



Market Snapshot

Transformation Imperatives for the Wholesale Distribution Industry

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The traditional wholesale distribution business model is unsustainable.

Be it the "Amazonification of Everything" or the increasing frequency of disruptions such as COVID-19 and or port blockages such as Suez Canal, distributors face a rapidly changing reality their business strategies, processes, people and systems are ill-prepared for.

This much is clear: the path forward has little to do with the one you took getting here.

The past is not an indicator of future success. Distributors must transform, and transform rapidly. In this Market Snapshot, we look at 5 reasons why:

- eCommerce and the "Amazon Effect" are existential threats
- The lines between B2B and B2C experiences are blurring
- Geopolitical uncertainty will be a constant companion
- A younger workforce means increased competition for top talent
- New risk vectors pose fresh operational challenges

Each transformation imperative is discussed in detail, including its impact on distributors and recommendations for what they must do in response.

This eBook features insights from Incisiv's ongoing industry research and analysis, as well as exclusive commentary from our thought leadership partners SAP and Beyond Technologies.



eCommerce & The "Amazon Effect" are existential threats to the traditional wholesale distribution business model.

Lower barriers to entry spawn new, more nimble competitors.

Offer a wider range of products and services, faster and more accurate delivery times, and improve customer service to differentiate on experience.

B2B buyers

expect the share of purchases made through digital players to rise by 50% over the next 5 years.

Source: McKinsey & Co.

New business models such as B2C and marketplaces pose a threat.

Increase supply chain agility to drive enhanced customer experiences and support digital business models to thwart the threat of disintermediation.

More than 40%

of manufacturers sell direct on Amazon Business, often bypassing their traditional distribution channel.

Source: Digital Commerce 360

Undifferentiated experiences will lead to commoditization and margin pressure.

Go beyond the traditional distribution model and find new revenue sources through value-added services such as kitting and aftermarket services.

Over the past 5 years, brand and market pressures have resulted in direct EBITDA reduction of **1% – 2%**.

Source: Kearney

Distributors face B2B customer expectations increasingly conditioned by their B2C experiences.

Buyers expect a simple and personalized buying experience.

Use relationship constructs such as contracts to personalize the buying experience, offering relevant products, pricing and easy reordering.

80%
of business buyers want the same experience as when they are buying for themselves as consumers.

Source: Salesforce

Frictionless checkout and timely delivery are among the top priorities.

Provide seamless checkout including instant quotes and flexible payment options. Offer fast and timely delivery, and set expectations early in the order process.

Faster delivery
is the most important factor for B2B buyers after product availability.

Source: B2B eCommerce Association

End-to-end order visibility and enhanced customer service are key.

Offer real-time order tracking and alerts, and improve service through speedier resolution, increased transparency and authentic communication.

86% of buyers
are willing to pay more for a great customer experience.

Source: PwC

Global geopolitical dynamics create a constantly moving target, meaning uncertainty will be a constant companion.

Economic uncertainty necessitates fiscal prudence amid margin pressure.

Build a leaner operational foundation atop improved forecasting, real-time inventory management and pervasive automation to improve agility and profitability.

Trade wars and geopolitical conflict continue to impact global supply chains.

Quickly identify alternative supply partners or even new supply markets, and digitize the end-to-end trading partner onboarding and collaboration process.

Black Swan events illustrate the need to build resilient supply chains.

Predict, detect and prevent supply chain anomalies early to minimize their impact and drive guided action quickly before they become full-blown disruptions.

90% of executives say they expect the fallout from the COVID-19 pandemic to fundamentally change the way they do business over the next 4-5 years.

Source: McKinsey & Co.

More than 90% of Chinese manufacturers are being forced to reconsider their supply chains and production functions due to the trade war with the US.

Source: Baker McKenzie

The Suez Canal blockage is estimated to have caused up to **\$40 billion** of trade disruption.

Source: Business Insurance

With a younger workforce, distributors compete with the likes of Google and Apple for top talent.

Distributors must reimagine employee engagement for the next-gen workforce.

Focus on what they perceive as high-value experiences, and use an employee lifecycle management strategy to meet their evolving needs.

Companies with engaged employees have **89% greater** customer satisfaction and 54% higher employee retention.

Source: Harvard Business Review

Knowledge workers seek out brands that align with their value system.

Codify and communicate corporate responsibility through specific issues and initiatives such as diversity, inclusivity and sustainability.

More than 35% of knowledge workers consider social, environmental and humanitarian actions as key criteria in employment decisions.

Source: IDC

As with customers, the workforce expects best in-class technology experiences.

Re-architect back-office applications to deliver consumer-grade experience: easy-to-use, blazing fast, mobile friendly, intelligent and device agnostic.

2/3rd of millennials and their younger Gen Z colleagues consider an organization's technology adoption an important factor when choosing an employer.

Source: CompTIA Research

Emerging risk vectors beyond compliance pose new challenges.

Enterprises struggle to keep up with evolving compliance requirements.

Embrace process digitization and artificial intelligence to help navigate the regulatory landscape, especially as you enter new markets and business models.

~50%
of business leaders say keeping policies up to date with changing regulations is their #1 compliance management challenge.

Source: PCMag

Rising expectations around end-to-end transparency from sourcing to delivery.

Improve traceability across the extended multi-enterprise supply chain and build new customer experiences around enhanced visibility.

More than 60%
of Americans say they would pay up to 36% more for products that are responsibly made and transparently sourced.

Source: Amway

Growing privacy concerns from enterprises and individuals alike.

Build transparent and effective data protection measures, and strengthen information security capabilities to earn consumer trust.

66% of US citizens
want the US to adopt personal data privacy laws similar to the GDPR.

Source: EPIC



Magnus Meier
Global VP
Wholesale Distribution
SAP

Wholesale Distribution as an industry is going through its most transformative phase yet. Business process innovation and intelligent technologies need to become part of the DNA of every company to stay relevant in new normal of the post-COVID world.

Whether a distributor wants to optimize existing business operations, offer differentiating high-value services, compete with marketplaces by being able to deliver anything anytime anywhere or establish themselves as end-to-end solution provider, the gradual adoption of intelligent technologies – ideally via cloud solutions – is a key element for their future success.



Kyle Thackwray
VP Business Solutions
Retail, Wholesale, Fashion
Beyond Technologies

The past eighteen months have been an enlightening time for distributors. Business relationships that were the DNA of daily operations have been challenged, and we are now at the pinnacle of finding the way forward.

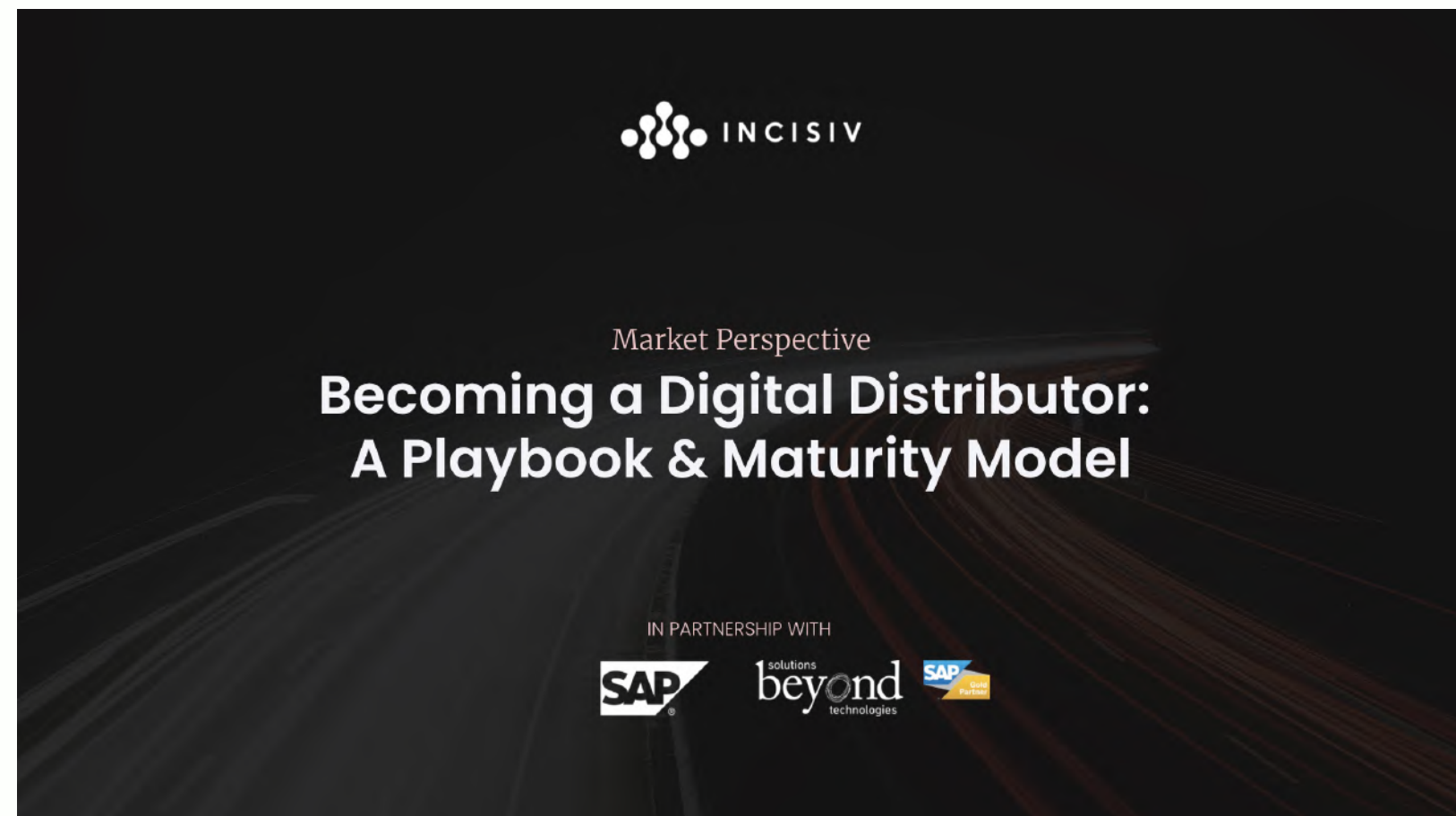
A large portion of an organization's success will be how customer-centric they are and the perceived value by the market. To ensure success in digital transformation, it is critical to choose the partner that enables this transition with the correct solution to ensure you crawl before you walk, and then run. Mature solutions paired with high adoption will help drive a higher return on investment – which is key in a reactive market



What next?

Transformation is easier said than done. It is also a daunting, often misunderstood concept.

Our companion thought leadership report "**Becoming a Digital Distributor: A Playbook & Maturity Model**" offers distributors a structured framework, clear definitions of key capabilities and a prescriptive guide on how to assess and improve digital maturity.



MARKET PERSPECTIVE PREVIEW

Becoming a Digital Distributor: A Playbook & Maturity Model

This Market Perspective offers a framework for distributors to adopt in order to accelerate incremental transformation. The framework spells out four key transformation levers:

- Business portfolio
- Enterprise value definition
- Engagement strategies
- Culture & capabilities

And, four technology enablers:

- Digital business processes
- Experience management
- Intelligence & automation
- Modern IT architecture

The Market Perspective dives into each of the above, detailing a maturity model and offering prescriptive recommendations on how to improve maturity. [Request your copy of the Market Perspective here](#)



ABOUT INCISIV

Incisiv is a peer-to-peer executive network and industry insights firm for consumer industry executives navigating digital disruption.

Incisiv offers curated executive learning, digital maturity benchmarks and prescriptive transformation insights to clients across the consumer and technology industry spectrum.

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As a market leader in enterprise application software, SAP helps companies of all sizes and in all industries run at their best. Our machine learning, Internet of Things (IoT), and advanced analytics technologies turn businesses into intelligent enterprises and SAP applications and services enable business and public customers across 25 industries globally to operate profitably and adapt continuously. With a global network of customers, partners, employees, and thought leaders, SAP helps the world run better and improve people's lives.

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ABOUT BEYOND TECHNOLOGIES

Beyond Technologies is a professional services firm, specialized in SAP solution integration and business process optimization. Founded by a team of consultants with over 20 years of integrated business management system experience, we know how to leverage best practices and SAP solutions to deliver real and sustainable benefits to our clients. We offer intelligent, practical and innovative solutions that give wholesale distributors a competitive edge, in a timely and cost-effective manner.

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