



Understanding the future of Wholesale Distribution

**A quick e-guide to stay on top of the most important technology trends
affecting the Wholesale Distribution Industry**



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Introduction

The road ahead

The past few years have been impactful times. Businesses from every industry have had to rapidly adapt to unprecedented challenges that have permanently changed our economic landscape.

Anyone in wholesale distribution knows that businesses in their industry have had to make significant compromises to stay competitive and keep their company above water. The challenges get tougher for smaller businesses that need to try and keep up with the pace of technology trends and buyer expectations.

We're not going to lie to you: the road ahead can be long and unforgiving. But there is a lot you can do to prepare for the future of wholesale distribution. In this guide, we want to discuss a few of the more critical challenges and rising trends in the industry and share some best practices and recommendations that can make a difference in your future success.

POINT #1

Rising Trends in Wholesale Distribution

The onset of the rapid and radical changes wholesale distribution companies have had to deal with has put the industry on its head. Global supply chain disruption, rapidly evolving technology, and drastic shifts in buyer behavior put pressure on businesses to develop innovative solutions to continue growing and staying profitable. Here are four of the most important rising trends in the Wholesale Distribution industry you need to pay attention to:

01 - Staffing shortages from top to bottom

We don't have to tell you there have been labor shortages; there's a good chance you've experienced them. According to the Labor Department, there are 5.5 million more job openings than there are workers to fill them.

Besides an actual deficit of existing workers, the pool gets even smaller and more competitive when it comes to highly technical digital skills.

The most profitable companies are able to offer better benefits and take the lion's share of available talent. It's not just the US, either. 75% of business executives in the UK say they've experienced difficulty recruiting digitally skilled workers. This leaves growing companies with an uphill battle to fill critical positions in their workforce or find innovative solutions to mitigate talent gaps.

02 - Buyer expectations are higher than ever

For the modern buyer (who is more than likely a millennial in his mid to late thirties), fast service, convenience, and a smooth customer experience are simply baseline expectations. Some surveys find that as many as 66% of customers expect companies to understand their needs and cater to them.

They not only have high customer experience expectations, but they are also willing to pay for them. It goes beyond surveys, too; In 2022, businesses that focused on customer experience delivery were up to 60% more profitable than those that weren't. The signs are clear: neglecting this aspect of modern buyer behavior will cost companies' bottom line. Finding solutions to excel at customer experience is a business necessity.

03 - The rise of the direct-to-consumer economy

Wholesalers are facing an increasingly more complex issue: manufacturers across many industries are cutting them out of the equation and selling directly to consumers. In 2022 direct to-consumer (D2C) sales tallied \$155.69 billion, an increase of 21.3% compared to the previous year.

04 - Your competitor's technology budget

Tech spending is accelerating at a breakneck speed, with 67% of US IT professionals predicting tech budgets to increase through the following year.

This trend is only expected to grow and gain strength. Current estimates predict that D2C sales and e-commerce will generate \$182.62 billion by 2023, taking a market share of around 15% of total retail e-commerce sales.

According to Forrester's most recent US Tech Market Outlook tech budgets may grow to 7.2% year-over-year. This means your competitors are expected to consistently invest more and more in technology to help them carve out competitive advantages. Can you say the same about your own company?



POINT #2

Best Practices: What you can and should be doing

While some of the previous figures may be alarming, we don't mean to be grim. There is a lot that you can do to stand up to the incoming challenges the future of the wholesale industry holds. The following list of recommendations is the best business practices of the most successful companies and fastest-growing SMBs in wholesale. They are geared to help players in the industry support sustainable and profitable businesses that can deliver products, solutions, and services anywhere, anytime.

01 - Value-added services make a difference

The growth of D2C sales effectively puts wholesale distributors into competition with their customers and suppliers.

While the market share is still relatively small for D2C, it is quickly gaining traction with users, so wholesalers must make an effort to deliver, market, and monetize their added value as a key differentiator in their service.

Considerations:

- Quick, convenient delivery and widely assorted inventories used to be considered differentiators but have now become commoditized.
- Affordable and accessible e-commerce transactions are driving D2C sales.

- Transactions with high margins and low service costs are increasingly moving to marketplaces.
- The advent of 3D printing is allowing local manufacturers and even customers to make items they need themselves, completely cutting out the supply chain.
- Many distributors don't even understand the actual cost and value of some services they provide and tend to give them out for free.

What can you offer?

There are several types of value-added services you can provide that cost D2C marketplaces cannot. Logistics are related to the supply chain, such as delivery, kitting, replenishment, and inventory management, to name a few. Information Services are more technical in nature, such as product design and engineering, configuration services, tech support, and training. Services like product setup, software setup, repairs, and product transformation, are considered. Value Added Processing Services. Other value-added services optimize the postpurchase experience, like product-protection plans, loyalty programs, and selfservice return processes.

We've put together this list of value-added services that businesses across the supply chain provide to their customers at different stages of the buyer journey:

Type	Services	Customer Journey Stage					
		Marketing /Sales	Shopping	Buying	Fulfillment	Inventory /Billing	Support
Logistics	Delivery, replenishment, pickup lockers, vending				X		X
Configuration and Setup	Product configuration/ calibration, commissioning, customization				X		X
Product Support	Warranties, bid submittals blueprint takeoffs	X					X
Product Transformation	Kitting, assembly, labeling forming, bagging/tagging		X	X	X		
Engineering/ Design	Part design, project engineering		X	X	X		
Technical support	Application support, user support, device support, etc.		X	X	X	X	X
Audits/ Assessments	Safety audits, energy audits productivity audits, etc						X
Repairs	Repairs and refurbishing						X
Contracts/ Financing	Special billing, payments project financing, PO releases, etc.			X	X	X	
Training	In-person or virtual user training		X				X
Inventory/ Sourcing	Inventory management kitting, sourcing special projects		X	X	X	X	
Advanced Digital Services	Online account management e-procurement, user-friendly customer platforms		X	X			

Can you find anything you may be providing for free or not quantifying its value correctly?

While D2C marketplaces may offer quickness and convenience, they still don't deliver most value-added services that wholesalers can. This is where competitive advantages can be drawn.

O2 - Going lean, embracing sustainability

If there's one thing we've learned from the last two years, it's that we need to be prepared for unpredictable events that can drastically change our market's conditions. The most effective deterrent to unforeseen circumstances is running a sustainable business with healthy capital that allows a company to adapt to sudden changes in market conditions or buyer behavior.

For example, a business that distributes industrial spare parts might suddenly find its supply chain disrupted and unable to source a specific gear. If their liquidity allows them to, they can make a small investment in 3D printers that allow them to produce the gear themselves at a relatively low cost. They've effectively turned a challenge into an opportunity they could

further capitalize on by printing more parts and becoming a small manufacturer entirely in control of their own wholesale distribution. Today's most effective strategies for improving liquidity and stabilizing cash flow rely on lean business practices and sustainability

Lean Business

The lean business philosophy has been around for a while, first practiced by Toyota in the early 20th century. Its framework is based on cutting out unnecessary expenses, continually improving and streamlining processes, and focusing on delivering value from the customer's perspective. Efficiency is seen as the path to profitability.

It considers 5 basic principles:

01

Value

identify what adds value to the customer experience.

02

Value Stream

the process of every action a business makes from start to finish to deliver a product or service to a customer. Mapping this out allows you to identify unnecessary expenses or processes that can be eliminated.

03

Flow

refers to becoming time-efficient and eliminating delays, avoiding process interruption, and finding innovative ways to decrease task completion time.

04

Pull

a process should start when the customer demands it.

05

Perfection

continuous improvement towards perfecting a process as an ultimate goal.

This philosophy can be adapted and applied across different processes and areas of a business. For example, using modern analytics can help identify value from the buyer's perspective and also control flow and pull when it comes to stocking inventory. Automation can be applied to the value stream to streamline processes and improve flow. Knowing where you can be perfect also shows where you won't be, allowing you to outsource tasks your business is not efficient at performing

Sustainability

The concept of sustainability goes beyond the environmental aspect. A sustainable business produces less waste because they are more efficient, which usually also translates to cost-effectiveness. A sustainable business avoids unnecessary expenses by rationalizing investments; it's not about spending less but spending smarter. A sustainable business also cares

about its employees and shares company profit with them in the form of competitive compensation and benefits. Working for a sustainable business that reduces waste and cares about its social impact also gives employees a sense of purpose, pride, and loyalty to the company they work for. Sustainability as a business practice tandem with a Lean business approach to help realize value before cutting costs.

By identifying where the value is, a business can focus on pragmatic innovation like collaborative solutions and intelligent supply chain capabilities, ensuring that it is only reducing expenses that do not move the customer forward. Becoming a leaner, more sustainable business that delivers value-added service and excels at customer experience in 2023 has one indispensable requirement: Transformative technology.

O3 - Strategic technology investments

Technology evolves at such a fast pace today, that businesses without a plan to modernize their legacy systems are at constant risk of being outpaced by competitors and customer expectations.

Exposure to cyber threats that can compromise their data and operations is also a critical factor to consider. Most business leaders know they have to modernize and adapt to emerging technologies, but finding the right approach can be an overwhelming task. An unstructured approach to digital transformation can result in overspending on unnecessary or ineffective technology.

But the verdict is out, modernizing legacy systems helps businesses:

- Increase operation efficiency
- Decrease human error



B2B eCommerce Platforms

A modernized, user-friendly, B2B-specific eCommerce platform opens up an enormous market for wholesalers. In the US alone, B2B eCommerce sales are projected to reach \$1.8 trillion by 2023.

A B2B eCommerce platform enables you to increase sales, optimize purchasing and order processing efficiency, reach new untapped markets, and stay competitive against rising trends.

It keeps your sales channels open 24/7/365 and can automate tasks such as order entry, information provision, and even customer service. It also allows you to collect and analyze data that will help you provide a better customer experience such as engagement metrics, inventory turns, and overall buyer behavior.

SAP Commerce Cloud is an example of a B2B eCommerce platform.

- Leverage data securely
- Decrease operational costs
- Enable broad operational and financial visibility
- Deliver compelling customer experiences

Finding the Right Technology

As complicated as it can seem to oversee a digital transformation project, the right path to meet your business's needs with cost-effective technology exists. For wholesalers, a "do-it-all" solution rarely does it all and will likely not satisfy most of their business needs. Finding a partner who can provide an in-depth assessment of your current technology landscape and help you identify what best helps advance your desired business outcomes.

While every company has its unique needs and scenarios, the following technologies are the most sought-after in wholesale distribution:



Omnichannel

When implementing an eCommerce platform, wholesalers need to ensure that they also provide omnichannel capabilities. Omnichannel refers to providing the same seamless buying experience across every possible platform.

Whether a customer interacts with your company through a website, a mobile app, or an in-person interaction, they should have the same experience, and collected data must be centralized and shared across platforms. An Omnichannel experience is effectively a hybrid approach where technology and sales representatives are fully aligned. Aside from the technology supporting it, this approach will usually require user adoption training for employees to be able to deliver.



Automation Technology

Any repetitive task that can be automated, should be automated. Automation technology enables wholesalers to forego manual data entry, accurately track and predict stock levels, and coordinate purchase orders and logistics in real time, among other possibilities.

Automating processes is becoming the industry standard, giving companies the accuracy, speed, and insight that the vast majority of legacy systems cannot provide. Simply put, automation is a game-changer and your competitors are more than likely already applying it to as many processes as possible.

Modern CRMs and ERPs are geared to help companies automate business processes and free up their employees from having to spend too much time and effort with repetitive tasks such as manual data entry.



Warehouse Management Software

Wholesale distributors need accurate inventory tracking. Inventory errors can lead to overstocking, overspending, or not having enough stock to fulfill demand. Warehouse management software modernizes, accelerates, and simplifies inventory tracking and optimization.

With a dedicated cloud-based platform for warehouse management, companies can enable batch and serial number tracking, visibility over costs and other financials, centralized supplier information, and expanded access to employees who can use the system from any device, anywhere, anytime.

This type of software will often need to be supported by devices such as barcode scanners, barcode printers, and mobile devices.

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