

**WHITEPAPER**

Distributors Turn to Practical Strategies to Overcome Key Obstacles

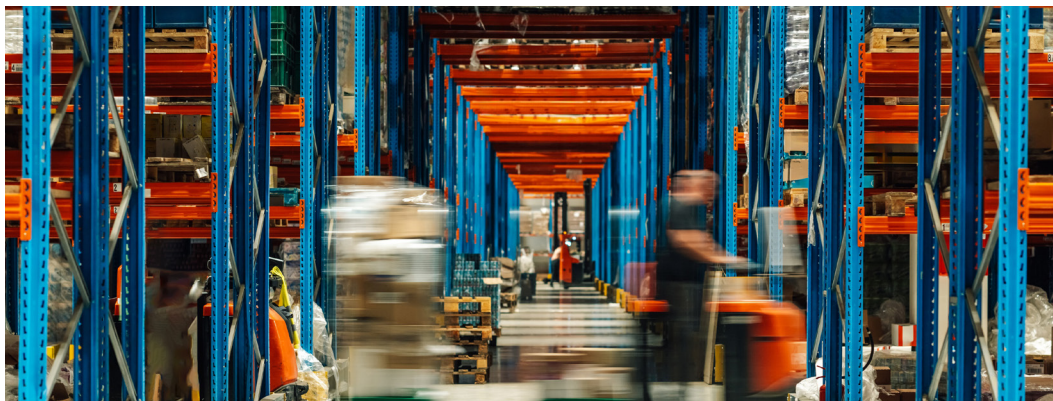
Distributors must lean on technology tools to address both emerging and long-standing challenges.

Distributors have reached a pivotal moment where they face challenges and opportunities of equal magnitude.

With a growing market, they have reason to expand product lines and capabilities; however, without clear goals and adequate resources, these opportunities can easily slip out of reach.

It has become increasingly clear that digital tools address many of the challenges at hand, but distributors need a transparent and targeted strategy — one that defines goals and provides a means to address the critical issues holding them back from scaling.

For 76 years, Industrial Distribution has polled its readership annually for its “Survey of Distributor Operations” report, asking respondents to share everything from their primary concerns to their growth, development and investment goals.



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This year's results offer a snapshot of the business environment for distributors during a period when concerns evolve rapidly against a backdrop of economic and geopolitical disruption. As a result, investments and strategies must respond in kind to keep pace with the ever-changing needs of the modern distributor.

Current Concerns, Practical Strategies

To explore how distributors can best manage their operations, we spoke with Jeremy Centner, senior director at professional services firm Sikich.

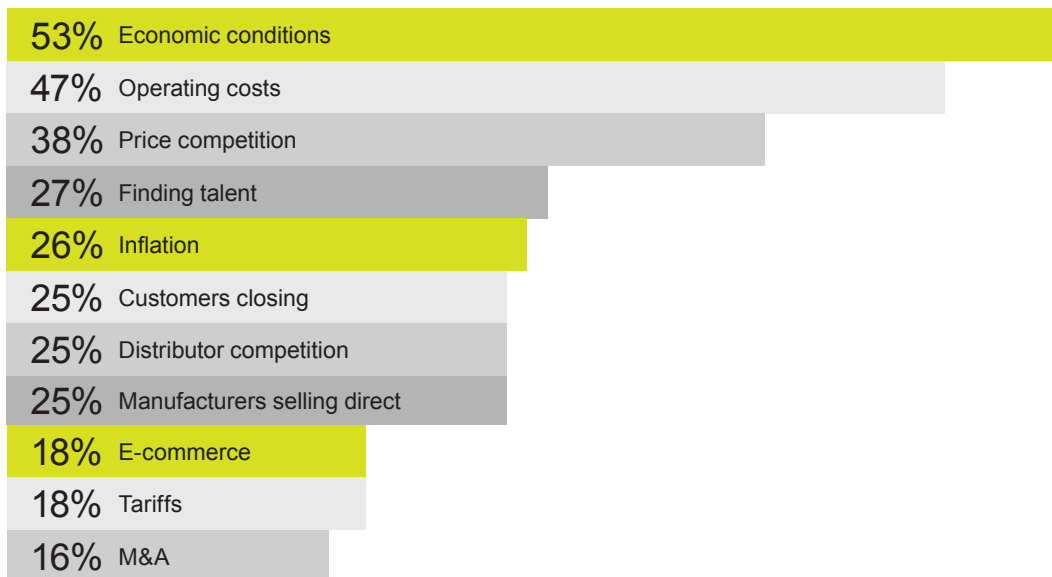
Drawing on extensive interactions with distribution businesses, the team at Sikich understands the industry deeply. Centner notes that several major concerns from recent years — once considered temporary — are now driving distributors to make more permanent strategic decisions.

Respondents to Industrial Distribution's survey highlighted their main concerns for the year; most pointed to current economic conditions, with operating costs, price competition and employee retention coming in close behind.

According to Centner, "Whether it's inflation, shifting tariffs, labor shortages, or changing customer expectations, these pressures are forcing distribution companies to rethink and refocus how they operate."

Rather than simply reacting to these variables, Centner believes distributors must build resilient organizations that can "adapt quickly, maintain profitability, and keep customers happy." To achieve this, companies need greater operational visibility so they can make proactive decisions across every division of their organization.

Current Primary Concerns *(ranked by level of concern)*



The Technology Question

While not every distributor is certain they are on the right track with digital transformation, one common theme remains: they know it must be a priority.

But how can distributors move from simply making technology investments to securing measurable business outcomes? Many surveyed readers cited core business tools like CRM and e-commerce platforms as the most impactful, while newer technologies like AI are currently used by only a third of these businesses.

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The unfortunate reality is that many distributors are not realizing the full impact of the available tools.

Said Centner, "Technology investments are a major part of creating a competitive advantage, but they don't do that by themselves."

Instead, the greatest ROI occurs when technology strategy directly targets specific business challenges. Is inventory cost too high due to inaccurate forecasting? Is the business adaptable enough? Is there a need to increase warehouse productivity or boost customer retention?

"It's really about taking those tools and turning them into decision-making platforms," Centner added. "How does this tool or initiative make our goals tangible? How do we reach that target through a combination of business process changes and technology? All of these elements must align to help you reach your goals, decrease costs, improve productivity, and create actual value rather than just automating tasks."

Growth Is There - But Can It Scale?

Survey respondents also highlighted the need to standardize processes to consistently meet business goals. For instance, many reported steady or growing sales, but Centner cautions that higher sales volume does not automatically translate to scalable growth.

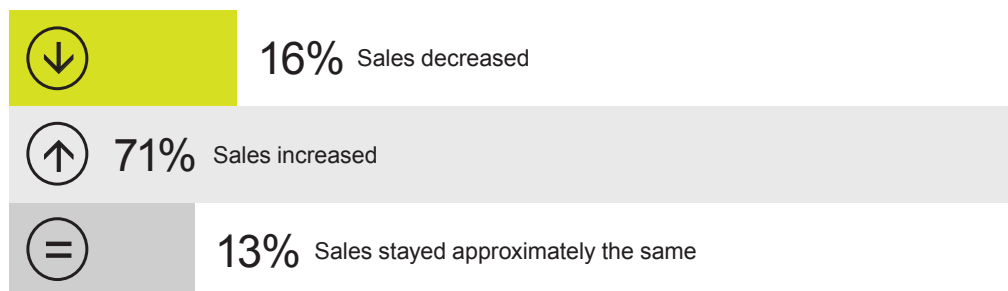
"As sales continue to grow, the main question is: can operations scale to support that growth? Can our forecasting and planning keep up with the demand we'll see as we open a new warehouse or expand into a new region globally? What does that pace look like, and can we sustain it from the supply side?

"That's a key factor companies need to keep in mind," Centner noted, "and using the right tools can help manage it."

Distributors must assess whether their planning is reactive or proactive. Instead of relying solely on past demand to guide stocking levels, future success lies in leveraging modern ERP, AI, and planning systems that "allow you to be proactive, adapt on the fly, and remain agile."

Centner emphasized that this includes improving inventory agility: "It's not necessarily about carrying more inventory, but carrying the right inventory. Utilizing technology and tools for better demand planning and more accurate forecasting allows companies to decrease inventory carrying costs while still keeping their customers happy."

Sales performance compared to last year



Supply Chain Resilience

In a fluctuating tariff environment, surveyed distributors highlighted rising costs and frequent price adjustments, which have led to prolonged uncertainty as customers weigh purchasing decisions or delay major investments. From Centner's perspective, supply chain resilience relies on enhancing both visibility and communication.

Historically, distributors have relied heavily on phone calls and email rather than real-time order tracking and updates. These traditional methods provide limited insight into vendor reliability, delivery timelines, or product quality issues.

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Supply chain resilience, therefore, becomes a technology priority — specifically, how improved visibility strengthens supply chain operations, and confirms whether supplier partners are dependable. The other key factor is demand forecasting.

“Instead of basing demand forecasting strictly on historical sales, companies should capture underlying factors like customer behavior, seasonal trends, and external market conditions,” Centner explained. “Technology helps strengthen demand planning, which in turn builds supply chain resilience.”

This approach can also help distributors identify how and when to diversify their sourcing strategies, particularly as tariffs compress profit margins.

Putting the Customer First

Distributors continue to emphasize the need to serve customers at the highest possible level while keeping costs in check — something Centner describes as a “balancing act” amid economic uncertainty and other disruptions.

Managing this balance requires looking deeper into the supply chain to understand how existing suppliers may be subtly impacting costs and service levels.

“Your lowest-cost supplier is not always your best option,” Centner explained. “Higher freight and transportation costs or late deliveries end up impacting sales revenue. Furthermore, can they handle EDI transactions? Do they have the technology to support the automation capabilities you want to enable?”

Companies should evaluate the total operational cost of working with a supplier on a continuous basis.

“It’s not a set-it-and-forget-it or quarterly activity. You should manage vendor performance on a weekly basis to catch trends early, such as late deliveries. Identifying these issues promptly allows you to work with suppliers directly to address the root causes.”

A strong customer experience stems from understanding how operational variables — from carrying costs to stockout risks — affect the end buyer. According to Centner, customer expectations have risen as consumer tech platforms like Amazon have set higher standards for visibility.

“We’ve seen a shift where [B2B customers] are now wanting the ‘Domino’s Pizza tracker’ experience,” he said. “Is it being picked? Is it being packaged? Is it on the truck, or ready to be shipped out the door? When is it actually going to be showing up?”



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According to Centner, expectations have shifted dramatically as everyday consumer technology makes real-time updates standard.

“It’s becoming commonplace, yet most distributors are not currently equipped to deliver that level of visibility. Technology bridges that gap, enabling companies to meet expectations, boost customer satisfaction, and build trust in their delivery timelines.”

The Customer Impact of Labor Shortages

Finally, labor shortages remain a key barrier to distributor growth, although many view technology as a potential solution when implemented thoughtfully.

“Rather than viewing technology as a replacement for people, most distributors use automation, AI, and modern systems to help employees become more productive.”

This often involves eliminating repetitive tasks and supporting better decision-making. Given that ID survey respondents report hiring challenges across all functions — from executive and sales roles to technical and warehouse staff — understanding how technology can support each of them is key. According to Centner, the right tools — AI included — can go beyond automating menial tasks and actually augment decision-making and surface key metrics. Centner added that “increasing workforce efficiency creates value, empowers current employees, and mitigates the impact of labor shortages.”

Roles most challenging to hire or retain



Conclusion

Today’s distributors navigate a rapidly evolving operational landscape, characterized by complex challenges that impact every component of their businesses. To thrive in this environment, distributors must be proactive and adopt a strategic approach to digital transformation.

Technology is not a standalone remedy; instead, companies should view it as a platform to improve their decision-making. By aligning digital tools with specific goals, from greater shipping visibility and more resilient supply chains to growing sustainably and navigating labor pressures, distributors can capitalize on the opportunities available — even in an uncertain environment.

About Sikich

Sikich offers a diverse platform of professional services across consulting, technology, and compliance. Highly specialized and hands-on teams deliver integrated solutions rooted in deep industry experience. Sikich helps distributors modernize operations through data, AI, ERP, CRM, and supply chain solutions that improve operational visibility, strengthen decision-making, and support scalable growth. Its approach is strategically and thoughtfully designed to help its clients, teams and communities accelerate success. For more information, visit www.sikich.com/technology/industries/distribution-technology/.

