Four Imperatives for Inventory and Order Allocation Success

An Executive Brief for Wholesale Distributors

As the business environment radically changes, wholesale distributors must make dramatic changes as well. Modern order management solutions deliver quick returns and the transformation needed to win at the long game

BlueYonder

Fulfill your potential™

Welcome to the transformed world of wholesale distribution —

where speed, proximity and visibility make all the difference

Wholesale distributors have always faced complex challenges due to the nature of their business model — which includes large and diverse product inventories, many trading partners and a reliance on cost-intensive logistics networks. Recently those challenges have become even more complex.

Rising operations costs, including labor and freight price inflation, are squeezing margins that were already thin. Market consolidation is driving fiercer competition. Upstream and downstream volatility makes it harder to match demand precisely with supply, leading to both customer service and inventory issues.

Perhaps the biggest challenge? The bar has significantly been raised on service — and it continues to be raised even higher. B2B customers now expect consumer-like experiences, and top tier customers expect their order to be fulfilled on time in full. But most wholesale distributors aren't equipped to deliver that experience, which requires agility, accurate inventory visibility, dynamic allocation, and a supply chain that's connected in real time.

Wholesale distributors will always play a critical role in the global economy by acting as a bridge between suppliers and customers. But today's harsh business landscape means they must adopt new ways of operating to drive service improvements at a lower cost.

They need to match inventory more closely with demand — not to mention the need to place products closer to the customers who purchase them — to minimize transportation and carrying costs. They need to change the foundational rules that have been ingrained into order, allocation, and fulfillment decisions and processes. And they must create better customer experiences that drive loyalty even in a crowded marketplace.

The good news? As the business world has become more complex, supply chain technologies have advanced to help wholesale distributors overcome these new challenges. A composable, microservice-based approach, powered by artificial intelligence (AI) and machine learning (ML) gives wholesale distributors the tool and the path to survive and even thrive in today's tough landscape. This executive brief outlines success strategies that have helped wholesale distributors establish cost and service leadership, even in a completely transformed world.
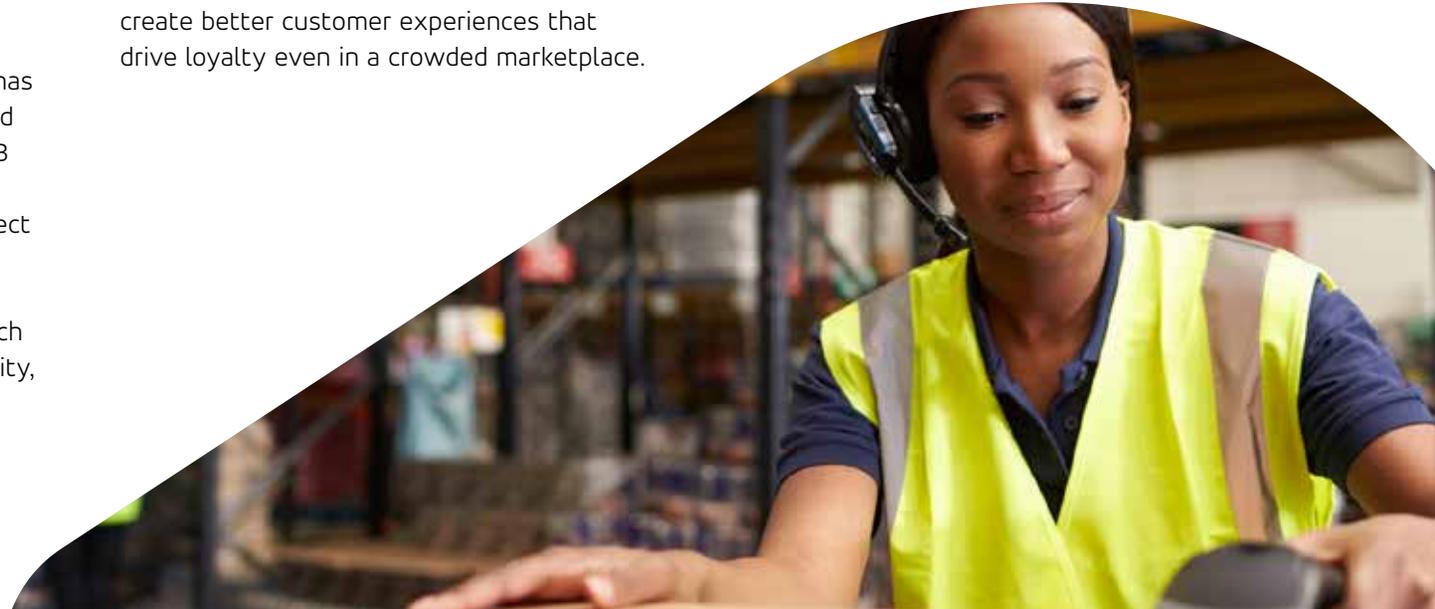
Redefining the value proposition means making three key changes

The wholesale distribution industry has been slower to embrace new technology solutions and ways of working than some other industries — perhaps because it's never faced the radical change it faces now. Distributors have instead dealt with slow, evolutionary shifts during which their legacy systems and established ways of working could still meet the status quo.

However, today's transformed business landscape demands an equally transformed approach. To survive today's seismic shifts, wholesale distributors need to fundamentally redefine their value proposition. They need to make three key changes:

1. Deliver value in the way customers define it.

Today, across all industries, the customer is king. And in wholesale distribution, customers want to place orders and view inventory when and where they want, and they want the experience to be digital – from order creation to delivery. The key? Visibility, speed, and adherence to SLA's. They want consistent order allocation and on-time delivery. They want prices to be low and service to be high. They want an easy, fast, frictionless experience. The problem is that few wholesalers are equipped to deliver value in the way customers define it today. They need to optimize their operations for cost and service, particularly customer-facing functions like order management, to both grow their existing customer accounts and win new customers.

2. Maximize all physical assets, especially inventory.

Wholesale distribution is a cost and asset-intensive business, from inventory and transportation to warehousing and labor. These assets need to be maximized via more accurate forecasting, real-time visibility across the supply chain and closer collaboration with the extended partner network. Excess inventory needs to be reduced via precise supply-demand matching. Every aspect of daily operations must be streamlined, accelerated and optimized to maximize productivity. Outdated, manually intensive processes and paperwork must be modernized — and the rigid, rules-based legacy technology systems that were configured to solve yesterday's problems need to be eliminated.

3. Increase agility, responsiveness and decision quality as conditions change.

There's no way to eliminate disruptions, whether upstream or downstream. But, to survive in this volatile environment, wholesale distributors must master the art of sensing disruptions early and then making fast, optimal decisions in response — balancing multiple objectives like cost, service, and sustainability. Instead of relying on spreadsheets and human planners, distributors must be able to utilize real-time data and make smart choices in a nimble manner.

How to get there?

Real-time inventory, dynamic allocation, and intelligent order management solutions

There's only one way to make these three fundamental shifts: By embracing advanced order management technology.

The complex problems faced by wholesale distributors exceed the capabilities of human analysts, manual processes, and spreadsheets. Distributors have access to enormous data volumes — about demand, supply and third-party factors that impact their supply chains — but they lack the ability to fully leverage that information. Their manual analysis and labor-intensive processes can't keep up with the volatile environment they're operating in. They can't make the right decision — or execute any decision fast enough. And they can't offer customers or employees the "consumer like" interfaces that are more intuitive and obvious for modern people.

Enabled by leading-edge AI and ML, real-time, dynamic inventory, allocation, and order management solutions provide the answer. Advanced optimization engines can ingest enormous volumes of real-time data from across the extended value chain, sense threats and opportunities, apply predictive analytics and make decisions that balance multiple outcomes — including service, cost, and sustainability — in microseconds. Once a resolution path is identified, process automation and digital connectivity ensure that action is taken immediately. The lines between planning and execution blur, creating a new level of agility. And decisions are based on real-time data, not intuition or guesswork.

Digitalization also creates real-time, end-to-end visibility that enables supply chain optimization both upstream and downstream. Disruptions can be managed at any time, and accurate promises can always be made to customers. Inventory availability and allocation — as well as the flow of products through order creation, allocation, fulfillment, and delivery — is visible in real time, driving a new level of customer service.

By automating both high-level decisions and daily work processes, digital solutions maximize productivity – especially in areas where humans, manual processes, and legacy tools (e.g. spreadsheets) impede service and quick decisioning. Service is improved, while costs are driven out of every function via enhanced productivity

Digitalization enables four key capabilities that aren't optional, but imperative in today's world

If the benefits of digitalization sound too good to be true, rest assured that digitalization has already delivered results for thousands of Blue Yonder customers, including top wholesale distributors. Backed by decades of experience and industry-leading advanced technologies like AI and ML, Blue Yonder is ready to help wholesalers not just survive but lead in this era of extreme digital transformation.

Blue Yonder offers capabilities that span the end-to-end supply chain, creating an opportunity for fast, seamless end-to-end execution as customers connect order management capabilities directly with warehouse and transportation solutions.

Real-time connectivity enables wholesale distributors to redefine their value proposition and thrive in today's hyper-competitive, omni-channel world. Wholesalers can deliver an outstanding customer experience —while also achieving strong financial and sustainability results — by focusing on these four key competencies that are required today:

- **Maximizing inventories and working capital**. Advanced inventory and allocation solutions reveal what inventory is available across the network to promise, right now, in real time. Wholesalers can reduce their carrying costs as they make the best use of available assets.

- **Reducing costs and increasing margins.** Intelligence-infused order orchestration solutions helps wholesalers to speed order processing, consolidate and optimize warehouse capacity and resources – and find balance across the cost of business and the desired customer experience. Better visibility coupled with automation gives wholesalers the ability to drive efficiency from products to labor to capacity and transportation fleets.

- **Making reliable commitments and promises**. In the dynamic, volatile environment of wholesale distribution, wholesalers need solutions that can gather real-time data to accurately promise inventory, secure labor, and other assets, and orchestrate orders with highly scalable and resilient workflows.

- **Delivering a differentiated customer experience**. "Consumerization" has made customers in every industry expect an easy, real-time response that the order can be delivered when it is needed, with a frictionless ordering experience and user-friendly interfaces. A modern approach to order management solutions helps deliver that experience.

The following pages highlight each of these capabilities in more detail.

1. Maximize inventories and working capital

Wholesale distributors have made enormous investments in warehousing, logistics and supply chain labor. But their single greatest investment is in product inventories. Because they typically serve large, diverse customer populations and a broad geographic area, wholesalers must carry thousands of SKUs and distribute them strategically across a network of warehouses.

The problem entails not only locating these thousands of products accurately and getting them into the hands of customers as quickly and cost-efficiently as possible, but also allocating them so the right products and quantities gets to the right customers.

It is important to have visibility and traceability for every product in every location, including inbound POs from vendors, no matter how large the physical network or the number of SKUs. With a central hub for all inventory operations, it is possible to maintain the latest data on enterprise-wide available inventory and provide a real-time, integrated view of inventory across selling channels. This data can be used to promise and reserve inventory for incoming orders, populate inventory dashboards in real time for customers and distribution centers, perform audits and reporting, and enable end-customer facing applications to locate products across the network.

Both employees and customers across all channels can see product availability in real time and allocation rules ensures inventory is distributed in the most optimal way – increasing satisfaction and service levels. Another benefit? Faster inventory turnovers, for the best return on working capital, as well as a reduction in stale inventory and safety stock as it exposes all available to promise inventory to all channels and all transaction types

2. Reduce costs and increase margins

Wholesalers must make smarter, more profitable choices that drive down operating costs and maximize margins. By having real-time, 24-7 visibility across the network, the inventory availability, and all order states, they can orchestrate thousands of concurrent orders in a manner that balances both cost and service objectives. One way to improve margins is by consolidating shipments, sourcing products from the best location, and ideally knowing where you need the inventory and placing it close to the customer.

Based on where products and customers are located, wholesale distributors can accurately plan for the appropriate labor, transportation and other resources needed to facilitate fulfillment and delivery. Over time, AI and ML can understand and predict product placement needs and can ensure products are positioned in the right geographic location to most effectively serve future demand.

Every stakeholder can improve productivity and effectiveness with the right information at their fingertips, including richer product and fulfillment information that includes "ships within," "get it by" and other detailed data. Because queries are deeper and more meaningful, wholesalers can make more informed, more profitable choices — and customers can also select the fulfillment timeframes and associated charges that make the best sense for their needs.

As they work to protect margins and drive service, wholesalers can easily create eligibility rules that are primarily defined for the combination of a product and location. They can decide in advance whether a product, location, or combination of a product or location is eligible for a specific selling channel and a particular fulfillment option. These types of rules and constraints ensure that real-time availability to promise (ATP) data is always accurate.

In the wholesale distribution environment, supply and demand will always be moving targets. But Order Management solutions from Blue Yonder are designed to provide the real-time visibility and responsiveness that are required in that landscape. They eliminate slow-moving manual processes, human error and legacy software — and instead unleash the power of AI-enabled optimization engines, data science and process automation.

3. Make reliable commitments and promises

In the fast-paced, hyper-competitive world of wholesale distribution, there's no margin for error. In the event of an out-of-stock or missed delivery, customers have many other options. One mistake can have enormous costs.

You can avoid these mistakes by making the ordering and fulfillment process completely transparent to both employees and customers. Even before making a purchase, customers should be able to select from a variety of flexible fulfilment and delivery options, and then make an informed choice. Wholesalers must be confident that their promises will be kept and using AI and ML to factor in inventory location, processing requirements and lead times can make a big difference. All stakeholders should see order-by and get-by timelines, based on real-time data combined with the logistics schedule, leading to better on time, in full performance.

Another key capability is to maximize margins by leveraging inventory-to-destination intelligence to influence customer behaviors in a way that benefits the wholesale distributor. If a wholesaler sets up multiple business constraints,

they can also optimize sourcing at the most granular level. Using a robust sourcing engine, it is possible to evaluate the following parameters to decide the most optimum location to fulfill the order:

- What locations are available to fulfill the order?

- What are the fulfillment options?

- What constraints (speed, cost and margin) need to be applied?

- What are the commitment dates?

At Blue Yonder, when queries are submitted, our robust Commits microservice makes

these complex calculations in milliseconds, greatly exceeding the decision speed and cognitive capacity of human analysts. Wholesalers can rest assured that every decision is made with both service and cost in mind.

Over the longer term, the Commits microservice builds confidence and customer loyalty, driving repeat sales. By replacing paperwork, manual processes and inaccurate promises with the speed and accuracy of Commits, wholesale distributors are entering a new era of customer centricity — while also trusting that advanced solutions are making decisions behind the scenes to balance high service with high profits

4. Deliver a unique customer experience

The emergence of smart phones, smart cars, smart appliances and other technology has created extremely high expectations for customers in every industry. Whether they're browsing inventory, placing an order or checking on order status, wholesale distribution customers are looking for an easy and frictionless experience that mimics their consumer interactions. Customer service employees also need intuitive, easy-to-use tools that help them deliver accurate data and customized support to customers.

Historically, wholesalers have been challenged to offer visibility of the order status from its creation to delivery with an interface that is intuitive and easy to use. Additionally, real-time tracking and monitoring capabilities allows customer service associates to easily search, view, create and modify order details in real time.

No matter where orders originate, or how they're being fulfilled, wholesale distributors need a single workflow engine to manage all order types and provide visibility at each step of the order lifecycle. They also need proactive alerting and monitoring to ensure visibility and accuracy across the entire order management cycle. For example, when an order is modified or cancelled, the reserved inventory needs to be released and re-allocated to meet the needs of other orders.

Another critical capability to deliver excellent service is the ability to properly prioritize and allocate inventory based on customer tiers, SLA's, and available product.

For instance, you may allocate order based on "First In First Out" (FIFO) meaning you allocate inventory based on the order in which you receive them. Or, you could allocate inventory based on priority, or maybe you want to do Fair Share allocation and divide inventory equally and fairly across all customer orders. What's important is that you can set the reservation and allocation rules for optimized fulfillment and a continuously up to date sourcing and rebalancing of the inventory.

The proven benefit?

More certain results, even in an uncertain environment

The Blue Yonder approach is purpose-driven to build and deliver solutions to address the challenges wholesale distributors are experiencing today, while providing a foundation to grow and transform well into the future. With decades of experience in driving results for wholesale distributors across the end-to-end value chain, Blue Yonder has helped these and other wholesale distributors achieve more certain results:

- As California's largest cannabis distributor and supply chain solutions company, **HERBL** is challenged to manage explosive demand, while controlling costs and making profitable decisions. Blue Yonder has helped reduce operating expenses by 20% and improve productivity by 15%. A software-as-a-service (SaaS) delivery model had Blue Yonder solutions up and running in just four months, even in the midst of the COVID-19 pandemic.

- With annual revenues in the billions, **McKesson Canada** delivers more than one-third of all prescription drugs in Canada. Blue Yonder solutions help the wholesaler rationalize demand and supply planning for over 50,000 products across 13 distribution centers. McKesson can define profitable safety stock levels and other inventory

policies. As a result, the company has made its inventory more efficient, reduced overall inventory levels and improved operating cash flow by millions.

- **Amway** sells health, beauty and home care products in over 100 countries worldwide, with annual sales exceeding $8 billion. Blue Yonder solutions position Amway for fulfillment flexibility across 388,000 SKUs and supply chain facilities in 40 countries. The company can quickly re-assign inventory, people and transportation assets as conditions change. Amway can thrive in today's culture of demand volatility and constant adjustments.

Why Blue Yonder?

Industry Leadership

Blue Yonder's Order Management microservices have been acknowledged for their industry leadership, including the following honors:

- 2023 Forrester Wave: Order Management Systems
- 2023 IDC Order Orchestration & Fulfillment Marketscape
- 2022 Gartner Market Guide for Retail Distributed Order Management

- 2022 Forrester Order Management Landscape
- 2023 QKS SPARK Matrix: Omnichannel Order Management Systems

Composable architecture

A flexible microservices-based approach allows wholesalers to quickly deploy Blue Yonder Order Management solutions and start realizing value immediately. These capabilities are easy to add to the current technology stack and can be easily scaled as order volumes grow.

Infused with intelligence

Enabled by proprietary AI and ML, Blue Yonder's optimization engines create automated order management recommendations that balance profitability, customer service, sustainability and other outcomes. Because AI and ML greatly exceed the cognitive abilities of human planners, they can consider enormous volumes of data, support continuous planning and re-planning, and drive fact-based decisions that all stakeholders can agree on.

Speed of tranformation

In today's fast-paced world, wholesale distributors don't have the time to "rip and replace" every system and process in their business. A composable architecture, built with microservices, enables offerings that are easy, scalable and deliver meaningful process transformation and real customer value quickly, for a rapid return on investment. And the consumer look and feel of Blue Yonder's Order Management   solutions minimize the need for employee training.

Reduced complexity

The challenges facing wholesale distributors today are complex. But Blue Yonder's Order Management solutions are built to manage this complexity, from dynamic safety stock predictions to time-phased available-to-promise insights. Dashboards, reports and alerts drive employee engagement, while analytics and metrics support continuous cost and service improvements.

Order Management Is Just One Piece of Supply Chain Transformation

As a global leader in supply chain solutions, Blue Yonder has a proven technology platform and is consistently recognized as a Leader in the Gartner Magic Quadrants for Supply Chain Planning, Transportation Management and Warehouse Management.

Wholesale distributors can achieve interconnected, end-to-end execution when they adopt a composable architecture and connect inventory visibility, allocation and order orchestration with their transportation and logistics solutions. Composability prepares wholesalers to quickly execute from end to end, driving a true digital transformation of their entire supply chain.

Because of its solution depth and breadth, Blue Yonder can offer its wholesale distribution customers a proven, integrated technology platform that can optimize virtually the entire end-to-end supply chain. Learn more at blueyonder.com.

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