

Reimagine Your Enterprise

4 Ways Innovative Wholesale Distributors Are Transforming Their Business



- Standardize and automate processes
- Simplify the IT landscape
- Enable business in the moment
- Quickly gain business clarity

About the Author



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Business Solutions Architect and Logistics consultant for itelligence from 2000-2005. During this time, he implemented SAP solutions for local and international distributors across many micro vertical distributors. Prior to joining itelligence, Hoffmann was Project Manager and SAP Consultant for a German consulting company, where he was involved in the configuration and implementation of various SAP systems for wholesale distributors.

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Executive Summary



Business Transformation

Rapidly evolving market realities are driving fundamental transformations in business practices in virtually every industry, including wholesale distribution. These transformations are moving rapidly through the wholesale distribution industry as they are viewed as critical for maximizing supply chain performance and delivering an exceptional customer experience. However, unlike previous iterations of business change, this new era is witnessing a more sudden and rapid revolution in technology and processes as wholesalers place more emphasis on understanding customer requirements, and profitably managing the sourcing and storage of inventory.

These changes are helping pave the way to greater efficiency, profitability, and innovation — driven by advanced new technology that helps organizations of any size embrace the possibilities of real-time business. This “perfect storm” combining emerging technologies and innovative practices is enabling businesses to:

- Standardize and automate processes
- Simplify the IT landscape
- Enable business in the moment
- Quickly gain business clarity

Many of today’s wholesale distributors, have a long list of pressing challenges in this era of pervasive digital transformation to address. Distributors want to accomplish things such as increasing their profitability by segmenting customers based on sales volume, loyalty, and cost to serve. They want to make it easier for new and existing customers to do business with them by offering multiple engagement channels and a consistent customer experience regardless of which channel – or mix of channels – a customer uses. They also want to continue to increase operational efficiency and negotiate the best possible deals with suppliers to increase margins while optimizing charge backs, pricing and inventory levels.

This paper looks at a four areas where wholesale distributors are embracing digital transformation to become more efficient, profitable, and innovative.

1. Revolutionize the Customer Experience



92%

of distributors will be selling products online by 2017¹

Even in an established industry such as wholesale distribution, the ecommerce revolution is upending traditional assumptions about how best to meet customer needs. A new generation of distribution customers expects to place, manage, and track wholesale orders online, in addition to having the option to conduct business via traditional channels. In fact, 92% of distributors will be selling products online by 2017¹, and nearly 80% of Distributor CEO's plan to invest in ecommerce through 2017² to meet the demands of their customers.

While the "omnichannel" model opens the door to potential new markets and customers, it also levels the competitive playing field. Greater transparency of pricing and availability, and a virtually limitless choice of providers, means that more power rests with buyers. The cost and difficulty of switching among providers is low, and distributors have to be more responsive to rapidly evolving customer expectations or otherwise run the risk of losing them to the competition.



B2B customers expect interactions with distributors to feel a lot like what they have in their personal lives; one-click ordering, click and collect, product information at the fingertips, and mobile status updates is just the short list.³

Today's distributors can use advanced transactional and analytic capabilities to launch new lineups of value-added services that were previously beyond the scope of traditional wholesale distribution. Greater operational flexibility and insight into customer needs and activity allows distributors to create new channels such as 24/7 online self-service, where customers can place orders, update quantities, manage substitutions, schedule and monitor shipments, and pay invoices at their convenience.

Real-time market data — even at the level of social media conversations — can immediately feed into demand plans, enabling greater responsiveness and nimbleness in responding to changing customer preferences. Armed with a 360-degree view of their customers, distributors can adjust promotional strategies and service offerings based on real-time insight, taking into account the latest data on inventory, category loss leaders, and other criteria.

¹ Footnote: Facing the Forces of Change, Guy Blisset

² Footnote: National Association of Wholesaler-Distributors

³ Footnote: "The Intelligent Distributor," written by Oliver Wyman, 2015

Figure 1:
Digitize your end-to-end customer experience



Distributors that never had the resources to compete on a global scale now have the flexibility, insight, and responsiveness to better understand customer behavior and exceed customer expectations. Additionally, wholesalers can leverage their omnichannel insights to offer a richer lineup of value-added services to manufacturers and retailers, such as kitting products, executing trade activities, financing growth initiatives, and hosting business systems and related infrastructure.

 According to the research team at Aberdeen Group, 87% of Wholesalers are trying to address ecommerce and multi-channel or cross-channel demand.⁴

⁴ Footnote: Digital Economy In Wholesale: Customers, Suppliers & The Workforce, September 2015

2. Use the Internet of Things



Automation
Generation

A new generation of mobile, connected technology is transforming some of the most entrenched, long-standing practices in wholesale distribution. These devices are helping to automate orders, check and secure inventory, finalize trade promotions, and provide insight-rich sources of analytical data from throughout the enterprise.

As part of their digital transformation initiatives, distributors hope to use this data to support real-time decision making and analysis, improve the customer experience, and streamline operations while driving down the cost of traditionally labor-intensive activities.

Innovative wholesalers across the globe are leveraging The Internet of Things to create new opportunities in areas such as:

Automated merchandising operations:

- RFID-enabled sensors on products, automated shelves and coolers, automated machine-driven maintenance

Just-in-time operations:

- Perishability tracking, fleet operations monitoring, and cold-chain tracking

Customer service innovation

- Enhanced security, automated industrial vending machines, and connected freight transport

Automated customer consignment processes

- Enabling customers to consume product as needed while automatically monitoring inventory levels

The combination of smart devices, high-speed connectivity, and increased analytical speed are also driving key operational improvements in areas such as warehouse and transportation automation and supply chain logistics. Enterprise users can quickly determine the optimum use and movement of fleets and personnel and streamline the flow of information and goods throughout a partner network. This information can then be extended to the supply chain in both directions for greater visibility.



“Wholesalers are using the IoT to acquire new customers, develop new sales channels, grow wallet share of existing customers, and increase customer loyalty.”⁵

⁵ Footnote: The CEO Perspective: Internet of Things for Wholesale Distribution, sap.com

3. Plan with Real-Time Data



Getting ahead of business cycles

The acceleration of business cycles is putting increased pressure on distributors to think and act in real-time to keep pace with customer expectations. Traditional models, where forecasts and schedules were based on historical and expected activity, don't offer the accuracy distributors need to respond to urgent customer demands while maintaining the discipline and control they need to keep costs manageable.

Legacy and siloed systems can compound the problem by inhibiting the flow of information and insight within the enterprise. Multiple batch-run dependencies can create information bottlenecks that delay downstream activities. Without the insight that depends on cross-functional communication, distributors can't determine whether they're adequately serving their best customers, maintaining appropriate stock levels, optimizing route planning, and negotiating the best deals with suppliers.

Through in-memory integration of transactional and analytical capabilities, distributors can gain the instant insight they need to drive more efficient processes in the following areas:



Reduce safety stocks and overall inventory levels and free up cash for other investments



Improve purchasing decisions that anticipate the downstream impact on warehousing costs



Better negotiate deals that require complex calculations of pricing conditions and discounts



Provide manufacturers intelligence on business decisions



Stratify customers and products for better and faster profitability analysis

Distributors can use real-time sales and market data in their demand planning and make adjustments as needed based on sources as granular as social media data. At the same time, they can improve promotion plans through a more accurate understanding of dated inventory, slow movers and category loss leaders — virtually any metric needed.

4. Arm Your Workforce for Success



Making the connection

Like scores of businesses in virtually every industry, distributors are struggling to equip employees with the tools they need to be effective.

From the warehouse floor to the loading bay to the executive suite, a distributor's workforce needs easy access to the information and tools that can help them be more responsive, more productive, and discover new and better ways of doing business. Providing employees with the real-time information and analytical tools they need can be a competitive differentiator in a fast-moving market. For example, collecting and integrating the information needed for pricing can be a manually intensive process and a major frustration for a distributor's workforce. With multiple variables such as material costs, discounts, chargebacks, rebates— and continuous changes in each of those variables — employees can be faced with calculating tens of thousands of price/customer combinations. Batch-oriented legacy systems not only slow the pricing calculations, they can require significant manual data collection and manipulation by employees.

New technologies are available for distributors to dramatically simplify the business user's experience and improve workforce efficiency. Throughout the enterprise, line-of-business users can access the tools to generate their own reports and discover their own insights – without adding to an IT backlog. CEOs, purchasing managers, financial analysts – every employee can quickly access the information and capabilities they need. Guided processes help ensure that even new hires are equipped for success and adhere to the distributor's standards and procedures. Role-specific user cockpits consolidate the relevant information and context users need for data-driven decision making. Also, users can access the information and resources they need via a consistent experience on any device, including mobile to ensure they can perform their job whenever and wherever required.



Top performing wholesalers are addressing the convergence of the physical and digital economy by connecting customers, suppliers, and the workforce.⁶

⁶ Footnote: "Digital Economy in Wholesale: Customers, Supplier & the Workforce," Aberdeen Group, September 2015

Summary and Conclusion

By adopting new technologies, wholesale distributors can improve the customer experience, better anticipate customer's needs and enhance workforce productivity. For a distributor to differentiate sales and service efforts, it must have the ability to transform digital activities and gain real-time insights into market trends and customer behavior to monitor demand information and help ensure product availability. In addition, it must also provide a seamless customer experience by leveraging omnichannel capabilities to mask a distributor's internal operations and boost customer satisfaction. New technologies place information in the hands of your workforce for real-time decisions and increased productivity, from any place, whether a warehouse worker, delivery driver or the field sales representative.

With intelligence solutions, wholesale distributors can simplify operations resulting in more efficiency and flexibility in meeting unique customer requirements. This allows our distribution clients to spend more time adding value to the customer experience rather than simply responding to requests. As a result, your organization can focus on developing innovative business strategies to increase operational performance and exceed the evolving expectations of today's customers.



Figure 2: Wholesale companies are looking to address the digital convergence across B2B/B2C. By realizing the importance of integrating workflows and technology to address each of their five pillars – customer, supplier, workforce, core business processes, and the Internet of Things – leading wholesale distributors are transforming, reengineering, and finding hidden ROI within their business.



Find out More ...



For more information

For more information on how itelligence Group North America can help your enterprise capitalize on the possibilities of digital transformation, [click here](#) to request a discovery call or contact us at +1-866-422-8858.

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