



The wholesale distribution industry is being reshaped by four major trends.

- **Competition** is driving distributors to find new revenue sources, such as value-added services. Some examples are light manufacturing, kitting, and product consulting.
- Customers are demanding a **wider range of products** with a shorter delivery time and more delivery options.
- Customers are looking to distributors to **collaborate and provide complete** solutions for specific business needs, such as providing materials for every phase of a stadium renovation.
- **New talent** is looking for roles where they can add value to the business and leverage new technologies.

Being able to address these global megathemes and industry challenges will determine who will be among the winners in the next 10 years.

According to IDC, it is imperative that businesses focus on customer experience and engagement. Companies need to prepare themselves to capitalize on new business models and innovative approaches, which will drive business value and growth, and will build long-term customer relationships.¹

Digital strategies are disruptive and changing the rules for wholesale distributors.

[Zuellig Pharma Holdings Pte. Ltd.](#) is using a cloud-based solution to make healthcare more accessible in 13 Asian markets with consistent, real-time data across the business. It is combatting counterfeiting and quality incidents by using blockchain technology to coordinate across the supply chain. And it is transforming manual processes into digitalized, value-added business processes.

[Jebsen & Jessen \(SEA\)](#) is using a digital platform to streamline and optimize business processes while improving productivity. These include order to cash, procure to pay, sourcing, planning, and rebate management. Opportunities for human error have been reduced with a single view of data across the software landscape. This puts the company in the position to harness current and future business growth opportunities.

[Productos Metalúrgicos S.A. \(Promesa\)](#) has real-time visibility into its administration, finance, supplier, and distribution processes. With a 360-degree view of employee progression, it has increased productivity and employee engagement as well as customer satisfaction. Manual, paper-based tasks have been eliminated through software-supported management of employee objectives.

[Team Beverage AG](#) offers a service platform for the German beverage sector. Using the SAP® Analytics Cloud solution and SAP Digital Boardroom, it set up an external reporting system for beverage wholesalers and manufacturers that is linked with its own internal reporting system. Sales data can now be harmonized, visualized, and made available as a cloud service.

THE VALUE-ADDED SERVICES DISTRIBUTOR

In the past, wholesale distributors served their customers by breaking bulk and carrying a standard catalog of products. But in today's market, that is no longer enough. Customers have many new sources to buy the same products with compelling pricing and delivery options. To remain relevant, distributors need to provide something more: services around products that can't be offered by online competitors (see Figure 2).

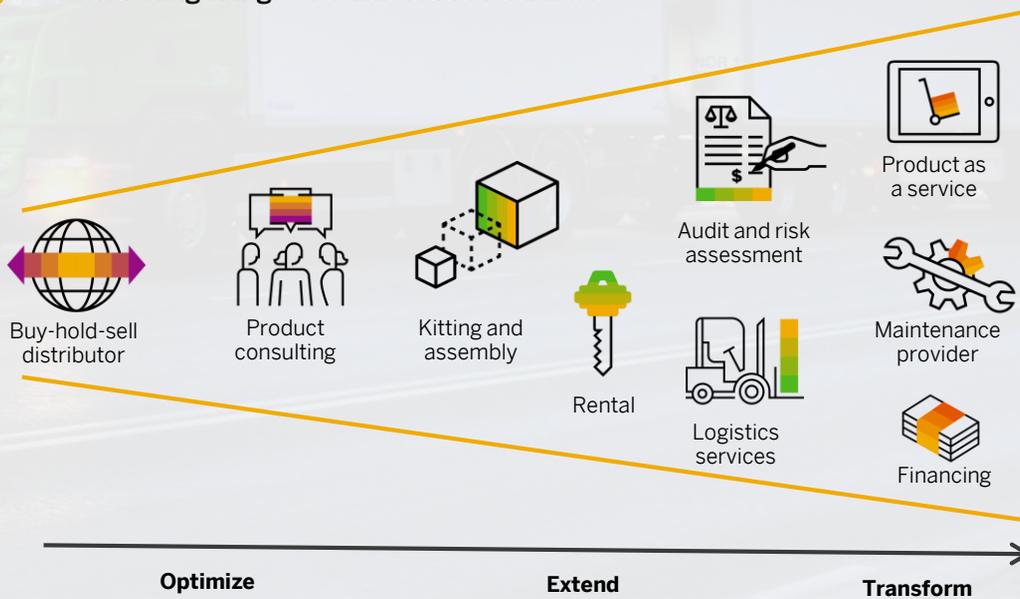
The Vision

In 2025, distributors will offer even more value-added services – including light manufacturing and kitting, financing, risk audits, ad hoc virtual training, automated tracking of sensors for maintenance, provisioning of third-party logistics services, and predicting and selling data on future demand patterns based on material consumption. All these services will provide their business partners with a more attractive customer and brand experience.

The Journey

Wholesale distributors will start toward this new business model by understanding their service-market fit, fine-tuning their current processes for higher efficiency, and tailoring existing value-added services to meet the needs of the right customer group for optimal impact and retention. For example, they might hold safety stock for key customers. Then, they will extend their business by identifying new services that add incremental value for particular customer groups, resulting in increased customer loyalty. For example, a spare parts distributor could assemble and customize hoses for the specific machines in which they are to be used. Or they might cut fresh vegetables and create packaged salads per the customer's requirements. This will support customers efficiently by leveraging intelligent technologies. These value-added services will evolve into differentiating business models that drive customer stickiness and long-term profitability, such as providing maintenance for the equipment they sell.

Figure 2: Widening Range of Value-Added Services



The ability to quickly address and assess customer maintenance, repair, and operations requirements is both a service challenge and an inventory challenge. In the field, real-time awareness of asset condition – through dense deployment of wireless and wired sensors – will enable wholesalers to better understand where to deploy spare parts and repair services.⁶

THE “ANYTHING, ANYWHERE, ANYTIME” DISTRIBUTOR

Distributors have always focused on customer service, but today, customers are putting even more demands on the business. They rely on distributors for a wider range of products that are available through a variety of touch points. And they want shorter delivery times, with the ability to have products delivered directly to job sites. Wholesale distributors need to understand and respond to these challenges to stay competitive and retain customer loyalty.

The Vision

In 2025, distributors will become the go-to partner for all of a customer’s needs, independent of product, location, or time (see Figure 3). They will efficiently manage the right suppliers, ensure a complete assortment backed by an infinite inventory, and secure logistics execution capabilities that can meet expectations in the age of online marketplaces.

The Journey

To move toward this business model, distributors will identify efficiency issues and cut slack out of existing processes. They will push standardization and simplification, thus becoming more responsive along the supply chain from procurement to delivery. Then, they will extend the business model by leveraging smart tools for automated handling of material-related data, inventory optimization, and logistics capacity management. This will increase responsiveness in end-to-end processes, focusing manual work on high-value tasks and exception handling. With these efficiencies in place, they will transform their business by using intelligent technologies backed by robotic process automation and machine learning for customer price optimization, predictive inventory stocking, or chatbot-supported order management. This will drive custom-tailored, real-time responsiveness.

Figure 3: Configuring Products for a Single Customer



86%

Of best-in-class companies are better able to understand tradeoffs between service level and inventory investment.⁷

THE SOLUTION-ORIENTED DISTRIBUTOR

With so many options in the marketplace, distributors need to establish themselves as trusted partners. One way to do this is by working with customers not only to understand their needs but also to closely collaborate on larger projects. Through this relationship, distributors can plan for and deliver the products and services needed throughout the lifecycle of the project. In this way, they become more than just a supplier; they become a valuable part of the customer's success.

The Vision

In 2025, wholesale distributors will engage proactively with business partners to evolve from a reactive business model to an influencer of business relationships. They will collaborate closely around customers' projects and product lifecycles to secure critical materials, resources, and services contributing to their long-term success – whether it is provisioning of electrical equipment for the renovation of a stadium, the turnkey handover of a complete surgery wing of a hospital, or guaranteeing the supply for the whole lifecycle of the next generation of graphics cards (see Figure 4).

The Journey

Distribution companies will move away from today's model of largely reactive sales-order capturing and will bid for customer projects, optimizing the overall margin of the bid and driving proactive customer engagement. They will extend this model by managing turnkey projects to successful completion. They will take responsibility for handling required bill-of-materials items, including potential third-party service providers, based on a fixed bid. To further extend their offering, distributors will provide an end-to-end offering for customers with the ability to plan and manage the entire lifecycle of a customer project. This might include manufacturing integration, subcontracting, subscription billing, or postproject maintenance handling. They will use insights from employees and customers to improve ongoing maintenance and service.

Figure 4: Becoming a Close Collaboration Partner for Customer Projects



90%

Of growth in the consumer industry will be captured by companies that engage directly with consumers.⁸



KEY TECHNOLOGIES

The current pace of technological advancements is having a profound impact on how wholesale distributors transform and respond to customer needs and market trends.

Intelligent technologies promise to bring great benefits, such as productivity and efficiency gains, enabling innovative new business models and new revenue streams. The following intelligent technologies are instrumental in helping wholesale distributors respond to market trends.

Machine Learning

Machine learning enables algorithms to “learn” from existing data and achieve the best possible outcomes without being explicitly programmed. Once the algorithm is trained, it can then predict future outcomes based on new data. Businesses can use these capabilities to eliminate repetitive manual tasks or to apply historical data to complex business problems. Wholesale distributors are seeing great success with deploying chatbots that leverage machine learning to cover key steps in the order management process. This provides the scalability needed to cover an expanding customer base with a limited set of resources.

Data Platform to Manage Experience

Operational performance data from business systems (what is happening) can be interlocked with experience data from customers, suppliers, partners, and employees (why it is happening).

This provides the ability to understand and act on additional insights to improve performance and drive better outcomes.

The Internet of Things

Advances in ubiquitous connectivity and edge computing are driving a step change in business productivity. This connectivity, coupled with artificial intelligence and machine learning, can analyze petabytes of data and affect real business outcomes. Although Internet of Things capabilities have been available for some time, now the entire value chain can be connected. Some examples include automated replenishment, asset tracking, supply chain integrity (cold chain), connected fleet, and warehouse robotics.

Advanced Analytics

The integration of advanced analytics capabilities, including situational awareness, into applications enables business users to analyze data on the fly and drives better decision-making. Empowered users, benefiting from embedded analytics in business processes, can get real-time visibility into their changing environment, simulate the impact of business decisions, mitigate risk, and achieve better customer outcomes.

GETTING THERE: A PHASED APPROACH

Companies will become intelligent enterprises on three distinct tracks as they evolve their strategic priorities to match their company's vision.

1. **Optimize** what they already do by implementing a stable and scalable digital core to make processes more transparent and integrated
2. **Extend** their current processes by connecting them to the real world using IoT technologies
3. **Transform** their business using a constant stream of data enabling new service-driven business models (see Figure 6)

Figure 6: The Intelligent Enterprise for Wholesale Distribution

