

Distribution Executives Agree: It's Time to Up the Ante on Order Management

Insights from Blue Yonder's survey of
wholesale distribution executives

Wholesale distributors face seemingly impossible challenges



Today's wholesale distributors are facing a completely transformed business landscape. The modern omni-channel sales environment has made business-to-business (B2B) customers incredibly demanding. They want to view available inventory in an on-demand manner, place orders and receive real-time status updates — whenever and wherever they want, via any device or platform. They want low prices, high service and reliable delivery promises. They want the same easy, frictionless experience they've learned to expect from consumer websites.

But that's just the beginning. Wholesale distribution has always been a cost- and asset-intensive business model, from inventory and labor to transportation. But today the skyrocketing costs associated with all these resources are stretching margins thinner than ever. To remain

profitable, distributors need to forecast and plan with amazing accuracy, as well as optimize execution for responsiveness, speed and efficiency.

Another seemingly insurmountable challenge? Constant surprises and disruptions, from product and labor shortages to blocked shipping lanes.

If the pandemic taught us anything, it's that every business must maximize its agility, responsiveness and decision quality as conditions change. To succeed in today's volatile environment, wholesale distributors must master the art of sensing disruptions early and then making fast, optimal decisions in response — balancing cost, service and other priorities.

How are they mastering these challenges? Blue Yonder went to the source

For wholesale distributors, the stakes have never been higher. Since the order management process lies at the heart of all these challenges, distributors are clearly focused on optimizing their order management capabilities. But what exactly are they doing to maximize their investments and drive performance improvements? Blue Yonder decided to ask them directly. We partnered with a third party to survey wholesale distribution executives about their critical order management challenges, their key objectives, and their future strategies and investments. This eBook reveals the findings of that study — some of which may surprise you.

Distributors face three key order management challenges

In Blue Yonder's survey of wholesale distribution executives, respondents communicated three top challenges:

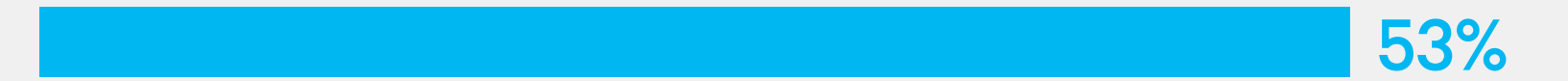
- **Manual handling and interventions.** Over half (53%) of executives report that manual handling of the order management process, and manual interventions when disruptions occur, is a significant problem for their organization. This isn't surprising. Distributors operate in a complex, volatile environment that's hard to navigate using slow-moving, resource-intensive, error-prone manual processes. This approach is bound to lead to both delayed responses and suboptimal decisions.
- **An inability to provide accurate and real-time promising.** More than half (51%) of distribution executives say their organizations are challenged by an inability to define accurate, real-time customer promises. This can be expected in a fast-moving environment that's characterized by enormous amounts of data about inventory availability and location,

transportation options, shipping and labor costs, and other factors. If distributors are trying to manage this complexity via manual processes and human cognition, they're certain to fall short.

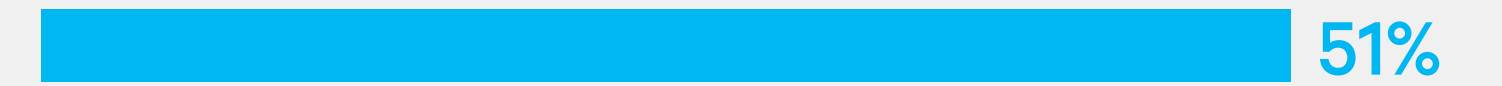
- **Disrupted supply and demand, leading to suboptimal allocation.** Upstream and downstream disruptions are no longer a rarity; unfortunately, they've become a fact of life. Lacking digital tools and decision automation, it's no wonder 41% of respondents report their company is making suboptimal allocation decisions as they struggle to manage disruptions using manual processes.

Other challenges cited by respondents include siloed inventory (named by 25%), facility requirements variations (18%), frequent delivery date changes (18%), and order splits (14%).

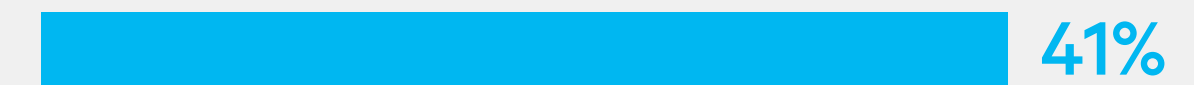
Manual handling and interventions in order management process



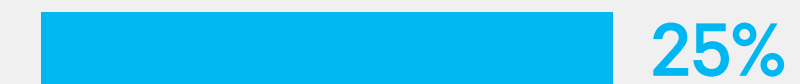
Inability to provide accurate and real-time promising to customers



Disrupted supply and demand causing sub-optimal allocation decisions



Siloed inventory: customers tied to one plant or warehouse



Facility requirements variations



Frequent delivery date



Order splits



Other

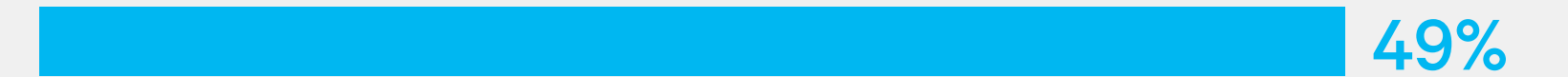


These challenges come with high costs

According to the executives surveyed by Blue Yonder, these challenges are impacting revenue growth, operations costs, profitability, productivity, customer service and customer retention. Manual processes, a lack of real-time visibility, ongoing disruptions and other top challenges are directly related to these performance problems:

- **Missed sales opportunities.** About half (49%) of respondents believe their organization is losing out on potential new revenue because of the challenges reported in the previous question.
- **Inefficient employees and processes.** 47% of distribution executives believe their associates and processes need to be more efficient and productive.
- **Increased inventory costs.** Inventory is a huge cost center. Inaccuracies and inefficiencies lead to investments in “buffer” inventory, which erodes margins. 45% of executives claim increased inventory costs are a problem for their business.
- **Reduced productivity and service levels.** Today the customer is king, but 43% of respondents say that manual processes and other challenges are impeding their ability to achieve high levels of productivity and customer service.
- **Reduced fill rates and increased expedites.** Lacking real-time visibility, many wholesale distributors struggle to match supply and demand accurately, as well as make reliable promises. 43% of executives want to improve their fill rates and their on-time deliveries — without relying on expediting.
- **Dissatisfied customers and lost accounts.** Perhaps the biggest cost? 41% of executives report that their inability to master strategic challenges has led to not only low levels of customer satisfaction, but also customer loss. In today's crowded omni-channel marketplace, customers have many options.

Missed sales opportunities



Inefficient employees and processes



Increased inventory costs



Reduced productivity / reduced service levels



Reduced fill rate / increased expedites



Dissatisfied customers / customer loss



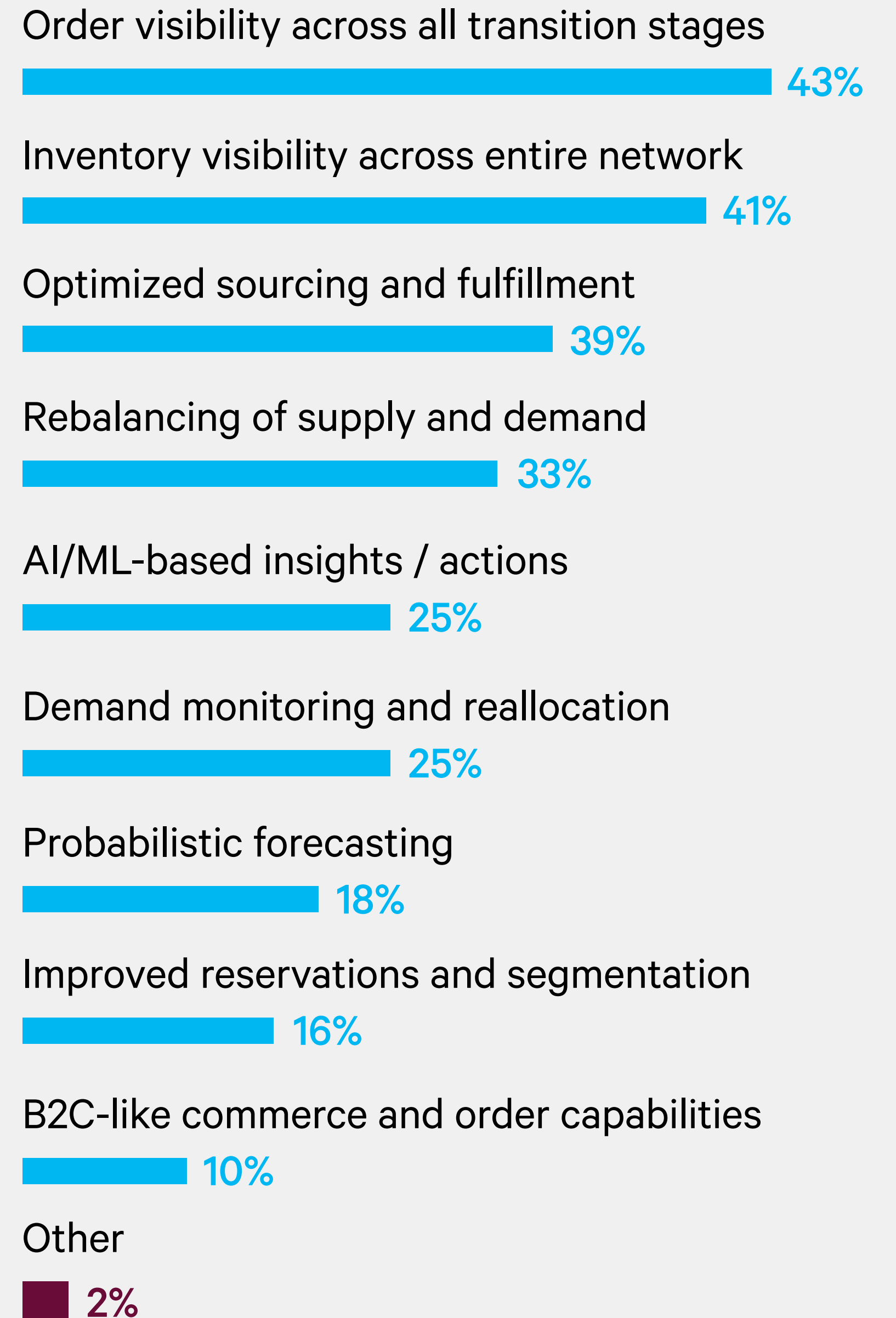
Visibility and process optimization are becoming imperative

What would executives like to improve about their order management process? Most of the items on their wish list focus on an improved ability to see, track and respond to conditions across the network in real time. They also want to optimize their end-to-end order management processes, from forecasting to fulfillment. The top six capabilities named by executives are rapidly becoming imperatives for survival in today's omni-channel world:

- **Order visibility across all transition stages.** 43% of execs want their organization to improve in its ability to track orders in real time across the order management process.
- **Inventory visibility across the network.** 41% of respondents believe real-time visibility of inventory, across the entire network, is a critical capability.
- **Optimized sourcing and fulfillment.** Process optimization is key in maximizing accuracy, efficiency, speed and decision quality. 39% of participants place a priority on optimized sourcing and fulfillment.

- **Rebalancing of supply and demand.** As conditions change, distributors need to react dynamically. 33% of executives say the ability to rebalance supply and demand is essential.
- **AI- and ML-enabled insight and actions.** 25% of respondents recognize the importance of using artificial intelligence (AI) and machine learning (ML) to gain insights and fuel actions in a complex environment that exceeds human cognition.
- **Demand monitoring and reallocation.** Lacking insight into changing demand, distributors are unable to allocate products to the right channel and location. 25% of participants cite this as an area for improvement.

Other priorities include probabilistic forecasting (named by 18%), improved reservations and segmentation (16%), and business-to-consumer (B2C) like commerce and order capabilities (10%).



Many wholesalers are already upping the ante

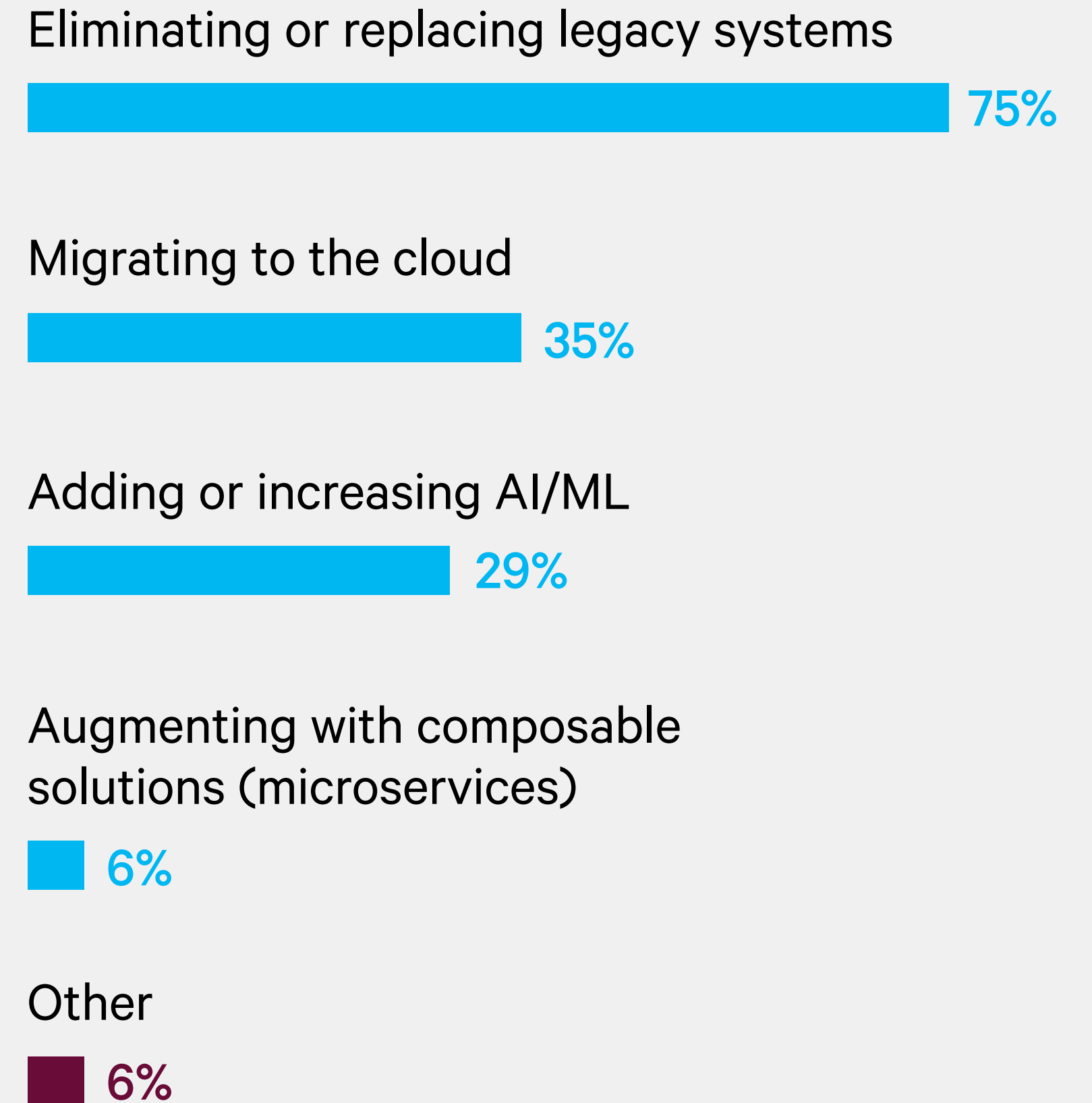
The respondents in Blue Yonder's survey aren't just paying lip service to achieving these order management improvements. 43% of distribution executives report that their organization is already investing in a transformation of their order management process. Another 41% are planning to invest in updating their order management capabilities. Only 16% have no clear plans, but are considering an upgrade.

What exactly are these executives working on? The overwhelming majority (75%) are eliminating or replacing their legacy order management systems. One surprising finding of the survey is that 41% of companies are still relying on an in-house, homegrown system for managing orders.

It's not surprising that so many distributors are replacing these older systems with new, purpose-built order management system (OMS) solutions. Distributors have access to enormous data volumes — about demand, supply, inventory, and third-party factors that impact their supply chains — but most lack the ability to fully leverage that

information. Their manual analysis and labor-intensive processes can't keep up with today's volatile environment. They're not equipped to make the right decision — or execute any decision fast enough. And they can't offer customers or employees the B2C like interfaces that are more intuitive and obvious for modern users. Dedicated OMS solutions address all these needs.

In addition to the 75% of respondents who are replacing legacy order management systems, 35% are migrating to the cloud, 29% are adding or increasing their AI and ML capabilities, and 6% are exploring the addition of flexible, composable microservices.



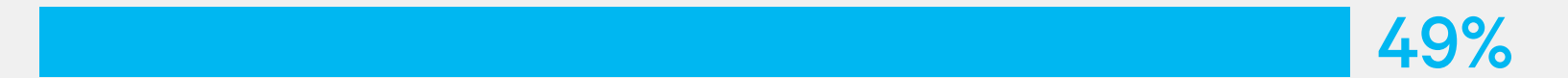
Digitalization and automation represent the clear solution

By investing in a digital transformation of their order management process, companies are positioning themselves to address their most pressing challenges. When Blue Yonder asked executives about their top order management goals for the next 12 to 18 months, every single one of these goals can be addressed by advanced order management technology:

- **Gaining real-time visibility into inventory and order orchestration.** About half (49%) of survey respondents are looking to gain real-time visibility into their company's inventory and order orchestration activities. This is a key capability of modern OMS solutions.
- **Improving fill rates and service levels.** In today's hyper-competitive landscape, 37% of executives place a priority on driving higher fill rates and service levels. Advanced OMS solutions have been proven to dramatically impact these metrics.
- **Increasing inventory and product assortments.** Advanced OMS technologies are designed to define assortments at a granular level to offer customers the specific products they're looking for, an objective for 22% of participants.

- **Enabling e-commerce and omni-channel offerings.** By replacing their outdated legacy system with an OMS that's built for modern commerce — a goal for 20% of executives — distributors are positioning themselves for success.
- **Automating the order allocation process.** In today's fast-moving, disrupted environment, it's imperative to automate the allocation process, enabling fast and high-quality decisions. 20% of respondents want to achieve this in 12 to 18 months.
- **Creating a more consumer-like ordering experience.** 18% of distribution executives prioritize improving the customer experience by providing an easy, seamless ordering process that mimics the B2C experience.

Gain real-time visibility into inventory and order orchestration



Improve fill rate and service levels



Increase inventory and product assortment



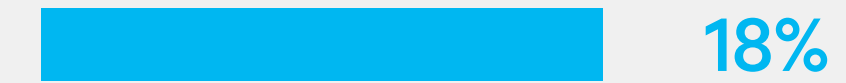
Enable ecommerce and omnichannel offerings



Automate order allocation process



Create a more consumer-like ordering experience



Other



Blue Yonder is your partner in order management optimization

The challenges facing wholesale distributors today are complex. But Blue Yonder's Order Management solutions are built to manage this complexity, from probabilistic inventory forecasting and dynamic safety stock predictions to time-phased available-to-promise insights. Dashboards, reports and alerts drive employee engagement, while analytics and metrics support continuous cost and service improvements.

Enabled by proprietary AI and ML, Blue Yonder's optimization engines create automated order management recommendations that balance profitability, customer service, sustainability and other outcomes. Because AI and ML greatly exceed the cognitive abilities of human planners, they can consider enormous volumes of data, support continuous planning and re-planning, and drive fact-based decisions that all stakeholders can agree on.

A flexible microservices-based approach allows wholesalers to quickly deploy Blue Yonder Order Management solutions and start realizing value immediately. These capabilities are easy to add

to the current technology stack and can be easily scaled as order volumes grow. And the consumer look and feel of Blue Yonder's Order Management solutions minimize the need for employee training.

Blue Yonder's Order Management microservices have been acknowledged for their industry leadership, including the following honors:

- 2023 Forrester Wave: Order Management Systems
- 2023 IDC Order Orchestration & Fulfillment Marketscape
- 2023 QKS SPARK Matrix: Omnichannel Order Management Systems
- 2022 Gartner Market Guide for Retail Distributed Order Management

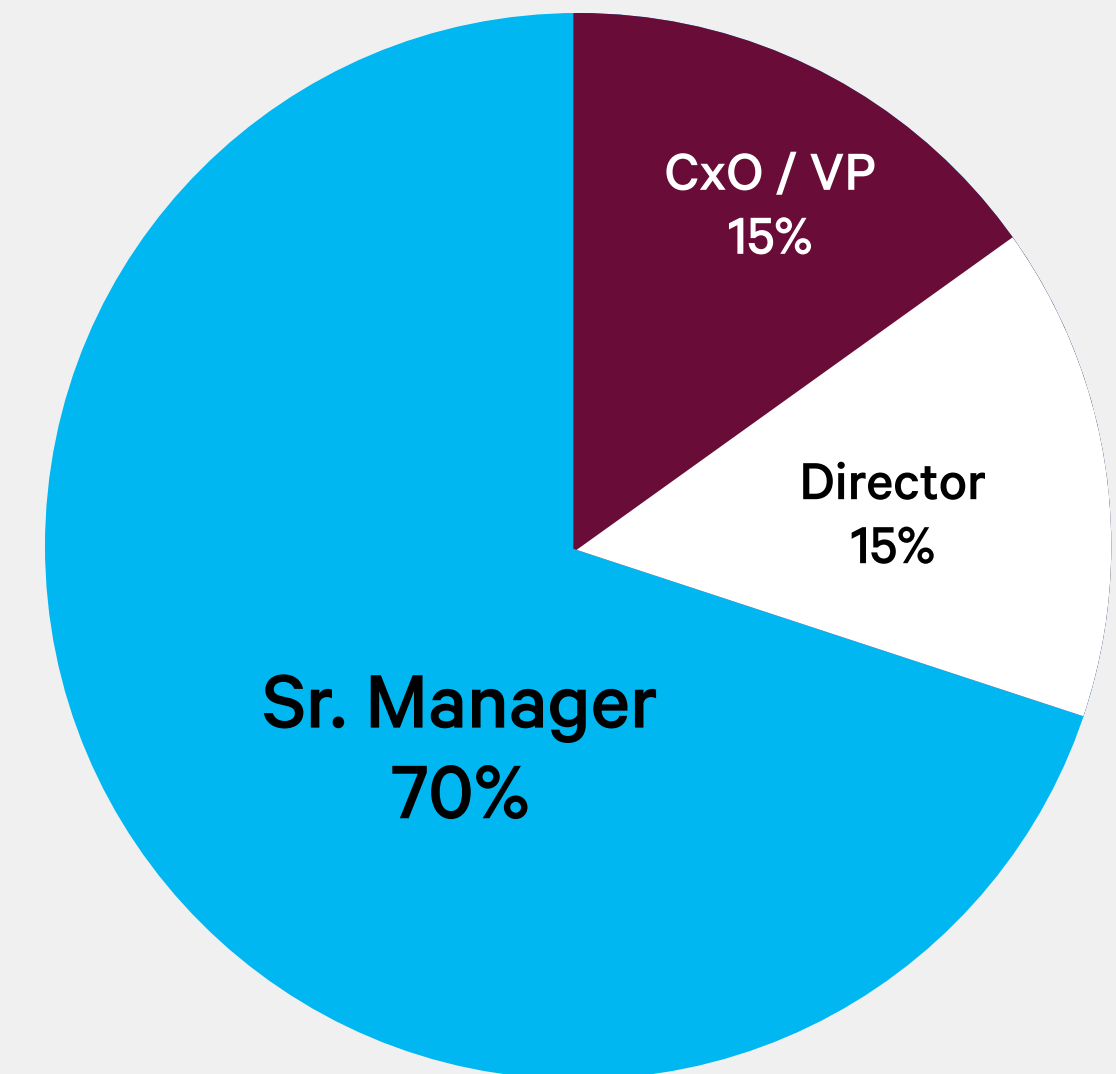
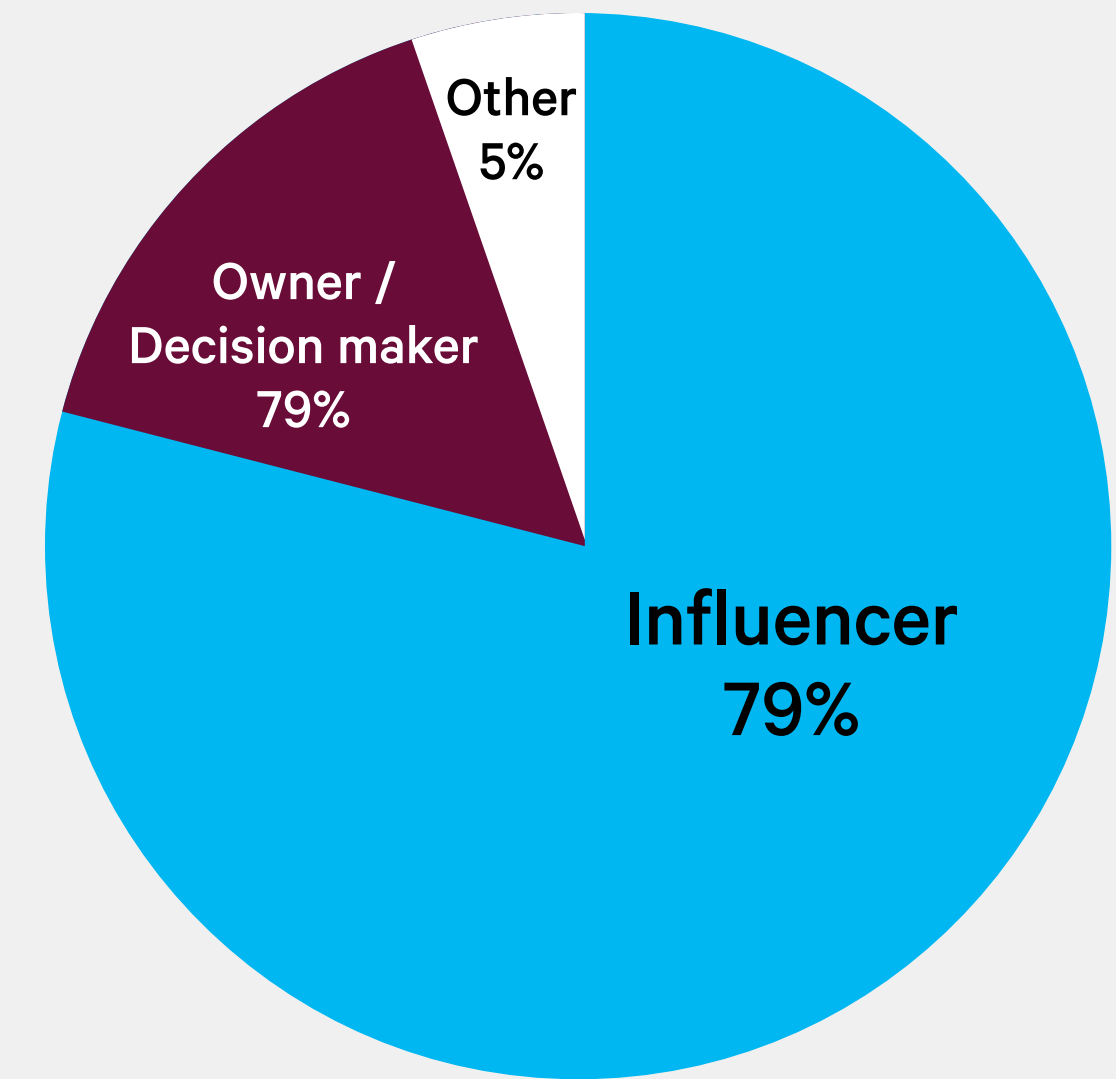


For this survey, Blue Yonder asked key decision-makers

Between August and October 2023, Gatepoint Research invited selected executives to participate in a survey sponsored by Blue Yonder called "Commerce and Order Management Strategies." Candidates from several industries were invited via email, and 51 executives agreed to participate. 100% of responders participated voluntarily; none were engaged using telemarketing.

The management levels represented in the survey are all senior decision-makers: 15% hold a C-suite position or are VPs, 15% are directors, and 70% are senior or department managers.

All respondents play a role in e-commerce or order management decisions. 79% are influencers, and 16% are primary decision-makers or owners of the order management process.





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