



Reimagining Distributor-Supplier Relationships

In Search of New Opportunities
and Greater Profits



White Cup was a proud sponsor of Modern Distribution Management's SHIFT The Future of Distribution Conference in September 2022, which brought top industry experts together to discuss crucial elements of sales transformation, digital commerce, analytics, and the future of work. But the overarching topic was Reimagining Distributor-Supplier relationships in the post-pandemic era.

In the following eBook, we'll feature new research from industry think tanks presented at the conference that crystalizes critical pivots in the industry landscape. Then, we will explore the background for the shifts distributors need to make to seek out new opportunities and greater profits.





Amazon and other mega-distributors are impacting the average distributor.

Per [McKinsey and Company](#), the 15 largest distributors continue to consolidate and now account for a 7 percent market share versus 5 percent just five years ago.

This means your competitors are getting larger and more powerful.

New entrants are also eating away at distributors' market share. For example, Home Depot purchased Interline and HD Supply for \$9.6 billion, making them one of the top 10 largest distributors in the US. Today, 50 percent of the company's approximately \$150 billion in revenue comes from the professionals' segment – those customers served by traditional distributors in the past.

Manufacturers are building their digital capabilities and bolstering direct-to-consumer sales channels.

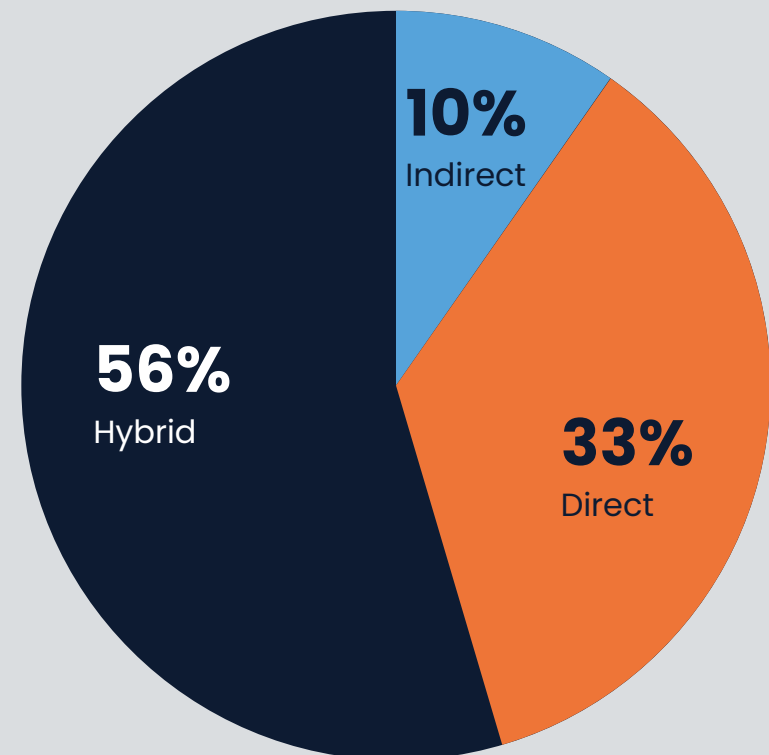
Manufacturers are discovering how much they can lessen their reliance on the traditional distributor-supplier relationship.

Per the [Dorn Group](#), 56 percent of manufacturers seek a direct sales channel to work with their existing distribution network

—this is a 78 percent increase from a 2019 survey. And per McKinsey, 80 percent of OEMs made significant investments in eCommerce during the pandemic, and 69 percent of OEMs view direct-to-consumer as a critical channel and expect an increased share of direct-to-consumer sales in the next five years.

2022

Manufacturer's Go-To-Market Models



Source: Dorn 2022 Manufacturer's Direct Selling Benchmarking Survey

A growing number of customers want a digital, rep-free experience.

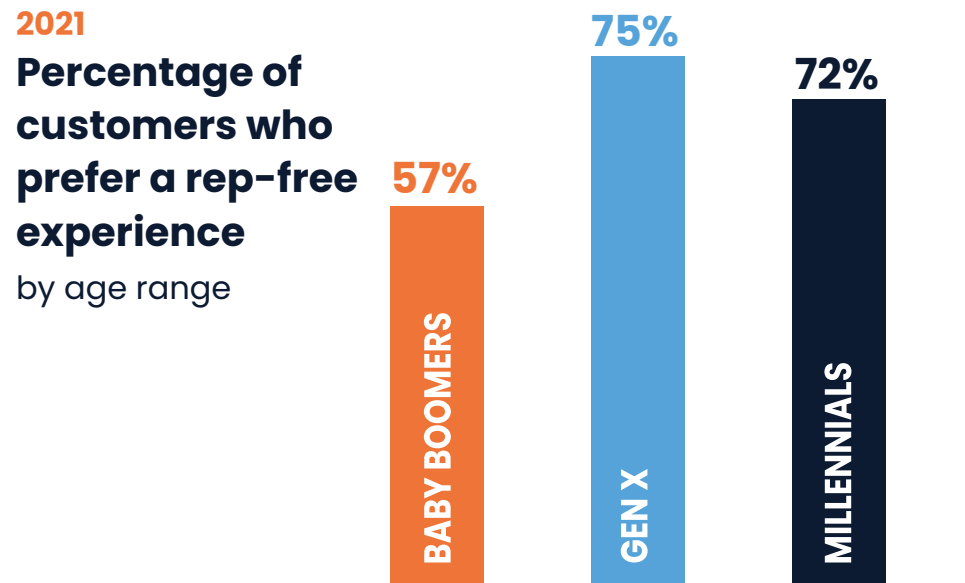
OUR END CUSTOMERS

Our customers have a self-serve mindset, centered around and controlled by them.

- » They seek real-time communication across all parties (distributor, reps, & manufacturer)
- » They call only when self-service efforts have failed
- » In-person training replaced by on-demand training due to lack of time
- » Relationships still matter, but they matter less today
- » Transactional experience is the differentiator

Source: 2022 Dorn Group, Inc.

Per [Gartner's](#) 2021 B2B Buyer Survey, an average of **72 percent of customers surveyed say they prefer a shopping experience free of sales representatives.**



Source: Gartner 2021 B2B Buyer Survey



Countering These Threats

In the past, the distributor's role was to provide product distribution and enhance a manufacturer's market reach. But it's no longer enough to be "boots on the ground" or act as the "regional middle-man" passing goods from the manufacturer to the end consumer.

Instead, distributors need to find ways to provide value to meet the customer where they are. But what does this mean?

Per the Dorn Group, distributors and manufacturers have an opportunity to reimagine their working supplier relationship through strategic alignment, working together to form hard-to-digitize "moats" around end customers. This makes distributors valuable to manufacturers and indispensable to customers.

Make the buying process better for the buyer.

B2B sales are often complex. Distributors can provide the support buyers want and need online via personalization, product guides, product configurators, and recommendation engines. Additionally, distributors can win through kitting – providing a one-stop shop with different products and SKUs that are fully compatible, pre-packaged, or even sub-assembled. Subscription services for consumables are also a great way to provide added convenience.

An eCommerce platform that provides analytics and offers human-assisted help when needed can help distributors find and resolve the pain points in the digital buying experience and insert sales resources when and where they are most wanted and needed. Data on eCommerce sales should be part of automated workflows in the CRM system, such that sales reps are always apprised of order activity online, providing a 360-degree view of customer activity.





Make fulfillment faster.

Distributors' fulfillment services are valuable for manufacturers in markets where it is not viable to establish warehouse facilities and when delivery speed is critical.

Amazon Prime has conditioned consumers to the world of "order today; get it tomorrow," which has had a spillover effect on B2B buyers. Distributors can bring considerable value to their supplier relationships by offering quicker turnaround times on orders because many manufacturers

have longer lead times. However, distributors must have their inventory dialed in to succeed in this area. This requires understanding inventory turns and sales trends and being sure the right inventory – in the right amounts – is in stock and ready for delivery. Business Intelligence can assist with this and even flag products that are not selling well and make suggestions for returns.



Think strategically about solving problems beyond pick, pack, and ship.

Focus on your customers and suppliers to understand opportunities to provide value-added services beyond product fulfillment. Can you help with on-demand, just-in-time inventory management or warehouse space for inventory consignment? Both of which can help improve working capital.

Technical support and repair and recycling services are other opportunities to explore. Providing solutions such as these can help savvy distributors embed themselves as pivotal partners in reimagined distributor-supplier relationships, as well as with end customers.

A photograph showing two people in business attire shaking hands over a laptop on a desk. The person on the left is wearing a light blue shirt, and the person on the right is wearing a darker blue shirt. The background is a blurred office setting with windows.

The Time is Now to Find Your Foothold

The time is now to reimagine your distributor-supplier relationship. Where do you start? Gartner suggests looking at the convergence of supplier, partner, and buyer objectives and investing where performance, potential, and mutual benefits are high.

The good news? In a McKinsey study of distributors from 2011 to 2021, those distributors that embraced transformation drove outsized growth while also growing their profits, achieving 1.8x higher EBITDA margins.

Say Goodbye to Sales Pains, Prepare for Profit Gains

In the distribution space, you are facing challenges never before experienced, and your customers are too. It's a whole new world that requires new strategies to unlock new sales opportunities and build relationships based on a deeper understanding of your customers' needs.



ABOUT WHITE CUP

White Cup turns a distributor's sales pains into profit gains. Our CRM, Business Intelligence (BI), and Pricing software make it easier for you to sell more, keep more profit, and beat the competition. With over 20 years of experience, White Cup is trusted by more than 1,000 customers globally.

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