

The Wholesale Distribution Handbook

*Be ready for the future today,
with Sage X3*



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Disruption in global wholesale distribution

Global and political storms around trade tariffs are not making it easier in wholesale distribution, which already has its own fair share of challenges.

Challenges include:

- The increasing cost of rising supply chain management and the growing complexity of global operations.
- Accelerating digital disruption, reshaping supply chains and changing business models across the board.
- Increasing demands and 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.

Empowered customers have been created by the rise of e-commerce. They have a powerful ability to purchase goods across channels, demanding personalized and customized product, and have less tolerance of delay.



The wholesale distribution industry is at a crossroads.

What are the distributor challenges?

We're now at a point where the winners will be the visionary distributor leaders who chart a new course for their businesses.

For success, distributors need to think about:

Digital transformation

The fourth industrial revolution, or Industry 4.0, can change the way distributors work. It's the name given to a trend of digital transformation in various industries that uses data to create new ways of working, particularly with the cloud, artificial intelligence (AI) and automation coming into maturity at the same time.

In distribution, digital transformation could mean the democratization or standardization of information through modern ERP, as well as new services and sources of revenue through e-commerce. Distribution leaders also need to think about what mobile can do—innovations such as real-time sensing through the Internet of Things (IoT).

Dealing with competition and winning new customers

Distribution has always been a highly competitive industry, but it has become even more challenging with large traditional distributors expanding their service offerings and pushing into different industries. B2C companies have also started to enter the sizeable B2B market, which have more purchasing power, bigger networks and B2C experience.

Although there is more competition, there is also more opportunity for new markets that need distributor products and services. Think of the opportunities in automotive with technology players jumping into electric and self-driving cars, or the ever-expanding food and beverage industry, where new business models are coming into maturity.

Product innovation and challenges/opportunities

More than ever before, product innovation has the potential to disrupt supply chains and offer new opportunities. In food and beverage manufacturing for instance, there is a growing interest in foodstuffs that are locally or organically sourced, as well as concerns when it comes to GMO produce.

An innovation that has big potential to disrupt manufacturing supply chains is 3D printing, where computers can be used to create parts and products using materials such as metal or ceramics. It has the potential to shrink supply chains and development times, and is customizable enough to quickly adapt to whatever the customer needs.

“We're at an inflection point, with multiple disruptive forces eroding the financial performance of wholesale distributors globally. It's a point where incremental improvements aren't enough.”

—Deloitte, Wholesale Distribution Disrupted, 2016

Distributors must understand that customers are looking for a consistent experience across multiple channels and platforms.

Disintermediation

Disintermediation has always been a threat to distributors, where businesses decide to deal with customers directly instead of going through traditional distribution channels. Today, disintermediation has become much more of a significant threat, forcing leaders to examine their offerings and channels they're working in.

If a distributor is removed from a transaction, it can play havoc with their overall performance, causing hits to revenue and margins. Digital tools have enabled and accelerated the threat of disintermediation and this will only increase over time, which means distributors must build long-term strategies that can take advantage of their unique capabilities.

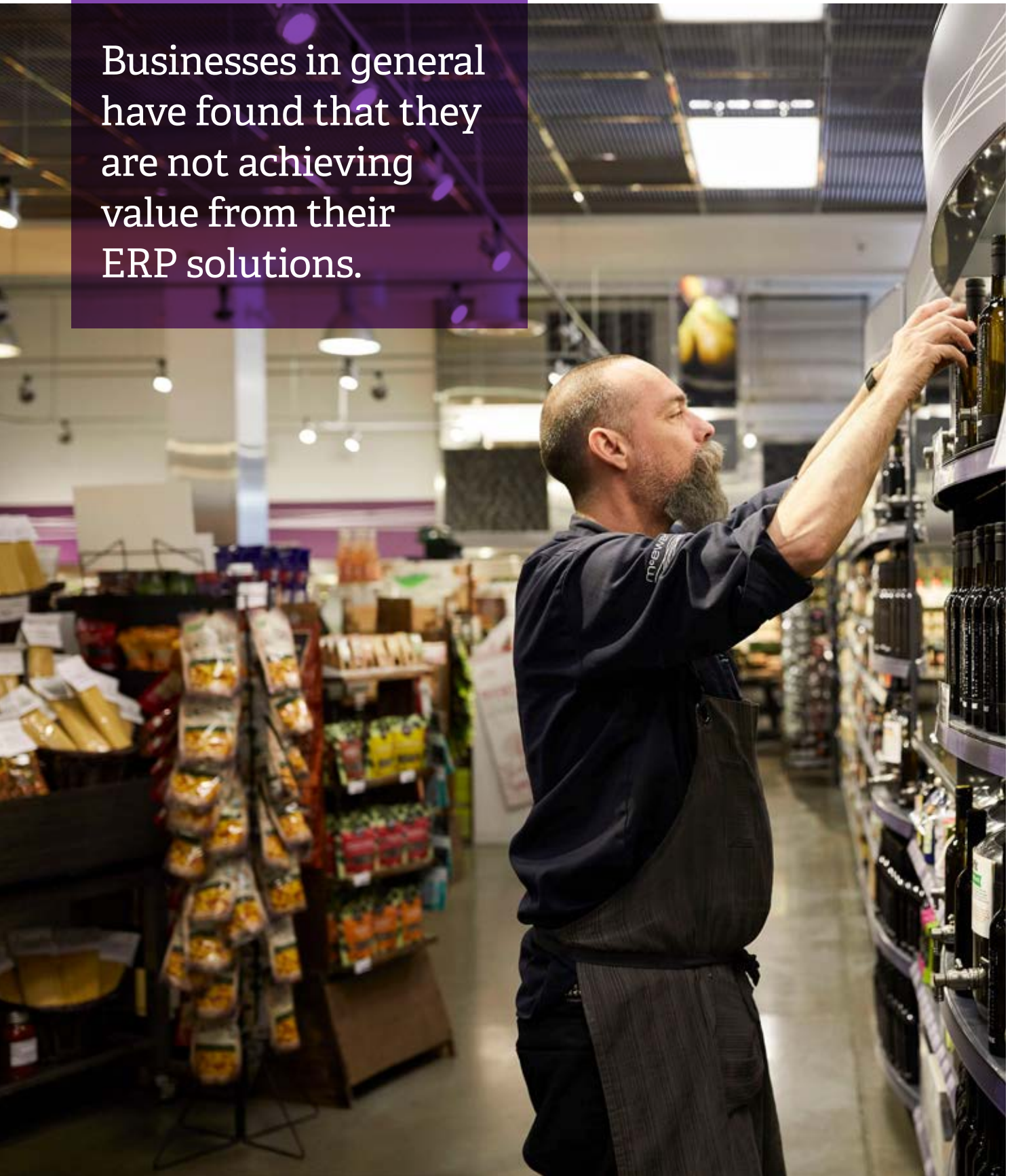
Consumerization

Although, traditionally, B2B distribution is regarded as very different to B2C, customer expectations are rising to an extent that business customers expect the service that consumers demand. B2B customers are now looking for greater price transparency, easy-to-use e-commerce ordering platforms, high-quality product imagery, real-time inventory visibility, detailed specifications and measurements, and better search options.

Distributors must also understand that customers are looking for a consistent experience across multiple channels and platforms. They're searching for products on PC, mobile phone or tablet, and feel comfortable using peer networking and social media tools to get what they want.



Businesses in general have found that they are not achieving value from their ERP solutions.



How to become a distributor of the future

Instead of simply meeting customer needs, distributors need to be more proactive in delivering solutions that customers may not even have asked for, but find they can't do without. In the automotive and aerospace industries, 3D printing means businesses can print parts out of metal, plastic and composites that are lighter and more resilient.

To truly engage customers, value chain innovation is needed. Businesses need to take a new approach to inventory, logistics and pricing, as well as the advanced application of data analytics and insight.

Distributor leaders should have a plan of attack, asking themselves questions such as:

- How should I be taking advantage of digital innovation?
- What is the competition, and how should I react?
- How can I energize my business technology?
- What new business models can I enable with digital transformation?

AI and IoT, for example, could allow distributors to automatically receive and fulfill orders, as well as more effectively predict demand for product and make sound business decisions through real-time data.

Industry 4.0 should also allow the supply chain to process and manage orders faster, allowing for smaller lead times for customers. AI could allow systems to automatically spot inventory gaps, order the right product on time and quickly, keeping customers sweet and long-lasting relationships smooth.

What other kind of innovation could distributors be looking for to improve their services, as well as increase productivity and efficiency?

Success for distributors has always been about the customer, and even today, that's still the case.



The future is today. We now see:

Real-time connection between warehouse and carriers

With technology such as GPS and smartphones, carrier vehicles and warehouses can communicate, which can make sure all involved know exactly when a delivery will arrive and what it carries.

Effective security through the supply chain, beginning with the warehouse

Radio-Frequency Identification (RFID) tags can be attached to products, which can identify and track items in the warehouse and beyond. High-definition CCTV is an option, as well as facial, voice and fingerprint recognition.

Real-time connection between purchasing and logistics

With real-time data enabled by the cloud, wholesale distributors can process huge stacks of data on suppliers. This kind of data can provide insight into the commercial relationships they've built and the quality of goods they're receiving, as well as reliability.

Automation

Machines connected to warehouse systems can show their statuses in real-time, allowing an immediate indication that something is wrong, notifying technicians in real time.

Technical empowerment

Software companies are already working with large manufacturers on augmented reality projects, which would allow workers to wear devices such as smart glasses to overlay what they're doing with instructions and useful graphics.

New offers and services

Modern wholesale distributors must have the technology in place to provide the services that customers are asking for seamlessly and across multiple channels. 3D printing could create big opportunities for warehouses to quickly produce finished goods at speed.

Why distributors must utilize modern ERP

To manage this growing technology and business complexity, modern ERP is a must for distributors.

It's needed due to:

- A need for multiple sales channels, both offline and digital.
- Ever-growing product portfolios, including offerings that may be customized, complex or bundled.
- The addition of value-added services, which could include assembly and labeling.
- Pricing, rebates and the addition of incentives that could drive profitability.
- Calculation and demand complexity, which increases the need for customer segmentation.

Modern ERP is the driver of digital transformation for a distribution business. It can provide streamlined processes, centralize back office functions, allow new service offerings, and help in understanding profitability.

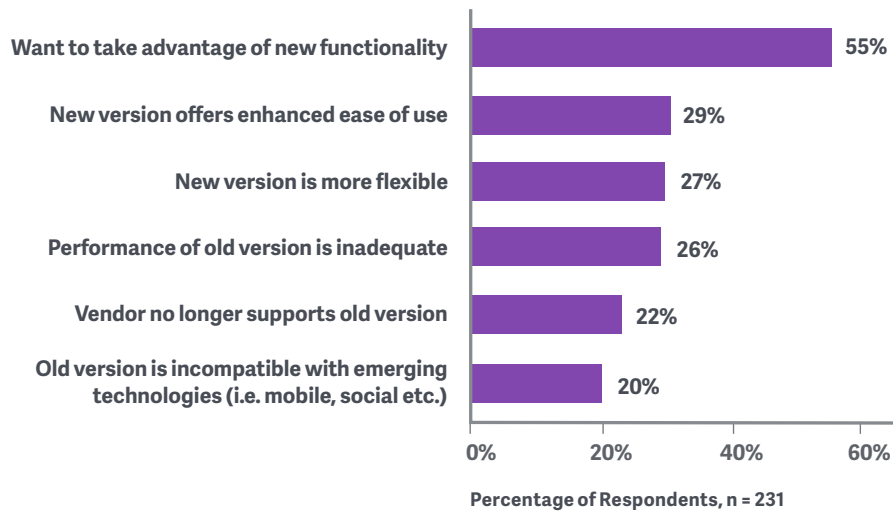
The problem with legacy ERP

According to the 2016 Report on ERP Systems and Enterprise Software, Panorama Consulting Solutions said only 12% of corporate executives were "very satisfied" with their current ERP solution, and that 59% of global companies were "burdened" by them.

ERP is meant to provide a centralized system that allows control of all relevant business processes, providing actionable data and insight. Unfortunately, enterprises in different industry sectors have had problems with ERP, and there are numerous implementation horror stories. The enterprise software market can be complex and expensive, with lawsuits and litigation over failed rollouts a genuine risk.

Businesses in general have found that they are not achieving value from their ERP solutions. They understand the full benefits of having a more modern solution, and look for a partner that helps them with business innovation, as well as industry best practice and technology to help them scale.

Even if businesses are happy with the ERP solution they have, many are looking at new solutions that provide new functionality, are easier to use, and provide support to emerging technology.



Source: *The cost of doing nothing. Why you can't afford to sit on an ERP software decision.* Aberdeen Group, March 2017

Industry analyst Forrester Research interviewed distributors in Europe, the United States and Africa where they found that organizations are:

- Outgrowing the capacity of their existing ERP software.
- Suffering inefficiency with legacy ERP systems that was undermining growth potential.
- Losing insight into operations due to organizational growth and loosely integrated management tools.
- Needing to stay competitive within a limited budget.
- Demanding more agility and flexibility in an ERP solution.

Why Sage X3?

Sage X3 could be the answer to inefficient, expensive and outdated ERP systems. Wholesale distributors can now replace their legacy ERP systems with modern enterprise management solutions that meet their needs, increasing business efficiency and improving collaboration.

Forrester says that Sage X3 can help distributors:

- Consolidate their work systems into one solution.
- Achieve process and product consistency across varied operations.
- Gain real-time visibility and insight across the global supply chain.
- Accommodate future merger and acquisition activity.

Sage X3 can also:

- Scale and allow extension/integration as your business grows.
- Automate rigid, time-consuming, error-prone manual processes.
- Be agile enough to cope with changing needs.



Sage X3 is part of the Sage Business Cloud. Integrate the platform at any stage of your business, grow over time by adding new products as you need them, and futureproof your business.

Contact us for a business review:

<https://www.sage.com/en-us/sage-business-cloud/sage-x3/>

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