



SCI-FI NO MORE: HOW ARTIFICIAL INTELLIGENCE IS POWERING MODERN COMMERCE FOR MANUFACTURERS & DISTRIBUTORS

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It was only a matter of time before Amazon's disruptive influence and impact on B2C would make its way into the world of B2B.

After all, the same manufacturing and distribution executives who routinely searched, compared, priced, and ordered consumer products for rapid delivery from the convenience of a computer, tablet, and smartphone surely were contemplating ways to incorporate such user-friendly strategies into the much more complicated B2B environment.

Fast forward to today when, with the help of artificial intelligence (AI), machine learning, data science, and a new personalized customer approach, the transition from e-commerce to 'modern commerce' already has taken hold in B2B, vaulting alert manufacturers and distributors that aggressively began adopting the new strategies significantly ahead of their slow-to-react competitors.

WHAT IS 'MODERN COMMERCE'?

In the old e-commerce days, the sales strategy usually involved the development of a website and a web storefront that described a particular product or equipment group, offered the viewer a means to request additional information from a known or unknown sales contact, wait for a blind sales pitch, eventual quote, and expected, but estimated timeline for delivery.

Modern commerce takes the process well beyond e-commerce to personalized customer relationship management (CRM), completely automated sales processes, including instant quotes based upon a buyer's unique purchase history and/or requirements, a smooth digital interaction throughout the entire process from search to quote to delivery.

A key part of that transition to a modern commerce strategy involves AI and machine learning, methods that enable individualized CRM based on the latest sophisticated data involving a buyer's location, primary marketplace, competitive environment, past purchase activities, and suitable price points.

In essence, modern commerce, which incorporates highly specific data, algorithms, and machine learning, flips the manufacturer-customer sales relationship

from the traditional approach where the company is in control to one in which the customer is in charge—much the same way consumers are in control when buying products through Amazon.

The use of AI in the commerce process also takes pressure off of the sales representative who traditionally might offer a standard, one-price-fits-all approach in customer quotations, a move that often would lead the customer—even a longtime repeat customer—to immediately seek a discount. That, in turn, would prompt the sales rep to bring the request back to management for consideration. Following time-consuming internal discussions, the rep might receive the go-ahead to convey a discounted quote.



MODERN COMMERCE IN ACTION

With a personalized modern commerce approach, a transparent price immediately can be offered based on comprehensive data analysis, buoyed by machine learning and AI, that considers the buyer's past purchasing habits, dynamics of the local region, the particular product market, and a variety of other factors in determining a reasonable price quotation to close the deal at time of inquiry.

What's more, the use of AI allows the customer to access the same personalized quotation via all channels. In addition, machine learning helps the manufacturers refine the offers for each buyer as their preferences evolve over time. Price optimization and guidance tools leverage data science to help manufacturers determine a customer's willingness to pay for any product at that

specific moment in time, which shortens deal cycles, boosts margins, and improves customer satisfaction.

It also frees up sales staff and management to pursue other deals, and satisfies the customer with an immediate reasonable offer, a quick turnaround along with a promise of speedy, no-hassle delivery—no more back-and-forth to reduce price or playing telephone tag with sales staff. It also avoids additional research that may prompt a customer to seek alternate deals from competitors.

Another huge benefit is that AI and the algorithms available in modern commerce can provide the manufacturer and distributor with the same sophisticated level of background information about a new or prospective customer as it can about a current, long-established client.

TRANSFORMING THE SALES STAFF

As with any major transition confronting long-standing practices, understandably an immediate concern for sales staff is whether AI and machine learning might diminish their roles and eventually impact their careers.

Quite the opposite, says Geoff Webb, Vice President of Product Marketing at PROS, a major player in the development of tools enabled by AI and machine learning. AI isn't replacing the B2B sales person. On the contrary, it's empowering that B2B sales person.

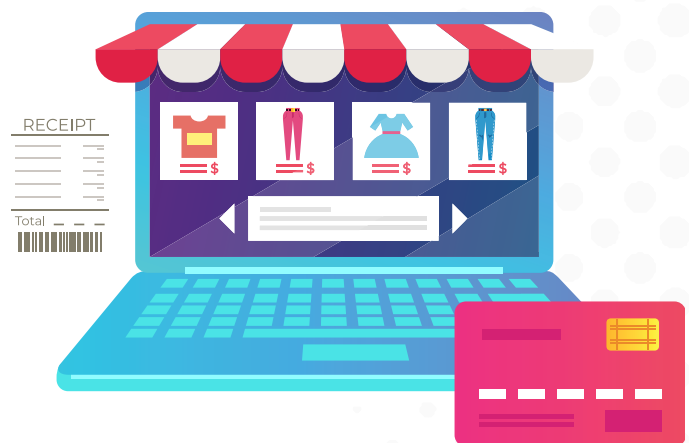
"The concept of a sales person operating alone without an AI 'assistant' right next to them will seem incredibly antiquated in 10 years time if not sooner," according to Webb. "What the AI assistant can do already—and increasingly will be doing—is aggregate the entire can of organizational wisdom, every transaction, every won deal, every failed deal, every time an opportunity was missed." Machine learning serves up all of that data, along with detailed customer information and habits, to the sales rep.

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— Webb

"The sales person instantly knows everything about what the particular customer sells, how they sell it, and where they've been successful," Webb adds. "That is an incredibly empowering piece of technology to help go and win deals. As a B2B sales person, I would be terrified not having that AI assistant next to me in the next few years time because I would feel completely ill informed.

"It's taking them from their current method of operating in the dark—gut feel, what have I seen, what do I remember—to an ability to just be incredibly insightful, to predict the future, to be highly prescriptive, and to drive massive success against competitors that are less well informed."



DON'T GET LEFT BEHIND

Manufacturers are facing the reality that traditional strategies that used to grow revenue—improving quality, production efficiency, pricing, and marketing—will take them only so far.

For organizations that embrace the emerging AI opportunities and deliver a better customer experience, their capacity to grow will enable them to enter new markets, become more efficient, and actually charge more for their products. There's a huge opportunity for those distributors and manufacturers that get it right.

"The modern B2B buyer demands a fast, frictionless, efficient, reliable customer experience across any of the different channels now available when engaging with a company," according to Richard Blatcher, Senior industry solutions manager at PROS.

"We know of distributors and manufacturers that already have beaten growth targets, identified incremental growth revenue, and improved margins," Blatcher

adds. "They're going through the digital business transformation and have come out of the other side. Now they're looking to evolve into other areas of the business."

But, he warned that the rate of change taking place in the industry is rapidly accelerating.

"The Amazon effect is real, it's here, and distributors and manufacturers increasingly are realizing that digitization and digital transformation—such as AI, machine learning, dynamic pricing, and price optimization—are the levers that they can and should be using to get ahead and compete with the likes of Amazon and others," Blatcher says.

"The capacity for Amazon to insert itself into any of the value chains is quite extraordinary and should not be underestimated," Blatcher warns. "They can quickly enter a market, disconnect anyone from their previous supply and/or customer base, gain market share, and most importantly, gain customer loyalty because they offer an excellent experience."

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Just as many mega-retailers were slow to recognize the Amazon threat and embrace new technologies and data capabilities, even long-established manufacturers and distributors risk future growth and long-term business viability by failing to adapt to this new era of digital business.

For the winners the victory will be extraordinary. For the losers, the consequences will be dire.

ABOUT THIS REPORT

The information in this report was researched and produced by Advantage Business Marketing in conjunction with PROS.

ABOUT PROS

PROS Holdings, Inc. (NYSE: PRO) is a revenue and profit realization company that helps B2B and B2C customers realize their potential through the blend of simplicity and data science. PROS offers cloud solutions to help accelerate sales, formulate winning pricing strategies and align product, demand and availability. PROS revenue and profit realization solutions are designed to allow customers to experience meaningful revenue growth, sustained profitability and modernized business processes.

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