



Considering AI



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There is a lot to consider when choosing and implementing AI applications.

Here are some key factors to consider when researching what's best for your company.

How clean is your data?

Distributors collect a myriad of valuable customer, internal, and vendor information in the process of doing business. AI can generate outputs based on that internal data whether it is stored in the cloud or on-premises. If that data isn't properly managed, your AI-driven business processes might suffer the consequences. In a recent [Forbes article](#) on this topic, Simon Jelly, explains **only 23% of your collected data will probably be "good" data.**

Classify your data

Jelley suggests that after you have captured the relevant data, you classify it. There are 3 key steps to this:

- Create the sets of definitions, labels and groups you will use to organize your data.

- Apply that taxonomy to your data.

- Establish a single source of truth (SSOT) location for each category of your data.

Once classified, clean your data to rid it of the ROT (redundant, obsolete, or trivial). Redundant data can give AI the impression that something is more important than it is because it's repeated. Once AI has clean data, it will help keep it clean.

Lower the cost of doing business

One of the greatest advantages of deploying AI is the effective cost containment it yields.

Reflect on these considerations:

- **Inventory levels – As customers, distributors, and suppliers go through economic cycles, consider their effects.** Disruptions can wreak havoc on inventory levels. Predictive analytics can make stocking levels a concern of the past. With AI, your trading partners can enjoy the



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continuous improvement (CI) of just in time (JIT) supply from manufacturer to end user.

- **Transportation costs** – I worked in the welding and gas distribution segment where transportation costs are a significant factor. In one project – pre AI – we evaluated how to reduce rolling return stock on cylinder trucks. We estimated customer cylinder usage before the trucks left in the morning. Despite our best efforts, some trucks returned with 40% of the cylinders unused. The cost of loading, unloading, and carrying these unused cylinders was staggering. Today, with the use of telemetry systems (the process of recording and transmitting the readings of an instrument), vendor managed inventory (VMI), and order history, a lot of data is generated. **With this information, AI can be used to improve the proper frequency and loading quantities of product on trucks.** In the welding and gas industry, this includes hard goods, gas cylinders, and bulk cryogenic gas deliveries.

- **Pricing optimization** – As a vice president of sales for a distributorship, one of my chief responsibilities was customer pricing. The arduous task of determining annual price increases was performed by

reviewing spreadsheets and bulky print outs with each sales manager. This was done one territory at a time. **Today, interactive AI can be used to sort that data and determine the right price for each customer.** AI software providers boast that they can increase their distributor customer's returns 10X to 30X with price optimization programming. Given those results, distributors should focus on adding pricing optimization software to their ERP.

- **Warehouse automation** – One of the best ways distributors can realize cost improvement is by improving material handling processes in the warehouse. Robotic Process Automation (RPA) is already revolutionizing warehouse labor cost and can improve working conditions. **With robotic automation, AI autonomy uses data to continually improve handling processes in the warehouse.**

A tool for success

The traditional distributor landscape is changing rapidly. The worst thing you can be is stagnant. AI presents an opportunity for continuous improvement. Consider using AI as a tool to build your future success.

5 KEY TAKEAWAYS

1. Capture, classify and clean data for optimal AI applications.
2. AI lowers the cost of doing business by enabling greater efficiencies in processes.
3. AI can be used to improve the proper frequency and loading quantities of product on trucks.
4. AI can be used to sort data and determine pricing and inventory levels for customers.
5. AI uses data to continually improve handling processes in the warehouse.