

BUILDING A PROFITABLE



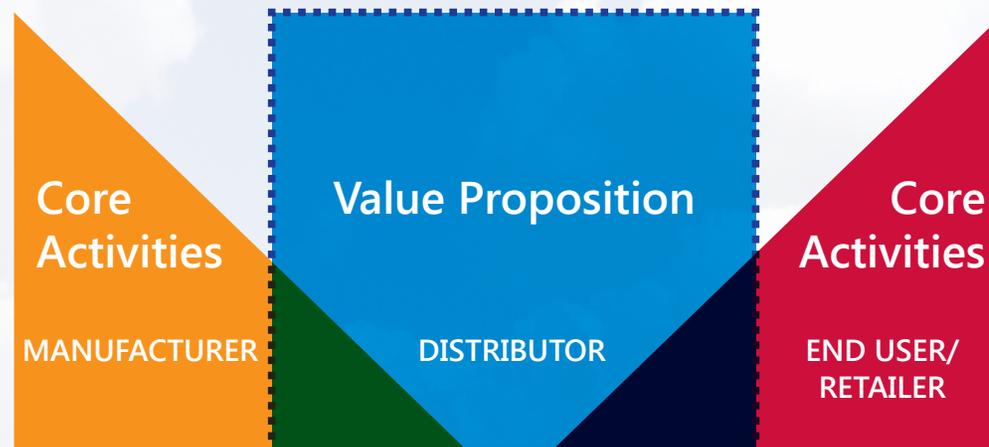
# Wholesale Distribution Supply Chain



Wholesale distributors sit in a precarious location in the supply chain. They “fill the gap” between manufacturers and retail/service customers by providing access to a wide assortment of products, industry knowledge and value-added services. In this role, wholesale distributors face many of the same supply chain challenges as manufacturers and retailers, including:

- Product availability and time-definite delivery — having the right products when and where the customer needs them, and at the right price
- Reliably supplying a broad and deep product line of complementary items, alternatives, assortments, variations and lots, nearly always consolidated from multiple, potentially competing suppliers
- Consolidation and one-stop shopping
- Delivery and installation
- Managing substitutions for comparable or better fit, form, function, or lower price
- Managing succession where technology, regulation, competition, or fashion drive rapid product life cycles

How wholesale distributors meet these challenges ultimately determines their long-term success.



# EMBRACE A Demand-Driven Model

When choosing demand planning versus revenue forecasting, who can blame a sales team for thinking in terms of revenue—selling “whatever we can to make quota.” However, forecasting revenue rather than demand fails to reveal the complete picture. Demand plans should break out revenue forecasts by product group, SKU, customer, channel and geography. According to industry research, a focus on demand planning can improve forecast accuracy by an average of 13%, with a 5% improvement in gross margin.

Aligning inventories with customer demand makes it easier to boost service levels, shorten cycle times and reduce obsolescence. Unfortunately, in today’s dynamic business environment, wholesalers may lack immediate access to customer demand patterns. For this reason, demand planning platforms should include advanced forecasting methods that anticipate future inventory needs based on factors including demand history, customer orders, new product introductions and forward-buying opportunities.

Advanced demand planning and forecasting platforms automate the actions required to select, model and generate forecasts, thereby eliminating the burden of manually-intensive, spreadsheet-based approaches. Best practices in generating forecasts include having the ability to incorporate personal expertise and weight various factors differently.

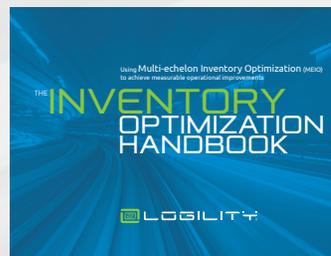


# FOCUS ON Inventory Optimization

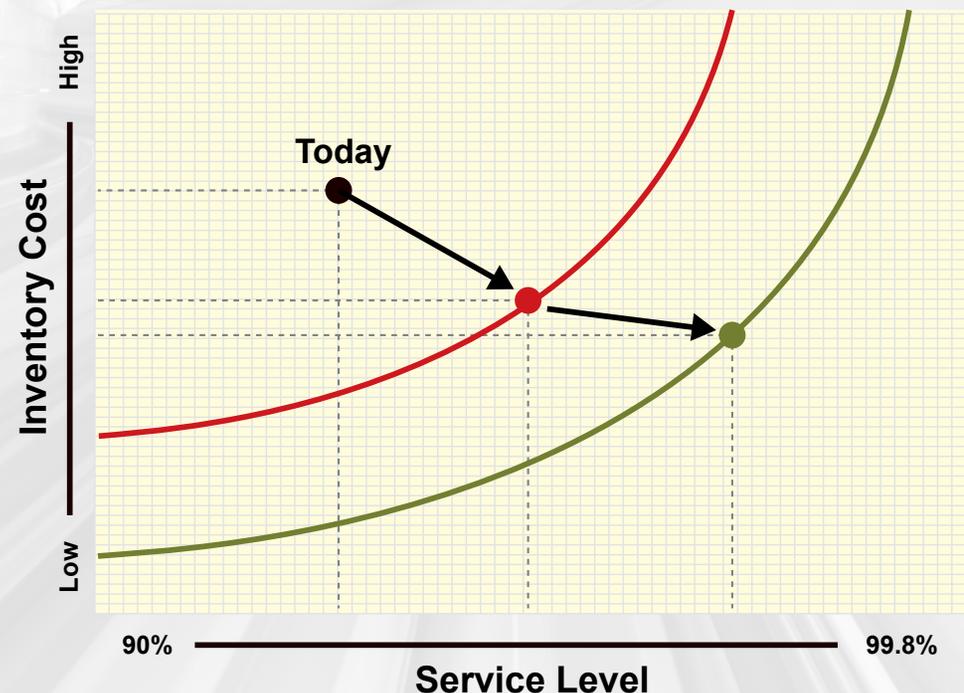
Too much inventory creates excessive discounting, obsolescence and write-offs. Too little inventory (or inventory in the wrong location) causes missed service levels and lower sales revenue. Leading wholesalers are moving away from old approaches, such as holding two weeks of supply for all products at a location.

By taking into account time-phased demand signals and service level requirements, Multi-echelon Inventory Optimization (MEIO) handles uncertain demand and determines the optimal quantities and locations of finished, work in process (WIP) and component inventory. An inventory optimization initiative frees up floor space in the warehouse and on the manufacturing floor; achieves service level goals using minimal stock; and releases significant amounts of working capital by minimizing inventory levels across the entire network.

Inventory optimization recommendations sometimes run counter to traditional techniques of placing buffer stock at every location. In reality, MEIO's more sophisticated modeling can lower total inventory while maintaining or increasing customer service levels. Using MEIO drives powerful financial benefits and supports better decisions through the sales, inventory and operations planning (SIOP) process.



[Download this ebook today!](#)



# ENHANCE Long-Range Planning

Long-range planning creates an action plan for meeting the company's goals while ensuring the development of necessary capabilities to support strategic objectives. The purpose is to understand what market and other conditions may exist down the road, identify areas of opportunity, and anticipate what competitors may do over an extended time horizon.

Because accurate long-range plans based on current tactical plans provide a valuable prediction of market changes, it's paramount to align tactical and strategic planning through shared data and interconnected processes. A comprehensive planning solution must span the short- and long-term spectrum, automating workflows and aligning planning processes.

A key to effective long-range planning is the ability to perform powerful "what-if" scenario analyses and visualizations. The ability to visually compare multiple scenarios side-by-side in terms of revenue, profit, investments, capacity, customer service and other key parameters is critical to creating an optimal business strategy, managing risk, and developing mitigation plans.



“For many of our customers,  
**we are their supply chain.**”

— Director of Inventory and Data Management, Ferguson Enterprises



## SUCCESS STORY: Ferguson Builds an Agile Supply Chain

### Goal

Move from a purchasing-driven culture to a demand-driven organization

### Challenge

- Maintain same or next-day service for \$520 million in inventory across ten US distribution centers and 50 shipping hubs, with 830,000 product combinations
- Increase lead time visibility
- Right-size inventory for high customer service; optimize safety stock strategy against variable demand
- Increase SKU-level forecast accuracy
- Provide visibility into the entire network
- Manage “fashion-driven” home product life cycles
- Handle regional differences in assortments, as well as environmental and building code regulations

### Solution

#### Logility Voyager Solutions™

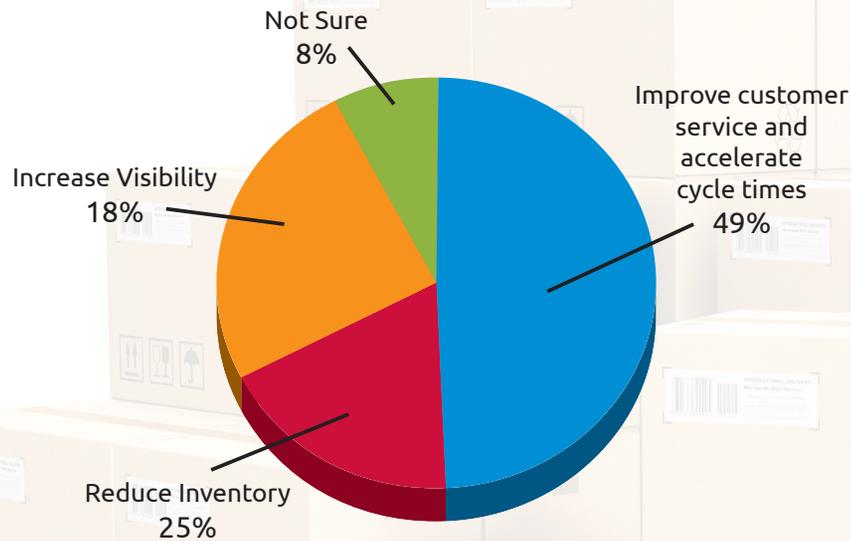
Alert-based, KPI-driven management by exception, automatic forecasting method selection by life cycle phase, segmentation and “what-if” scenario analysis

### Results

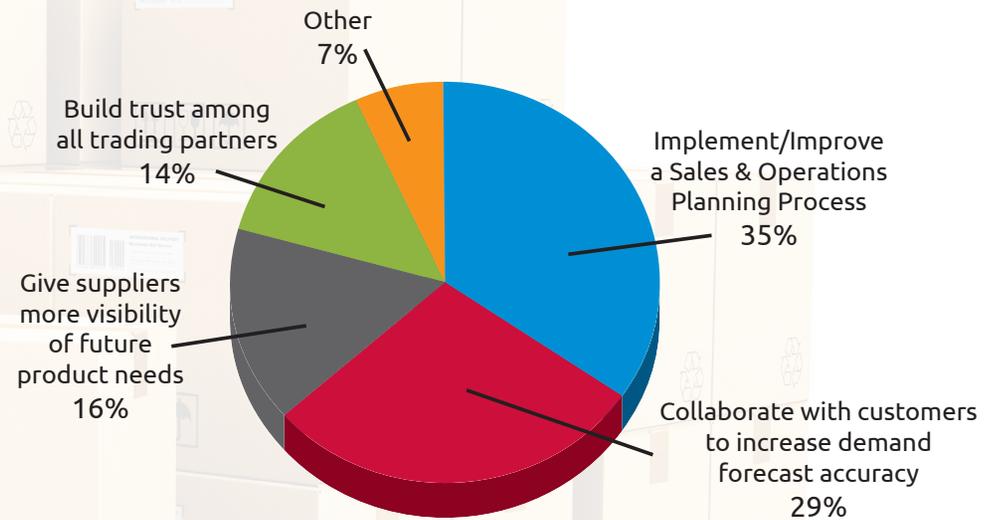
- Ninety percent of DC volume controlled through Logility Voyager Solutions
- Boosted service levels, differentiated service offerings, improved forecast accuracy and enabled new functionality for differentiated service offerings
- Moved from demand management on shipment history to demand management on true sales history
- Integrated and aligned demand plans and forecasts from market hubs through the distribution network
- Increased customer service level to 97.5%

# WHAT'S IMPORTANT TO WHOLESALE DISTRIBUTION COMPANIES?

What is the top priority for your supply chain?



What is your top supply chain collaboration goal?



Source: APICS and Logility, 2016

# CONCLUSION

Leading wholesale distributors, faced with growing costs, shrinking margins, new competitors and demanding customers, turn to advanced supply chain management capabilities to separate themselves from the pack including:



**Advanced modeling capabilities** to create a valid, forward-looking demand plan by product, customer, channel and geography, with more accurate forecasts throughout the product life cycle.



**Inventory optimization capabilities** to examine stock positions in each stocking location and to model interrelationships between stocking locations to reduce overall inventory levels while meeting customer service requirements.



**Enhanced long-range planning capabilities** to enable more accurate predictions of market changes, identify and mitigate potential risks, and empower a more predictable and repeatable integrated planning process.

Wholesale distributors who move beyond a focus on low price, today's orders and rule-of-thumb inventory management can reap significant competitive advantages, rewarding operating efficiencies, reduced working capital, and higher customer service levels. By moving beyond spreadsheets and embracing integrated supply chain solutions, wholesalers will be able to create a profitable wholesale distribution supply chain.

LOGILITY  
DISTRIBUTION  
CUSTOMERS  
INCLUDE:



## ABOUT LOGILITY

With more than 1,250 customers worldwide, Logility is a leading provider of collaborative supply chain optimization and advanced retail planning solutions that help small, medium, large, and Fortune 500 companies realize substantial bottom-line results in record time.

Logility Voyager Solutions is a complete supply chain management and retail optimization solution that features an advanced analytics architecture and provides supply chain visibility; demand, inventory and replenishment planning; sales and operations planning (S&OP); integrated business planning (IBP); supply and inventory optimization; manufacturing planning and scheduling; retail merchandise planning, assortment and allocation; and transportation planning and management.

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