

Whitepaper

Wholesale
distribution

Challenges and opportunities in the ecommerce era

Great expectations

Continual technology advancements have facilitated a new set of consumer behaviours, and these are increasingly impacting business to business (B2B) trading relationships.

Wholesalers are now being held to new standards of speed and responsiveness, as retailers adjust their businesses to meet changing consumer habits.

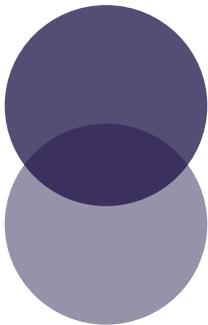
This paper explores how wholesalers can elevate their business to a position of leadership through technology innovation.

How technology is changing the way wholesalers and retailers operate

Having a successful wholesale business isn't just about what you're selling, it's about how efficiently you can sell and deliver it. Being able to respond quickly to retail customers and scale the business for volume is the foundation of any wholesale distributor.

Wholesale businesses have always seen their fortunes tied to the performance of the retail market. Since the Global Financial Crisis sent spending plummeting in 2008, wholesalers and retailers have been navigating rougher waters.

In Australia from a 6% growth in 2011, disposable personal income (DPI) has declined around 1% every year since 2012, despite strong GDP growth¹. Ordinarily this lack of DPI, which means there are less funds available for spending in the economy, would be enough for the industry to worry about. However, technology advancements, increased competition from global players and the rise of ecommerce have introduced an entirely new set of challenges for both retailers and wholesalers.



1. 'Recession chances receding as business gains momentum and budget deficit shrinks', ABC.net, , December 2017



Ecommerce has created new expectations, as societal habits around shopping have changed. The rise of online shopping has delivered new service level expectations around order-to-despatch timeframes, and consumers are now conditioned to expect speed and responsiveness from all retailers.

Retailers must adapt to survive and they're looking for wholesalers to deliver service level improvements to help them do this. As the final link in the chain from manufacturer to consumer, retailers know they need strong wholesale partnerships.

To meet these new service expectations in a short time, leading wholesalers are utilising innovative technology. Relying on manual processes and labour intensive spreadsheets is no longer an option for wholesalers wishing to maintain and grow their business.

As part of an ongoing relationship with The CEO Institute, Pronto Software surveys Australian CEOs each year about the top challenges facing their business. In a recent survey², many CEOs highlighted the need to adapt to change as a priority, highlighting that technology and competition are putting enormous pressure on their companies. "We have to reinvent ourselves and keep learning and applying new concepts and ideas" said one respondent.

An advanced Enterprise Resource Planning (ERP) solution that combines financial management, business reporting, and operational efficiencies is fast becoming a requirement for businesses competing in this new era.

**Retailers
must adapt
to survive
and they're
looking for
wholesalers
to deliver
service level
improvements
to help them
do this**

2. 'Challenges and solutions', Pronto Software and The CEO Institute, 2015

Always on

Buyer behaviour from customer to consumer

The emergence of ecommerce and its associated technology developments presents a huge opportunity for wholesalers

Ecommerce has been an established and trusted shopping channel for more than a decade. In the 12 months to August 2019, Australians spent \$29.53 billion online³.

The emergence of ecommerce and its associated technology developments presents a huge opportunity for wholesalers. Successful businesses are harnessing the power of instant communication and access to information to change the way they interact with retailers.

Consumers everywhere are now accustomed to being able to shop 24 hours a day and therefore they expect a new level of communication and information. By adapting to provide similar service levels to retail buyers, wholesalers offer more convenience and appeal to busy retail buyers.

While online shopping accounts for only around 9% of retail³ spending, it has a far greater impact in Australia than simply dollars in tills. Bricks and mortar retailers have to change their behaviour and find a point of difference or risk losing market share to online players. Competing on price is not a long term strategy many retailers can adopt, so increasingly they're looking to provide higher service levels in line with online expectations.

The right wholesale partners are more vital to retailers than ever, as retailers can't meet new service standards without the right support. This presents an opportunity for good wholesalers to win new business based on the strength of their service standards.

If there were any doubt on the relevance of ecommerce habits for wholesale distributors, one needs to look only at Amazon and Alibaba. Two of the largest ecommerce platforms in the world now offer similar service levels on their Business to Business (B2B) platforms as they do on the Business to Consumer (B2C) side.



One step ahead

Efficiency at every turn

The speed of order turnaround is now a key factor for driving customer loyalty. Shipping times for online shopping have decreased dramatically in recent years. Retailers use fast shipping as a point of difference, offering a multitude of options. While Amazon is famous in the United States for their two-hour delivery service, in Australia the peak of this service is in the fashion space where same day delivery is offered. In some cases, grocery shoppers can nominate a two-hour window in which to accept deliveries.

Retailers are looking to streamline their businesses and are tying up less of their capital in inventory than ever before. To be able to do this, they're relying on wholesalers having stock and being able to deliver it quickly. As soon as the wholesaler receives an order, the clock starts ticking. Businesses that rely on manual steps through the order entry and fulfilment stage simply cannot offer the same speed as those that employ automation.

Technology is the solution for improving the efficiency and effectiveness of order processing. The right ERP solution will have tools for improving almost every stage of the order-to-delivery process.

A business management system should allow you to increase the speed and accuracy of order entry and fulfilment, regardless of channel. Sales can come from your ecommerce website, an EDI partner, a campaign mailer or simply via a call to your customer service centre. All these methods need to be optimised, integrated and automated to remove manual processes while providing accurate feedback to your customers regarding the status of their orders.

Warehouse efficiency can separate a great wholesaler from a good one. Metrics such as order-to-delivery time and the picking accuracy of the order have an impact on customer satisfaction, as well as a bearing on financial performance. Goods returned through inaccurate processing touch many hands and departments on their way back to the warehouse, each step incurring additional cost.

A business management system should allow you to increase the speed and accuracy of order entry and fulfilment, regardless of channel



Once orders are allocated and assigned to the picking resource, you can leverage technologies like Radio Frequency (RF), automatic replenishment, and wave picking to speed orders through your warehouse, ready for dispatch. A state-of-the-art system will calculate the quickest picking route and direct the picker, define the best order allocation and automatically print dispatch notes, barcode labels and the invoice if required.

The cumulative effect of these efficiencies at each step in the order-to-delivery process can provide significant speed and accuracy improvements, which ultimately are felt at customer level. By getting goods back on the shelf faster, wholesalers gain trust and the opportunity for additional reorders.

On-trend

Forecasting for success

The last decade has seen large global retailers in all industries continue to invest in the Australian market. Currently around 40 of the top 250 retailers globally, operate in Australia — and that number is tipped to grow in coming years thanks in part to favourable economic conditions and stable employment figures⁴.

If consumers can't find what they want from their favourite stores, they will go elsewhere. Retailers too are more likely to shift to a new supplier if the items they need are out of stock, thanks to easier buying via B2B ecommerce.

To account for this 'no second chances' mentality, wholesalers must be able to fulfil the orders customers place, without exception. With an eye on inventory levels, wholesalers need to adopt smart inventory planning practices. A greater emphasis on intelligent forecasting methods will uncover trends and inventory requirements long before stock is depleted.

Intelligent forecasting makes use of algorithms that smooth data and generate steady demand predictions. Forecasts are based on historical sales, and once approved can automatically generate the appropriate purchasing prompts. Users can even adjust forecasts to account for known market events such as competitor liquidations, promotions, and more.

4. 'A challenge of Amazonian proportions: How to succeed in Australia's changing retail landscape', Pronto Woven, May 2018

Trading hours

24/7 shopping with B2B ecommerce

Technology advancements have facilitated an era where some of the biggest new businesses in the world are built on connecting buyers and sellers. Ride sharing services, accommodation platforms and others are using new technology to provide services that improve users' lives. These innovations have a significant impact on their industries.

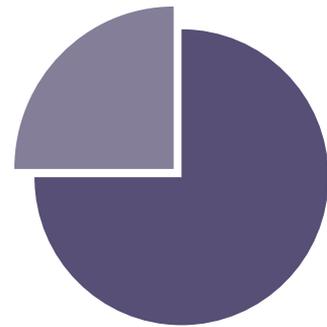
The biggest innovations in wholesale business have historically been centred on new products. However for many businesses, the next big innovation may be in the way it sells products to customers.

Much the same way consumers are increasingly purchasing goods on their mobile devices or online, retailers are looking for new ways to buy. Not unlike modern consumers, it is now apparent that most retail buyers would prefer to self-educate on new products and make their own purchasing decisions. In fact, it has been reported that 75% of B2B buyers prefer to purchase online versus through a sales representative⁵.

With that in mind, wholesalers need to establish a complete ecommerce solution that allows B2B customers to place orders online 24/7. This gives the retailer the opportunity to respond quickly to a rush on sales, or to handle their administrative tasks outside of normal operating hours. They may want to create and save a draft order, adding to it throughout the day.

Any B2B ecommerce solution should allow a customer to look at their account status, update their details, view invoices, and more, as well as being optimised for mobile devices.

For the wholesaler, this platform also provides some benefits. Aside from the ecommerce channel freeing up sales staff to add value in other ways, it's an opportunity for a wholesaler to offer promotions to the customer base quickly, and even to upsell based on what a customer selects.



75%

of B2B buyers
prefer to
purchase
online versus
through
a sales
representative

5. 'A. Hoar, "Threats to Traditional Sales Will Change the Focus for B2B Marketers," UPS Industrial Buying Dynamics Study, May 2015

Data driven

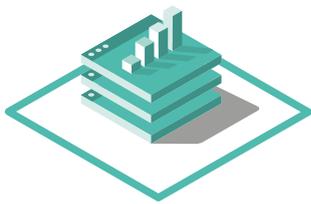
Better decisions through better data

Being adaptable and responsive to customer expectations can be difficult for some businesses, especially without quality applications for tracking business performance. How can a business improve its delivery cycle times if it doesn't know what they currently are, or can't measure which steps take the longest amount of time? This lack of data creates a gap between expectations and reality.

The right business intelligence (BI) solution uncovers valuable insights that drive better performance through real-time monitoring tools and historical trend analysis that can reveal previously unknown patterns. BI may help a Sales Manager realise that some markets are being under served, or that customer appetite for express shipping is larger than anticipated.

A modern BI solution should give users the option to see only the data which relates to their role or team, giving them a clear view of their sphere of influence. Users would be able to create their own dashboards to monitor department performance against key measures. They could then share these data insights as a basis for decision making and taking action.

In addition to performance monitoring and business insights, BI serves another purpose. Many businesses will rely on the report generating feature to plan their daily business activities. For instance, users might schedule reports to run every morning showing them which high-priority orders need to be despatched that day, which items need to be re-ordered urgently to meet their required date, and more.



BI may help a Sales Manager realise that some markets are being under served, or that customer appetite for express shipping is larger than anticipated



Future proof

Ready for tomorrow, today

There's more to being a successful wholesaler than having the right product. Differentiation is becoming about service and adding value to the retailer, not just price and product range.

In the modern environment, labour-based efficiency gains or service level improvements are not as effective as technological advancements, nor will they be sustainable during a period of long term growth.

Therefore to keep pace with the changing needs of retailers, wholesalers need to invest in a robust ERP and BI solution that can scale to accommodate large volumes of data. This type of solution will provide efficiency through automation, along with scalable service level improvements that you can rely on.

Organisations that hesitate to adopt new technology now face the prospect of being left behind when it evolves and improves in coming years.

Pronto Xi offers a complete solution for wholesalers looking to upgrade their ERP and BI software. With comprehensive modules across areas such as Distribution, Supply Chain, Finance, Sales, Business Intelligence, and more, Pronto Xi equips Australian wholesalers to achieve business goals.



About this whitepaper



Wholesalers are now being held to new standards of speed and responsiveness, as retailers adjust their businesses to meet changing consumer habits.

This paper explores how wholesalers can elevate their business to a position of leadership through technology innovation.



We are an Australian developer of award winning business management and analytics solutions. Pronto Xi, our Enterprise Resource Planning (ERP) software, integrates accounting, operational and mobile features in a single system – optimising business processes and unlocking actionable insights. That's why for more than 40 years, over 1,700 Australian and global organisations, across a wide range of industries, have trusted Pronto Xi to simplify their most complex challenges.

With headquarters and our Development Centre located in Melbourne, we have support offices and consultants based across Australia, as well as a global network of Resellers and Solution Partners. Specialised business units within Pronto Software have the expertise to assist you with pivotal technology – Digital Commerce with Pronto Woven, Cloud and Hosting services with Pronto Cloud and Business Intelligence solutions with Pronto iQ.

When you choose Pronto Software, you gain a team with deep industry experience, giving us the ability to understand your specific needs and build innovative solutions that drive business growth and revenue.

PRONTO MALAYSIA PARTNER

SL INFORMATION

603-7804-0778
marcom@sinfo.com.my
www.sinfo.com.my