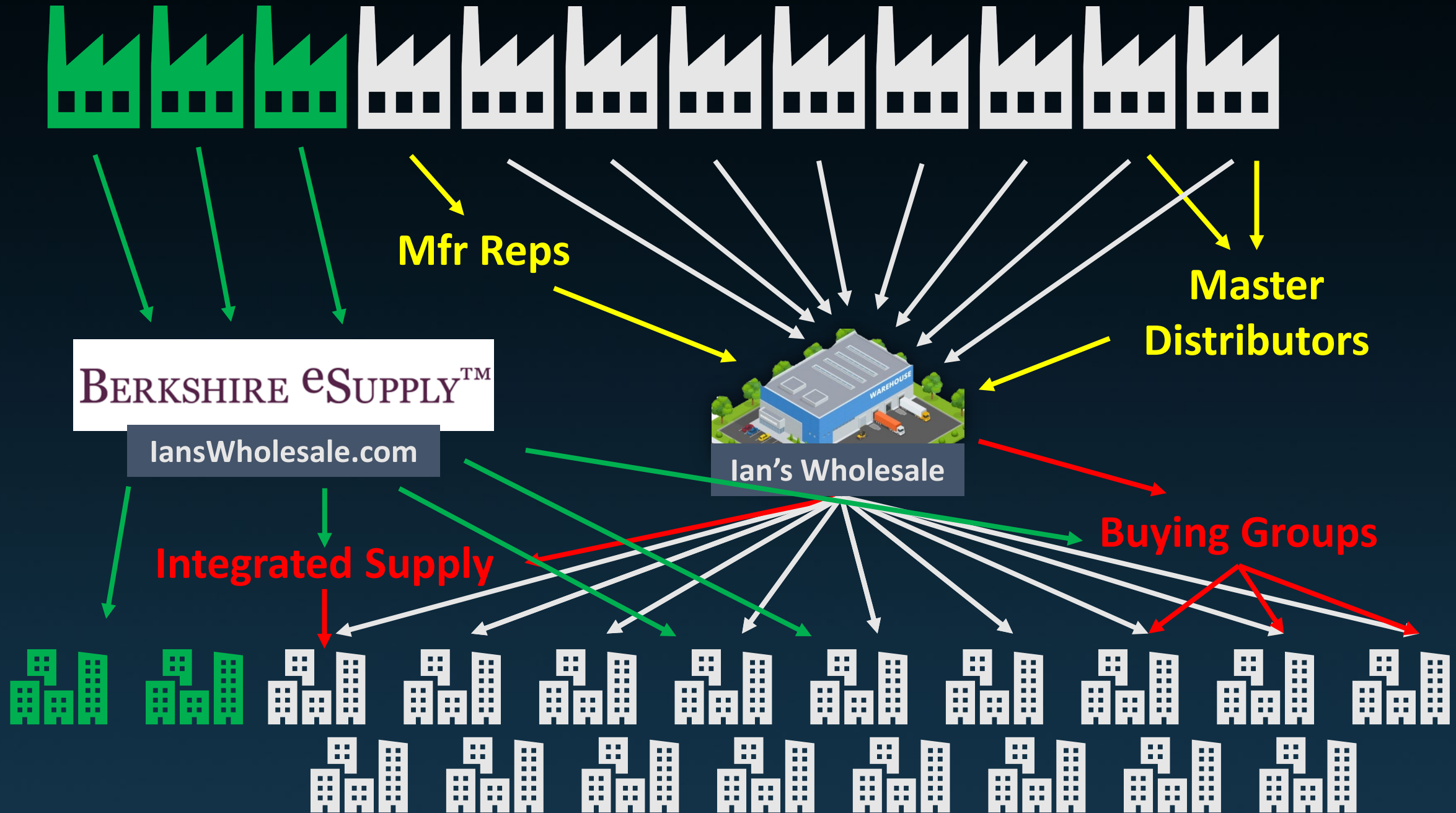
**Thousands of
Customers**

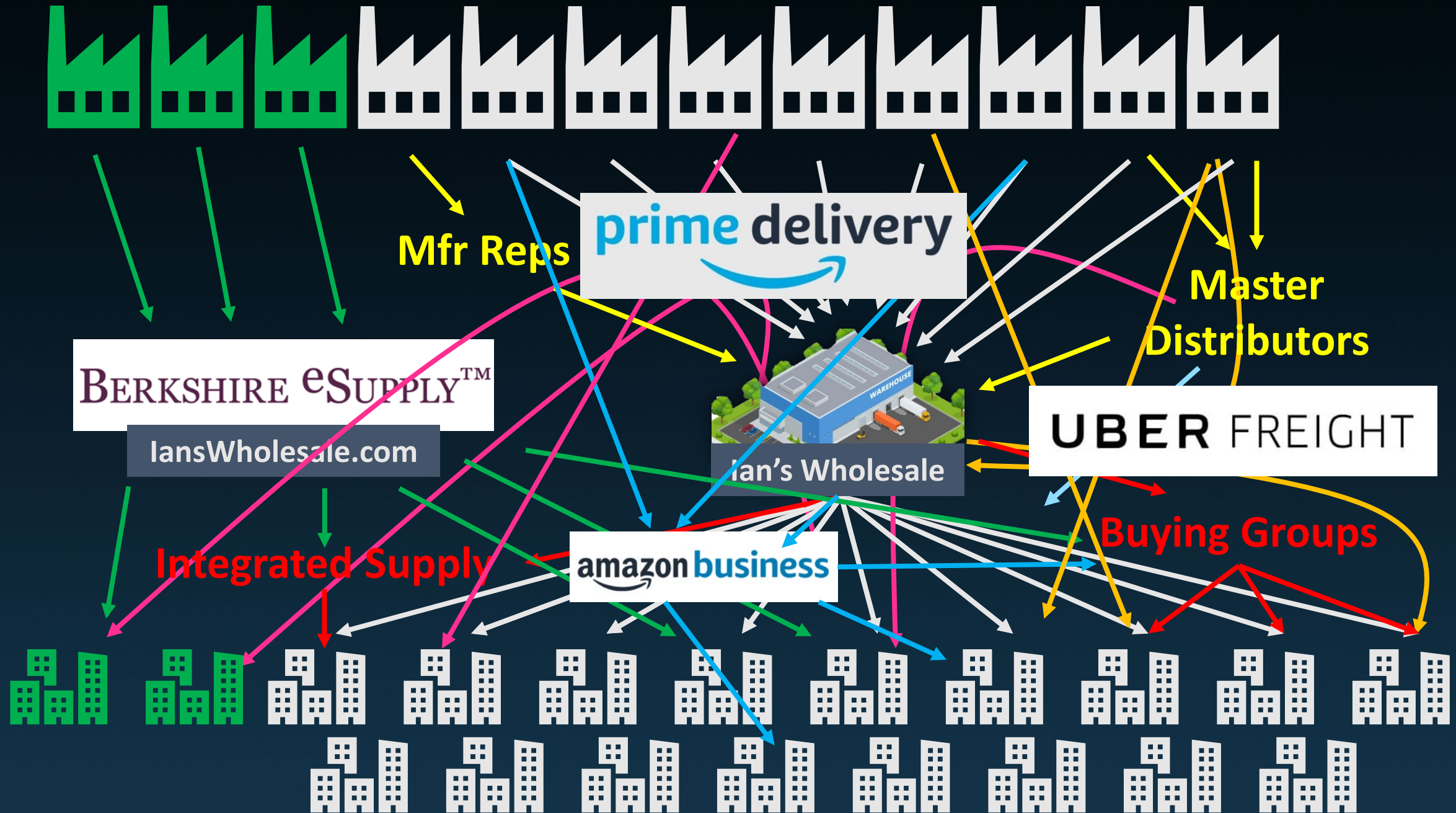


**Other Supply-Side
Players**









fuel dispenser - Walmart.com

walmart.com/search/?cat_id=0&page=1&query=fuel+dispenser&sort=price_high

Apps

Signature
Flex denim Your go-to fit for fall Shop now

1 - 14 of 14 results

Refine by | Price | Top Brands | Store Availability

Sort by | Price: high to low

Showing results sorted by both **Relevance** and **Price: high to low**. [Sort results by Price: high to low only](#)

Departments

- Auto & Tires
 - Automotive Replacement Parts
 - Auto Body
 - Fuel Tank & Line Repairs
 - Gas Cans
 - Shop by Brand
 - Office Supplies
- Delivery & Pickup**
 - Show all
 - Ship to home
- Special Offers**

Electric Fuel Transfer Hose Gas Dispenser Oil Pump with Meter Metered Gauge

★★★★★

\$299.99

Sold & shipped by JABETC

Free delivery

Google Express - commercial

express.google.com/u/0/s?q=commercial%20gas%20dispenser&ved=0CAQqr4sDKAJqFwoTCP_szPnz_QQCFbkOCgMdXT0D2xAB

Apps

Google Express

commercial gas dispenser

Price

- Up to \$250
- \$250 - \$700
- \$700 - \$1,500
- Over \$1,500

Store

- Beach Audio Inc
- SIM Supply
- Ageew
- Zoro
- Toolschest
- My Goods

LESS

Walmart.com / Walmart for Business

Google Shopping

20 Por

Price

25 Ca

Store

- Beach Audio Inc
- SIM Supply
- Ageew
- Zoro
- Toolschest
- My Goods

LESS

\$170.65 ~~\$221.85~~

By Mon, Oct 7

Shop Tuff STF-15GS Low-Profile Oil Drain with Pump 15 Gal

★★★★☆ 31

Toolschest

Add to cart

\$63.81

FREE delivery 2-7 days

Husky 159404n-04 New x Unleade...ith Three Notch Hold Open Clip

Zoro

Add to cart

\$93.68

FREE delivery 2-7 days

Husky 026810n-03 HS 1-Inch Die... with Three Notch Hold Open CL

Zoro

Add to cart

\$578.14 ~~\$619.14~~

1-8 days

Lincoln 3614 Pressurized Used Oil Drain

★★★★★ 3

Beach Audio Inc

Add to cart

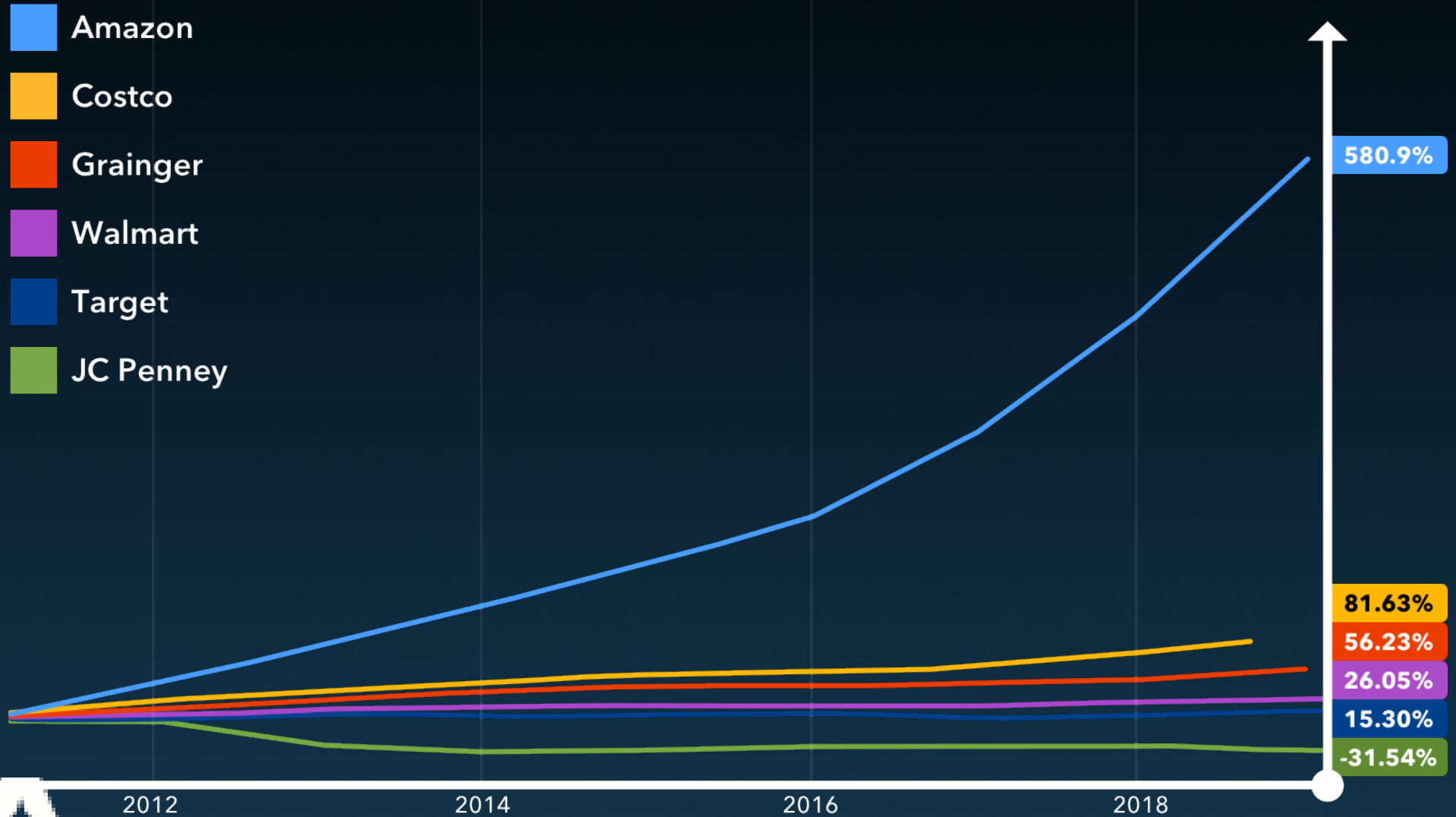
CONFUSED YET?

- Channel complexity exploding
- Every channel player takes margin
= Every channel player adds cost
- This is not sustainable
- More mfrs selling direct
- Distributors are getting commoditized



Who's Winning Right Now?

STOCK VALUATION



Ominous Signs in Distribution

- **Amazon, Google, Walmart & Berkshire Hathaway in B2B**
- **Amazon is buying 120,000 delivery vehicles**
- **Fractional freight carriers (e.g., Uber Freight) offer new freight alternatives**
- **More manufacturers now selling direct**
- **Every player competing for the same sales**
- **Consolidation is inevitable**

**Distributors are getting
commoditized**



AMAZON BUSINESS ACHIEVEMENTS IN THREE YEARS

\$1B

Amazon Business sales during
first 12 months post-launch in
2015

55

of the Fortune 100
companies

1+ million

Worldwide customer
accounts

\$10B

Current global annualized
sales run rate

+50%

of the 100 biggest US
hospital systems

150+ thousand

Amazon Business sellers

\$1.2T

Forecasted 2021 online B2B
ecommerce opportunity size

+40%

of the 100 most populous
local governments

\$10+ billion

Global annualized sales



amazonbusiness



For every type of business

And every size organization. Accounts are free. Put our solutions to work for your business.

Multi-user accounts

- Approval workflows
- Purchasing analytics
- Create custom groups to match your organization

Business-only price savings

- Business-only prices on millions of items
- Quantity discounts
- Easy price comparison

Pay the way you want

- Corporate Purchasing cards
- Amazon.com Corporate Credit
- Tax-exempt purchasing for qualifying organizations

Business Prime

- Fast FREE flexible delivery options
- Enhanced purchasing policy controls
- Advanced analytics dashboards
- Starting at \$179 per year for up to 3 users

Find what you need

- Hundreds of millions of products on Amazon
- Business-only products
- Purchasing-system integration

5% Back
— OR —
90 Day Terms

On U.S. purchases at Amazon Business, AWS, Amazon.com and Whole Foods Market with an eligible Prime membership*‡

2% Back

At U.S. restaurants, U.S. gas stations, and on wireless telephone services purchased directly from U.S. service providers‡

1% Back

On other purchases‡

\$0 Annual Fee[†]



A powerful value proposition.

Morgan Stanley, Oct 8, 2018:

- Est. Amazon makes ~20% EBITDA on 3rd party sales

Washington Post, Oct 1, 2019:

- 30% - 35% of third-party seller sales go back to Amazon. James Thomson, former Sr Mgr Business Development, Amazon

BofA, Merrill Lynch, March 2019:

- “We estimate Amazon Business at \$34bn by 2023; [in ~10 years], it could generate \$125B - \$245B”

Marketplaces Will

- Carry nearly all of your products:
 - Endless assortment is the “killer app” for marketplaces
- Deliver as well or better than you can
- Reach more customers than you can
- Understand customers better than you will
- Offer capabilities you can’t match
- Drive industry consolidation



**Google/Amazon/Walmart: War for the
Future of Online Product Sales**

SHOULD YOU SELL THROUGH MARKETPLACES?

Merchant Owned Marketplaces

- Amazon: Big but risky
 - Amazon owns the relationship and gets the data it needs to replace you
 - No sales reps or value-added services
 - It's very expensive
- Walmart? Maybe.
 - Cheaper and nicer *[WTH?!]*

Merchant Owned Marketplaces Riskier

Non-Merchant Marketplaces

The logo for Google Shopping, featuring the word "Google" in its multi-colored font followed by "Shopping" in a grey sans-serif font.The logo for Distributor Stock Beta, featuring a stylized "DS" in blue and teal followed by the text "Distributor Stock" and "Beta" in a smaller font.The logo for Warehouse TWO, featuring the word "Warehouse" in white on a blue background, followed by "TWO" in large white letters on a black background, and "Inventory-sharing solution" in white on a blue background below.The eBay logo, with the word "eBay" in its characteristic multi-colored font.

Business & Industrial

Idea: Let's Partner with Amazon's Rivals to Build a Our Own Marketplace



facebook business



Distributors

- Assortment
- Availability
- Services

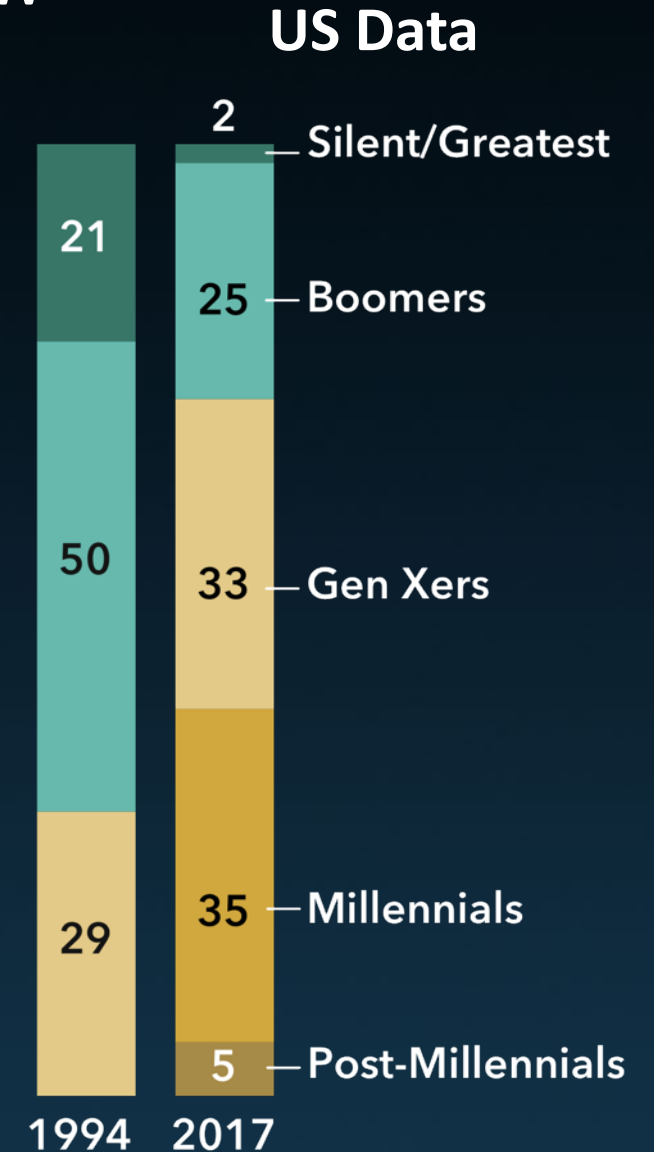
Partners

- Artificial Intelligence
- Software
- Delivery & logistics

Generational change will drastically
change customer expectations

DIGITAL NATIVES = ONLINE SHARE WILL GROW

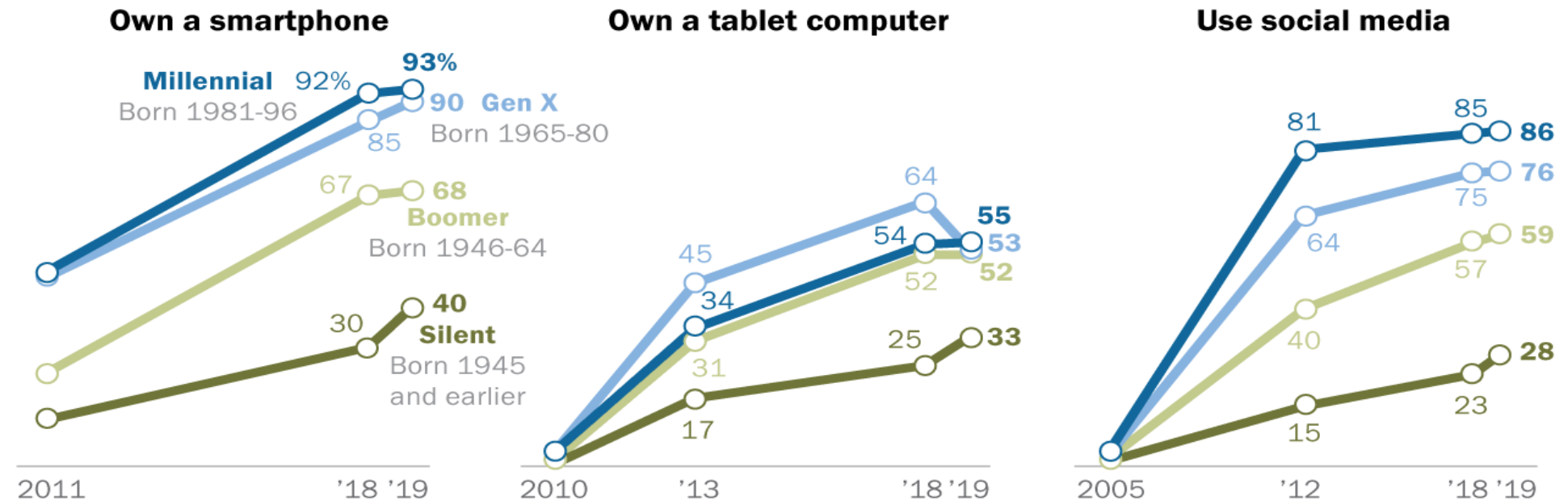
- Customer needs driven by “digital natives”
- Millennials & younger = 73% of global workforce by 2025
- More online research and buying
- Sales relationships lose much of their value
- Younger buyers will embrace AI-enabled solutions.



MILLENNIALS ADOPT TECH FASTEST BUT OTHERS CLOSE BEHIND

Millennials lead on some technology adoption measures, but Boomers and Gen Xers are also heavy adopters

% of U.S. adults in each generation who say they ...



“Millennials lead on some technology adoption measures, but Boomers and Gen Xers are also heavy adopters.” Pew Research Center, Washington, D.C. September 26, 2019.

https://www.pewresearch.org/fact-tank/2019/09/09/us-generations-technology-use/ft_19-09-03_digitaldividegenerations_1/.

Distributors and their channel partners
must adapt and innovate or die

Threats

- Industry consolidation
- Margin compression
- Market share erosion

Limitations

- Focus on transactions
- No Services
- No relationships

Retail is simple. B2B is complex.



- **Accept that disruption is here and accelerating**
- **Be a technology leader across your business**
- **Quantify your exposure to marketplaces**
- **Support marketplaces least likely to compete with you**
- **Build channel partnerships with players who are truly differentiated**
- **Learn to develop, price and sell hard-to-digitize services**

**Add value with people – not just
technology**



ISA MANUFACTURERS' REPS SERVICES



- Attribute-based search
- Brand positioning consulting
- Counter days / open houses
- Custom tooling design
- EDI/PO resolution
- Email marketing services
- Email product alerts
- End user demos
- Energy savings expertise
- Engineering services
- Excel calculators
- Free flyers
- Graphic design
- Improve ergonomics
- In-house flyer printing
- In-plant surveys
- Increase product life
- Increase time savings
- Inside support for SMB customers
- JIT services
- Lead tracking
- Lean mfg consulting
- Procurement cost savings
- Marketing database
- Nationwide services
- New product tests
- Online calculators
- Online order tracking
- Online product flyer configurator



ISA MANUFACTURERS' REPS SERVICES



- Online quote request
- Online SDS library
- Online store
- Online training
- OSHA compliance
- POS data analytics
- Product consolidation
- Product launch strategy planning
- Program selling proposals
- Promotions support
- Reduce safety risk
- Regrind services
- Regulatory information
- Reporting for senior management
- Same day shipping from stock
- Scorecard review
- SEO optimizing content for websites
- Shipment tracking
- Showroom merchandising
- Site assessments
- Speed & feed calculator
- Stocking warehouse
- Tech support
- Telemarketing
- Tradeshow support
- Will call
- Demo vehicles
- Joint sales calls
- MWBE qualification



Thank you!

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