



University for Innovative Distribution (UID) Beneficial to Fastener Industry

By Aaron Lyles/Falcon Fastening

I owe a great deal of gratitude to SEFA for the opportunity to attend this 2020's University for Innovative Distribution (UID) conference. It was a fantastic, enlightening, and truly worthwhile experience, and I'm thrilled to have the chance to share my experience with our other SEFA members.

While I completed 30 hours of education, and spent many hours in discussion with other SEFA members and distributors from various industries, I was struck by 3 major recurring themes, across the different sessions and discussions I had.

3 major UID takeaways

1. Data
2. Process
3. Customer focus

Data

There's so much noise in society about data that it's easy to either take it granted, or outright dismiss it as hype. In truth, much of the commotion about data may indeed be hype. That said, one key take away from UID is that understanding basic data management and analytics is increasingly becoming essential to basic survival.

While we may not have to worry about being overthrown by robots anytime soon, it is incredibly important to recognize that we live in the information age and data are the building blocks of information.

Distributors who fail to learn how to use data now are like highschoolers who fail to learn how to read. Their future prospects are grim.

For those who don't need convincing, but feel like they're struggling to figure this data thing out, there's a few great tips picked up at UID:

1. **Learn to hate data free discussions.** Accept that if you don't have data to back-up your perspective, then you're really only storytelling. That doesn't mean every discussion must have data. It simply means that your organization should become cognizant of when you're making decisions based on stories and should strive to avoid data-free decisions.
2. **Get good at second-level thinking:** While first-level thinking concerns the formulation of opinions, second-level thinking refers to the ability to think problems through to the second, third, and... nth tier. Howard Marks, author of *The Most Important Thing*, describes second-level thinking as "deep, complex and convoluted".

For those who bristle at this idea, there's a quote from Charlie Munger that taunts "It's not supposed to be easy. Anyone who finds it easy is stupid."

Unfortunately, for many distributors, math and analytics is the "easy" part. Second-level thinking is the challenge. I recall my experience in completing my data analytics degree. Many students breezed through the math, only to emotionally unravel when it came to formulating questions and designing experiments. Given an equation, they could faithfully execute it all day, but they struggled with progressively applying those same equations to real life situations in a way that derived valuable insights.

3. **Clean data is the ante to play.** Just like eye-sight is the ante to driving a car, skipping this step is like trying to drive a car with a blindfold.
4. **ERPs:** Most distributors don't fully utilize or understand the full capabilities of their ERP's. That said, ERP's ultimately track transactional data and tell you nothing about your market or the kinds of questions that you need to be asking your market and tracking over time.
5. **Data analytics is a process, not an event.** Just as sales and procurement are processes, the same true of analytics. If you approach data analytics as a project, it will fail the same way that marketing or any other process fails treated like a project.

Process

Documented processes are key to continuous improvement. Wherever you're struggling to improve in business or life, the odds are your process is inadequately documented and maintained. Many companies claim to have processes, yet can't readily and clearly articulate them, or point to where an articulation can be found.

I found it eye opening, and terrifying how many distributors admitted to not being able to articulate even a basic process for vitally important functions such as sales, marketing, or customer service, let alone advanced functions such as data analytics.

Lack of process creates a myriad of issues.

Now, many people meet this suggestion with dismissive eye-rolls and grumblings about having their hands tied by "bureaucratic red-tape". Unfortunately, this attitude is rampant among distributors, 90% of which,

are run as “lifestyle” businesses, according to Michael Marks of Indian River Consulting Group.

It’s true. “Big” companies *tend* to move slower relative to their size. Here, *relative matters*. They also *tend* to perform (and gain market share) far more reliably. That performance differentiation is due to the following benefits of process documentation...

- **Operational success:** Remember Ken Stork’s Law - If you fail to build a process first, you will pay the cost of bad decisions and wasted time without ever getting the desired benefit.
- **Operational redundancy:** Reduces the potential risk in the event that key talent leaves or becomes unavailable.
- **Operational consistency:** Performance becomes more predictable when processes are clearly documented and trained on.
- **Operational improvement:** When processes are documented and predictable, problems are easier and faster to identify and prioritize for improvement.
- **Trade secrets:** “Proprietary” processes require detailed process documentation to adequately defend.
- **Acquisition requirements:** Often, for the above reasons, acquisition requirements often include detailed process documentation.

Customer focus

The thing about processes is they’re only as effective and reliable and their inputs. The saying absolutely applies here; garbage in, garbage out. The good news (or bad news for some of us) is that even inferior processes can

win and retain market share when paired with customer passion and knowledge.

The modern world is awash in change, and it's easy to stay constantly distracted by the next new thing or shiny object (e.g. artificial intelligence; which distributors should pay attention to.).

To survive and thrive, distributors must never lose sight of the most essential element of business: customers.

All the data and process in the world can't and won't overcome lack of customer understanding. This may seem obvious, but far too many distributors get wrapped up in products and sales numbers while losing sight of who they serve.

It's vitally important that distributors maintain an unrelenting, maniacal focus on customers. In that effort, Steve Deists suggests that all distributors should be able to answer the following questions about their markets.

- What is their biggest headache?
- How do they make money?
- Who are their customers and what are they demanding?
- What brings them joy?
- What are the best and worst parts of their job?
- How are they measured and paid?
- What makes them look good in their organization (or social groups)?
- What are they afraid of?

Answering these questions helps to answer the ultimate customer question:

What are our customers buying? (Hint; it's not a product.)

Only once we know what our customers are buying, should we then turn inward and ask; What are we selling?

Is there a gap between the two?

If there's any gap between what our customers are buying and what we're selling, then we have work to do unless we plan on losing our customers to our competitors. (Hint; your customers are unlikely to all be buying the same thing.)

Yes, that work should probably be defined in terms of a value producing data-driven process.