

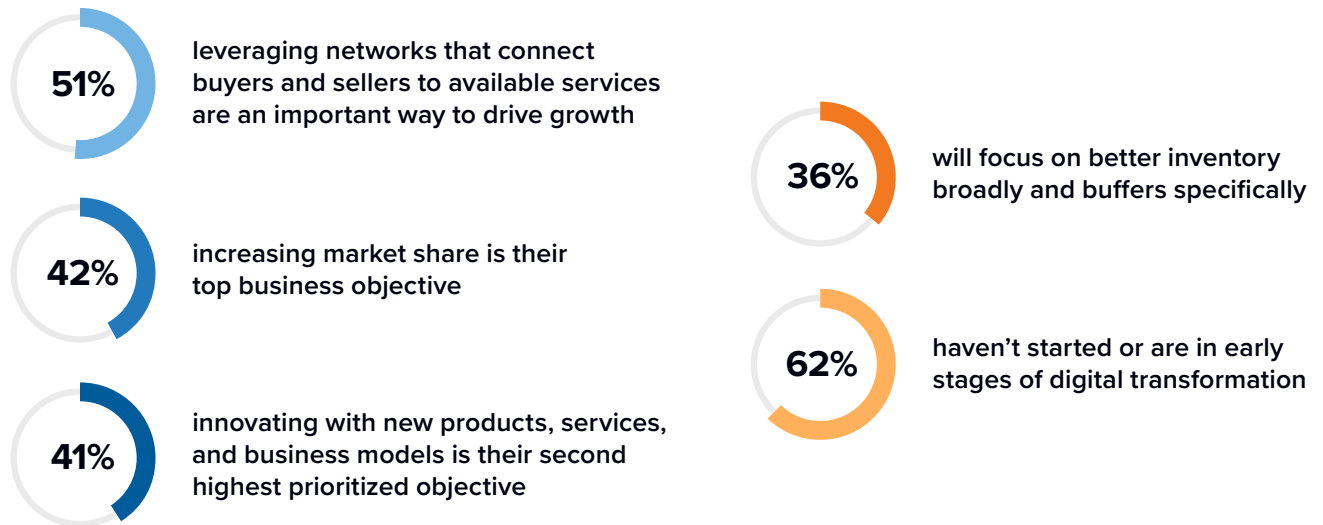
Driving Growth for Midsize Wholesale Distributors

The Role of Technology and Digitalization in Propelling Differentiation



Simon Ellis
Group Vice President, U.S. Manufacturing Insights,
Energy Insights, and Global Supply Chain Strategies, IDC

Recent IDC research, commissioned by SAP, revealed insights into this year's top priorities and strategies of midsize wholesale distribution companies as they seek to drive future growth



Source: IDC, 2022

Grow Market Share with Innovation

To better compete, midsize wholesale distributors are driving growth by evolving from a product-centric business model to one that seamlessly combines both products and value-added services. A priority is to take advantage of networks and/or industry associations that connect buyers and sellers to available services.

Leveraging existing and emerging networks within relevant business ecosystems is the most compelling opportunity to drive growth by making it easier for existing customers to identify necessary services and by exposing new customers to the breadth of available services.

Value-added services are vital sources of revenue. While both existing and new customers are seeking recommendations and personalization to help facilitate business challenges/opportunities, the ease with which they can access these services will determine where they go for solutions. Midsize wholesale distributors must enhance their ability to leverage modern technology to ensure that all revenue opportunities are captured. This means that for 62% of companies, digital transformation efforts must be accelerated.

Supply chain disruptions are a major drag on midsize wholesale distributors, and these companies continue to look for ways to create a more resilient supply chain. To have the right inventory across large numbers of products, distributors are focused on inventory health and buffers specifically to improve overall resiliency.

Business Priorities and Digital Transformation

In highly competitive markets, the ability to build customer loyalty with more personal service (41%), better employee productivity/efficiency (39%), customer-centric employees (35%) were identified by midsize wholesale distributors as important differentiators. Midsize wholesale distributors must identify opportunities to increase their margins. Survey respondents ranked the following as the top areas in which they can increase margins: customer analytics (36%), planning and forecasting collaboration (34%), and inventory management (34%).

That the digital transformation journey for wholesale distribution broadly lags other industries is a problem. Improving demand forecasting and linking it to inventory policy and working capital means investing in better, more modern tools. The capabilities that result from advancing digital transformation remain an opportunity for many midsize wholesale distribution companies given the relatively low number that say they are mature in their transformation efforts. Investment in new capabilities will materially improve their ability to either adapt to or adopt new business models.

Conclusion

Midsize wholesale distributors have opportunities to reach new customers across marketplace ecosystems and offer more personalized services. To do this optimally and at scale, they must invest in the necessary tools for process automation, employee efficiency, and supply chain resiliency.

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