



Wholesale Distribution | PUBLIC

# **Accelerating Transformation** in the Wholesale Distribution Industry

Best Practices and Tools for the Digital Journey

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**Tight margins and budget constraints are a mainstay in the wholesale distribution industry, requiring a high level of operational efficiency and innovation to support profitable growth in any economic condition. To adopt a culture of continuous improvement that will accelerate time to value, distributors must leverage an integrated, intelligent foundation of technology and best practices.**



# Navigating a **Changing Marketplace**

The wholesale distribution industry has been in the center of every economic storm. Distributors are the first to react when supply chains are disrupted, logistics systems are interrupted, and marketplaces experience surging demand. Most important, they serve as the critical link between manufacturers and the global economy.

Although their products and services are vital to keeping most industries going, distributors are also facing significant challenges around their core competencies. Manufacturers are increasingly reducing their reliance on intermediaries so that they can sell directly to consumers. Corporations across all industries are creating new business models to move faster and more cost-effectively and meet evolving customer expectations. Meanwhile, wholesale companies are watching their margins and budgets shrink.

Highly efficient operations are essential to the survival of wholesale distributors. Unfortunately, many industry players still treat technology projects as

onetime events with a fixed scope and a finite end. This approach leads only to a suboptimal IT environment of disparate legacy applications, siloed information, and restricted access to data – giving the company incomplete insight, limited collaboration, and highly manual, repetitive work.

To perform at a high level, some distributors are strengthening their value-added service portfolios. They are acquiring regional or international competitors to expand their reach, as well as companies that provide functions adjacent to their current supply chain role. Furthermore, teams, processes, data, and systems are tightly integrated.

Reimagining a distributor's operation requires guts, determination, and a comprehensive technology platform. Creating a future of profitable growth is based on sound practices as well as a business model supported by a digital landscape with intelligent enterprise resource planning (ERP) software at its core.





# Redefining Relevance with Innovation

Today's competitive markets demand that wholesale distributors move from being a product-centric business that simply aspires to break bulk. Instead, they should offer solutions and services that complement their customers' needs and strategies (see Figure 1).

Most industry players recognize the urgency for a new direction. In fact, 81% of distributors believe simplification is essential for their organization, while 88% admit IT investment is critical to achieving simplification.<sup>1</sup>

A business model shift may include value-added services, infinite inventory with secure logistics, project-based collaboration, or automation of ordering and fulfillment to enable employees to focus their attention on more-strategic tasks. No matter which model distributors choose, the goal is to provide new sources of revenue that are sustainable and build a loyal customer following.

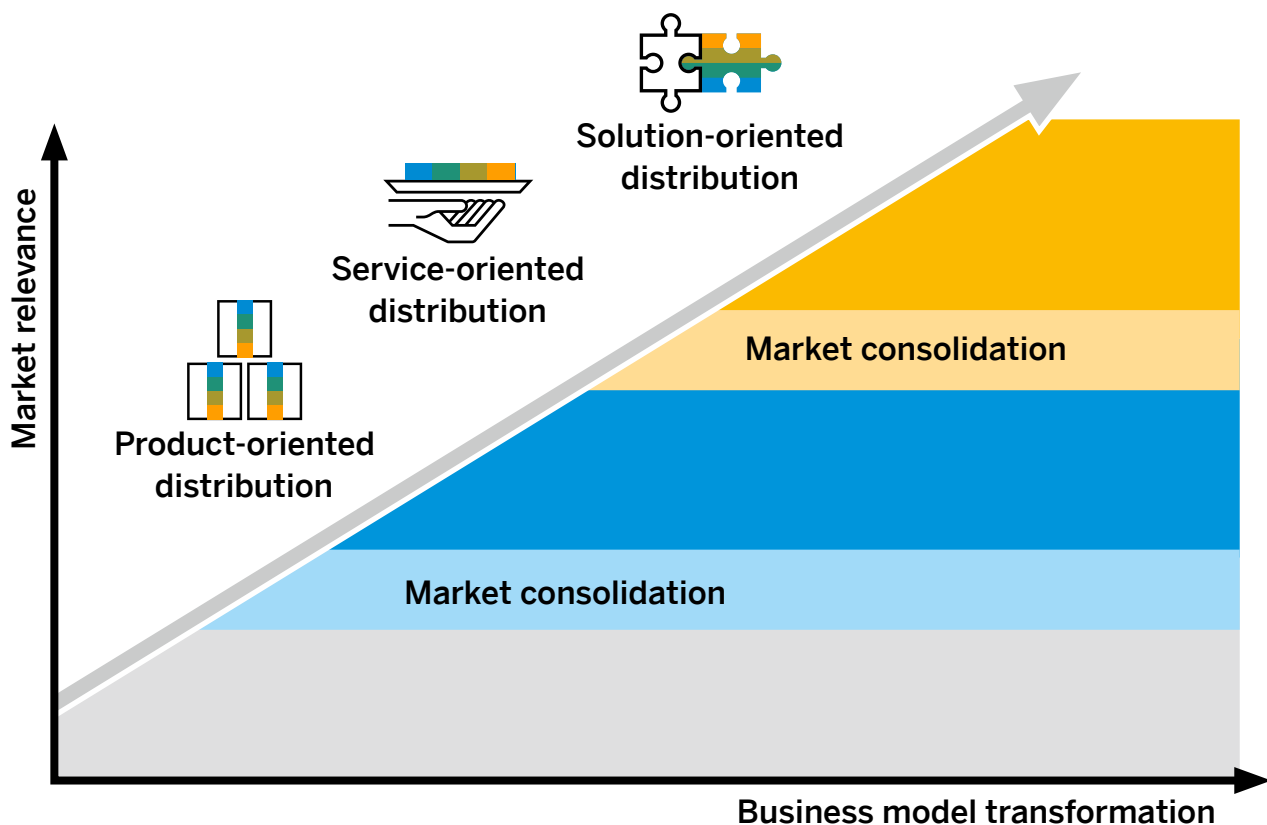


Figure 1: Business Model Evolution in Wholesale Distribution

1. Customer benchmarking study from SAP.

Considering the use of intelligent technologies early on can serve as a good engine for innovation-driven transformation. They help increase logistics and operations efficiency, tailor the customer experience, and improve supply chain visibility – all hallmarks of an intelligent enterprise.

Distributors can also use these digital investments to accelerate the benefits of their evolving business models to differentiate themselves from the competition further. With increased customer support through real-time responsiveness and project services, their employees are highly empowered to focus on delivering superior customer and product experiences.

While the advantages of this transformation are considerable, it is not always a smooth journey. For example, Forrester Consulting research found that 90% of businesses face new and persistent challenges across every phase of an ERP implementation. Key challenges include aligning ERP initiatives to the company's strategy (80%), creating a defined road map early on (54%), and future-proofing systems postimplementation (61%).<sup>2</sup>

Wholesale distributors that understand the root cause of these common IT challenges and know how to overcome them with proven best practices are well positioned to successfully implement Intelligent ERP, kick-starting their efforts for becoming an intelligent enterprise.



2. "Forrester Total Economic Impact Study," a commissioned study conducted by Forrester Consulting on behalf of SAP, April 2020.

# Tackling Transformation with **Industry Best Practices**

Most wholesale distributors recognize that they cannot grow or move their company forward without aligning business needs to IT initiatives. However, they also know that customization can stand in the way of their ability to adapt over time.

How can distributors find a balance between modernization and digitalization and flexibility and agility? The answer lies in four best practices that support responsive business model innovation and set the foundation for profitable growth.

## **BEST PRACTICE #1: DEVELOP AN EVOLVING IT ROAD MAP**

The basic rule of a successful IT modernization calls for a commitment to three critical business and IT requirements: cost reduction, revenue development, and improved use of data for decision-making. Unfortunately, 80% of companies are unable to align these strategies well, which can be detrimental to an ERP implementation, upgrade, or migration.<sup>3</sup>

The key to resolving this common challenge entails the development of both a long- and medium-term implementation strategy. Distributors that take this approach can continuously level-set and reassess their solution road map, opening the door to innovations and business model shifts that are relevant and strategic.

## **BEST PRACTICE #2: ADOPT INTELLIGENT ERP AND EMBEDDED TECHNOLOGIES**

To navigate through times of disruption and scale the business over time, distributors should modernize their IT infrastructure with the latest tools and resources. However, the faster the market changes and customer expectations shift, the more often traditional core applications need to be stabilized to provide the flexibility to evolve processes dynamically and integrate intelligent technologies for process optimization.

This observation is triggering demand for application landscapes that react faster to market dynamics. Companies can adapt with greater agility and scalability by deploying an intelligent enterprise resource planning solution that supports data-driven technologies embedded in existing applications, workflows, and processes.

3. "Forrester Total Economic Impact Study," a commissioned study conducted by Forrester Consulting on behalf of SAP, April 2020.

### BEST PRACTICE #3: SUPPORT CHANGE MANAGEMENT WITH STANDARDIZATION

Processes in large organizations are complex by nature and not standardized with an ERP deployment. In fact, 52% of companies state that updating business processes is a significant challenge when involved in an ERP implementation or update.<sup>4</sup> Yet, even the most structured organization realizes that its control over processes can deteriorate over time, which can lead to lower productivity and a gradual increase of total cost of ownership.

Considering that 43% of companies face issues with organizational change management while another 39% cite difficulty in managing customization, it is clear that standardization of core systems and applications is vital.<sup>5</sup> Industry-wide frameworks for change management and operations help accelerate the delivery of new technologies, as well as decrease inefficiencies and increase user adoption.

### BEST PRACTICE #4: SPEED INTEGRATION AND USER ADOPTION WITH ACCELERATORS

The faster wholesale distributors can deploy new technologies in their environment, the quicker they can reap the benefits of becoming a more agile business. But first, their organizations need access to guidance, tools, and assets to optimize their efforts and outcomes.

For 65% of companies, the secret to stepping up and simplifying ERP-based transformation is the use of accelerators.<sup>6</sup> These ready-to-use, pre-packaged collections of frameworks, tools, and best practices enable distributors to develop the use case and implementation road map to support top-line priorities and business strategies. More important, they help build a future-proof foundation for higher standardization and better ease and speed of decision-making – all critical ingredients for process optimization, maximized revenue streams, and business model innovation.



Now more than ever, wholesale distributors are shifting quickly to keep pace with evolving customer expectations. To thrive, they must **reengineer their digital value and innovate** – again and again.

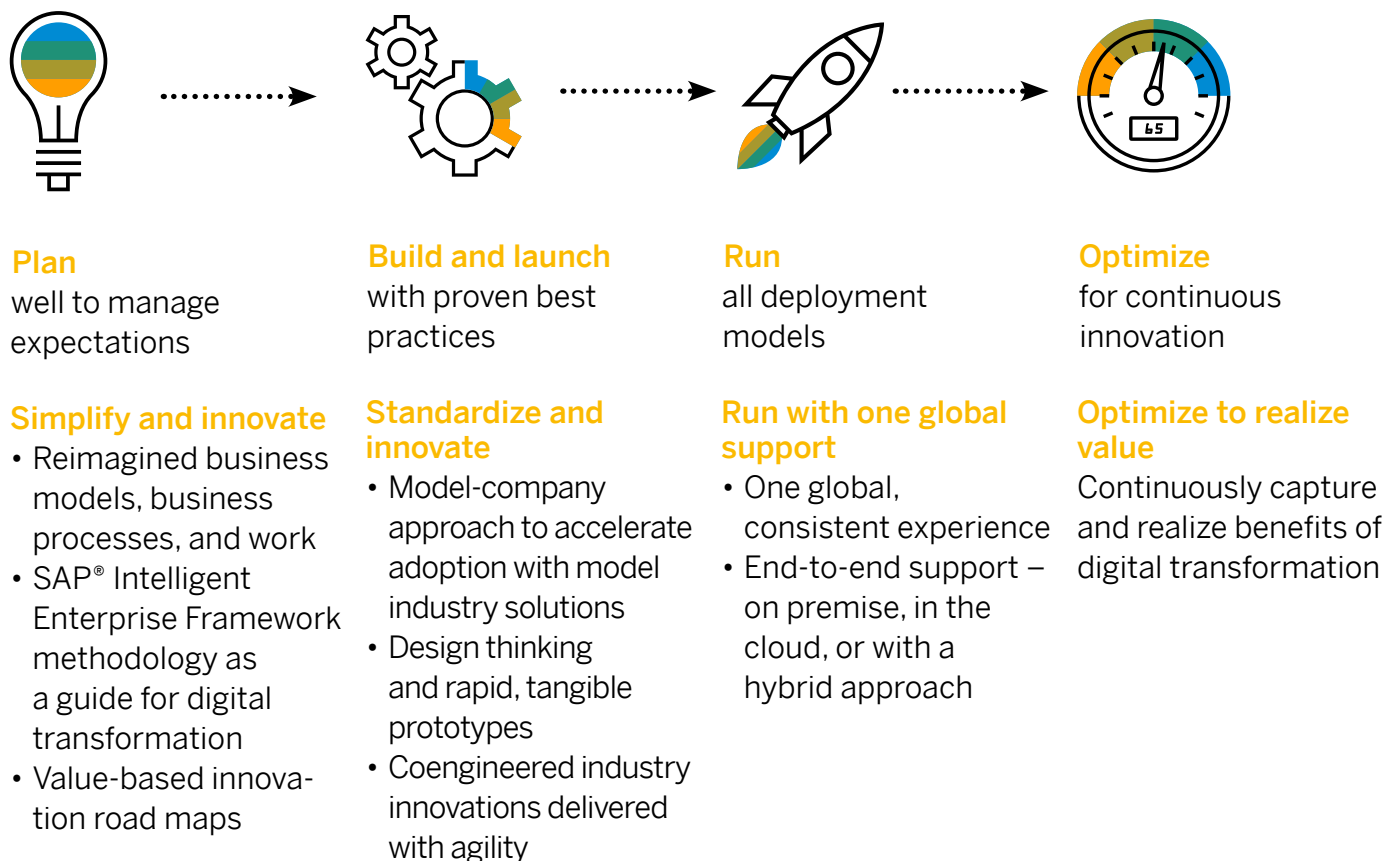
4.–6. "Forrester Total Economic Impact Study," a commissioned study conducted by Forrester Consulting on behalf of SAP, April 2020.



# Accelerating the Path to Becoming an **Intelligent Distributor**

To move forward with speed and agility, wholesale distributors require an end-to-end transition to an intelligent enterprise. This includes managing expectations, simplifying the business structure, standardizing business processes, running with support, and optimizing for continuous innovation, as shown in Figure 2.

By bringing together world-class innovations, industry and technology expertise, proven use cases, and design thinking methods, SAP is helping distribution companies enable value-added business models, solutions, and processes that deliver impact at scale.



**Figure 2: The End-to-End Journey to Becoming an Intelligent Enterprise**

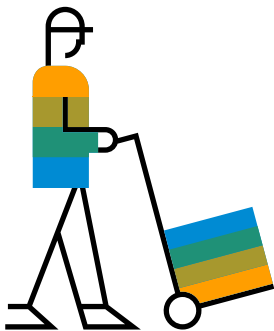
## AN INDUSTRY-SPECIFIC MODEL COMPANY FOR FASTER DEPLOYMENT

Tolerance for lengthy project implementations to upgrade existing business systems is long gone. The impact of global competition and customer demand has heightened urgency for enterprise software that can be deployed quickly and used with ease.

Accelerators that deliver preconfigured content are an absolute must-have to jump-start a transition into an intelligent enterprise – and the SAP® Model Company service for Wholesale Distribution is designed to turn that imperative into a reality.

The service provides a set of industry-standard reference solutions, best practices, and business-process scenarios curated for wholesale distribution. It is activated, tested, and validated, as well as packed with proven content such as test scripts, roles, profiles, and education materials.

Every accelerator delivered through SAP Model Company gives distributors the space, time, and resources to reshape the differentiating power of their business. Our customers can achieve a low-risk implementation of an intelligent infrastructure for ERP – such as SAP S/4HANA® – on premise, in the cloud, or as a hybrid of these environments.



The main benefits observed among businesses using SAP Model Company include faster deployment cycles, higher fit to standard, **accelerated decision-making, and a future-proof foundation.**<sup>7</sup>

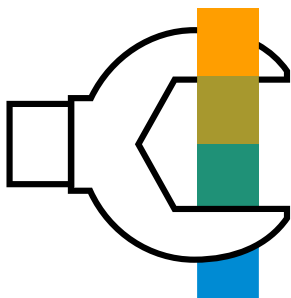
7. Quantified benefits refer directly to individual customer examples within the series of interviewed early adopters of SAP Model Company services.

## A PROVEN METHODOLOGY FOR ACCELERATED DEPLOYMENT

As market forces drive waves of disruption, business leaders must deliver more value from their projects. To become a competitive force in the marketplace, wholesale distributors need to deploy the latest innovations quickly.

The SAP Activate methodology is an intelligent, innovation-as-a-service alternative to traditional deployment projects. It provides a transparent process of structured and solution-specific practices that empower distributors to adopt and extend new and differentiating capabilities enterprise-wide while maintaining business continuity.

SAP Activate allows our customers to increase productivity and scalability and deliver best-run operations with access to expertise, leading practices, and processes based on hundreds of thousands of SAP solution implementations. SAP experts support fit-gap and fit-to-standard workshops as well as the final implementation design – all with a focus on meeting business requirements with fast time to value and reduced cost of ownership.



“Being able to **build the solution overnight** and see how it’s going to operate the next day has been phenomenal in helping build momentum behind the program.”

Orora Packaging Australia Pty Ltd.

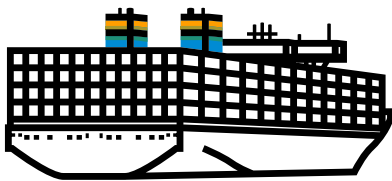
## FAST-TRACKED PROJECT SUCCESS WITH TAILORED SERVICES

Whether an organization chooses to deploy an SAP solution on their own or use the services of a system integrator, our tailored services can help accelerate project success with minimal risk. With the SAP Value Assurance service, our customers can help ensure their software investments pay off now and well into the future by fueling the business model transformation that wholesale distributors desire.

SAP Value Assurance supports a standardized, reality-checked implementation that is effective and efficient. It follows a building-block approach

that combines services as needed to support the project's unique requirements, simplifying every phase and delivering resilient, sustainable, and flexible solutions quickly.

Even before the planning cycle begins, the service helps develop long- and medium-term implementation strategies aligned with SAP product road maps and open to innovation. Then, as the project advances, the service becomes an end-to-end engagement of technology and business process expertise, best practices, and risk mitigation services that are relevant from the initial implementation kickoff to the final rollout.



“We are now better serving our entire organization with **accelerated decision-making** that has paved the way to bring overseas acquisitions on board.”

Eung Joon Lee, Operations Officer, CJ Logistics



# Orchestrating the World's Marketplaces with Unsurpassed Value

The wholesale distribution industry has passed the point where breaking bulk and maintaining personal customer relationships are enough to stay profitable. As they reimagine their next normal, distributors must build urgency for using intelligent technologies to scale interactions, deliver value-added services, and help ensure every order fulfills customer expectations.

This complex reality is why SAP offers comprehensive implementation services that help companies design, deploy, and adopt solutions faster and with lower risk. These industry best practices and SAP services offerings have been proven to accelerate our customers' journeys to becoming intelligent enterprises, which is fundamentally changing how they compete and drive profitable growth in every economic condition.



## LEARN MORE

For more information on how SAP can accelerate the transition of your wholesale distribution business to an intelligent enterprise and support your unique processes, call your SAP representative or visit us [online](#).

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