

# Is Your Wholesale Distribution Supply Chain **Ready for Anything?**





Wholesale distributors are squeezed between manufacturers and their customers; facing increased competitive threats, escalating SKU counts and expanding ecommerce.

Wholesale

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The wholesale distribution industry has annual sales of approximately \$7 trillion and the US wholesale distribution industry includes approximately 330,000 companies.<sup>1</sup>

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**/ Demand uncertainty and slow-moving inventory**

By nature, distributors offer a broad selection of products, and with consumers looking for more choices, this means escalating SKU counts and a greater percentage of slow-moving items compared to other industries. Traditional supply chain applications are not designed for high variability demand, so inventory mixes and service levels get out of balance, leading to stock-outs and excessive costs, waste and obsolescence.

**/ Fierce competition and escalating service expectations**

Distributors' customers care about a broad selection of in-stock inventory—ready to ship now. If you don't have it, your customers won't wait around. And with continued growth of ecommerce channels, the risk of lost sales is escalating. To reduce the risk of stock-outs and lost sales, most distributors resort to holding excess inventory.

**/ Inevitable supplier variability**

As a distributor, you rely heavily on suppliers to get the right products when you need them. Vendors are diverse and especially during disruptive times, supply is constrained or uncertain, and it's tough to enable collaboration and visibility into the plan to assess impacts to lead times.

**/ Complexity of new product introductions and lifecycle management**

New product forecasting is critical to success, but also increasingly complex due to lack of historical data, variations of existing SKUs, shortened product life cycles, and expansion into different product categories via new suppliers.

## Distribution Companies Like These Trust ToolsGroup

ToolsGroup is how wholesale distributors achieve their target service levels while optimizing inventory—no matter how complex their supply chain is or how much demand changes. That way, they can be ready for anything.



## Improve Inventory and Service Level Performance

With a higher proportion of slow-moving SKUs than other industries, wholesalers struggle to effectively forecast intermittent demand, resulting in poor inventory health and excess costs. High service levels are critical, but holding costs and capital tied up in excess inventory reduces already narrow margins and increases risk of obsolescence. Without an adequate planning system, wholesalers can find themselves falling back on supply heroics and short-term thinking that neglects inventory optimization, analytics-based service optimization, and sales and operations planning (S&OP).

### ToolsGroup Solutions Help Wholesale Distributors:



**Improve inventory health and position**



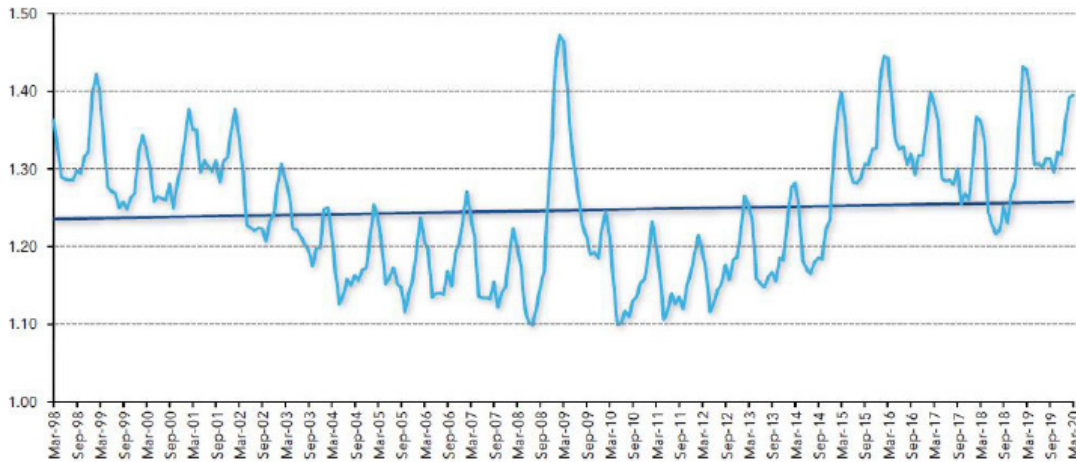
**Improve order fill rates to drive revenue**



**Account for variability in supplier lead time for smarter purchasing decisions**

## Rising Inventory Levels in Wholesale Distribution

Inventory-to-Sales Ratio—2004 to Present



Distributors' inventory levels have gradually increased over 10 years as service level expectations continue to rise. Source: MDM 2020 Economic Benchmarks for Wholesale Distribution

## How Much Could You Improve?

Our guided supply chain assessment helps you quickly pinpoint your biggest risk areas and estimate opportunities to improve your inventory position while meeting target service levels.

### Quickly Explore Opportunities Across 3 Stocking Scenarios:

Can you reduce stock without affecting service?

Optimization of inventory while maintaining equal service level

+ Same Service Level

Can you improve service without affecting total inventory costs?

Optimize overall service level performance while maintaining equal amount of total on-hand inventory (in cost)

+ Same \$ Investment

What would it take to reach a desired service level target?

Optimization of inventory targets with aggregate service level targets set by customer

+ Future Service Levels

[Download Guided Assessment brochure](#)

**Our Wholesale Distribution  
Customers Commonly  
Achieve:**



**10-30%**

Reduction in inventory and improved inventory turns



**95-99%**

Service levels (order fill rate)



**50-90%**

Reduction in planner workload with machine learning automation





✓ Company stayed profitable even when revenue decreased by 20%

✓ Increased the product line by 30%, 70% of which are 'long tail' items

**"Gruppo Giovannini's strong business performance since the start of the millennium is a direct result of continuing to invest wisely in its systems, processes and people, even when times were tough. ToolsGroup has helped us stay resilient through this journey and prepares us for whatever the future may hold."**

– Supply Chain Manager, Gruppo Giovannini



✓ Greater service level stability: increased to 98.92%

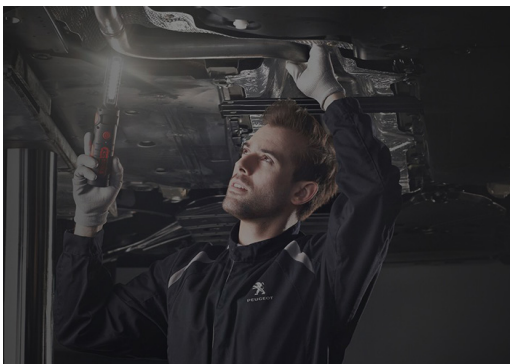
✓ Reduction in stock-outs for seasonal products

✓ 75% planner productivity improvement

✓ Reduction in days of inventory outstanding from 76 to 69

**"The results we've achieved with ToolsGroup have made RAJA Italy a benchmark for the group's subsidiaries in replenishment management."**

– Lorenza Zanardi, General Manager



✓ Reduced inventory 20-30% without compromising their 96-97% service levels (well above industry benchmark)

✓ Rush air shipments slashed by a third

**"My only regret now is not upgrading sooner! I'm immensely proud to be passing on a highly efficient, productive spare parts operation that provides exceptional service and is ready for the future."**

– Shalom Asayag, Service and Aftermarket Director, Lubinski

## Wholesale Distribution: What Being Ready for Anything Looks Like

Distribution-intensive supply chains are characterized by multi-tier distribution networks with large SKU counts and intermittent demand. Traditional supply chain planning solutions don't address the "long tail" problem, so it's especially difficult to maintain high service levels across differentiated channels. ToolsGroup Service Optimizer 99+ (SO99+) solves this distribution planning problem with an exceptional ability to forecast intermittent demand and optimize multi-echelon inventory.



**Accurately forecast products with intermittent demand**



**Plan across an extended multi-echelon distribution network**



**Scenario plan to understand inventory and margin impact of planning and policy decisions**



**Pinpoint the right stock mix to balance service and inventory investment**



**Account for supplier lead time variability and make smarter purchasing decisions to reduce risk to service levels**



**Be ready for successful new product launches without excess inventory and markdowns**

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A growing number of distributors are applying advanced analytics to their most sacred of assets—their inventory—and more effectively managing the trade-off between service levels and stock levels/locations.

- Deloitte<sup>2</sup>

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## ToolsGroup Takes a Fundamentally Different Approach to Supply Chain Planning



### **/ Service-driven planning**

The SO99+ service-driven planning software automates and optimizes supply chain planning tasks to meet target service levels. We calculate optimal plans by orchestrating all your planning variables using advanced algorithms and self-learning machine learning technology. You specify the service level and relax knowing you'll reach the service levels your customers expect at the lowest possible cost.

### **/ Pioneering machine learning in supply chain planning**

Our innovative machine learning engine was designed specifically for supply chain planning, and especially to improve demand forecasting. Within our machine learning engine we incorporate deep learning technology that allows our models to "learn" from existing data and accurately identify future demand trends. It leverages the knowledge, experience and skills of planners and other experts in a highly efficient way, working like an intelligent assistant that helps them do their normal jobs much more effectively.

### **/ Probabilistic forecasting**

Our probabilistic forecasting method incorporates uncertainty modeling across a range of supply chain planning functions, from demand forecasting to inventory and replenishment/master planning. It offers a new approach where the variability of the supply chain is integrally modeled in the planning and optimization functions, across the end-to-end supply chain. In addition, this uncertainty modeling provides the ability to handle intermittent or "long tail" demand patterns which are becoming more common due to part proliferation and rapid replenishment cycles.

### **/ Single, unified model for end-to-end planning**

SO99+ was designed from the beginning as a single, unified model for an end-to-end planning process. All of our solutions are built from the same detailed model of demand and supply. Rather than thrown together and dressed up to look the same, our solutions were all born from the same DNA. The net result is an end-to-end

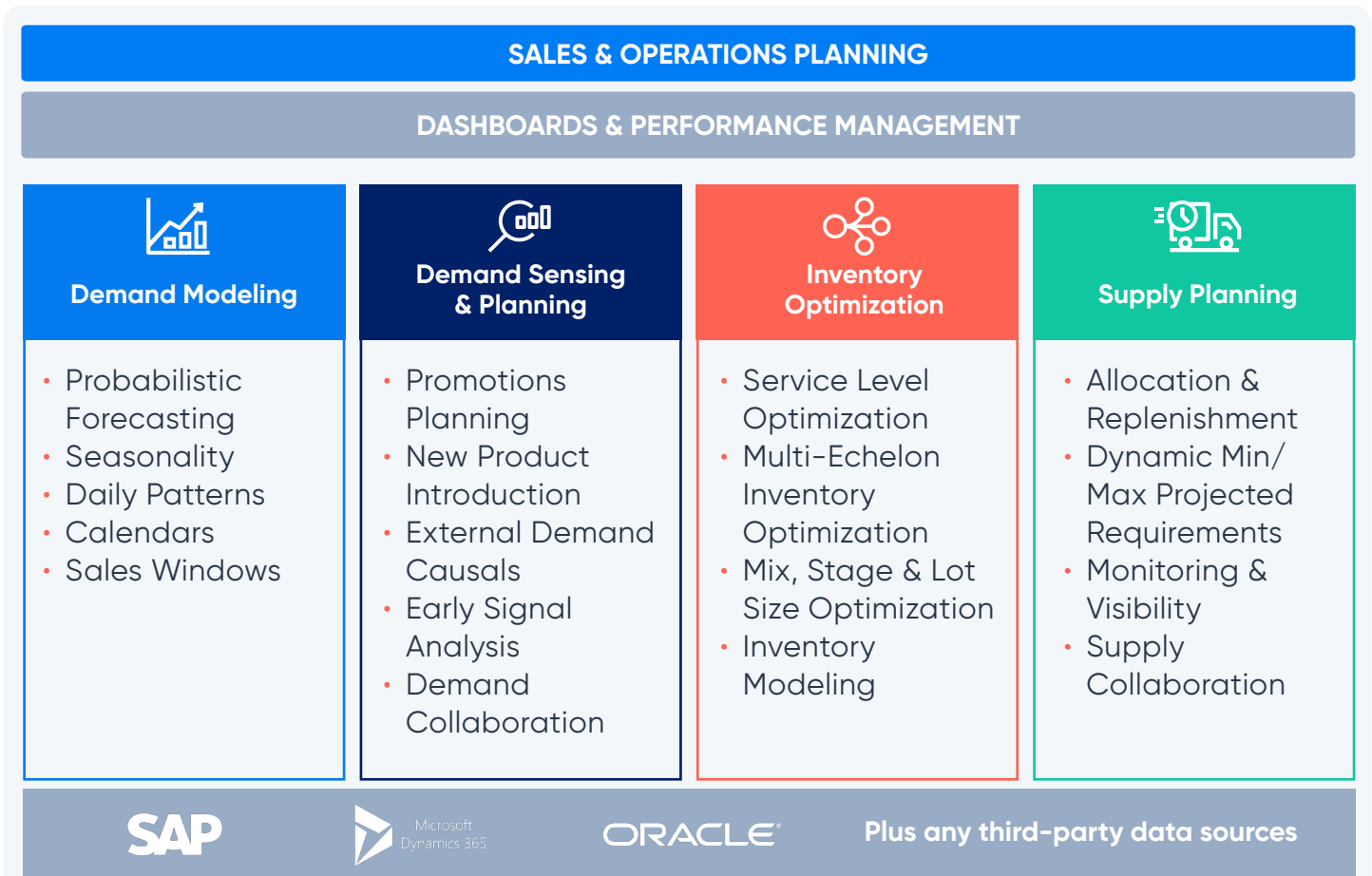


process that minimizes the bullwhip effect, scales easily, and provides deep insight into demand signals, inventory behaviors and supply chain volatility.

**/ Highly automated solution means your planners are more productive**

Our highly automated software ensures that your planners can be more productive at the strategy level instead of spending time putting out fires. Rather than a manually-intensive decision support tool, SO99+ is a solution to which planners can delegate much of the number-crunching, data manipulation and other grunt work. The result is a dramatic improvement in planner productivity and value-added work.

## Supply Chain Planning Solutions for Wholesale Distribution



## Get Up and Running Fast with Our Turnkey Planning Solution



With tight margins, timelines, and budgets, we know wholesale distributors don't have time to wait for six to eight months to improve planning results. With implementations as short as three months, you'll deliver significant business value in a fraction of the time of traditional deployments.

**Try our tools to help you build a powerful business case for service-driven planning:**

### // **Online Benefit Calculator**

Got 10 minutes? Take our online benefit assessment for a fast, accurate estimate of your supply chain planning opportunity in the areas of revenue, net profit, inventory reduction and inventory holding cost.

**[Try benefit calculator](#)**

### // **Guided Supply Chain Assessment**

This service provides a rapid assessment of supply chain health and delivers practical and quantifiable evidence of opportunity for improved business outcomes.

**[Download Guided Assessment brochure](#)**

<sup>(1)</sup><https://allenaustin.com/blog/todays-challenges-facing-wholesale-distributors/>

<sup>(2)</sup><https://www2.deloitte.com/content/dam/Deloitte/us/Documents/consumer-business/us-cb-wholesale-distribution-disrupted.pdf>

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