

A man with a beard, wearing a blue jacket and a high-visibility yellow vest, is looking down at a tablet computer he is holding. The background is a blurred warehouse or industrial setting with shelves and lights.

READY, SET, GO:  
**COMPETING**  
IN THE  
GLOBAL  
WHOLESALE  
DISTRIBUTION  
RACE



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Read Time: 10 minutes

# READY, SET, GO: COMPETING IN THE WHOLESALE DISTRIBUTION RACE

The demise of wholesale distribution has been greatly exaggerated. Despite growing opportunities for manufacturers to sell direct to consumers – most notably those offered by ecommerce channels – wholesale distributors have remained relevant for two main reasons. First, most manufacturers intuitively understand that their supply chains lack the scale, sophistication, and efficiency that their distributors possess – and to reach similar levels would incur major ongoing costs. This is particularly true in Asia, where manufacturers’ only alternative to wholesale distribution is to directly manage sales, fulfilment and customs processes across many markets.

Second, the direct-to-consumer model tend to avoid cannibalising sales from other retail channels which rely on wholesale distribution.

In fact, one in two manufacturers worldwide say ecommerce uplifts sales across all channels, retail included.<sup>1</sup> Physical stores continue to also play a significant, and growing role, in driving sales through digital channels: in Singapore, for example, nearly seven in every 10 consumers buy products online after they first view them in a physical outlet<sup>2</sup>. This “showrooming” trend makes retail outlets as important as ever before, if not even more so.

In other words, ecommerce has not killed wholesale distribution’s star, but given it an opportunity to shine even brighter.

This trend makes wholesale distributors the linchpin of any manufacturer’s supply chain. To succeed, they must respond to heightened consumer expectations with far greater agility and accuracy than ever before.

<sup>1</sup><https://www.digitalcommerce360.com/2014/06/10/when-manufacturers-sell-directly-consumers-online-retailers/>

<sup>2</sup><https://www.mis-asia.com/tech/applications/high-incidence-of-showrooming-in-singapore-reinforces-importance-of-multi-channel-integration/>

At the same time, they need to keep inventories low and operating costs stable if they want to keep up with – and keep profiting from – rapid changes in customer demands. With consumers and manufacturers using far more channels than in the past – already in 2015, 30 percent of all B2B buyers used ecommerce for at least half their orders<sup>3</sup> – wholesale distributors must render their operations lean. That involves streamlining processes, automating systems, doing whatever they can to trim costs and delays. The entire supply chain depends on their ability to do so.

The secret to success lies in enterprise software. The right technology platforms can orchestrate the growing complexities of wholesale distribution at far greater speeds than manual methods can. Take caution, however: business management software can either trim a distributor's fat or add to it. To reach peak performance, and revitalise the supply chains that depend on them, wholesale distributors must not only use this software to coordinate their three main areas of operation: inventory, delivery, and profitability. They must also ensure it cuts the time and costs spent on meeting increasingly exhaustive consumer demands – and gives them the intelligence to keep doing so well into the future.

## Trimming The Fat On Inventory

As product lifecycles continue to shorten, wholesale distributors need new, software-driven ways of managing and optimising their inventories. The faster consumers switch between products and brands, the more agile distributors must be at adjusting their inventories – creating a cycle that proves increasingly vicious to those who fail to align their supplies with demand. Doing so is no mean feat, however: take inventory levels too low, and sudden spikes or peaks in demand may result in huge numbers of unmet orders, and significant ire from consumers in every channel. 55% of Singapore's consumers, some of the most demanding in the region, will turn to overseas online merchants if their desired product is out of stock locally.<sup>4</sup>

Wholesale distributors must take a lean approach to their inventories in three main areas. Inaccurate or inefficient orders bear the most obvious consequences for profits and revenue, as highlighted above. At the same time, however, inefficient inventory utilisation can also gradually erode not only a distributor's margins, but also its ability to rapidly cater to sudden shifts in demand. Unused warehouse space or sluggish picking processes hinder distributors from responding to consumer expectations as quickly as they otherwise might.

Both these issues often stem from a lack of visibility into the full supply chain: if distributors cannot see how much demand different products are experiencing, via which channels, they will

<sup>3</sup>[https://go.forrester.com/blogs/15-06-29-announcing\\_forresters\\_2015\\_b2b\\_commerce\\_suites\\_wave/](https://go.forrester.com/blogs/15-06-29-announcing_forresters_2015_b2b_commerce_suites_wave/)

<sup>4</sup><https://www.pwc.com/sg/en/publications/assets/total-retail-sea-2016.pdf>

inevitably find themselves on the back foot when it comes to responding to demand. That reactive stance leaves little opportunity to operate in the more agile, predictive fashion that manufacturers and supply chains require for sustained growth.

For software to make distributors' inventory stance nimbler, it needs to provide two things: efficiency in the present, and intelligence for the future. Efficiency can and should come from some degree of automation – not necessarily fully-automated processes, but at least automated alerts and notifications that direct operators' attention to the channels which need it most.

Inventory replenishment should be a major focus when testing any ERP platform, particularly its ability to do so according to real-time visibility across a range of distribution channels from bricks-and-mortar to ecommerce. Automated inventory replenishment, combined with improvements in other areas like serial number tracking and bin management, have seen wholesale distributors cut their costs of held inventory by up to 30% after adopting NetSuite's ERP platform.

However, streamlining day-to-day inventory management can only insure distributors against some peaks and troughs in consumer demand. Equally, if not more important, is the ability of any ERP software to identify the "blind spots" in a distributor's inventory, whether in utilisation of actual inventory or planning for future demand. To do that, the software needs to not only encompass as many supply chain touch-points as possible, but deliver real-time data in a form that managers can easily interpret and convert

to action. Cloud-based ERP platforms work best for this, allowing for future growth and bringing greater compatibility to the table with partners' and suppliers' software choices.

The more integrated the view of inventory movements across the entire supply chain –not just orders and fulfilment, but also post-sales interactions like returns and reorders – the better wholesale distributors can predict future consumer expectations. ERP software that can provide this end-to-end visibility will make for more than just leaner, more agile inventories. It will also boost the speed and accuracy of another crucial aspect of any wholesale distributor's operations: transport and fulfilment.

#### **CASE STUDY: Eco Technology**

Real-time inventory levels can do more than reduce costs. When Eco Technology adopted NetSuite OneWorld for inventory management, it found itself able to reduce stock levels to just a third of monthly turnover, greatly reducing its capital and depreciation costs. However, the Hong Kong-based distributor of office supplies also discovered another benefit of real-time inventory management: real-time pricing. Using OneWorld, Eco Technology's sales staff can now apply dynamic pricing to their products based on current inventory levels at any given time – a model that has seen the company's sales grow by 40% since installing the platform.

## Fitter, Faster Delivery

Today's wholesale distributors face constant pressure to deliver faster, more accurately, and to more endpoints. Much of that pressure comes indirectly from consumers' demands for increasingly instantaneous fulfilment: more than 1 in 3 Southeast Asian consumers, for example, will pay extra to receive their orders within the hour<sup>5</sup>. The shrinking window of acceptable delivery times has put pressure on retailers to accelerate their logistics – and for their distributors to also pick up the pace on their end of the supply chain. Those pressures are exacerbated in geographically large markets like Australia, where shipping an order interstate can cost as much as sending it to the US.<sup>6</sup>

At the same time, distributors face significant barriers to efficient transport management. Traffic congestion – which costs Asian economies between 2-5% of GDP each year<sup>7</sup> – is arguably the biggest of these, with the number of vehicles on Asia's roads expected to grow thrice as fast as that of the rest of the world.<sup>8</sup> Markets like the Philippines face even greater hurdles due to the relatively low quality of their road, air, and ocean freight infrastructure.<sup>9</sup> Wholesale distributors must literally navigate the rising potential for delays and extra costs posed by Asia's freight networks – their customers' supply chains, and consumer satisfaction, depend on it.

Lean operating models are perhaps most relevant to the delivery side of wholesale

distribution. Yet efficient fleet management does not guarantee success – not when faced with orders from numerous channels, each of which involves a different compromise between speed and cost. For wholesale distributors, fulfilment is no longer just about sustaining efficiency, but also managing complexity – a task which will only become increasingly testing as more order and delivery channels emerge.

To what extent can software transform a physical process like delivery? The answer depends on how effectively the distributor can integrate its ERP or supply chain management platform with its actual vehicle, personnel, and inventory movements. At the same time, the supply chain visibility offered by software should also assist distributors in identifying which shipping processes are underperforming and need additional investment – or elimination from the mix altogether.

The more seamless the delivery handling process, the faster consumers will ultimately receive their products. Software that integrates the shipping and fulfilment processes, as NetSuite's does, can help trim down overall delivery times, while also simplifying how distributors address orders from multiple channels with different requirements. Cloud-based platforms give distributors the ability to rapidly scale up to handle peak demand without compromising accuracy across various channels. Most wholesale distributors report reductions in customer backorders of between

<sup>5</sup><https://www.pwc.com/sg/en/publications/assets/total-retail-sea-2016.pdf>

<sup>6</sup><https://logisticsofthings.dhl/article/long-distance-relationships-and-australian-e-commerce>

<sup>7</sup><https://www.adb.org/sectors/transport/key-priorities/urban-transport>

<sup>8</sup>[http://www.sutp.org/files/contents/documents/resources/J\\_Others/GIZ\\_SUTP\\_Sustainable-Urban-Freight-in-Asia\\_EN.pdf](http://www.sutp.org/files/contents/documents/resources/J_Others/GIZ_SUTP_Sustainable-Urban-Freight-in-Asia_EN.pdf)

<sup>9</sup>[https://www.iseas.edu.sg/images/pdf/SEAS\\_Perspective\\_2016\\_55.pdf](https://www.iseas.edu.sg/images/pdf/SEAS_Perspective_2016_55.pdf)

60-80% after integrating their delivery processes with NetSuite's ERP software.

Any transport management software should also offer wholesale distributors more comprehensive data about their shipping costs. With this in hand, distributors can give their customers more accurate quotations on a more granular shipment-by-shipment basis. They can also more effectively predict movements in transportation costs, identifying potential economies of scale in how they fulfil regular orders, and hold their logistics providers to account where standards may slip. Greater visibility leads to greater profits for distributors – and not just in fulfilment.

### **CASE STUDY: Life Interiors**

Rapid growth often puts strain on fulfilment processes, and Life Interiors' success story proved no exception. Having started as an eBay-only shop, the Sydney-based furniture wholesaler had grown to sell via two showrooms, a variety of online and retail channels, and even an international franchising model set to launch in Dubai. To manage distribution of more than 5000 SKUs across these numerous channels, Life Interiors adopted NetSuite's Wholesale Distribution edition of JCurve ERP, giving it real-time data and automation on both inventory and delivery status across its sales channels. In the three years since then, Life Interiors increased orders by 300% while maintaining its high levels of timely delivery and transparency to customers – using its ERP software to accelerate its growth into a \$15m business by 2018.

### **Upsizing Profits, Dissolving Costs**

Any wholesale distributor's lasting success depends on the quality of its financial management. Wholesale distribution is, after all, a numbers game: ensuring sufficient margins between acquiring and selling large volumes of product. Successful distributors add value through their handling of inventory and delivery processes – something few manufacturers or retailers can do as effectively. But the most profitable ones derive their profits from superior knowledge of the true costs of goods, their potential value, and how to expand the difference between the two.

This often proves difficult in Asia's highly price-sensitive FMCG environment, but the right software can help distributors identify opportunities where others may not. With full visibility into pricing, availability, and demand over time, wholesale distributors can plot out potential growth in certain goods more accurately than either manufacturers or retailers may be able to. Add to that the overarching view that they hold over all channels – something retailers will almost always lack – and distributors can, using ERP software to track every aspect of their supply chain, tweak their strategies to focus on the highest-margin channels. At the same time, they can gain insight into the true cost of goods as accumulated from purchase to fulfilment – using that information to negotiate prices with manufacturers and other suppliers.

Choosing the right software platforms can itself generate sizable cost reductions. Cloud-based ERP platforms like NetSuite's, for example, typically reduces distributors' IT resource costs by between 50% to 75% - factoring in everything from upfront costs to licensing and maintenance fees. The automation provided by these platforms, especially when integrated with suppliers' and service providers' systems, also streamlines financial activities like billing, cash management, and general ledger upkeep – resulting in faster cash-flow and more of the liquidity that wholesale distributors rely on to thrive.

But the true dividends come from greater visibility of profits by product, as well as insight into where distributors can invest more in service or upselling for greatest return. Those insights – always there, but rarely visible, in the customer behaviour behind each order and shipment – have helped wholesale distributors increase their revenues by up to 10% when using NetSuite's ERP software – no mean feat in a sector known for its ostensibly low potential for growth.

### **CASE STUDY: Carryboy**

Wholesale distributors should not underestimate the raw cost savings that cloud-based ERP systems can deliver. Carryboy Philippines, a wholesale distributor of auto parts to customers Asia-wide, found its productivity jumped by 50% after adopting NetSuite to automate its inventory management, with the cloud platform significantly slashing IT costs throughout the business. Coupled with streamlined ordering

and delivery functions, the cloud's cost savings have given Carryboy latitude to offer more attractive prices and special offers – giving it a handy competitive edge that has accelerated revenues into consistent double-digit growth.

### **Taking Distribution The Extra Mile**

Whether by reducing total costs of IT ownership or revealing hidden opportunities to drive down purchasing prices, the act of adopting cloud-based ERP software can trim operational “fat” that many distributors are typically unaware of. For wholesale distributors, lean not only applies to inventory management or order fulfilment – it also applies to the financial processes that underpin the sector's basic business model. But only when software provides an end-to-end overview of the entire supply chain, across all channels and modes of delivery, can distributors truly profit from its application. Otherwise, they run the risk of complicating their operations and creating more of the issues they seek to avoid.

Wholesale distributors have become more, not less important in today's omnichannel world. Their ability to manage those multiple channels, keeping inventory in check and deliveries on time, will determine how quickly they grow. Cloud-based ERP software, spanning everything from retail “showrooms” to direct-to-consumer fulfilment, can help minimise the complexity of 21st-century distribution. The rest comes down to the fundamentals of supply and demand – and how distributors can optimise them across the channels at their disposal.