

The State of CRM in Distribution:
**Making the Software Work
for You**

By Mike Marks



Part 1

Part 2

Part 3

Customer Relationship Management (CRM) software provides greater insight into the customer journey. Companies use CRM tools to see detailed analytics about customer patterns and buying behavior, order and reorder needs, brand perception and salesforce productivity.

Unlike an Enterprise Resource Planning (ERP) solution, which provides the process control to manage transactions and financial reporting, CRM solutions continuously improve your customer-facing selling efforts and, ideally, the customer experience. In addition, well-designed CRM tools also improve the accountability and productivity of your sales force.

Unfortunately, CRM adoption in distribution has been mixed, and many distributors are unhappy with the effectiveness of their chosen CRM solution.

In this whitepaper, we will explore:

- How distributors use CRM in 2022 compared to 2017
- Why most CRM adoption efforts fail
- Five core CRM processes (and how all five are necessary to driving growth in your business)
- How to design a CRM that works for you
- How to overcome a failed CRM implementation

CRM Usage in 2022

In preparation for this report, we conducted a survey to see how CRM use among distribution industry professionals has changed since 2017. Of the 96 respondents, 66 were distributors; a significant portion of respondents held executive management titles, and average annual revenue ranged from \$10 to \$500 million.

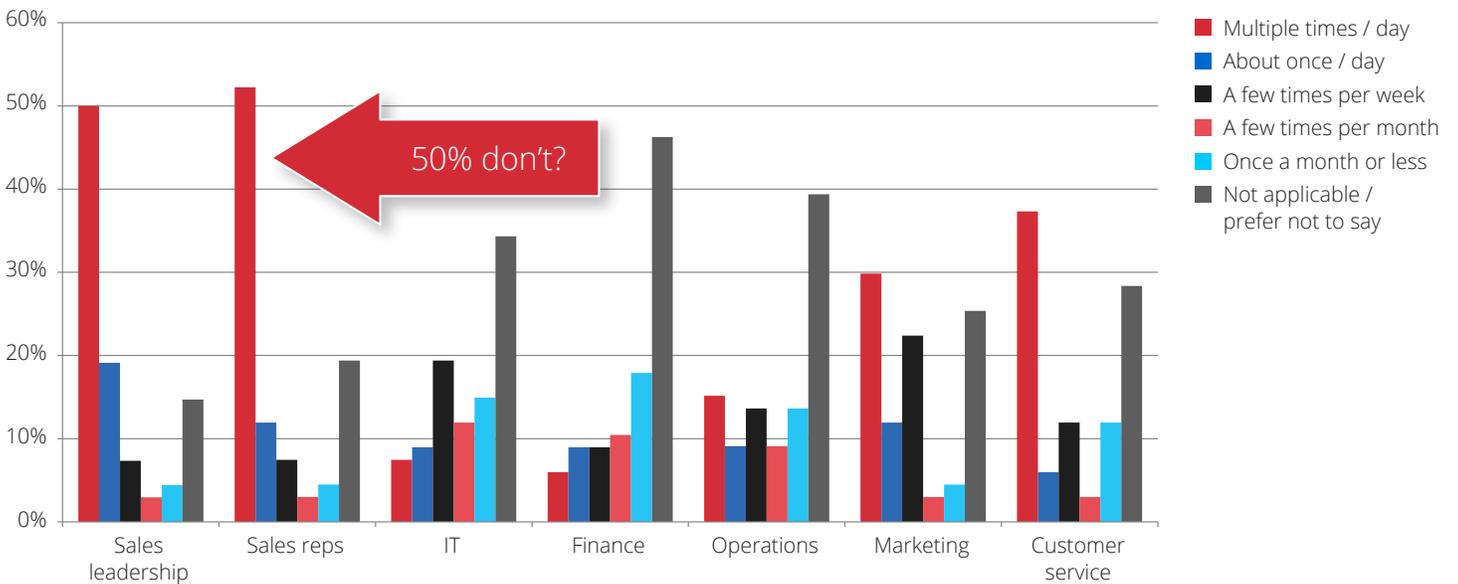
Adoption Rates by Type

CRM Type	2017	2022
Custom	6%	9%
ERP-provided CRM	14%	9%
General Purpose	39%	52%
None	32%	15%
Purpose-Built	9%	15%

In the study, we found that CRM usage has risen since 2017, with the number of companies with no CRM solution dropping from 32% to 15% in 2022. In addition, the most popular types of CRM tools were general-purpose (52%) and purpose-built (15%) solutions. ERP-provided CRM usage dropped from 14% to only 9% in 2022.

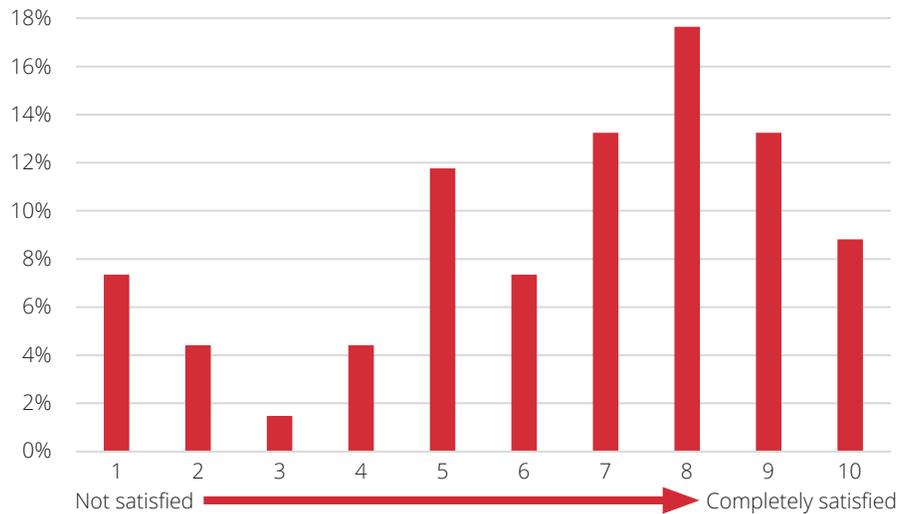
Although most respondents had some form of CRM, adoption among team members was mixed. For instance, only 50% of sales reps and those in sales leadership regularly used their company's CRM solution. As with any technology, CRM software is only useful when it is part of a team's daily toolset.

CRM: Frequency of Use

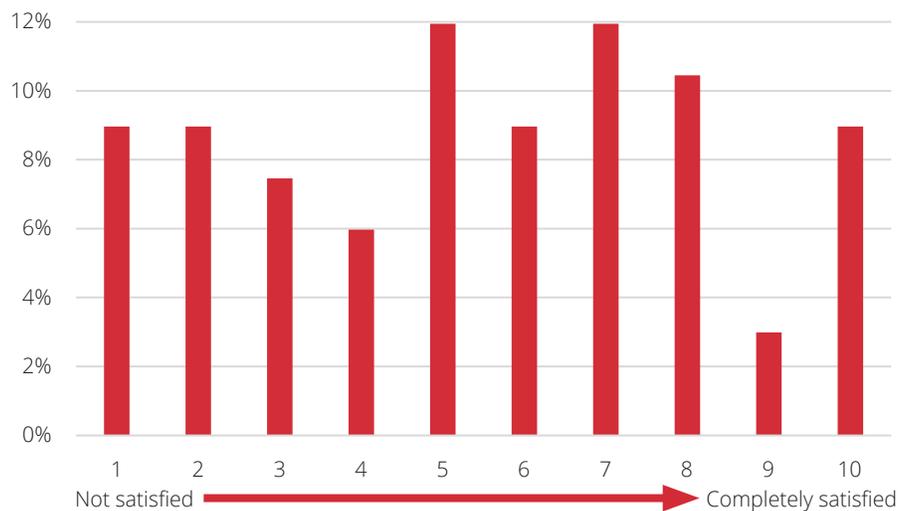


Many distributors are seeing lackluster results from their chosen CRM. Instead of customizing the software to be effective for their organization, many adopt basic CRM systems and push out-of-the-box features to their teams. Unfortunately, this leads to sales reps spending hours inputting data without seeing any benefits in return. In these cases, distributors use their CRM as reporting software instead of a tool to improve customer understanding and enhance sales.

Level of confidence that CRM helps reps manage accounts effectively



Level of confidence that CRM helps reps upsell and cross-sell accounts effectively



CRM adoption is not choosing and installing a software package – it is about enhancing workflows, customer insights and sales processes to make your customer-facing reps more effective.

Those who successfully adopt CRM view adoption as a process re-design and change management activity. Conversely, those with little success with their CRM tend to view the process as choosing the right software instead of taking a holistic approach to training, post-rollout modifications and process design.

Like ERP adoption, effective CRM implementation is complex, time-consuming and costly; successful adoption requires widespread inputs from every function. Early field sales involvement in design is a key success criterion.

CRM usage has passed a tipping point. Its success among large organizations has proven that this technology can be a valuable tool for distributors. As more companies integrate CRM systems into their daily workflows, distributors will need to deploy this robust solution to their customer-facing teams or try and compete with those who already have.

5 Core CRM Processes

All CRM systems provide the following five processes to some degree:

Territory Intelligence: This includes insight into which customers and prospects offer the highest potential to grow at the lowest cost.

Call Management: Sales calls cost distributors up to \$250 per call. Call management provides insight into where you should spend that time.

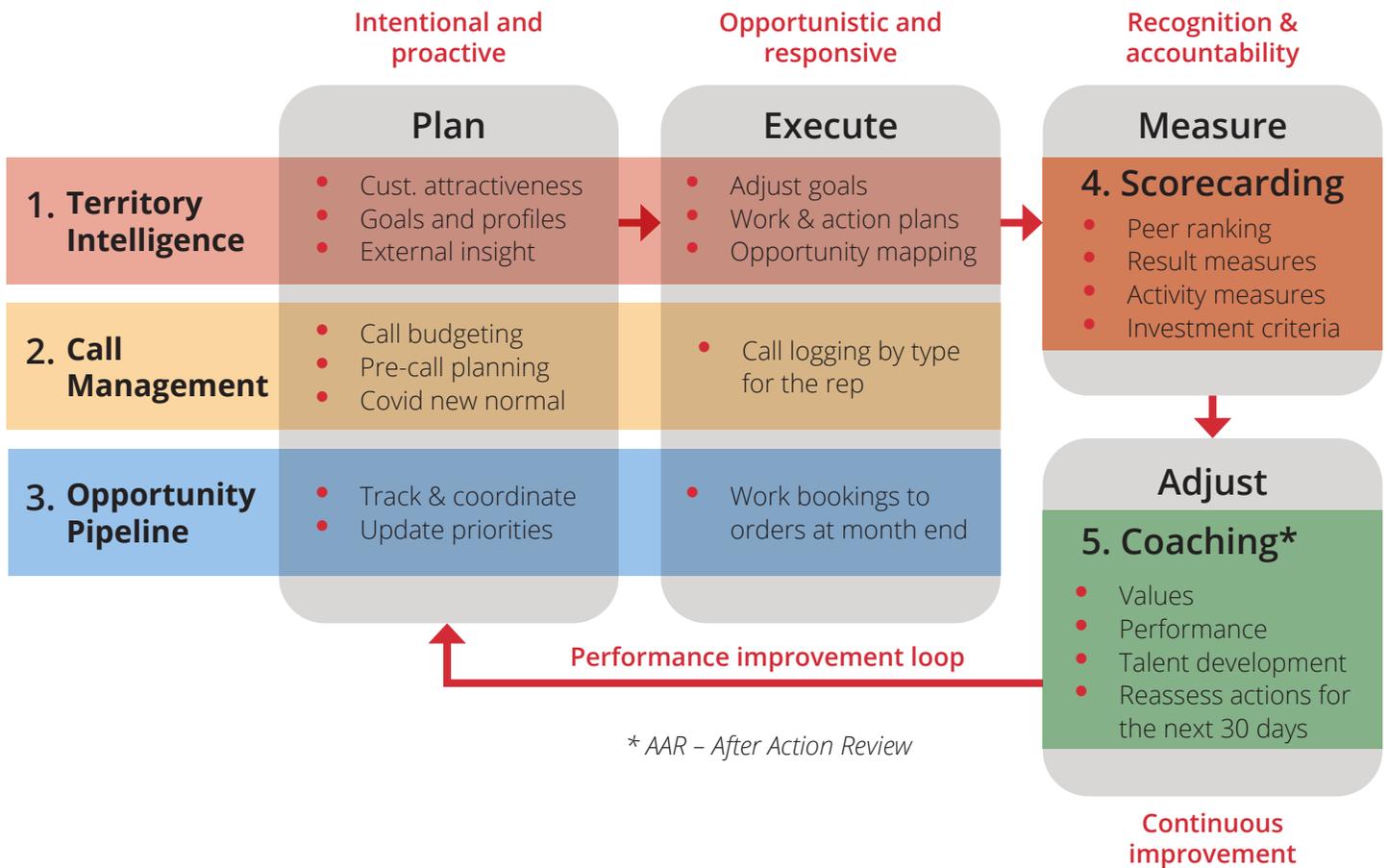
Opportunity Pipeline: This feature allows you to analyze significant transaction opportunities with the goal of increasing close rate across the business. How will you manage prospects and convert bookings into orders?

Performance Measurement: Are your defined activities (such as closing sales) generating the desired results on a curve?

Coaching: Coaching is essential to adjusting or improving performance. CRM enables you to pinpoint coaching opportunities and hold sales leaders accountable for improving their sales force.

All five processes are needed for success. When a distributor adopts all five procedures, the field sales role evolves into a market-making function while market-serving responsibilities can be transferred to lower-cost staff and digitized solutions, cutting costs and improving field sales efficiency.

The 5 Core Sales Effectiveness Processes



Remember, CRM solutions are about more than just the customer – when used correctly, the software can enhance your back-end operations too. All customer-facing staff is responsible for managing customer relationships. These systems exist to help your team make better decisions about how to invest their time.

The key to a successful CRM is a light-touch model. This means that 80% of the CRM’s information goes to the sales force, and only 20% comes from the sales force. With this model, the CRM actively supports your salespeople rather than turning them into data entry specialists.

When you adopt all five processes, you create a continuous improvement loop within your organization. Here are a few examples of how these processes can support your sales force, pipeline opportunities and coaching initiatives:

Sales Force

Your CRM should provide sales reps with relevant and timely information to make better decisions about how to enhance the customer experience. By unifying your CRM with your ERP, your customer-facing reps will gain visibility into what others in your organization are doing and how they interact with customers and suppliers.

A unified, omnichannel approach to data is necessary for successful CRM implementation.

Pipeline Opportunities

CRM enables your marketing teams to own the front of the sales pipeline instead of manufacturers. This ensures sales teams have a continuous stream of highly-qualified opportunities to work with.

In addition, by electronically pulling resources and information from the CRM, your team will be more knowledgeable about each customer and their unique needs. Better information combined with higher quality leads enables sales teams to be more knowledgeable and proactive – resulting in more closed deals and more profitable sales.

Coaching

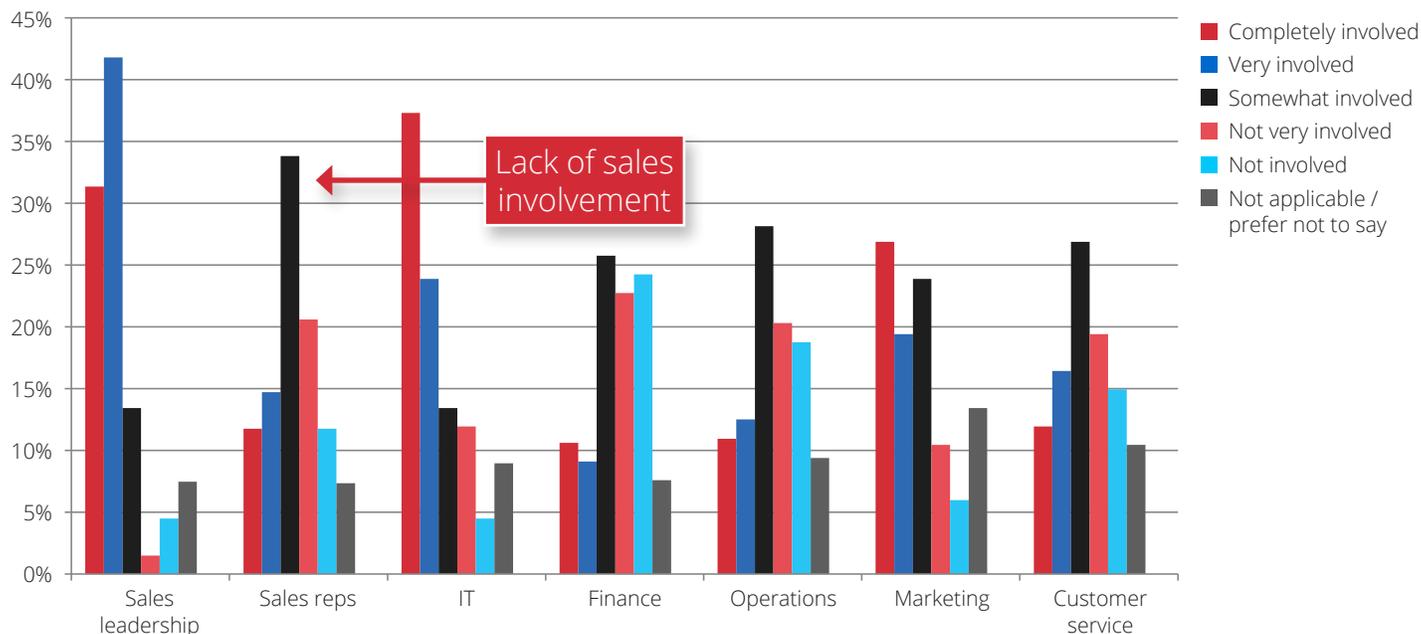
Coaching is essential to distributor growth. In 2007, we conducted research with the National Association of Wholesaler-Distributors, “What’s Your Plan – Smart Salesforce Compensation in Wholesale Distribution.” After ranking several hundred distributors, we found the highest predictor of growth for distributors was a monthly discussion between the sales manager and sales rep.

Sales reps gradually improve when they have access to coaching, even if they only have short but focused sessions each month. CRM helps you track sales progress and effectiveness to see whether coaching is paying off. Keeping track of these efforts also makes it easier to pinpoint underperforming sales leaders, team members or branches.

Designing a CRM That Works for You

A CRM will never live up to your expectations if you only utilize its out-of-the-box features and functionality. The first rule to successfully implementing a CRM solution is to redesign and digitize your own processes rather than force-fitting the tools provided by the software company.

Involvement of these functions in the selection, configuration and deployment of CRM



Early engagement from your sales department is key to designing a functional CRM. In our research, we found that there was a marked lack of sales involvement in the selection, configuration and deployment of CRM.

To begin, map your sales processes in a flow chart and work with sales teams to identify friction points. From here, you can customize the CRM's toolset with the functionality your team needs.

Sales reps are often averse to change; they worry new workflows and systems will disrupt their ability to make sales and earn commissions. To gain employee buy-in, consider creating a Best of the Best team (BOB) to design the CRM.

Have your sales team nominate the best sales reps in your company. These should be skillful, expert individuals that younger or less experienced sales reps look up to and admire. Once you have a list of candidates, take the top six to eight nominees and name them to the Best of the Best team. This team will be responsible for designing the CRM toolset for the rest of the sales department.

Once you have your BOB team, have a knowledgeable facilitator work with them to document the most common roadblocks they encounter while performing their roles. Then, break the group into teams and have them brainstorm what the perfect dashboard

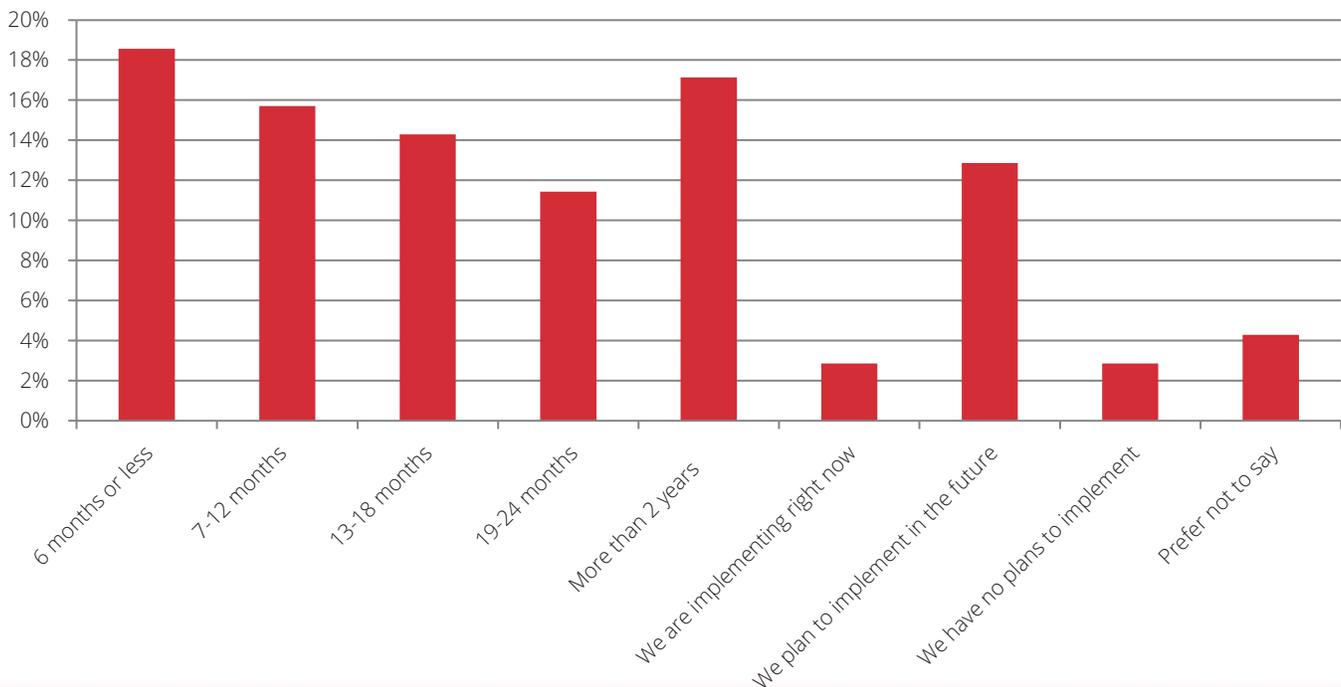
would look like for each situation. For instance, what information would be most helpful during an initial sales call? Next, ask them to list their typical tasks (territory planning, mid-month adjustments, etc.) alongside the software functions that would help them complete their tasks most effectively.

While your BOB team brainstorms, have a technology resource in the room to determine the difficulty or cost of programming the CRM to provide the team's desired resources. Ask the BOB team to rank the commercial benefit of each feature on a scale of 1 to 3 and compare their answers to the estimated cost or difficulty determined by your technology expert.

Then develop a phased roll-out starting with high-impact/low-cost requests. Be sure to interface your CRM with your ERP system so the software can pull transaction history and activity into customer profiles. You can configure any Open Database Connectivity (ODBC) CRM and ERP to communicate with each other.

In addition, be sure to prioritize "real-enough" data rather than focusing on real-time data. Real-enough data will be accurate up to the previous night. Using real-enough data will free up your systems, and lower processing demands as the ERP will run a standard

Time it took for organizations to deploy and fully adopt CRM



report at night when it is not heavily loaded with users. The CRM can then pull from this daily report to provide highly accurate overviews of essential customer data.

By having your Best of the Best team design your initial CRM toolset, not only will the software be more practical, but your other sales reps will see buy-in from the people they look up to. They'll be more willing to use the solution themselves.

How to Course-Correct After a Failed CRM Implementation

There's nothing more frustrating than allocating time, money and resources to a technology initiative only to realize it has failed. It can be challenging for executives to hear that they need to back up and spend more money, and even more challenging for sales leadership to hear that the failure was on them.

However, it is essential to remember that a failed CRM deployment does not mean that all CRM solutions are bad or that CRM, in general, won't work for your company. On the contrary, CRM software has the potential to become an invaluable part of your sales and customer support toolset – you just have to design it correctly.

To initiate a restart, gather your BOB team (or create a new one) and conduct a formal [military After Action Review](#). Then, ask the BOB team to redesign your approach, develop a project plan and define prerequisites for management review. Challenge the BOB to define specific deliverables in their phased plan and closely monitor deployment. Be prepared to react quickly to deviations or unforeseen issues as they arise.

What's Your Next Step?

Creating a great customer experience is not optional – it is table stakes. Your buyers expect customer-facing reps to be knowledgeable and consultative, and they are [willing to find another supplier](#) if these expectations are not met.

CRM is essential to delivering this.

Access the complete series on CRM at distributionstrategy.com.



About the Author

Mike Marks co-founded IRCG in April 1987. He began his consulting practice after working in distribution management for more than 20 years. His narrow focus in B2B channel-driven markets has created an extensive number of deep executive relationships within virtually every business vertical in construction, industrial, OEM, agricultural and healthcare.

DISTRIBUTION STRATEGY **GROUP**

About Distribution Strategy Group

Distribution Strategy Group's thought leadership, research and consulting services are provided by a team with decades of experience in the distribution industry. They have helped more than 70 distribution companies build a solid foundation to win in today's changing market.

Distribution Strategy Group offers strategic guidance for distributors in the face of disruption, including:

- Independent expert content
- Digital and ecommerce strategy
- Customer lifecycle management strategy
- Customer analytics

Contact us:

distributionstrategy.com | 303-898-8626 | contact@distributionstrategy.com

Thank you to our sponsor:



proton.ai



Proactive, AI-Powered Sales for Distributors

Know More, Sell More

Integrate in weeks and drive 10%+ increase in sales.

Request a demo: welcome.proton.ai/demo

Contact us: welcome.proton.ai/contact

Email us: info@proton.ai

Founder Benj Cohen wanted to see that companies like his family's 90-year-old distribution business could use technology – instead of getting squeezed out by it. He teamed up with a group of engineers to build Proton, a cutting-edge AI-powered platform designed for B2B.

Your Challenges

- Reactive sales channels
- Siloed sales activities
- High cost to serve

How Proton Helps

- Gives sales reps the tools to be proactive
- Coordinates channels for cross-sell/upsell
- Increases profits, average order value and wallet share

Identify and target sales opportunities across every sales channel

Customer Service: Turn reps into revenue-generators on customer calls

Inside Sales: Guide reps on who to call, and what to sell them

Outside Sales: Put data at field sales reps' fingertips in a mobile app

eCommerce: Personalize customers' experience with AI-driven recommendations

How it Works

We create a complete view of every customer by consolidating data across channels. This gives us data-driven predictions about who is going to buy what and when. We use those to push a coordinated sales strategy so you can make targeted upsell and cross-sell pitches with every interaction, across every channel. **The result: Simply put, you'll sell more.**

Success Stories



A lawn and garden parts distributor increased ecommerce revenue per customer by 27%.



Turning telesales reps into order-makers, a dental distributor increased revenue per pitch by 13X.



An industrial MRO distributor added \$115K annual incremental revenue per Customer Service Rep