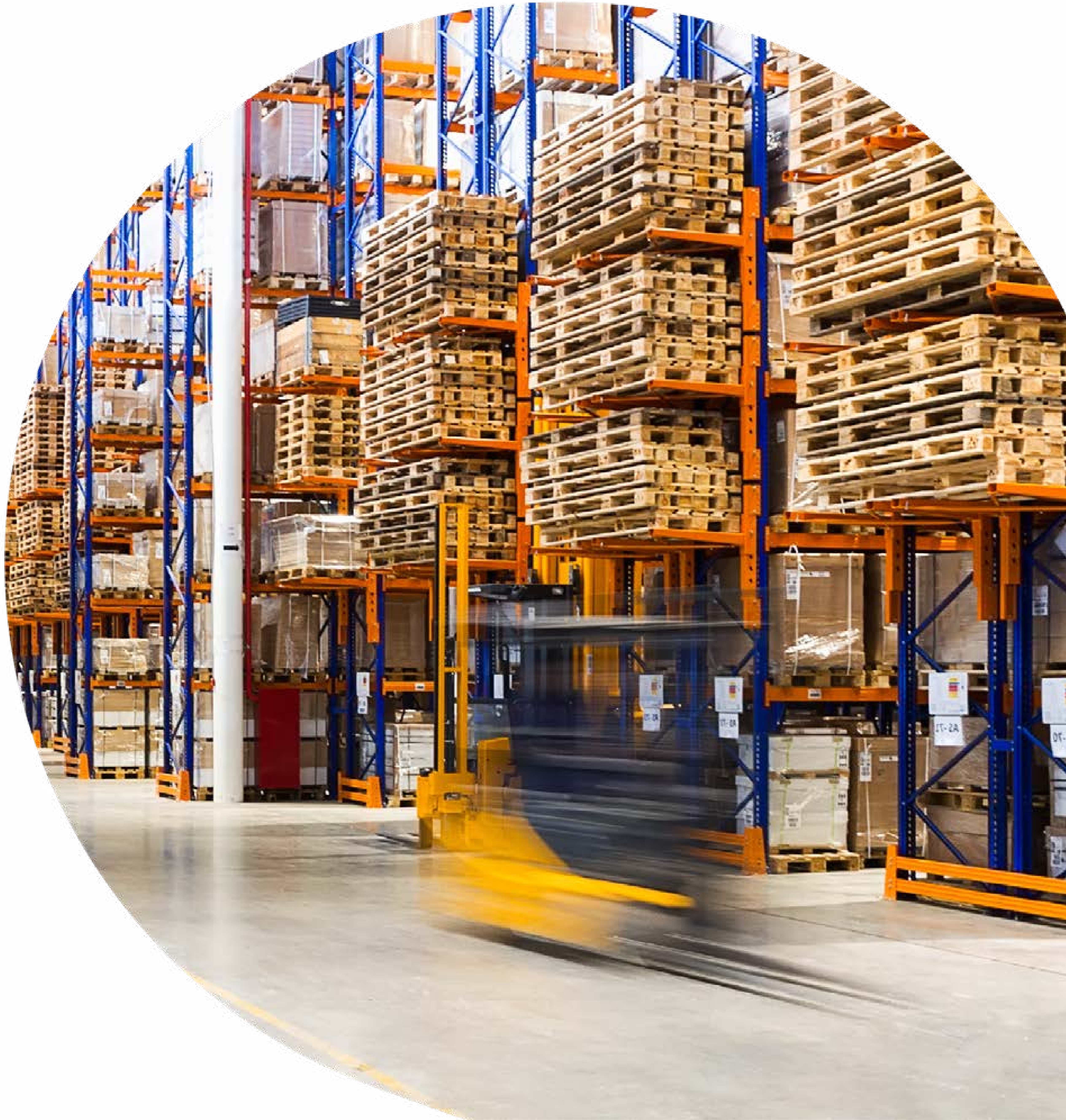
BlueYonder

eBook

Wholesale Distribution:

Staying Relevant With Order Management Built for B2B Complexity



Introduction

Insatiable M&As, market consolidation, geopolitical inflation, and disintermediation. As the pandemic fades in the rearview mirror, wholesale distribution and manufacturing face a fresh wave of challenges.

To cap it all off, a changed market landscape leaves an open question that's hard to ignore and harder to answer: why shouldn't wholesale distribution and manufacturing clients expect the same omni-channel fulfillment options that B2C consumers now take for granted?

On paper, wholesale distribution and manufacturing customers can and should expect retail-like order and fulfillment. But turning theory into practice presents wholesalers with a set of complex sub-questions.

For starters, transportation accounts for a frightening chunk of total wholesale and distribution costs. In this context, rolling out rapid fulfillment in wholesale and distribution becomes a tightrope walk that intersects two incompatible risks.

The Incompatible Risks

Risk 1

is the potential void of imploding margins which are threatened by the cost implications of trying to scale rapid fulfillment without consideration of cost and customer prioritization.

Risk 2

is a bottomless abyss of crashing client retention and market relevance as your B2B customers defect to alternative suppliers aggressively scaling retail-esque omni-channel order and fulfillment.

The Good News?

Offering wholesale, manufacturing and B2B customers consumer-like experience no longer needs to be about awkward tradeoffs.

With purpose-built order management and commerce microservices, wholesale distributors and manufacturers can stay modern, relevant, and indispensable while supporting the future vision of their supply chain operations.

In This E-Book

You'll discover quick, scalable ways to improve B2B service offerings with modern order management — without straining or replacing existing technology or diminishing operating profit.

Shifting Goalposts:
The Wholesale and Distribution Value Model Needs a Rethink

For decades, wholesale distributors have been the indispensable liaison between manufacturers and their end customers, buying, storing and delivering goods at scale.

For the most part, the wholesale value model at the center has served wholesalers pretty well: cost of goods sold, plus a little markup to cover overheads and produce profit.

But market trends of recent years have become entrenched as permanent features in a shifting landscape that has moved the goalposts for wholesale distribution.

From "Relationships of True Convenience"...

Until recent years, it's been a relationship of convenience that worked for everyone without much need for scrutiny or revision.

The wholesale value model has freed manufacturers to focus on designing, building and marketing products without heavy investment in sales or managing countless supplier relationships.

But now, that convenience — and the wholesale distribution value model — is facing existential pressure. And the causes aren't transient — they're systemic.

...To "Relationships of Inconvenient Truths"

In just two short decades, a cascade of interrelated market and consumer trends have virtually inverted the wholesale and distribution paradigm. For those on the ground in supply chain and logistics, these swirling mix factors are too familiar.

Margins in systemic decline: Thanks to the intermediary nature of wholesale distribution, margin flexibility is critical for forecasting and sustaining profitability.

But consistent margin pressure and decline has caused industry-wide performance to trend downward in recent years.

Unrelenting pressure from competition: Wholesale distribution is high volume, high complexity. If you're among those innovating ways to complexity, then you stand half a chance of making a breakaway. Those delaying such incentives risk stagnating in the shadows cast by market frontrunners.

Those frontrunners are acutely focused on growth either through merger and acquisition, adding capabilities, competing on services, expanding inventory, or any combination of these.

Product and inventory complexity: With retailers asking for increasingly diverse product SKUs from individual suppliers, manufacturers and wholesale distributors face greater inventory management and visibility challenges than ever.

The flipside is the merger and acquisition (M&A) wave driving market consolidation. Those undergoing M&A to stay competitive need to expose their entire inventory catalog across all brands to a single customer.

In both cases it comes down to an urgent need for accurate, real-time inventory visibility — and not just one-way. It needs to be from both sides; real-time visibility for suppliers and their customers.

Inventory overstocking and stockouts: With unpredictable forces making supply and demand harder to calculate, inventory overstocking and stockouts have become more than just a bugbear — they're now "sink or swim" issues.

Inflation: despite long-term signs of improvement, wholesale prices in the U.S. and internationally continue to trend upward. Competing on price no longer seems viable.

B2B Expectation of B2C–like Service Shows No Letup

Wholesale distribution needs to put B2B customers at the center of commerce fulfillment and omni-channel sales.

What's required is nothing short of a total rethink for optimizing everything from technology and fulfillment channels to labor and, arguably, even culture.

2017

Even before COVID-19 amplified consumer omni-channel appetite, 80% of B2B buyers already expected real-time interaction and personalized attention.[1]

2021

As COVID-19 transformed consumer retail, 63% of consumers expected businesses to know their unique needs and expectations, while 76% of B2B buyers expected the same thing.[2]

2025

According to research from Gartner, by 2025, 80% of all B2B sales interactions between suppliers and buyers will happen across digital channels.[3]

Some are Finding Answers in M&A, but it's Not the Only Answer and it Poses New Questions

There's no question that merger and acquisition is a vehicle capable of reaching escape velocity from certain threats facing wholesale distributors and manufacturers.

To mention just one advantage, buyouts and "mega mergers" grant the resulting business entity huge bargaining power with suppliers. Those savings can then be passed to consumers to compete on price.

M&A and Market Consolidation is Moving the Goalposts for Everyone

Insatiable M&As are granting some wholesale distributors and manufacturers robust market clout and bargaining power. To stay competitive and avoid being outperformed, those without an appetite for M&A need to rethink strategies that lead with value-added services enabled by next-gen technologies for reinventing inventory processing and order management.

2020	2021
Leading B2B distributor and Blue Yonder WMS customer WESCO International announces completion of merger with Anixter International Inc.	Rexel, a global distributor of electrical supplies, announces acquisition of WESCO.

2022	2023
HEICO, a global distributor of aerospace and defense products, announces acquisition of Rencor.	Fleetpride, a distributor of heavy-duty truck and trailer parts, announces acquisition of RPM Truck Repair and Frame Serve.

The “But”?

M&A Means More Complexity

For those doing it, M&A can result in colossal product inventory. Sure, offering distribution customers product SKU abundance from a single supplier can be a powerful USP differentiator. But, the more complex your product portfolios, the taller the order when it comes to inventory processing and visibility. Unless you’re able to scale up inventory volume while also scaling down the complexity, diverse product wholesale offerings become as much of a liability as an advantage.

New market proposition arising from M&A will likely attract interest from retail clients. And you’ll acquire extra bargaining power to boot. Those two things alone will move the needle in terms of competitive advantage.

But it’ll be an advantage that’s short lived — unless you embed inventory processing and ordering as part of service-based, omni-channel offerings that customers can access effortlessly, over and over again.

In short, those turning to M&A will need to do more than buy and sell their way to continue to compete on price. Economies of scale is an indispensable tactic — but it has to be one tactic of many as part of a broader, more deeply integrated cost-cutting strategy that also impacts labor, transportation and order management costs.

What if You Don't Take the M&A Route?

Whether you opt for the M&A route as a means of buffering against the cluster of growing industry threats or not, overcoming them in any permanent way means pivoting to a "service-first" orientation.

It doesn't have to take months and years, and it shouldn't mean ripping out inventory processing and order management architecture.

To add a little color, what if you could reimagine the customer experience completely — with client self-service, multi-location inventory visibility, advanced order orchestration, and automatically re-balanced orders?

That's the kind of paradigm shift wholesale distributors across the spectrum need to consider— M&A or no M&A. Anything less is an existential timebomb waiting to go off.

The Challenges with Channel Complexity and Manual Process

To recap, the M&A market consolidation wave in wholesale distribution and manufacturing leverages competitive advantages of sheer scale: greater market clout, enhanced bargaining power, and endless product SKU offerings.

Unraveling Advantages: Manufacturing Goals

For manufacturers in tight verticals, all of those things are strategic incentives worth aiming for. But whether the increase in scale is strategic, arising from M&A, or incidental, as the result of organic growth, the associated advantages can quickly unravel if scale remains unmanaged by automation.

To put the challenge of scale in perspective — no industry outside of manufacturing has it harder when it comes to volume of customers, materials, distribution channels, and location-specific pricing requirements. The incentives to manage down complexity as scale increases are strong. But reluctance or difficulty in overhauling legacy approaches cause some manufacturers to lumber on, over-encumbered by daily challenges that are often accepted as inescapable.

Inventory size, logistics network complexity, expansion of infrastructure into new target territories and other factors bring cost challenges that put roadblocks in front of capturing the advantages.

It's a Ripple Effect

With all of those interconnected relationships of scale, even slight miscalculations amplify and ripple outwards, threatening revenue stability and reputation.

It's a reality that most supply chain and logistics managers hardly need reminding of. But it can also be a painfully difficult reality to manage, no matter how alert you are to the potential consequences.

Over 83% of U.S. mid-market wholesale distributors lose 1.0 to 3.0 margin points due to ineffective pricing methods.

For a $50M distributor, that amounts to between $500K and $1.5M in lost profits.[4] The impact on the margins of top distributors in the $100s of millions is tough to think about.

What's the mechanism of action behind those potential eye-watering losses? If this is your niche, you'll know that prices are typically modified to fit standardized margins or discounts — and that pricing modification logic doesn't always reflect cost changes.

For example, what if route disruption or bad weather causes transportation delays or diversions? Once pricing is locked in, there's little flex to account for unforeseen factors on the fly.

To make matters worse, inefficient pricing practices — like overreliance on spreadsheets — can aggravate margin loss. Price lists go stale and the time it takes to get quotes to customers goes from hours to days to weeks.

Spreadsheets and certain manual processes may still hold some value in some small contexts, but their use cases are shrinking and users need to be ruthlessly selective. When it comes to pricing workflows, sticking with pen and paper is an unforced error that wholesale distribution and manufacturing can do without.

Aggravating Factors: Warehouse Location Mapping

For years, the linear mapping of warehouses to client locations has been a common standard in wholesale distribution. Today, the growing threat of disintermediation should be a wake-up call to map warehouses more flexibly — otherwise, even long-held relationships will face increasing strain.

Here's just one example: having the will, but lacking the flexibility.

It's Monday. One of your restaurant clients orders 300 pieces of salmon for a fish special they're running next weekend. They need the shipment by Wednesday at the latest. They've already printed new menus.

Your ERP clearly shows availability, so you commit. But your allocation team only finds 100 pieces available in the warehouse mapped to that specific client location. The rest are over in Boston, out of reach and about to spoil.

What do you do? Will the client settle for 100 pieces? How long before they source a new supplier that can deliver on commitment, no matter the circumstances?

Blue Yonder's OMS: Warehouse Mapping

Optimizing warehouse locations in proximity to clients is a near impossible task if you can't digitally customize specific inventory and commitment rules for fulfilling orders to specific clients.

Not only does Blue Yonder's OMS let you do exactly that, it also gives customers a 360-degree view of inventory across your entire network so they can choose the right location for obtaining the right number of product SKUs in the right time frame.

Meanwhile, teams at each location are using Blue Yonder's OMS to avoid overstocks and stockouts while predicting demand and configuring replenishment the smart way.

Find out more →

The D2C Boom is Asking Questions About Wholesale Distribution's Relevance

According to Insider Intelligence, U.S. direct-to-consumer (D2C) e-commerce sales are predicted to see double digit increases through 2024, when they'll hit nearly $213B, making up 16.6% of all ecommerce sales.[5]

Does the D2C Boom Mean a WD Bust?

The same e-commerce boom that has reshaped consumer behavior and preferences has inspired a similar shift in attitudes and expectations among B2B customers. The fact is that buyers, retail or not, insist on speed, flexibility and self-service.

What's most worrying for wholesale distributors is that manufacturers are meeting demand with supply, pivoting to D2C models that strip out cost for end customers while granting manufacturers more control over brand and customer relationships.

Now It's Wholesale Distributors' Turn to Respond

With escalating threats asking questions about wholesale distributors' relevance, it's now a simple choice between "do nothing" and risk rapid business decline or "modernize" to stay in touch with moving markets and go from "survive" to "thrive".

In short, technology is both the problem and the solution. Upstream, manufacturers have embraced technology to reinvent entire business models and forge new consumer relationships. Downstream, B2B clients are adopting technology for commerce-like self-service experience and fast omni-channel fulfillment.

In the middle, wholesale distributors find themselves at a precipice. Now, it's no longer viable to make do with inventory and order management inefficiencies that, until now, could be waved off as inconvenient. Now, it's table stakes.

The Future of Wholesale Distribution:

Modern, Interoperable Order Management Microservices

It's not all doom and gloom. Despite the threats, there are also now countless possibilities for wholesale distribution networks and ecosystems to transform together.

1. What it Does

In essence, interoperability means "operable from all sides". It's about a seamless, multi-directional way of sharing communication and data between different divisions, teams, systems, and workflows. It's even more than that — it's synchronized, end-to-end planning and decision making in real-time across applications, the edge, and the entire supply chain ecosystem.

2. Building

In competitive industries such as wholesale distribution, interoperability can provide a critical competitive edge. Not only does interoperability boost operations and provide end-to-end transparency across the supply chain, it also means better relationships with partners and improved customer service.

By building interoperable inventory, allocation, and order orchestration, wholesale distribution businesses can optimize performance and build supply chain resilience.

Digital Change Doesn't Have to Be a Marathon

The digital change required for interoperability doesn't have to be a marathon you'll never complete. With Blue Yonder's composable, microservices approach, upgrading inventory visibility, allocation, order management, and your customer service becomes a series of manageable "digital pivots" that you can scale at your own pace, one challenge at a time.

They can unlock paths to data sharing, real-time decision-making, new intelligent workflows, and ultimately roll out value-add services for customers, helping everyone sustain relevance and value. All while maximizing margins and slashing cost across the network and supply chain.

Going from "Survive" to "Thrive" with Purpose-Built Order Management Microservice-Based Solutions

Whose job is it to take a wholesale distributor from "survive" to "thrive"? There's no one person. It's a shared responsibility. Wholesale distribution is a balancing act of moving parts and hard work.

That said, supply chain and logistics teams are often best positioned to lead cost-cutting incentives and digital innovation to deal with the challenges they live and breathe day to day.

For supply chain and logistics leaders, network interoperability should be high on the agenda as a means of integrating more fluid operations and avoiding rising supply chain costs.

But there are other ways of cutting costs.

Three Strategies To Boost Retention and Reduce Cost-To-Serve

1. Embrace New Sales Channels

D2C is just one option. B2B marketplaces, social media and dropshipping are highly scalable, accessible ways to reach new customers. Diversifying sales channels can also help distributors adapt to changing consumer behavior, sustain and grow new revenue streams, and buffer against disintermediation.

2. Expand Value-Add Services

B2B clients are opting for service over price, and are willing to pay more for great service; in other words, competing on price alone is no longer enough. Expanding value-add services allows you to differentiate from new market entrants and digital marketplaces that B2B clients increasingly prefer.

3. Embrace Purpose-Built Order Management

Given the risks, sitting on your hands doing nothing is no longer an option. Before you know it, you'll procrastinate your way toward market irrelevance while those embracing modern solutions pull away.

With Blue Yonder's purpose-built order management services, you can augment and add to existing architecture, one microservice at a time, while ending reliance on ERP systems for less efficient inventory allocation, order management, and fulfillment.

What's Your Most Urgent Challenge in Inventory, Allocation and Order Orchestration?

Use this fulfillment maturity matrix to match order management challenges with microservices designed to alleviate them without delays or disruptive projects.

I Need To	Blue Yonder OMS Microservice
Get Inventory Closer to Customers To reduce transportation costs, move faster toward sustainability goals, boost margins, and offer faster fulfillment options	**Inventory** Provide real-time product availability (ATP), from enterprise in-stock/out-of-stock messaging to location and proximity-based availability. Infused with the latest artificial intelligence (AI)/machine learning (ML) real-time reservations and segmentation, businesses can maximize inventory exposure and deliver accurate promises without the risk of disappointing customers or overselling. **Commits** Increase conversion rates and improve customer satisfaction by presenting customers with personalized, market-based options for when and how they can receive their products (order by, get by, get it today). Improve cost-to-serve from promise to post-order decisioning with complex algorithms, including the definition of allocation rules based on business rules and customer priority needs. **Order Services** Gain an enterprise view and manage orders regardless of channels, source, and type. Manage order lifecycle based on different business rules using personalized, configurable workflows. Schedule, orchestrate, modify, and support the complete order lifecycle with a single source of truth from order to delivery. React to sudden disruptions and rebalance the open demand for optimal re-sourcing and re-prioritization. **Order Sourcing** Helps retailers improve the percentage of perfect orders by delivering end-to-end visibility into order fulfillment. Leverages advanced ML algorithms and AI capabilities to generate actionable insights and predict potential issues that will impact the delivery of orders.

I Need To	Blue Yonder OMS Microservice
Help All Teams in all Locations See the Same Real-Time Picture of Inventory to Promise To avoid expensive, embarrassing mix-ups by meeting customer expectations each and every time.	**Inventory** Gain a 360-degree view of inventory and support end-to-end visibility and tracking of saleable and non-saleable inventory. Provide availability at the enterprise and location level, factoring for proximity to customer locations, and provide the “net availability” to promise. Integrate with all inventory sources coupled with eligibility rules, selling channel configurations, supply/inventory segmentation, open demand, future supply, and real-time API publishing capabilities.
Allocate and Balance Inventory and Orders to Serve Customers Based on Business Need To always make sure you are meeting SLAs and serving your high-priority customers first.	**Commits Allocation Engine** Allocate supply based on business needs and customer priority tiers, i.e. first in first out (FIFO) based allocation, batch allocation, priority-based allocation, fair share and weighted fair share allocation, forecast-based allocation, and global optimization across the network. **Rebalancer** React to sudden disruptions and re-balance the open demand based on defined allocation rules ensuring all pending orders are optimized for re-sourcing and re-prioritization.

I Need To	Blue Yonder OMS Microservice
Improve Order Status Visibility To help customers track order progress independently without needing to call or email us.	**Customer Order Visibility** Blue Yonder’s Customer Order Visibility (COV) is an integrated user interface that provides the ability to search, view and modify order details in one place, giving businesses complete visibility over each order and its fulfillment details. Leverage unsupervised learning algorithms to detect patterns and anomalies, generate actionable insights on metrics, optimize “promise and fulfillment”, and automate machine learning that drives customer satisfaction and operational efficiency.
Personalize Customer Experience To make the right recommendations and deliver the right products at the right time, through the customer’s channel of choice.	**Commits** Tailor offerings in unique ways to unique customers, with AI and ML-infused capabilities that make everything smarter and more personal. Shape service and recommendations around customer preferences and historical order patterns with tailored commitment and delivery dates.
Improve Fulfillment Speed and Efficiency To boost order profitability across the entire network based on factors such as cost, product selection, and distance.	**Commits** Increase conversion rates and improve customer satisfaction by presenting customers with personalized, market-based options for when and how they can receive their products (order by, get by, get it today) while also improving cost-to-serve from promise to post-order decisioning with ML-infused optimization algorithms.

Three Assumptions to Stop Making

1. Our ERP Already Does This

If your ERP offers rudimentary order management capabilities, chances are they're "tack-on" capabilities not robust enough to boost supply chain interoperability, roll out value add services, and cut costs across the network. Besides, ERP upgrades are slow, heavy, and disruptive.

2. We're Currently Building This In-House

On-premise solutions can often inhibit the adoption of modern, SaaS-native applications such as Blue Yonder's order management microservices, which empower you to implement the capabilities you need and add to existing architecture more quickly. Blue Yonder delivers a fast time to value with typical deployments of just 3—6 months versus other OMS implementations that can take 1—3 years. In other words, you'll get the advantage of a cloud-based solution with faster return on investment.

3. We Don't Need an Entire OMS Solution: B2B is Different to Retail. The Same Solutions Don't Apply

If you need an entire, purpose-built OMS, we have it. But it's also composable. In other words, if you need to solve specific challenges one at a time, Blue Yonder's OMS can be selectively applied one microservice at a time, with capabilities purpose-built to address specific B2B challenges — even in the B2B2C model.

How Long Can You Wait Before Change Becomes Critical?

For wholesale distribution verticals, it's arguable that the critical moment for urgent change and modernization is already here.

Reimagining the wholesale distribution value model with the customer right at the center can make manufacturers more resilient to disintermediation while reducing the titanic effort of unnecessary work and projects your workforce will have to sustain just to stay in business.

By adopting a purpose-built order management system, distributors can offer customers commerce-like experiences matching those that retail consumers have enjoyed for years now. That's what B2B customers expect.

The critical moment has arrived for a complete change of value model in wholesale distribution — and Blue Yonder's OMS provides the most scalable microservice-led approach to achieving it both safely and profitably.

Keep Partnerships Strong and Build Interoperable Network Resilience

Flexibility, composability and scalability are at the core of Blue Yonder's microservice approach to augmenting and extending your existing architecture.

When shifts in technology, market trends and consumer preferences trigger new pressures, Blue Yonder's OMS can quickly and easily address business needs without a total disruption to your system.

This also means test-and-learn plans can be implemented quickly, making way for rapid innovation. Companies that can't evolve with their consumers will inevitably lose them to another business that can. In that sense, a composable microservices approach is a huge advantage.

Take a Big Step Toward Your Future Success of Interoperability

Go beyond the traditional and design an order experience that reflects your business, enhances the employee experience and meets what your customers want and expect.

Visit blueyonder.com/contact-us to get started. You can also email us at commercesales@blueyonder.com.

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