



MYOB Enterprise Solutions

Defining the challenges of wholesale and distribution

Like many businesses, wholesale companies are dependent on a balanced interaction of supply and demand.

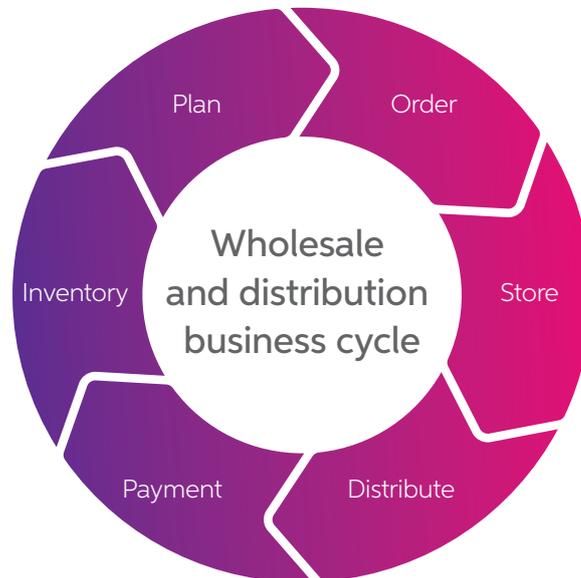
The interaction between the organisation, processes and systems of a business can become stressed by a number of growth-driving activities.

For wholesale and distribution companies there is a constant juggling act between:

- + the dependencies of business as usual
- + the development of new customers, cost models and improved services, and
- + the forecasting for inventory management and order processing.

As a business grows in size and complexity, the interaction between the organisation, processes and systems of a business can become stressed by a number of growth-driving activities. And although each is a specific phase in business, all three are part of a cyclical process. Which means that stress – on one directly impacts the others too.

The phases of the wholesale business cycle



Forecast

Requiring constant monitoring and tracking

- + Stock
- + Orders
- + Time-frames
- + Amounts

Growing

Essential for successful business growth

- + Research for new products
- + Marketing for new customers
- + Analysis for new cost models
- + Investigation of improvements

What do we mean by stress?

Wholesale businesses are under constant pressure to reform and refine.

- + Changing customer requirements put stress on existing order processes, market forecasting and business development.
- + Manual systems put stress on performance and obscure management's view of the company.
- + Competition and other unknown variables put pressure on companies to implement expensive kneejerk solutions.

To allow them to forecast and react efficiently to market changes, wholesale companies must set proven and lasting business systems and processes in place. Only then can they plan and respond. Only then can they sustain success.

The fewer products that are sold, the harder it becomes to justify existing distribution costs.

The challenges of changing customer requirements

It is normal for customer requirements to reflect economic changes. But when the global market is uncertain – as it is now – customers alter their purchasing behaviour much more dramatically in an effort to preserve their own business needs and conserve capital.

So what effect does this have on the wholesaler?

For a start, a dwindling customer base means wholesalers have to increase their marketing spend – not cut back where others might. Competition between wholesalers goes up too, which forces them to reduce prices in order to stay competitive. To balance the two, they have to change their own buying behaviours, looking for deliveries from 3rd party logistics suppliers and importing from cheaper suppliers.

Worse still, with decreasing sales, many wholesalers are no longer able to sustain their normal volumes of stock. The fewer products that are sold, the harder it becomes to justify existing distribution costs. And ultimately, wholesalers may have to cut back on the number of locations they distribute to.

Cutting back on locations reduces customer reach and further impacts on sales. And so the process goes round and round.

The challenges of manual systems

Another pressure wholesalers face is trying to maintain the integrity of their data. Many wholesalers still rely heavily on paper-based systems for stock taking, order processing or invoicing. And those systems are, by their very nature, prone to error. They often require duplication of effort too, which makes them labour intensive, unwieldy and ineffective from a cost point of view.

Automating everything isn't necessarily the answer to the problem either.

Yes, there are a multitude of software systems out there designed to assist wholesalers. But which do they choose? Do they upgrade now and risk the software becoming obsolete in six months? Or do they wait for a later version and delay installing a piece of software that could bring real value to the business. There's little doubt that with the right system, there's a genuine opportunity to improve performance and customer experience – and reduce costs.

Not only that, the right system can bring visibility to the entire wholesale process and help management make informed business decisions. Get it wrong however, and a system that doesn't integrate properly with existing functions can cause more harm than good. Data can become corrupted or lost – making it impossible to accurately forecast sales. Inaccurate forecasts lead to inaccurate orders – and that can wield an unwelcome financial impact on the company.

It can be tempting to implement isolated solutions aimed at automating certain parts of the business.

The effects of competition and other unknown variables

Competition places a very real pressure on wholesalers too – especially from newer, more adaptable companies. Technologically-savvy operations are already using radio frequency identification in their warehouses and stock tracking applications to pinpoint where in the cycle certain products are. This not only reduces the cost of stock delay, but means they can inform customers of precise delivery times – something that gives them a real competitive advantage.

For those companies yet to embrace technology so wholeheartedly, it can be tempting to implement isolated solutions aimed at automating certain parts of the business. But adopting such a knee jerk reaction without first considering the flexibility of those solutions, as well as their long term impact on the entire business, can bring about major disruption and the need to reinvest in technology much sooner than anticipated.

Responding to the challenges

We've already mentioned that reactive economic behaviour in the industry is driving more change than normal. The challenge, for wholesale businesses, is to stay one step ahead. Already, companies are making cost reductions and pricing products in new ways. And if they haven't already, many will be looking for improved distribution networks and seeking out alliances with supply chain operators. They'll have to respond faster too – both to customer requests and other foreseen variables.

So what does the successful wholesaler need to do to stay in-line with these challenges?

The answer is gather intelligence. To understand sales and distribution expectations, to be able to forecast repeat orders, and to build up trends, wholesalers need detailed knowledge on each of their customers. Knowledge of their buying patterns, knowledge of their businesses and knowledge of their requirements.

They need intelligence on the component parts of their own business too. Information on debtors and creditors, stock levels and locations, profit and loss – and so on. From the click of a button, they need to know exactly what stage an order is at, or be able to identify the sales performance of a specific, individual product. Because with accurate, three dimensional knowledge of all stock, wholesalers can take the necessary action to improve stock turn or margin as required.

So how do they gather this intelligence?

By implementing a flexible, adaptable integrated business system that's configurable to the company's specific needs. Something that can transform with the business, not become old and obsolete.

It is important that any system be flexible enough to integrate into all areas of day-to-day operation.

Finding the appropriate system

As it's essential for wholesalers to gather information from across the organisation, it's important that any system be flexible enough to integrate into all areas of day-to-day operation – even where there are existing systems in place. The system needs to:

- + track and manage foreign transactions, tax and multiple currencies
- + be usable by multiple staff, often in multiple locations
- + report on accounting, finance and order processing in real time
- + manage customer interactions and billing
- + carry out stock assessments and inventory management, and
- + ensure regulatory compliance.

It's essential too, that all data – orders, forecasts, stock management and payroll – can be accessed from a central point, offering management a snapshot view of any aspect of the business, at any point. Minimising downtime and disruption is a key concern too – making it critical that the new system is not only able to adapt to the changing shape of the business, but integrate seamlessly with existing legacy systems.

It's this ability to expand and co-exist with other systems where an integrated business management system can add value way beyond specific features or functionality. They provide a platform for growth not limited by the constraints of rigid programming – and a means of actively improving the efficiency of operational tasks and activity throughput on an ongoing basis.

Want to find out more?

This whitepaper was produced by MYOB Enterprise Solutions. To find out how an integrated business management solution has helped companies like yours, why not read one of the client success stories?

Contact us to learn more about how our bigger business solutions can help your business stay ahead..

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