



The Future of Wholesale Distribution

A Leader's Guide to Digital Transformation



Sage Business Partner

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Survival of the fittest

In an industry as competitive as wholesale distribution, survival of the fittest is an accurate description. Today, there is demand for wholesale distributors to evolve, become more productive, efficient, and build stronger experiences for customers.

Distribution has always been about building and maintaining customer relationships, but digital disruption has changed the landscape. The reality is the market for wholesale distribution is fundamentally transforming, and there's a need to maximise supply chain performance and deliver an elevated customer experience.

Today, empowered customers have an ability to purchase goods across channels, and they demand personalised and customised products, pricing flexibility, with tolerance of delay. The omnichannel model means that the power now rests with buyers as switching distributors is now much simpler.

With challenges from the new data economy, traditional channels of distribution may have been made obsolete. Distributors today face more challenging and complex fulfilment requirements, such as the need to manage their traditional B2B business together with an eCommerce website.

Wholesale distributors are beset with an additional range of challenges, including:

- The increasing cost of rising supply chain management and the growing complexity of global operations.
- Increased expectations from customers expecting high levels of efficiency and speed, but with a need to keep profits high.
- Competition from businesses that are aggressively expanding their operations, or disintermediation, where manufacturers decide to supply customers directly.

Digital disruptors are reshaping supply chains and changing business models across the board. This means wholesale distributors must rethink their own processes and models, making use of data to maintain their market share and beat the competition. They must also look at the trends that are shaping the new digital economy, such as Artificial Intelligence (AI) and the Internet of Things (IoT).

To capitalise on the digital opportunity, wholesale distributors should consider:

- Improving the customer experience through value-added services
- Becoming a real-time distributor.
- Innovating with inventory.



Becoming a value-added distributor

Wholesale distributors may already have been providing value-added services. Although distributors might not recognise servitisation as a term, it's likely that many have already incorporated simple value-added services – such as product selection, picking, packing and shipping.

However, there are more advanced services that distributors should look at which could increase profitability and differentiate themselves from the competition.

These could include:

- Product installation and component assembly.
- Product customisation.
- Field service, maintenance and quality inspection.
- In-house repair.
- Just-in-time delivery.
- Consulting.
- Training and education.

Often these new services are made possible through technology. For example, virtual training can be offered through connected devices as basic as a smartphone, tablet or laptop. Distributors could also make use of embedded sensors in products which can notify them of issues and customers of possible downtime. And through 3D printing, it's now possible to offer tightly customised products created at rapid speed.

To take advantage of servitisation, manufacturers must be data-driven to define and create new services. They must look at business management solutions that can manage, date, and deliver data as a view of all actions that are happening within the organisation. With this information, manufacturers are armed with data which allows them to identify where new service opportunities exist.

Becoming a real-time distributor

Today, wholesale distributors are expected to think and act in real-time to keep up with customer expectations. In the past they may have relied on historical data to base their forecasts on, but this doesn't provide the accuracy and deep insight needed to meet current productivity and efficiency demands.

Digital transformation makes it possible for greater operational flexibility and insight into customer need. Distributors can be online 24/7, offering customers a self-service experience where they can place orders, update quantities, and schedule at their own convenience.

Real-time analytics could be crucial for a wholesale distributor with a lot of moving parts, as it's an essential tool to handle logistics in this all-hours agile manner. Automated alerts could inform actions based on changes in demand or other factors.

With easy-to-use data, in conjunction with analytical capabilities, distributors could better plan and forecast demand (improving customer service and reducing costs) as well as inform changes in workflows, such as combining shipments.

In addition, the Internet of Things (IoT) allows distributors to use connected devices, products, and tools equipped with sensors that can talk to each other, collect, and store data. They can partner with manufacturers and retailers to access data in real time.

To make the best use of data to drive informed and timely decisions, wholesale distributors must replace legacy siloed systems which could prevent information and insight from being used across the business. A robust business management solution could be the solution.

Innovating with inventory

Connectivity and the ability to use data in new ways has ushered in a new era of supply chain visibility. The digital world allows distributors to dynamically connect with their partners. With in-transit visibility, they can track shipments as they move, with any delay triggering an immediate alert.

Distributors can also use analytics to interrogate historic sale patterns to help plan when they need to build up inventory or scale down and run on less inventory, depending on demand. This allows businesses to make commitments or allocations based on supply, since they know where and when inventory will be available.

IoT technologies and the ability to integrate in real time with business management solutions transforms how inventory can be tracked and managed, and allows for automation. Business management solutions can track items in real time, usually through RFID tags or barcodes that can be scanned or identified. This provides visibility into information like inventory levels, expiration dates and location, which can support demand planning and forecast management.

With advances in IoT, information such as inventory temperature, weather, and GPS location could answer questions such as where exactly a product or material is located, which areas are causing delays in the supply chain, and whether certain processes are working better than others.

Technology can also support distributors in reducing costs through transformative processes such as 3D printing. This could allow distributors to carry an unlimited number of customisable products, whether printed in-house or through a 3D printer provided to the customer or buyer.

The distributor challenges

Most discrete manufacturers work with a network of global suppliers, both locally and globally, to build their products. This means that they are all faced with challenges when it comes to managing quality throughout the supply chain.

A lack of executive understanding

Digital transformation requires a top-down approach – leadership that has created a framework for success. This needs commitment and an understanding of how technology can improve the business. Distributors must seek out training or new technical blood to fill the knowledge gap.

Existing silos

Distributors are often separated into departments with their own respective objectives. In today's world though, this is a dynamic that causes problems. Business digital transformation requires collaboration between departments that can't happen in silos.

Legacy applications

Distributors may be dependent on legacy technology for their day-to-day business. What they should aim for is to build new digital transformational systems in parallel with these legacy systems, taking advantage of historic data that could be extremely valuable going forward.

Data without context

Data without context is just noise. Distributors can generate huge amounts of data and if employees are bogged down in it without context, it all becomes meaningless. There needs to be concerted efforts in making sure there are trained people using and interpreting the data.

A lack of ownership for customer outcomes

Distributor leaders must have a vision and strategic plan in place, where results are achievable and continuous improvement is possible. Without this, you create a circle of pain – the leadership doesn't take ownership, there is no forward progress and the rest of the business isn't inspired.

Misaligned metrics

Successful digital transformation requires alignment on key metrics such as customer satisfaction and value delivery. There needs to be measurement where every part of the business can see it's role reflected in the value chain.

What distributors need to do

For successful digital transformation, distributors must take a multi-pronged approach.

Assess digital maturity and identify the gaps

Distributors must find ways to plot their organisational maturity, which will provide guidance on where they need to elevate their digital capabilities. This will mean an analysis on how they can drive a digital culture, how they organise and resource to do this, and how they invest and take advantage of customer-driven insight to steer where they need to go.

Build the relationship between business and IT to focus on customer outcomes

Successful business digital transformation requires distributors to achieve improvement in customer experience across all departments. Technology isn't one size fits all – each business needs to find its own way to make sure its digital transformation results in positive customer outcomes – the key metric that can help light the way.

Plot a two-path roadmap – quick wins and platform investments

A digital transformation strategy could have two roadmaps – one that follows a path of quick wins and another that focuses on the platform investments needed. Quick wins show improvements that are visible to the business, benefits, and can be delivered quickly.

Invest in core systems with a clear ROI

Digital transformation will come with significant expenses, so it's necessary to make sure that investments made in hardware and software show return on investment when it comes to the cost savings made in productivity and efficiency benefits.



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kinspeed

+44 (0)1246 437 000

enquiries@kinspeed.com

www.kinspeed.com

Albion House, Ravenshorn Way, Renishaw, Sheffield, S21 3WY

