

Profitability and Innovation - how wholesale distributors are staying ahead of the game

How wholesale distributors have moved with the times and innovated in order to keep moving the goods and remain profitable



It would be an understatement to say the last few years have been turbulent with the wholesale distribution sector having faced huge economic and social shifts which, in turn, caused major disruptions. But it would be fair to say that this situation has brought a heavy dose of innovation and new opportunities for many businesses.

We talked to our clients and carried out research to evaluate what was happening in the market and how businesses were innovating and recovering profitability. Here's our findings and thoughts.

Wholesale distribution re-imagined...

The challenges of the last two to three years have accelerated the need for businesses to work in new and different ways and deliver innovative services to meet the changing requirements of supply chains, commerce and the buyer experience. Wholesale distributors are using new ways of working and technology to simplify how they work across almost every part of their businesses.

We saw hybrid selling models quickly evolving where online teams were at the forefront and sales teams that had been on the road were office-bound armed with phones and laptops. Hands-on became hands-off, self-service became more relevant and many distributors adopted technologies to automate key business processes such as order processing, customer acquisition, inventory management and customer experience.

Innovate - keep the goods moving and stay ahead of the game

Wholesale distribution in Australia at a glance

Statista.com records that in the quarter ending March 2022, the gross operating profit of businesses in the wholesale trade industry in Australia amounted to approximately AUD\$9.3 billion. This is an increase from AUD\$8.2 billion in March 2021. So even with the disruption caused by lockdowns, supply chain issues etc, gross operating profit has increased.



And for comparison, in the US the wholesale trade experienced more than US\$7.1 trillion in sales in 2021, a greater than 22% increase over 2020 when the industry recorded just over US\$5.8 trillion in revenues (report from U.S. Census Bureau). So, spending increased despite the social challenges – and business responded to the situation with many remaining profitable.

And from a survey conducted by Modern Distribution Management in the US here's what wholesale distribution businesses invested in during 2021:

- 44% invested in ecommerce
- 41% invested in customer relationship management solutions
- 29% invested in pricing solutions
- 25% invested in warehouse management solutions

Getting ahead and staying ahead...

Wholesale distributors needing to stay ahead of market trends and customer demands are focused on the following areas to enable growth.

Growth – focus has always been and always will be on business growth – gaining new customers to increase revenue. The figures above show that B2B and B2C consumers are still purchasing so efficient operations and a good marketing machine are essential.

Supply Chain – two words that can bring on a headache for any wholesale distribution company. Supply shortages, long lead times and higher logistics costs are likely to be around for a while yet as the world is in recovery mode. Businesses that are open to alternative, better and more efficient ways of operating are making headway and remaining profitable.

New business models and value-add services – for agility, profitability and scalability, distributors are adopting omnichannel direct-to-consumer and subscription-based models – they are investing in online merchandising, order fulfilment, warehouse and transportation management.

Mergers – M&A is becoming more prevalent as well-aligned businesses combine to form a stronger presence. This is taking place with bigger organisations buying smaller, struggling business to strengthen their position and eliminate competition but it's also happening amongst medium sized businesses that understand that two is better than one.

Wholesale distribution reimaged

Sustainability – it's in the spotlight! Distributors are stepping-up sustainability initiatives as both consumers and investors expect to see greater progress on this front. Sustainability across the business is becoming a key issue and one that won't go away.

So where and how does technology fit for wholesale distributors? Can it get you more market share faster, make you more profitable and deliver great customer experience?

You can't hide from it - technology is playing a huge part in how the most successful businesses are scaling and growing. As an example, integrated cloud solutions are allowing distributors to operate more efficiently and scale across every part of their business, including planning, finance, omnichannel commerce, transportation management and more.

Meanwhile, to achieve sustainability goals, distributors are using AI and analytics to reduce operational downtime, optimise carrier performance and conserve resources while improving operational efficiency.

Let's explore this a bit further, we've outlined five ways wholesalers can optimise operations:

1. Generate new revenue streams

Unlocking new revenue streams and ensuring great customer service is key to driving growth and profitability. To achieve that, cross-functional teams need access to unified, real-time data across business processes to gain a holistic view of customers, orders, inventory, and pricing. They need access to information 24/7/365, from anywhere and on any device. Many businesses have pivoted to ensure they remain operational through challenging times.

2. Increase profit margins and exceed customer expectations

Many distributors were caught off guard by the rapid shift to online business, next-day or same-day deliveries and the growth of new distribution channels. Supply chain disruptions made it hard to maintain the right inventory levels. As a result, profit margins and customer satisfaction suffered.

Technology has enabled distributors to achieve optimal inventory levels and on-time delivery. With cloud-based demand and restocking planning, distributors can predict consumption and accurately plan restocking while using advanced forecasting and automated decision-making systems to minimise stockouts.

Distributors can boost profit margins using backlog management solutions to prioritise fulfilment of high-revenue orders. Customer service can be enhanced with warehouse and transportation management solutions to boost on-time in-full deliveries. Different fulfilment options can be simulated and adjusted on the fly using logistics network modelling tools. These solutions help distributors create robust contingency plans, forecast freight volumes, and quickly change destinations, carriers, and rates to maximise margins.



3. Scaling your business with intelligent process automation

Distributors are increasing automation in areas such as order fulfilment, warehouse management, returns and other areas to reduce inventory shortages, fulfilment delays and dissatisfied customers.

Built-in automated processes help you boost productivity, shorten order-to-cash cycles, and improve profit margins with fewer operational missteps. These automated processes allow a business to proactively manage a complex mix of channels, products and pricing while gaining real-time visibility across supply chains. By connecting supplier rebate programs, order fulfilment and warehouse operations to ERP financial systems, distributors can scale their business efficiently and drive profitable growth.

Improving revenue management helps organisations manage trade more efficiently by automating transaction processing and settlement in the cloud. It also saves time, reduces manual administration which frees-up staff to manage higher-value tasks

4. Reduce risk with a proven, innovative technology platform

Modern, forward-thinking wholesale distribution operations simply can't rely on legacy systems and manual processes if they want to grow. Disparate systems, paperwork, manual processes and poor online commerce that lead to slow business growth and customer churn need to be replaced. Our research showed that organisations which have expanded successfully implemented a reliable, innovative technology platform to support their operations.

There are many solutions available that deliver a full set of capabilities for wholesale distributors covering supply chain, financials, sales, marketing and workforce management – and with everyone singing from the same hymn sheet (using one integrated cloud-based solution!), businesses have thrived, decisions were made using real-time data so both day-to-day operations and future business models were accurately reported.



5. Manage talent and drive growth with unified supply chain management, finance and HR

Typically, employee-related expenses make up an estimated 50% to 75% of business costs so it's hardly surprising that workforce management continues to be a top priority for distributors worldwide. The hybrid and remote workforce challenged HR to effectively recruit, retain, train and pay a new breed of workers.

With integrated solutions, as outlined in point 4 above, employees gain a better and more satisfying work experience – they use the latest digital technologies to work smarter and be more successful. Technology can manage every aspect of a workforce, including planning, recruiting, talent management, learning, work-life balance, time tracking and payroll. When recruiting new staff, brand reputation is worth everything and is pure gold when it's good. Happy staff recommend your business to their networks and happy staff deliver a great customer experience, so you keep your customers too!

Before we wrap-up, what's next for wholesale distribution?

Growth prospects for the wholesale distribution industry are looking up – the stats show us that and we hope it continues. However, we're not out of the woods yet - the economic landscape remains changeable and competitive pressures continue to challenge distributors seeking to increase revenue and create value for customers while minimising operating costs.

Cloud technologies can certainly help distributors thrive in this dynamic environment, driving new value-add services and business models such as omnichannel commerce, direct-to-consumer and subscriptions. Supply chain management, ecommerce, finance and HR solutions can provide distributors process integration, automation and analytics. Together with an upskilled and happy workforce, wholesale distributors have the power they need to innovate, grow and profit well into the future.

In conclusion...

You're probably (hopefully!) doing fine and your business challenges are less than they were two years ago. To stay ahead of market trends and meet customer demands there are some focus areas you should evaluate to enable ongoing and increased growth and profitability:

- generate new revenue streams
- increase profit margins and exceed customer expectations
- scale your business with intelligent process automation
- reduce risk with a proven, innovative technology platform
- manage talent and drive growth

Wholesale distribution reimagined – it's the way forward to growth and profitability

References

<https://www.statista.com/statistics/1078738/australia-gross-operating-profit-wholesale-industry>
[Newsroom \(census.gov\)](#)



About CloudZone One

CloudZone One was formed in 2014 with the driver that software solutions, combined with its professional services, would help businesses in Australia and New Zealand operate better and smarter. Formed by a team with over 30 years' experience in helping companies to grow using the best technology, we specialise in providing cloud-based configurable software solutions, professional services and reporting/data insights to help businesses succeed.

Based in Australia (Brisbane, Sydney) and New Zealand (Auckland, Christchurch) we have a strong team of qualified and experienced consultants, solution architects and support analysts to help you through each stage of your journey.

To make things easier for you, we design and implement solutions using our RAPID methodology - an approach which allows for fixed price and fixed scope implementations without traditional contingencies.

We have helped numerous clients achieve their business goals with great business solutions.