



Digitalization in Wholesale

The strategy for success

Like with other sectors, digitalization is transforming the wholesale industry. This established business model faces major challenges from new digital competitors, changing customer expectations, increasing product and pricing transparency, and growing pressure for efficiency. On the other hand, digitalization also offers valuable opportunities. Equipped with the right strategy, wholesalers can use their core competencies to not only address these developments but also profit from them. Deeply integrated with all other business processes, a B2B e-commerce platform can be a major revenue driver.

Classic wholesale is still competitive—for now

Many have been predicting the end of the wholesale industry since e-commerce emerged in the 1990s. Who needs a multi-tiered distribution model when manufacturers and others can sell directly to consumers via online platforms without an intermediary?

Yet despite the doom and gloom, the wholesale industry has so far adapted well to the new conditions. In Germany, there are currently around 160,000 wholesalers employing some two million people and generating annual revenues of 1,130 billion euros. On the downside, the sector has endured years of declining prices and stagnating sales, which have only been offset through increased productivity.

Focus on the customer

In terms of digitalization, the wholesale industry clearly has some catching up to do. To remain competitive, wholesalers need to digitize their offerings, deploy sophisticated B2B e-commerce

platforms, and establish a clear market position.

“The Internet offers many ways for wholesalers to improve and accelerate their service to customers—and thus boost customer loyalty,” says Dr. Kai Hudetz, an e-commerce expert and Managing Director of the IFH Institut für Handelsforschung GmbH (IFH Köln) in Cologne, Germany.

“Unfortunately, many dealers still see the Internet purely as a threat, rather than as a valuable opportunity to offer customers a better quality of service. It’s crucial here to consider the issue from the customer’s perspective: What do today’s customers expect? How is their behavior changing? In what ways can wholesalers offer them genuine added value?”

Omni-channel strategy as opportunity

According to a study by Forrester Research¹, two-thirds of all B2B customers now expect seamless and coherent

interaction with a vendor across all channels. Whether communicating by phone, computer, mobile device, or one-on-one with sales staff, all information, offers, and services must be totally consistent at all times.

Historically, wholesalers have followed a clear omni-channel strategy, engaging with customers via catalogs, offline locations, sales representatives, call centers, and—more recently—online offerings. The digitalization of diverse channels and touchpoints, together with the resulting harmonization of business processes, data, and technologies across all business areas, presents enormous opportunities for wholesalers. Using a sophisticated B2B e-commerce platform, it is possible to deliver tailored content to customers at any time or location, to significantly improve the efficiency of internal processes, and to achieve major synergy savings.

How it's done: the seven rules of successful digitalization

Experts recommend that before starting a digitalization project, companies should first evaluate their own digital maturity and the context in which digitalization will take place. When this stage is complete, it's time to plan a concrete course of action. The seven rules of digitalization help to keep the project on track.

1. Develop digital solutions in a protected space

The company should provide a protected space where interdisciplinary teams can develop and test new projects while isolated from everyday operations, internal business culture, and existing hierarchies.

2. Leverage agile development with no fear of failure

Agile management methods with lean work processes are superior to traditional development strategies since new ideas are developed and tested in collaboration with future users, thus producing faster results. Agile development provides an early indication of whether a project has the potential to succeed, solves a given problem, and appeals to end users.

3. User focus has top priority

Digital products and product features should be based primarily on customer or user feedback and preferences. Rather than searching for the

perfect solution to a problem, developers should focus on essential features that can be continuously adapted and iterated.

4. Work toward business goals

From the outset, the digitalization process should pursue clearly defined business goals. A range of key performance indicators (KPIs) should be defined so that progress can be closely monitored. Digitalization projects should always open up new sources of income and generate new revenue streams or bring down costs as quickly as possible.

5. Use active change management

Questioning existing models and processes enables companies to optimize or completely redesign their procedures and products. This requires an active change management process that incorporates all employees and business units—and leads to new ways of working.

6. Digitalization know-how is more important than industry expertise

Companies should open up to a new digital culture and create more key IT positions. Successful digitalization re-

” *Customer centricity is a culture of putting the customer at the center of everything you do.*

Brian Solis

quires project team members to have a genuine start-up mindset. These are the people who will drive the company as innovation leaders and help others to grasp the opportunities of digital change.

7. Digitalization is a management issue

Digital transformation will only succeed if it is driven by senior management. This is the only way to reach and implement enterprise-wide decisions. It is also vital to transform the corporate culture in order to respond to changing markets with speed, innovation, assertiveness and—ultimately—success.

Learn more about digitalization in the wholesale industry in our comprehensive white paper www.intershop.com/resource-detail/digitalization-in-wholesale-challenges-opportunities-strategies



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