



Wholesale 2017: The threat of transparency in
the business-to-business marketplace

How the disruption of retail markets is spreading to wholesale

The main cause of the disruption of retail markets is the rise of e-commerce. First, e-commerce players have a leaner organization with lower costs, enabling them to offer products at a lower price. Secondly, these players have made the retail market transparent by making many product lines available online. This enables consumers to compare products, prices and delivery times on the spot. They can also often order these products online for a lower price. In recent years, this trend of increasing transparency has been taken by storm by comparison websites and the growth of consumer-to-consumer (B2C) platforms such as Ebay. The e-commerce players already control a large share of the retail market and profit margins are down across the board. The small-time shopkeeper has gone extinct, and with the exception of supermarket chains and international chains such as Ikea, many traditional retail chains are losing money or have already gone bankrupt.

In this more transparent retail marketplace, in the long term only strong e-commerce players can keep competing on price.

In the Netherlands, the winners of the transparency battle are large-scale web shops such as Bol.com, Zalando, Amazon, Coolblue, Wehkamp or players with a different business model such as Marktplaats, Thuisbezorgd or Ibood.

This trend of increasing transparency enabled by e-commerce will continue. In the coming years, the wholesale market will find itself in the same position as retailers, with similar consequences. The transparency of the supply, made available online, will play out to the advantage of mature e-commerce players with strong online channels and improved value propositions. The other wholesalers will be pressured to survive on smaller profit margins.

Gartner calls this development 'Business-to-individual' (B2i). Digital technology supports further integration of information flows. Because of this, both B2B and B2C customers can order superior products and services. They get a new level of service that was not available before.

How wholesalers will be losing their hold on customers

The business-to-business (B2B) marketplace lags behind the B2C marketplace regarding e-commerce, and it is still opaque. This is caused by the following:

- Many wholesalers still lack a good online channel;
- Products and prices offered by wholesalers are mostly not yet available online, but remain hidden behind a login screen in a protected ordering environment;
- Discount deals are usually opaque. While shaping the customer-supplier relationship, wholesalers tend to give discounts based on specific terms. These hidden deals cause large price discrepancies. For now, customers of wholesalers have to accept this, because their alternatives are as of yet few, and not always visible.

With the growing number of competent e-commerce wholesalers, the online transparency will rise. Products offered by wholesalers will be easier to compare online. Because of this, new e-commerce wholesalers will gain market share with low-priced products on better terms. Wholesalers without an online channel will steadily lose their hold on customers, the market, and their profit margin.

Pressure on the architecture of the chain

The B2B customer will be able to choose more and more comparable products online. Often, the lowest price, combined with the best terms, will be the deciding factor. This will cause pressure on the price paid by every link in the value chain. In the coming years, they will have to reconsider

their strategy and their position within the chain, which will cause more channel conflicts.

For example, we see how Chinese manufacturers do this on Alibaba.com, but also shoe manufacturer such as Nike are offering the end user a way to order directly from them.

Strategic options available to an advanced wholesaler

Build a flexible and easy-to-couple IT infrastructure

Many wholesalers are still keeping their enterprise resource planning (ERP) system as a hub in their IT infrastructure and use it to handle the e-commerce process. But ERP systems are rigid and focused inward, so they lack flexibility. Besides, ERP systems are often hard to couple with systems owned by third parties.

Advanced wholesalers will reduce their ERP systems to mere transaction machines and create an extra layer for order management and product information management. This extra layer is easier to couple with new websites, web shops, and apps. Also, this method allows for easy coupling with ERPs of warehouses, suppliers or other partners in the chain.

Offer responsive e-commerce channels

The traditional order environments of wholesalers are unfit for reaching new customers, for several reasons:

- The website functionality only supports the quick placement of repeat orders and is not focused on the user experience of new customers.
- The website functionality isn't suited for enrichment with content such as articles, videos and reviews, so it can't be optimized for search engines. Because of this, the potential customer can't find the e-commerce website.
- The ordering environment of wholesalers is not built for new customers

who want to do product research online because users need to set up an account before they can view any products.

Modern e-commerce wholesalers have transparent e-commerce channels that show both product and price information and avoid barriers to ordering, such as a login screen and a minimum order size.

Deliver further along in the chain

Wholesalers with the means to develop their e-commerce and logistical competencies for smaller transactions and larger transaction volume can deliver further along the chain and thus realize higher profit margins.

Offer a broader or complete product range with drop shipping

B2B customers don't want to order from different places. They would rather get to a single spot to order multiple items at once. A wholesaler can meet this demand with a broader product range that include subsequent items that can be used together. He can set up this product range independently, or he can partner with drop shippers. This means that a wholesaler offers the partner's products for sale in his web shop and takes the orders, but the partner, or a logistical partner of this partner, delivers that part of the order, supported by coupled systems. The B2B customer can order products easily in one place while the wholesaler makes a profit on products they don't have to keep in stock.

Deliver faster

In 2016, B2B customers want speed. Alibaba has set itself a goal for the end of 2015: to deliver all international orders within three days. Alibaba already delivers online orders in Beijing within one hour, by motorbike.

In New York, you can get a sandwich for lunch within fifteen minutes, delivered at your exact location by a drone. Nightly deliveries and delivery speeds like those of Alibaba will become common within a few years.

Deliver out of warehouses or outsourcing logistics

For many wholesalers, a nationwide delivery network of physical shops will turn out to be too costly. They will separate delivery from customer contact. The delivery will be done by warehouses and logistical partners, but they can set up concept stores in central locations that are easy to reach. Here, sales teams can deepen customer relationships by organizing events that educate and inspire. Salespeople invest time in good relationships with customers, in addition to the impersonal e-commerce environments.

Omni-Channel Integration

Wholesalers who continue to deliver out of physical shops and want to be prepared for 2025, have to integrate the digital and physical spheres seamlessly. Each step in the buying process, from information gathering, viewing pictures, watching videos, and reading reviews, to choosing, ordering, and returning, have to be possible via both the web shop and the physical shop. Also, physical and virtual stocks will have to be aligned.

Scan to order: get it straight out of the warehouse

Offer your customers the possibility to order straight out of the warehouse, using a barcode scanner. This virtually eliminates incorrect orders. The order will be uploaded to the web shop and can be dispatched immediately.

Access to real-time information for staff, customers and chain partners

Relevant information can be shared in real time via smartphone. This can include order status, logistical status, seeing what is available and information about product, promotion, price and stock.

E-commerce wholesalers and personal contact

E-commerce players in particular have to bridge the gap between their

website and the customer by making the customer journey more personal. They can do this with excellent service through e-commerce channels, via personal chat conversations, app conversations, or conference calls with product specialists.

Example: Oil tanker KRAMP launches speedboat INDI

The web shop for technical supplies, KRAMP, offers technical companies all the necessary products in a single e-commerce environment and delivers the next day before work starts. But KRAMP is similar to an oil tanker. They are aware that their size is causing a lack of maneuverability required of a wholesaler these days. Also, they want to keep on innovating and experimenting to stay ahead of the curve in e-commerce and logistics.

There is tension between the proven methods of wholesale on the one hand and future-focused experiments as an e-business wholesaler on the other. This tension is resolved with bimodal technology. As an e-business wholesaler, KRAMP can rely on the stability of the companies size to experiment with speed and agility.

That is why 'oil tanker' KRAMP has launched their speedboat INDI, early 2016. INDI is being prepared to become a complete e-business wholesaler:

- INDI excels at the online customer journey for technical products
- at INDI, B2B customers, as well as B2C customers with professional needs, can order online
- INDI's organization is completely set up around the e-commerce platform
- the logistics are sourced from KRAMP
- INDI keeps no products in stock
- INDI relies on the mentioned above flexible, easily linkable IT infrastructure, with a layer in between for product and order management
- INDI has an IT infrastructure for easy access to new online channels

- INDI has an IT infrastructure that is easy to connect with the ERP systems of their partners
- INDI has an IT infrastructure that supports drop shipping capability in the future
- INDI's product specialists are their main cost. They enable the desired quality of service.
- INDI is very competitive on price
- INDI does fine-grained distribution: a consumer with a professional need can order a single item online, which will be delivered the next day
- the products are delivered during the night so that customers have them available for the next working day.

Marthijn de Jong

E-business consultant

You can call or email me for advice or in case you have any questions.

06 - 58 82 43 45

marthijn@ytec.nl

