



# Welcome to the “Retailization” of Wholesale Distribution

Why wholesale distribution customers now have retail-level expectations,  
how it’s turning the industry upside down, and what you can do about it.

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# Introduction

In 2022, nearly half of B2B sellers reported that they're adding B2C tactics such as personalized offers and customer loyalty programs to their marketing strategies.<sup>1</sup>

Every seller in the B2C world is now familiar with how customer expectations for service, delivery, and support have evolved. Wholesale distribution has experienced its own version of this shift—with increased demand for digital experiences, hands-off sales processes, and sustainable practices—but that shift has been easier to ignore because it happened more slowly. Today, those preferences have caught up with wholesale distribution. No longer can distributors rely on the traditional “pick, pack, and ship” model to keep their customers happy. They're now serving B2B buyers who want a B2C customer experience.

Read on for a behind-the-scenes look at how this “retailization” of the wholesale distribution industry came about, where we think it's going, and how wholesale distributors can address the challenges to meet these new demands and turn this evolution into a golden opportunity.



“Traditionally, wholesale distributors have provided cost efficiencies, quick market access to their vendors for products, and unparalleled local knowledge. All of those are still true; they're just not enough anymore.”

Jim Heatherington, Director, Advisory, Supply Chain Solutions, KPMG

# Where we've been and where we're going: 5 wholesale distribution trends to watch

Wholesale distributors have been very effective at what they do for decades. As a key segment of the supply chain, they've built and refined intricate distribution processes and systems, trained and managed highly efficient teams, and forged strong, long-term bonds with their customers. But shifting customer expectations—spurred on by the pandemic—have changed the landscape to the point that these strengths are no longer enough. At Oracle and KPMG, we've been watching this evolution with interest. And we've identified five trends that are converging to turn the wholesale distribution industry on its head.



# 1 - Wholesale distribution customers now expect a retail-like customer experience

Ecommerce sellers have created a ripple of changing preferences among buyers. Every B2C customer now expects a flawless buying experience, self-service, and digital everything. And every B2B customer, at some point in their life, has also been a B2C customer.

Having experienced the tremendous benefits of the modern B2C experience, B2B customers now expect their distributors to make the experience of buying wholesale products more aligned with the experience of purchasing from ecommerce retailers. And, as in the B2C marketplace, B2B customers know that if one distributor doesn't meet their needs, another one will.

Today's wholesale distribution customers—across all order-management channels—need to be able to:

- View different suppliers and shipping options
- Quickly make decisions about fulfillment and choose the facility from which to ship the product
- Access subscription models for recurring purchases
- Receive up-to-date communication about the product's location throughout the lifecycle of shipping and delivery
- Easily make edits to their orders and otherwise perform self-service support
- Ensure that customer-facing professionals address their needs by decoupling orders from fulfillment

## 2 - Advanced technology is replacing legacy systems

A finely honed distribution system run by dedicated, highly trained workers used to be a key asset for wholesale distributors. Today, though, the same customization that has made the system so efficient at what it does is a liability when “what it does” must change. Meeting the new demands of the market will require wholesale distributors to:

**Adopt automation** - Traditional wholesale distributors don't have the same level of automation that B2C giants do, often running at larger volumes and with more costly employee-intensive operations. New technologies can bring automation to the wholesale distribution supply chain to boost speed, efficiency, and cost-effectiveness.

**Reduce or eliminate technical debt** - Traditional distributors have invested significant time and money in technical solutions that have served them thus far, but the changing market requires agility that these systems can't provide. Advanced technologies such as the cloud, AI, and machine learning (ML) can help distributors speed up business processes, better manage supply chains, cost-effectively improve logistics, and much more.

**Develop new business models** - Older infrastructure inhibits wholesale distributors from developing new business models, such as omnichannel, direct-to-consumer, and subscriptions, which distributors will need to keep pace with their competition. Advanced technologies such as edge-to-cloud data analytics will be table stakes in the future.

## 3 - Wholesale distributors must create value-added services

With customer preferences—and expectations—shifting, wholesale distributors must look for ways to deliver even more value. This means thinking beyond simply reacting to issues or feedback, and adding services such as:

### **Convenient order pickup and selective retail sales -**

Wholesale distributors can offer an option for customers located near warehouses to forgo delivery altogether and pick up their orders. They may also allow customers choose to try items before they purchase—and buy them directly from the distributor.

**Field service capabilities -** Wholesale distributors can extend the distributor-to-customer connection by offering field service for maintenance and repair to boost customer satisfaction.

**White-glove delivery -** Customers are looking for excellent service and care when it comes to purchases that are delicate, fragile, or expensive. White-glove delivery allows distributors to uplevel their commitment to customers by delicately handling and protecting their valuable items, delivering peace of mind.

### **Involving customers in the supply-chain loop -**

Wholesale distributors can let customers know in advance if their orders will be late or otherwise impacted by providing frequent order updates. They may also offer alternative shipping or fulfillment options.

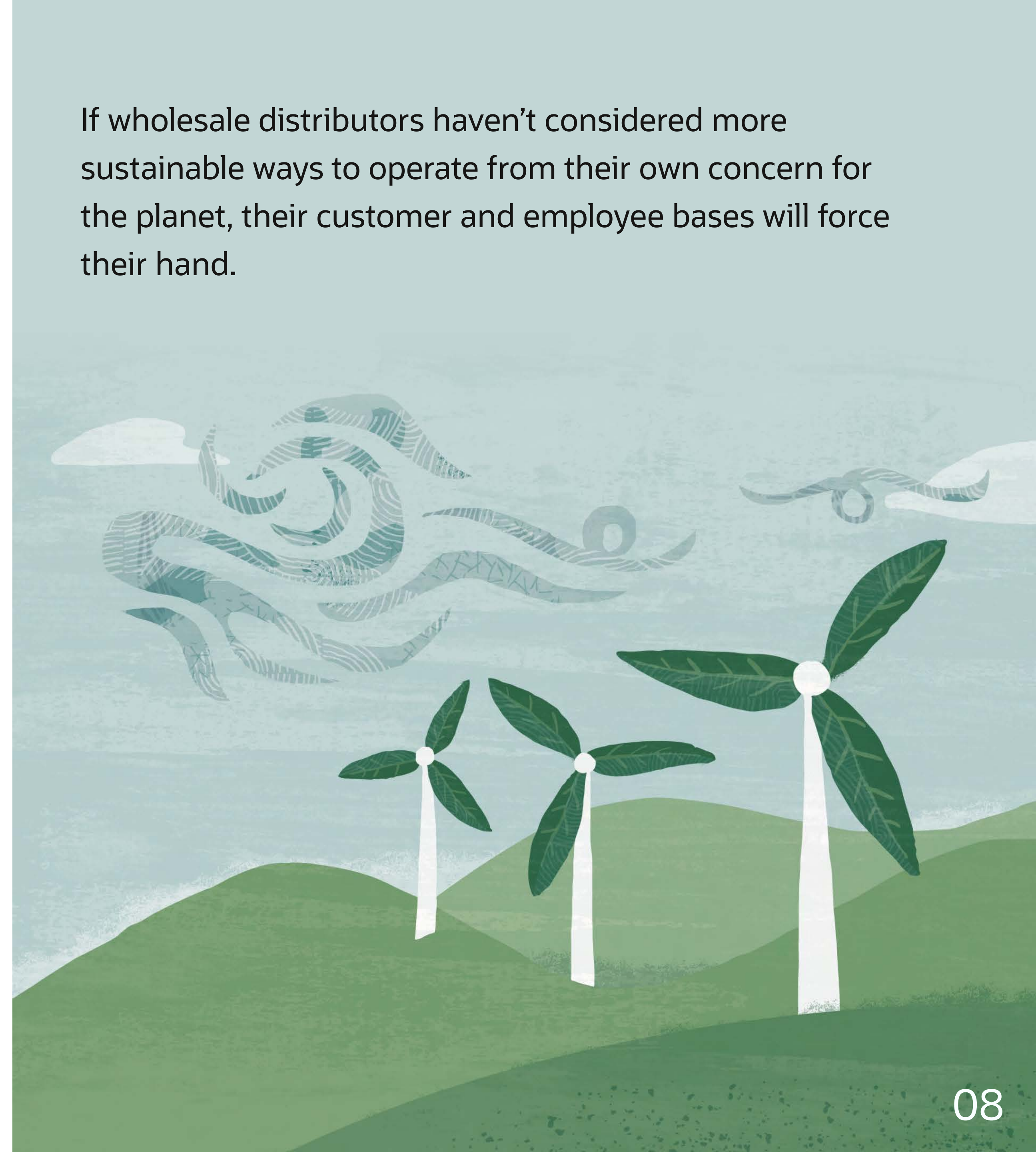
**Optimized inventory management -** Distributors can use vendor managed inventory (VMI) to gain inventory visibility for efficient replenishment management. VMI optimizes profits by preventing stockout and excess inventory.

## 4 - Sustainability is an increasingly high priority for customers

The need for sustainable practices is a growing concern in the new age of wholesale distribution. Consumers and wholesale B2B customers want to know that every segment of their supply chain is mindful in its choices. Meeting this expectation means that wholesale distributors must have plans to:

- Reduce packaging materials
- Source materials responsibly
- Optimize transportation load, dock, and routing activities to reduce energy consumption and emissions
- Develop sustainable processes for broken or returned items
- Work toward a carbon-neutral footprint

If wholesale distributors haven't considered more sustainable ways to operate from their own concern for the planet, their customer and employee bases will force their hand.





# 5 - Attracting top talent has become more challenging

Today's employees know they have choices. They want to work in a place where they feel they can make a difference, and they want a healthy work-life balance. The competition for top talent is fierce, but wholesale distributors can compete by focusing on a few key areas:

**Reduce trivial tasks** - Use automation to remove trivial, low-value tasks from employees' workloads so they can focus on tasks that provide more value to the company and that matter more to them.

**Eliminate silos** - Transition to tools that break down traditional silos and provide workers with a comprehensive view of the customer journey. When done well, this can inspire the collaborative, innovative environment that today's top talent is seeking.

**Embrace a hybrid selling model** - Field representatives now share responsibilities with remote and online sales. While some customers still prefer in-person negotiations, other—typically younger—customers seek the self-service aspect of a hands-off sales approach. Implement an integrated order-to-cash solution to support a remote workforce and help expand your service territory.

**Provide a superior employee experience** - Consider a workforce management solution that improves the employee experience, such as a unified solution that provides a consumer-grade experience from hire to retire.

**Create a culture of sustainability** - Customers aren't the only ones expecting more responsible, eco-friendly business today—new talent does too.

## What's next?

These five trends represent an entirely new landscape for wholesale distributors. Addressing them will take a major shift in thinking, especially because they must do so in real time. As the trends suggest, the answer lies in technology, particularly in rethinking how front-end and back-end systems work and in choosing an experienced technology partner for the journey.



## Rising to the occasion: how technology can turn challenge into opportunity

Technology is the common thread that ties together these trends. And the intelligent use of technology is how wholesale distributors can meet changing expectations and capitalize on this new opportunity.

“The key lies in integrating your front-office and back-office systems. When you digitally connect data and processes across your entire company—from omnichannel sales, order management, procurement, and planning to warehousing, transportation, and workforce management—you can significantly improve the operations of your supply chain while up-leveling customer and employee experiences.”

Derek Gittoes, Vice President, Supply Chain Management Product Strategy, Oracle

## Rising to the occasion: how technology can turn challenge into opportunity (cont.)

Integrating your front- and back-office systems lets you unify data across every facet of your business. Your solution should provide analytics to help you understand your historical performance and forecast for the future. And it should provide omnichannel capabilities that let customers manage their purchases online or in person.

Intelligent use of data helps give you a full view of your customer lifecycle and break down silos of information among departments and workers. With data insights from multiple sources, your employees will gain visibility into the entire customer journey so they can better solve customer challenges.

Oracle and KPMG together bring the best of our technology and business experience to help today's wholesale distributors. In the following section, we offer our take on the best practices you'll need to make the most of this opportunity.



# 5 best practices to move wholesale distribution successfully into the future

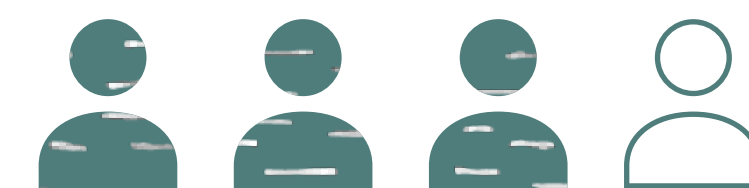
Integrating your front- and back-office solutions can bring you the data you need to address today's top challenges. But once you have that data, how can you best use it? To help you prepare your company to be a wholesale distributor of the future, we offer five best practices:

## 1 - Modernize your approach to your workforce

Labor shortages are a perpetual challenge for the employee-intensive wholesale distribution industry. If you cultivate an environment that embraces agility—and enable that agility with smart data tools and solutions—

your employees will adopt your forward-looking vision and become agents of change. They'll eliminate or reduce tasks that don't contribute to future value. They'll make recommendations about how to improve the business, they'll spend more time on higher-value work—and they'll be happier.

With unified visibility into your company's data, employees will be empowered to make better, more creative, and innovative decisions. Use your platform to function as one system to manage all employees throughout their tenure. Look for a solution that will integrate with your human resources database and financial systems so you can better budget and plan for your workforce while speeding up employee onboarding and training.



Up to 75% of wholesale distributors' expenses are employee related.<sup>2</sup>

## 2 - Step up innovation to bring new value to your customers

To keep up with your ecommerce competitors, you can't keep thinking about yourself as a "pick, pack, and ship" provider. Your competitors are continually offering new experiences and services to their customers, and you need to do so too. Think of ways in which you are uniquely qualified to bring new value to your customers. For example:

- Implement a system to proactively address customer problems instead of just reacting to customer complaints.
- Consider the consistency of your brand and how you interact with customers across all modes of communication. Do customers get the same prices for the same product from the shopping experiences you provide? Do they have predictably positive experiences with customer service representatives?
- Invest in security solutions that let you assure customers they'll experience secure, compliant transactions that reduce risk.

## 3 - Provide transparency for both customers and employees

Modernizing your workforce and stepping up your innovation will require a new level of transparency across your company. Your customers need transparency into their purchases in real time, along with easy processes and self-service capabilities. Your platform will help you digitize the relationships between your organization and your supply chain to give your customers better visibility. With a single system that tracks orders and displays the status of items in the supply chain, customers can access reliable, consistent information and gain transparency into their transactions.

And don't underestimate the level of change your business will go through as you adopt new tools to integrate your data. Explain to your employees why these changes are going to happen, how they'll affect the business, and what the future will look like.

## 4 - Embrace an agile mindset

Cultivate the concept of continuous change at your organization. Many transformations aren't a one-and-done overhaul. Rather, they're ongoing engagements that provide incremental value—and require the ability to innovate and adopt new workflows and technology. Encourage your employees to seek out new ways to deliver improved results for customers, and they'll gain confidence when they see that their recommendations lead to increased business value.

If you can move beyond “the way things have always been done,” you can create an environment that's ready for what comes next. That said, this is a difficult transformation to face, and you may be hesitant to take the first step. Consider working with a partner who has the know-how to encourage change, the agility to pivot as new opportunities arise, and the real-world experience necessary to bring plans to fruition.

## 5 - Develop an application roadmap

It's not enough just to implement a shiny new technology solution and call your transformation complete. Your solution provider should evaluate where your organization stands today, work to understand your objectives, and help map out the logical set of steps that will get you from your current state to your end goal.

Working with a partner that provides change management expertise can help align your application roadmap with your shifting business model so you can be certain you'll meet requirements and milestones along the way. And your partner should place the customer at the center of these conversations to ensure that your roadmap considers their needs, preferences, and expectations—all with the goal of delivering value to your organization and your customers.

# One last best practice: Choose an experienced technology and business partner

When your industry turns upside down, you need experienced partners who can help you rethink your models. And you're not just looking for technological prowess: You want your solution provider to have business acumen *and* understand how software supports your transformation goals. The right partner will work with your strategy and development teams to turn your objectives into reality.



In 2021, nearly 21% of distributors reported that ecommerce sales accounted for 20% to 30% of total revenues.<sup>3</sup>

“Look for a partner who can scale your business—and offers innovations such as the Oracle Cloud Infrastructure platform; embedded Internet of Things, AI, and ML technologies; and sustainability solutions.”

Erin Sun, Director of Product and Industry Solution Marketing, Oracle

Oracle and KPMG have helped wholesale distributors transform their operations to better serve customers through superior technology and experienced change management. Oracle's technology platform helps distributors address labor shortages, automate tedious processes, unify disparate data, and give customers the digital experience they expect. With KPMG as an Oracle implementation partner, distributors get a solution that delivers value, drives sustainable change, and accelerates innovation for a connected enterprise. Together, we've helped wholesale distributors across industries and around the world realize ways to streamline operations and exceed customer expectations.

# Distributor to save \$205M with Oracle and KPMG

A North American wholesale distributor with \$19 billion in revenue and 1,400 brand locations wanted to implement modern technology to better support its ecommerce, expansion, and future needs. Saddled with a legacy platform consisting of highly customized homegrown applications, the distributor couldn't efficiently forecast, gain visibility, or remove manual processes.

The distributor turned to KPMG and Oracle to help it expand ecommerce offerings, re-engineer business processes, optimize order fulfillment, and more to support future growth. By leveraging KPMG Powered Enterprise and Oracle Cloud, the distributor expects to save \$205 million.





# Start your transformation today

The shift that wholesale distributors see in customer expectations isn't temporary, and the pressures to accommodate them are permanent. If you haven't yet embraced transformation at your organization, it's not too late.

KPMG and Oracle experts offer digital transformation for wholesale distributors. We'll help you address the unique requirements for your supply-chain-intensive industry so you can exceed customer expectations today—and well into the future.

 **To learn more, visit:**

[KPMG.com](https://www.kpmg.com)

[oracle.com/industries/wholesale-distribution](https://www.oracle.com/industries/wholesale-distribution)

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<sup>1</sup> “Marketing Trends 2022,” Oracle Marketing, 2022, <https://www.oracle.com/a/ocom/docs/marketing-trends-survey-2022.pdf>

<sup>2</sup> Dan Schuberth, “Distribution Industry Overview” (PowerPoint presentation, Washington, D.C.), July 2021.

<sup>3</sup> “The Growth of E-Commerce Investments in Wholesale Distribution,” Modern Distribution Management, 2021