

Riding the Waves of Disruption in Wholesale Distribution

Adapting Business-to-Business Paradigms to the
Experience Economy

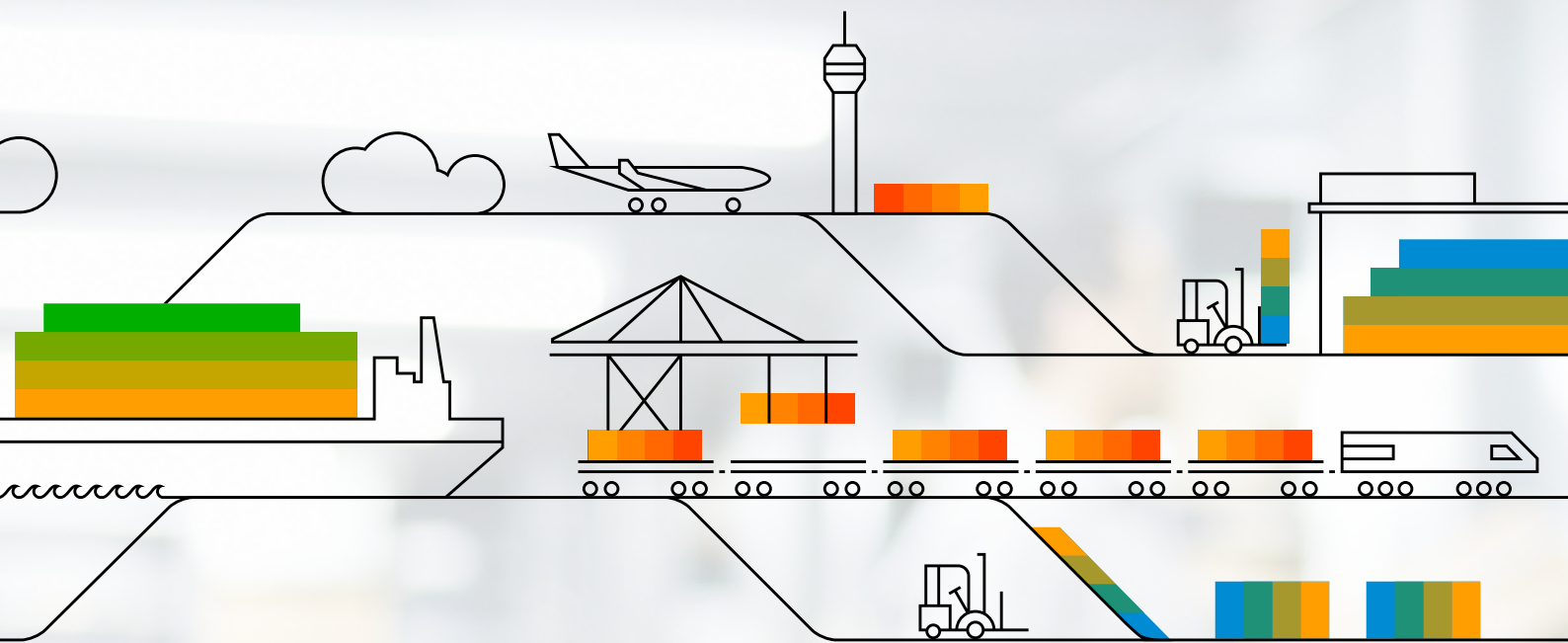
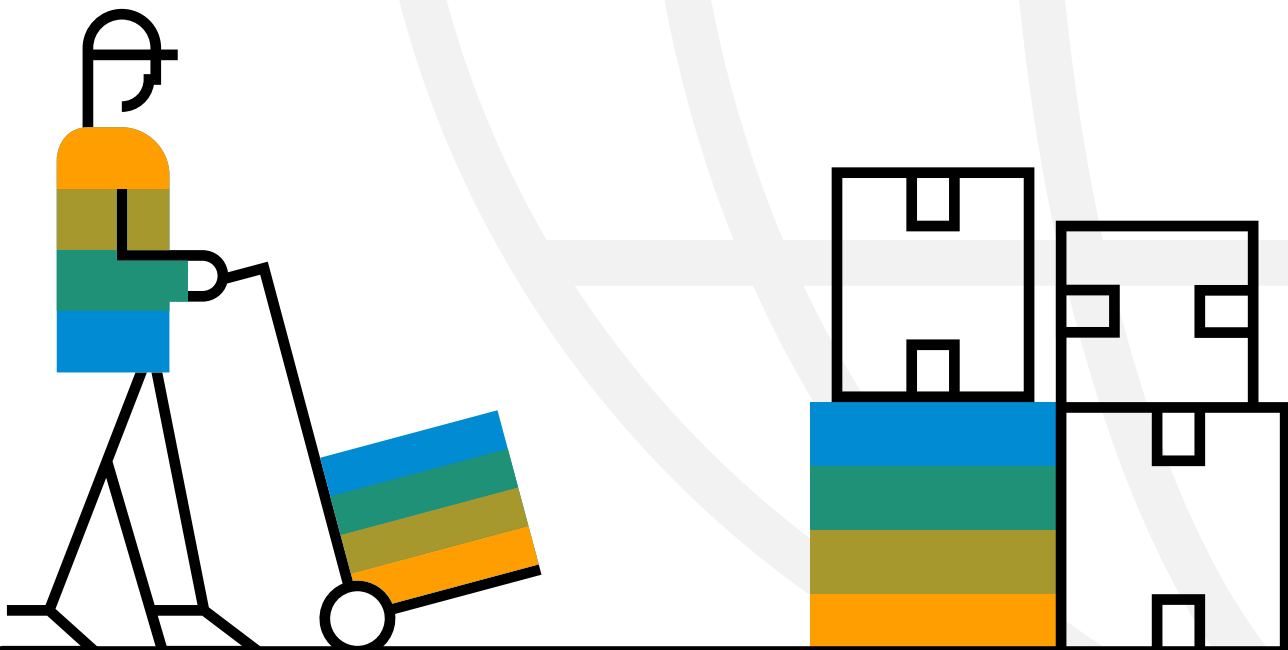


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Gone are the days when wholesalers escaped the spotlight and simply purchased, warehoused, and moved products in bulk behind the scenes. Digital transformation continues to disrupt business, and the new paradigm of becoming an intelligent enterprise is on the horizon. Customers and employees alike demand superior experiences that harness emerging technologies and seamlessly connect all facets of the buying and distribution process. And many wholesalers have been left scrambling to **adapt to a global, always-open marketplace.**



Five Forces Disrupting Wholesale Distribution

As digitalization accelerates in virtually all industries, both your customer base and your workforce demand quick access to all necessary information and a rich portfolio of services to support their tasks and goals. Business buyers transfer their expectations from purchases as private consumers to their interactions with wholesalers, including consistency across channels and personalization of recommendations. And as in the business-to-consumer (B2C) market, large networks and dense social media connections allow business-to-business (B2B) customers to inform themselves about new developments and exchange notes on experiences.

HEIGHTENED CUSTOMER EXPECTATIONS

Customers today are goal oriented as never before, especially business customers who, by definition, have only limited time. Expectations for speed, simplicity, reliability, personalization, and availability are high and growing higher daily. Business buyers are also Internet-savvy consumers, so their private purchasing experiences set the bar for their business purchases. Online research and online buying are therefore increasingly relevant to the B2B buying process.

DIGITALIZATION OF THE BUYING JOURNEY

Whether customers start online and then move offline or complete their entire purchase online, the customer journey is increasingly digital – and undergoing continual change. Customer preferences are shifting toward mobile and Web-based channels, slowly extending and enhancing – but also in some cases obsoleting – traditional sales channels. Businesses now routinely engage with customers across all media using texting, portal-based self-service, and social media channels.

And through a wealth of new technologies, such innovations as chatbots, natural language interfacing, and artificial intelligence are fueling a quantum leap in the digital customer experience. Just as travelers can arrive at their destinations by a multitude of different paths, each customer journey is unique, potentially touching half a dozen different contact points along the way. This multichannel communication is quite new for many wholesalers and requires intensive collaboration among different departments.

SHARPER COMPETITION

Your competitors are already busy disrupting 20th-century business models. And as mergers and acquisitions create new international players, the lines between manufacturing, wholesale, and retail are blurring. Digital commerce giants have already grasped the incredible opportunity to apply their technological expertise to leap forward from the B2C model into B2B processes. Tightening profit margins drive the demand for continuous innovation across all sectors. Price transparency and low switching cost are the new normal, driven by ubiquitous online connectivity.

WORKFORCE EMPOWERMENT

Big Data and technologies are the heartbeat of industry today, but people remain among the most valuable asset in any organization. In a competitive global environment, successful professionals can choose from multiple opportunities, and companies must work to retain top talent. Providing employees across the value chain with the right tools and insights empowers organizations to refocus on high-value, collaborative innovation while keeping the workforce engaged.

Typical new features that help employees be more successful at their jobs in a more engaging work environment include:

- Predictive lead management and deal scoring to improve win rates
- Predictive sales forecasting based on analysis of trends to boost market awareness
- Identification of customers at risk to reduce income loss
- Automated invoice and payment matching and approvals processes to decrease time spent on repetitive tasks

Positive Work Experience

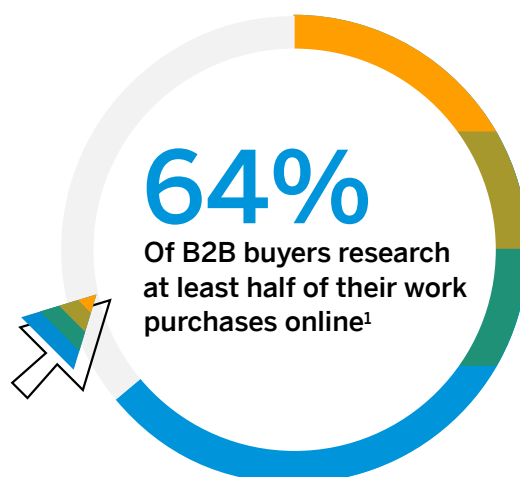
Attractive compensation is essential to recruiting and retaining talented staff, but a positive and productive work environment is also highly desirable. And the workplace is increasingly digitalized, underscoring the importance of a positive employee user experience. Companies must offer easy-to-use front ends, solid processes for collaboration, and effective tools to deliver context-specific insights.

Productivity Tools

Having grown up with computer technology, millennial and gen-Z workers bring not only new skills but also new expectations regarding workplace productivity tools. Better tools mean higher employee engagement and, ultimately, more revenue. And engaged service teams create a better customer service experience.

INNOVATIVE BUSINESS MODELS

Wholesalers have traditionally served to warehouse products, acting as intermediaries between suppliers and customers. In today's market, however, they can no longer thrive with this basic business model. Well-established relationships with suppliers and customers no longer guarantee survival. Wholesalers must reinvent themselves as information-centric digital entities, reinventing business processes and reimagining business models to gain competitive advantage.



1. "Make Your B2B Business a Digital Business," Forrester, June 2018.

Roadblocks to Overcome

Businesses are generating an overwhelming volume of data today, but many of them are unable to put their data to use to gain new insight, improve productivity, and generate new business. Wholesale customers can have so many touch points with their suppliers that keeping everything aligned may seem overwhelming. And the challenge gets even trickier if sales, service, and marketing operate as stand-alone entities with separate processes and databases.

SILOED ENVIRONMENTS

Customers everywhere are well informed today. They gather information on their own through colleagues, peers in industry associations, on social networks, and from competitors' Web sites. Businesses must stay one step ahead of their customers as well as their competitors. But unless there is an enterprise-wide data management system, limited access to real-time insights can cause teams to make decisions based primarily on old results and incomplete data – or even on instinct alone.

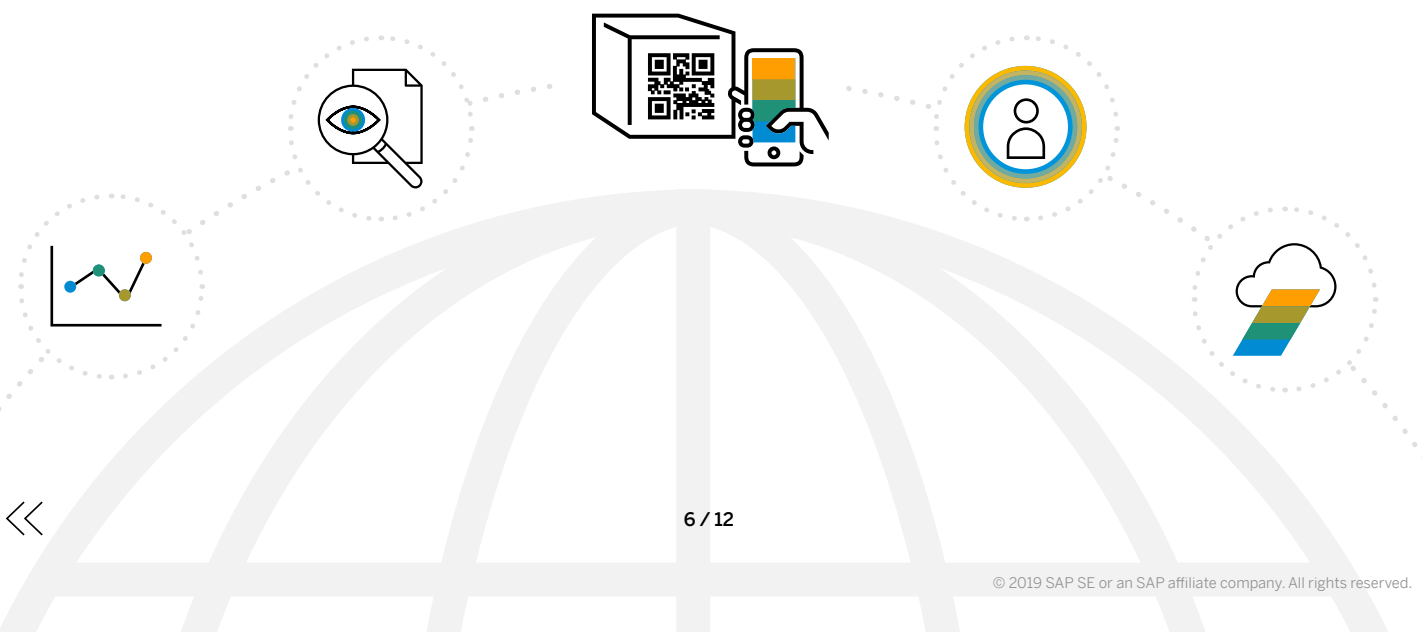
LEGACY SOLUTIONS

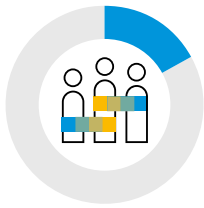
Siloed organizations tend to feature legacy applications that don't integrate easily with one another, making delivery of consistent, personal-

ized customer experiences difficult, if not impossible. Sharing information across the enterprise becomes a challenge as well, since customer data is often distributed across several systems and various departments. Salespeople cannot readily access all the relevant information they need to build a comprehensive customer view. Customized legacy solutions lacking agility and adaptability have a negative impact on customer experience and, therefore, on the revenue. The consequences of insufficient digitalization include dissatisfied customers with greater churn potential, high employee frustration, and limited business growth due to constraints on innovation and differentiation.

LACK OF TRANSPARENCY

The inability to maintain full enterprise-wide visibility limits success in the modern economy. Companies cannot count on sufficient revenues unless they streamline and integrate their front-end processes – marketing, sales, commerce, and services – to optimize the customer experience across every channel of interaction. Additionally, disjointed legacy processes prevent internal stakeholders from understanding upstream and downstream operations, limiting their engagement to the task at hand rather than overall corporate health.





17% lower customer churn

When sales executives can capture and access every customer activity, including all communications such as appointments, dates, telephone calls, e-mails, letters, and meetings, companies experience 17% lower customer churn.²



15% shorter call-handling times

When contact-center agents have access to back-office information at the point and time of interaction, service organizations average 15% shorter call-handling times.³



13% higher satisfaction levels

When organizations leverage multichannel communication to optimize customer contact, they record 13% higher satisfaction levels.⁴



20% higher rate of achieving quota

When sales forces qualify a higher percentage of sales leads, channel managers post a 20% higher rate of achieving quota.⁵



18% higher revenue growth from new customers

When organizations personalize and adapt campaign offers in real time based on similar prospect responses and offer profitability, they realize 18% higher revenue growth from new customers.⁶

2.–6. SAP Performance Benchmarking.

Intelligent Experience Management

An intelligent enterprise harnesses its data effectively to achieve desired outcomes faster – and with less risk. It is lean and agile, reacting to market shifts and developing new revenue streams faster than its competitors. And it provides the right insight to the right people at the right time and in an understandable and digestible format to improve both the employee experience and the customer experience.

EMPLOYEE EXPECTATIONS

Workers today expect employers to maximize the use of automation for repetitive tasks and increase the use of intelligent technologies to improve processes. They are at home with many applications of artificial intelligence (AI), the Internet of Things (IoT), machine learning, and advanced analytics.

Seamless Information

To keep savvy employees happy and productive, you must provide a seamless user experience and easy access to such features as a standardized, 360-degree customer view across devices; real-time visibility into upstream and downstream operations; and consistent, streamlined workflows. And you must provide intuitive tools to support cross-functional internal and external collaboration.

Intelligent, context-specific information for sales and marketing professionals in wholesale distribution should include:

- Relevant customer history and product data readily available during customer interactions
- AI-powered deal recommendations and lead scoring
- Suggestions in standard workflows for strategically advisable next steps
- Identification of customers likely to churn and the factors that influence them

Smart Tools

If your teams have limited access to insights, their decision-making is primarily reactive. To become proactive, they need flexible self-service data visualization and dashboarding appropriate for users at all skill levels. Then, they can share preconfigured visualizations or easily design ad hoc reports that help address specific business needs. Advanced analytics applied to consolidated data across multiple sources helps them understand trends, draw new insights, and turn data into action.



64% of leaders say their employees are now more engaged thanks to digital transformation, compared to **20%** for other respondents.⁷

7. “[SAP Digital Transformation Executive Study: 4 Ways Leaders Set Themselves Apart](#),” an SAP Center for Business Insight study with research and analysis support from Oxford Economics, 2017.

CUSTOMER EXPERIENCE ENHANCEMENT

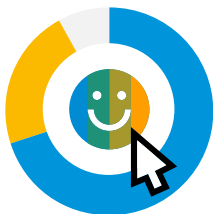
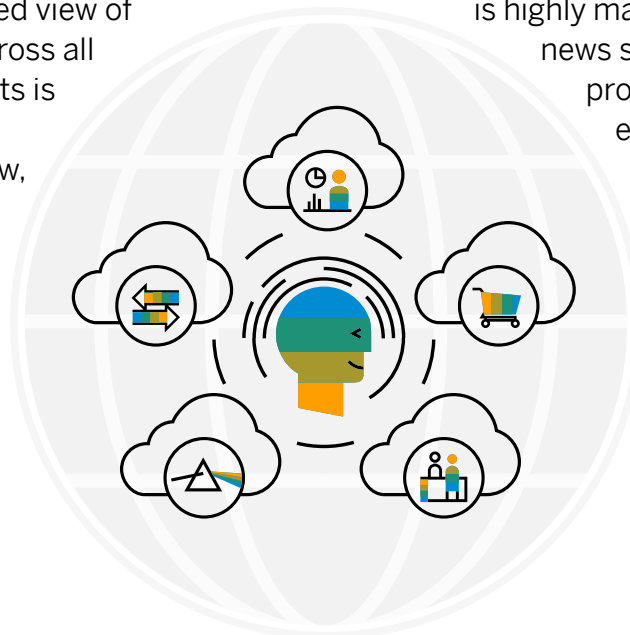
Customer experience is a key new dimension along which to measure corporate competitive advantage and eventual success. Today's customers are unimpressed by experiences that are not personalized in at least near-real time. They have no patience for referrals or handoffs to other business functions – and they are typically just a click away from your competitors.

Additionally, when the quality of the customer experience varies across channels, conversion rates suffer. A consolidated view of customer information across all channels and departments is crucial for targeting, segmentation, account review, and service. You must be able to share a full and consistent customer profile across the back office and with all front-office channels.

And customers must have access to self-service privacy settings and preference management.

DATA PROTECTION

Because it is essential for personalization, customer data is king. A single data flow across functions is the backbone of an intelligent enterprise, in which everyone has the same readily available view of each individual. But with the creation and collection of burgeoning volumes of data, customers are increasingly sensitive about their privacy. And because customer data is highly marketable, as several recent news stories have demonstrated, protection against its misuse is essential. Companies must take care to secure data against theft or fraud and protect customer privacy, or expect stiff fines from government and industry regulatory bodies.



70% of leaders have seen significant or transformational value in customer satisfaction and engagement from digital transformation, compared with **22%** of others.⁸

8. "[SAP Digital Transformation Executive Study: 4 Ways Leaders Set Themselves Apart](#)," an SAP Center for Business Insight study with research and analysis support from Oxford Economics, 2017.

Machine Learning, Analytics, and the IoT

Emerging technologies are upending old assumptions about the way we do business. The latest machine learning technologies use self-learning algorithms to deliver increasingly insightful information about customer behavior so that marketing staff can identify the best audiences to target. Analytics tools help produce contextual insights for fast and confident decision-making. IoT technologies make it possible for machines to exchange information with one another and their human operators.

CUSTOMER INTERACTION

Machine learning algorithms can provide support for strategies to convert leads, promote customer retention, and match recommendations to individual preferences. Orchestration applications based on machine learning can help you understand customer journeys to optimize campaigns and enrich the customer experience. Embedded predictive analytics and machine learning scores facilitate targeting and segmentation and can fold in third-party models as well.

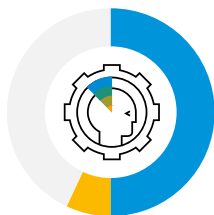
Intelligent bots can facilitate a whole new paradigm of interactions by helping your customer service agents work more efficiently. These bots eliminate repetitive, limited-value engagements and serve as digital assistants, so agents can focus on more-complex tasks. Bots can interact

with users online or in any communication channel, bolstering the kind of robust customer service that encourages repeat purchases and helps turn customers into brand ambassadors. And for customers who want to act on their own, self-service offerings complete the intelligent customer service portfolio.

NEW BUSINESS MODELS AND REVENUE STREAMS

An intelligent enterprise is data driven and insight driven, always on the lookout for new revenue opportunities and new monetization models to capture narrow market segments and add value to existing processes. Instead of focusing on products singly, it expands its offerings to include services and bundles of products and services that deliver complete solutions. The integration of machine learning technologies helps wholesalers innovate, for example, through intelligent up-selling and cross-selling of related products and services to increase deal size.

Companies need no longer wait for degraded performance to recognize the need for asset maintenance. IoT technologies suggest new business models that include predictive maintenance based on real-time analysis of sensors reading indicators such as material stress and changing environmental conditions.



50% of digital leaders are investing in machine learning technologies, compared with **7%** of others.⁹

9. "[SAP Digital Transformation Executive Study: 4 Ways Leaders Set Themselves Apart](#)," an SAP Center for Business Insight study with research and analysis support from Oxford Economics, 2017.

The Triad of People, Strategy, and Technology

Although it usually makes a big splash, new technology alone is not enough to guarantee a successful transformation. An intelligent enterprise depends equally on talented and highly skilled people and a well-designed and well-executed strategy.

PROACTIVE MIND-SET

People play a key role in a company's digital transition. They develop the ideas for new business models and harness the technology that underpins them. Digitalization requires a mind-set that seeks for ways to reimagine rather than merely extend business models. It means learning to be proactive and staying agile in a world where change is constant. Since trying something new

always includes the possibility of failure, your people must be comfortable with a new level of risk. And they must be willing and able to think in new ways, beyond functional boundaries and current daily tasks. In short, an intelligent enterprise depends on a company culture that considers digitalization an exciting business opportunity and not merely an annoying technology trend for the IT department to address.

DEFINITION OF FUTURE PRIORITIES

To win customers for life, wholesalers need to define their future priorities to effectively complete their digital transformation. This table summarizes the crucial elements of a strategy for wholesalers who aim to become intelligent enterprises.

| Key Dimension | Objective |
|-------------------------|---|
| Customer centricity | Putting the customer's point of view at the center of every business decision |
| Employee empowerment | Fostering an insight-driven, collaborative, and tightly connected work environment |
| Digital supply chain | Connecting the supply chain for greater efficiency and responsiveness |
| Smart technology | Driving innovation with machine learning, the Internet of Things, and blockchain technologies |
| New monetization models | Offering new packages of products and services and new subscription opportunities |

GAME PLAN FOR GROWTH AND INNOVATION

Becoming an intelligent enterprise does much more than simply automate business processes. It embodies a radical vision for future commercial success in any industry or geographical location. In this paradigm, you keep your valuable data visible in a single enterprise-wide flow to

help staff predict market trends and customer behavior. You focus your people's energies on openness and innovation and provide them with state-of-the-art productivity tools. And you develop and nurture the agility to respond to changes in a volatile global marketplace and snatch opportunities from increasingly shorter time windows.

The following steps can help your wholesale distribution business become an intelligent enterprise:

1 Take inventory of your current business processes.



2 Identify roadblocks to growth, such as repetitive tasks and out-of-date tools.



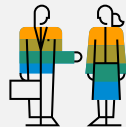
3 Build a complete and robust view of your customer interactions.



4 Create a plan for delivering best-in-class customer experiences.



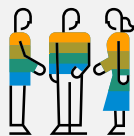
5 Focus resources so that salespeople spend more time interacting directly with customers.



6 Share relevant customer information seamlessly throughout your extended enterprise.



7 Promote deeper collaboration across departmental boundaries.



8 Reduce IT costs and improve business processes by harmonizing your solution landscape.



9 Foster agility with a flexible, scalable system that lets you react quickly to market change.



10 Encourage the invention of new business models and revenue streams.



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