Secure a Sustainable Competitive Advantage in Wholesale Distribution

Redefining Business Strategies to Differentiate in the Omni-channel World
Introduction

The wholesale distribution market is undergoing significant disruption. A changing customer demographic has ushered in different buying patterns made possible by new digitally-enabled retail and wholesale sales channels. With these market disruptions, success will require agility and focus.

Redefine your business strategy. Ensure you have the digital foundation to make that strategy real with customer-centric offerings and innovation.
New Wholesale Strategies for the New Retail Reality

Customer demand for an omni-channel experience with e-commerce and mobile options means suppliers can market directly to retailers and consumers. Retailers can, likewise, market to businesses and consumers, often taking advantage of their online, mobile, and brick-and-mortar storefronts with the ability to offer ship-to-store and ship-to-home fulfillment options.

As a result, the traditional wholesale distributor model is losing market relevance. Rapidly eroding margins, a hypercompetitive pricing environment and the emergence of new threats like Amazon Marketplace and Jet.com make it clear that wholesale distributors must find ways to innovate and differentiate. As an example, Google Express sells to both retailers and consumers through their online site with same-day delivery in select cities, using partners like Costco Wholesale and Whole Foods Market to drive fulfillment.

For wholesale distributors to protect and grow market share, the key to thriving in the omni-channel new world order is in identifying opportunities to differentiate through an array of value-add services or integrated options.

Wholesalers are already reinventing themselves with programs such as:

- Offering unique sales and after-sales service specializations in the marketplace
- Delivering industry-leading customer experiences across sales, returns and after-sales services
- Implementing loyalty programs, customer self-service options, flexible fulfillment options
- Expanding customized or configurable product and packaging capabilities

Think about your business now. What services are your customers asking for? Would they pay additionally for these services? What options would cement their loyalty? What are your competitors doing to win market share?

With new differentiation, your competitors will be quick to respond with similar strategies. By offering an array of integrated programs and services, wholesalers can carve out a business strategy and market position unique to themselves based on core strengths, adjacent capabilities and unmet needs of their customers.
Case in Point: Test & Refine New Strategies

Industry-leading wholesale distributors routinely evaluate their market strategy for uniqueness, altering it as needed, then cascading the changes down through the business. One emerging trend is using predictive analytics and “what-if” scenario-based analysis in real time to fine tune a strategy during execution.

For example, profiling historical demand elasticity for key customers in a product category can be a starting point for testing different product and pricing offers and their effect on KPIs (like sales volume and profitability by customer) during product launches or promotions. Ongoing strategic refinement, and the ability to implement the resulting strategy changes with minimal to no business disruption, is an achievable goal.

Most medium- to large-size wholesalers in the medical/pharma and electronics sub-sectors are already utilizing such strategy refinement and performance improvement techniques, enabled by stable enterprise data foundations built on scalable technology platforms.
Choose Technology that Best Fits your Business Strategy

Business systems that are efficient, robust and compliant can help establish a foundation for future growth. Improvements to core systems can generate measurable ROI over time while supporting a more seamless experience for employees and customers alike.

Determining the right enabling technology — whether you add to your current systems, build, buy or subscribe to something new — is a major decision. It will depend in part on the strength of your existing systems. Key application solutions most relevant to wholesalers could include:

- Global Inventory Management & Available-to-Promise (ATP)
- Global Integrated Pricing
- Vendor Rebates & Charge-Backs Processing
- Customer Loyalty & Promotions
- Third-Party Drop-Ship Processing
- Returns Processing & Quality Management
- Configurable Equipment & Project Management

All technology platforms vary in their degree of business fit. Some amount of custom configuration is likely required even with one of the more highly integrated solutions. Yet, these can speed your time to market overall, since various aspects of the tool are already pre-configured.

Advanced product suites provide the ability to integrate the management of KPIs in real time through a powerful “single version of the truth,” a foundational database that drives both transaction processing and advanced reporting.

Cloud-based product suites enable organizations to quickly convert to a nimble, highly integrated technology platform with strong omni-channel and commerce capabilities; such capabilities are nicely complemented by flexible reporting and analytics.

- Cloud offerings have a common set of capabilities that can be extended to drive some unique functionality, but some customers will feel too constrained by the limited flexibility of the underlying technology.
- On-premise or private cloud offerings have other considerations, such as their significant up-front capital investment, internal infrastructure support requirements, and (potentially) uncontrolled customization.

Platforms and product features should be assessed in terms of their ability to enable your business to achieve specific KPIs. These measurements also can be used to evaluate and prioritize planned customizations. Management acceptance of a KPI-based program can help drive internal alignment of the IT strategy while providing the business justification for investing in the future-state platform.
Ensure Success through Solid Execution

With a strong technology transformation roadmap, focus and rigor with the execution phase should encompass the following:

- Scope and customization management
- Data quality and governance
- Project and third-party risk management
- Project financials management
- Testing rigor and automation
- Management of legacy, interim and future-state systems
- Change management and training

Business transformations can involve a high-degree of cost and complexity. It is important that wholesalers contemplating a business transformation focus early in the cycle on identifying critical success factors, such as organizational alignment, executive sponsorship, team structure and skills, and quantifying and tracking the KPIs, to achieve the anticipated business benefits.

Market leaders cement their competitive position by demonstrating an ability to regularly transform or reinvent themselves ahead of changing industry dynamics. Wholesale distributors striving to secure market share must master the art of continuously anticipating such market shifts, selecting the required strategic and tactical changes needed to address them, and quickly adopting enabling technology to drive results.
Focus on the Big Picture

Whether you’re introducing data analytics to improve operations, or developing new services to deliver additional value to your customers, your wholesale business must be ready and able to adapt to change. To succeed in the omni-channel new world order, companies need to prioritize agility and an innovation agenda. When people, processes and technologies are aligned to deliver operational excellence, your company will be in the best position to respond to new regulations or to take advantage of disruptive trends and technologies.

At Capgemini, we have experience helping wholesale distribution enterprises transform to be more efficient, more agile and more digital. From visioning and strategic planning to technology implementation, adoption and ongoing support, our perspective and full spectrum of capabilities can help reduce risk, improve outcomes, and uncover opportunities. Rely on Capgemini’s breadth of knowledge to go beyond managing to the pace of change in your industry – and start racing ahead of it.
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