


white paper

Overcoming Four Key Wholesale Distribution Supply Chain Challenges



JOHN GALT

Overcoming Four Key Wholesale Distribution Supply Chain Challenges

 **Wholesale distributors move \$6 trillion worth of product each year and face accelerating business challenges from Black Swan events such as global pandemic, supply shortages, rapidly changing customer preferences, accelerating e-commerce platforms, and new competition.**

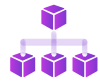
In addition, wholesale distributors must balance challenging relationships between manufacturers and their customers, greater product complexity, and an overall landscape that presents growing competitive threats. More than ever, this environment creates the need to increase agility and respond to challenges quickly and effectively. This white paper examines four key challenges faced by wholesale distributors:



The growing importance of end-to-end visibility



Omnichannel retailing and new customer purchase patterns



Managing multi-echelon inventory flows



Supplier constraints and collaboration

“The next three to five years will see a marked bifurcation in the industry between those visionary distributors who chart a new course for their businesses (distributors of the future) and those who are constrained by orthodoxies and whose businesses face inexorable decline.” - Deloitte

The Growing Importance of End-to-End Visibility



Companies in all industries benefit by having end-to-end supply chain visibility. Because of the added complexities found within the wholesale distribution sector, it is even more critical to stay on top of sourcing and inventory levels with strong visibility into the extended supply chain synchronized with what is happening in the outside world.

E2E visibility enhances nearly all aspects of supply chain operations by providing clear insights into sourcing, including down to sub-tier suppliers that are difficult to track. The importance of visibility goes well beyond sourcing.

Every aspect of the supply chain, including manufacturing, logistics, warehousing, and last mile delivery will run more smoothly and profitably when linked to a planning platform that provides this visibility. Possessing real-time visibility and insights into the supply chain while linking demand, inventory, replenishment, transportation, and order promising is critical to maximize service levels, improve perfect orders and reduce safety stocks where required. The ability to view orders, inventory, and shipping data in near or real-time unlocks a major competitive advantage, during both normal periods of business and when responding to unanticipated disruptions. Supply chains with E2E visibility perform better during events like the global pandemic or regional issues such as the winter storms in 2021 that froze many distribution channels in the southern U.S. and backlogged freight ahead of the busy spring retail season, or the Suez Canal that significantly disrupted the flow of goods between Asia and Europe. In each of these cases, distributors had to scramble to source and re-route products. Those with the highest level of visibility fared best.

This clearly demonstrates that most organizations must continue to invest in E2E visibility, especially the link between visibility capabilities and benefits, to respond to rapidly changing business requirements and unanticipated disruptions. By doing so, they can ensure high service levels that are critical for wholesale distributors.

CASE STUDY

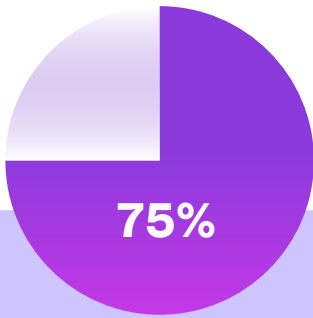


Learn how Randa Apparel & Accessories manages an expansive global network of retail and brand partners, along with thousands of unique products associated with each individual partner.

Omnichannel retailing and rapidly evolving customer purchase behaviors



Physical distancing and lockdown requirements that occurred during the pandemic forced consumers to shop differently. E-commerce experienced explosive growth. New buying habits that emerged remain, both within the B2B and B2C sectors.



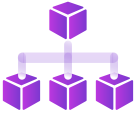
According to McKinsey, 75% of shoppers report having tried new shopping behaviors. Most expect to continue those new patterns.

What does this mean for the wholesale distribution market? Although it varies by industry, new buying habits will force distributors to find new ways to provide value and increase overall customer experience and engagement, be it B2C or a large industrial client. This can include providing new content such as online virtual experiences that offer information to assist customers across the entire buying process – researching and choosing products, and then offering guidance throughout the product lifecycle, such as warranty info and how to dispose of the product. In addition, evolving customer habits require wholesale distributors to fulfill orders regardless of sales channels including BOPIS (buy online, pickup in store), or same-day delivery to an industrial customer. The surge in e-commerce will also require wholesalers to support more direct-to-consumer models than in the past. This development also has implications on the size of the packs they ship, be it single items or bulk orders.

The wholesale distribution sector has traditionally functioned as a customer-centric business reliant on face-to-face interactions. Although that focus will not entirely disappear, it is shifting. For example, a major global cosmetics company embraced an entirely new form of consumer engagement during the pandemic, witnessing a 40% increase in customer interactions on digital channels like Facebook and WeChat.

The data that companies collect from these channel interactions can provide new visibility downstream through VMI and collaborative efforts. In turn, wholesale distributors can better align insights, interactions, and channels with shifting expectations. Going forward, distributors will need to proactively engage with customers and have the insights needed at their fingertips for value-driven customer conversations.

Managing multi-echelon inventory flows



To maintain a highly effective supply chain, wholesale

distributors must manage inventory across multiple echelons of the supply chain.

It is crucial for distributors to balance supply and demand by leveraging data on key indicators like variable transportation lead times, seasonality, erratic regional demand, changes in replenishment schedules, and market activity. Armed with this data, distributors can quickly make smart and strategic decisions that result in strong financial outcomes.

For example, a major industrial manufacturer combined its manufacturing, supply chain and customer operations to help the company increase production and respond to demand created by the pandemic. The new model reduced production planning cycle times by 70% across its entire portfolio. The new operating strategy allows its supply chain to better track demand and ensure production levels meet current demand patterns in the future. In addition, the company is eyeing significant inventory reductions.

Inventory is an important buffer for the supply chain. However, all too often companies have the wrong inventory and accumulate unnecessary stock that becomes waste, increasing warehousing costs and dragging down working capital. By utilizing multi-echelon inventory optimization, companies can strategically manage inventory across all echelons of the supply chain, in essence utilizing a global perspective to successfully optimize inventory throughout the network. Companies that successfully manage inventory across multiple echelons of the supply chain reduce inventory and improve customer service, freeing up working capital and improving profitability.

CASE STUDY Reddylce



2:18



Supplier constraints and collaboration



Supplier constraints have never been more evident than during the global pandemic and the ensuing months when the global economy began to rebound. A major consumer products manufacturer highlighted the issue during the height of the pandemic when it noted that it relies on nearly 400 suppliers in China for more than 9,000 different materials impacting approximately 17,600 finished product items. Supply from nearly all of those suppliers was interrupted at some point.

As the economy rebounded, a global shortage of semiconductors wreaked havoc with auto manufacturers, causing many to temporarily close plants, potentially halting production of more than one million vehicles. One auto maker expected to lose half of its second quarter output. As the chip shortage was escalating, another disruptive event occurred when a giant container ship was stuck in the Suez Canal for five days in 2021. The issue reverberated long after the vessel was freed, creating global shipping delays averaging five to six weeks.

Even without disruptive events, aligning the supply chain and its partners to achieve peak performance is not easy. To do so, communication, collaboration and transparency throughout the ecosystem is crucial. With these capabilities in place, wholesale distributors will have a competitive advantage when it comes to supplier constraints, such as those that occur during weather-related events, during geopolitical climates, or when unforeseen events invoke stress on the supply chain. Collaborative planning with suppliers, customers, and business stakeholders alike – including S&OP, demand planning, and replenishment processes – will enable companies to improve innovation, sustainability, and diversity. To ensure a successful journey, buy-in from internal stakeholders is a must. Supplier connection and collaboration should ultimately be a frictionless occurrence driven by solutions that enable digital collaboration with key partners to resolve disruptions, increase efficiencies, and supplier and customer satisfaction for key wholesale distributor transactions.

Distributors must be vigilant about gaining full visibility across all levels and systems to maintain an accurate view of source and supply. Today's modern planning platforms simplify this complex process with end-to-end synchronization, from the customer to the extended value chain.

Here are four questions to answer that will help you get started on your journey:



Do you have the systems in place to improve visibility into POS, IoT and other sources of structured and unstructured data to accurately sense demand?



Do you have access to real-time daily and weekly forecast accuracy to enhance your overall supply chain operations?



Do you have visibility into the impact of unanticipated and disruptive events such as natural disasters, geopolitical crisis, port strikes, or other issues?



Can you create and analyze real-time scenarios and simulations to support rapid and accurate decision making?

If you answered no or are unsure how to answer any of these questions, it is time to act because others in your industry are already taking the steps to turn their supply chains into a competitive differentiator that fuels future growth and profitability.



STRENGTH IN PLANNING

It's Time to Reimagine Your Supply Chain

Focused on quickly delivering tangible business outcomes, John Galt Solutions brings to you a rich history of innovation in supply chain planning, advances in machine learning and AI, and unmatched customer service to continuously help you make better, faster and more confident decisions. Whether you're stuck in spreadsheets or further along in your digital supply chain journey, John Galt Solutions helps you create the right strategy wherever you are in your transformation.

John Galt's Atlas Planning Platform provides a comprehensive end-to-end supply chain planning solution with advanced analytics and machine learning to automate planning, break down business silos and deliver greater visibility. Atlas Planning, a SaaS-based platform, transforms S&OP processes; demand, replenishment; supply and inventory optimization; manufacturing planning and scheduling; and transportation optimization.