

A hand is shown interacting with a digital screen that displays various financial data, including line charts and numerical values. The screen is illuminated with blue and green light, creating a high-tech, digital atmosphere. The text is overlaid on a semi-transparent white box in the upper right corner.

Embracing the Digital Economy in the Wholesale Distribution Industry

Innovate and Thrive to Secure Your Leadership Position in the Value Chain



Run Simple



We envision the digital framework for wholesale distribution as one that will enable you to win through innovative new business models, simplify and improve the way you work with your customers and suppliers, and enable your employees to grow their businesses.

Karen S. Lynch
Vice President, Global Head,
Wholesale Distribution Industry
Business Unit
SAP

Dear Customers,

Are you an innovator or a follower? Disrupter or disrupted? Growing or stagnant? Digital predator or digital prey? The choice is yours.

Today's competitive markets demand that wholesale distributors evolve more quickly, become more efficient, and provide memorable customer experiences. For decades, distributors have thrived primarily on great existing customer relationships. In the new millennium, simply breaking bulk and having great relationships are not enough. Today, leading distributors are using digital technology to create, deliver, and sustain new and meaningful customer experiences. If you're not thinking about how to incorporate technologies such as drones, 3D printing, smart vending machines, customer-facing apps, and more into your strategy, you will be left behind.

To survive, companies must rethink business processes and models and use of their vast wealth of data to remain relevant and leapfrog their competitors. Disrupters are making headway in markets traditionally served by distributors, and customer and employee expectations are changing rapidly.

Big change always comes with risk, but it also offers untold opportunity to innovators. To capitalize on the opportunity, wholesale distributors are investing in a set of strategic priorities:

- **Using value-added services to create new revenue sources** – Offer services such as light manufacturing kitting
- **Becoming a real-time distributor** – Deliver within hours by using drones or Uber drivers
- **Providing infinite inventory** – Use 3D printing in-house or at a customer location

To execute the strategic priorities, leading distributors are:

- **Reimagining business models** to identify and monetize new opportunities
- **Reimagining business processes** to optimize business outcomes by implementing bold initiatives to completely automate core, highly administrative processes
- **Reimagining the role and structure of their workforce** to support their current and future business

Reimagining business requires guts, determination, and a digital framework that underlies both internal business processes and models as well as external customer interactions. All stakeholders – customers, suppliers, and employees – will use digital innovation. This paper will show you how you can begin to execute on this vision by providing examples of how you can survive in the present and thrive in the future. This will require focusing on customer engagement opportunities, offering new services, executing on processes that easily enable insight to action, integrating cloud-based business networks, tapping into an extended workforce, and building the bridge to advanced solution landscapes using new technologies.

This document offers our perspective on where the industry will go and how SAP can help in the evolution of the digital economy. We thank you for your interest and look forward to your feedback.

Karen S. Lynch

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THE BIG PICTURE

The digital economy is real and will continue to transform wholesale distribution business.

The digital economy

Three technology trends are shaping the digital economy – artificial intelligence and machine learning, augmented reality, and the Internet of Things (IoT). The pace of change is staggering. In the next 10 years, 40% of the S&P 500 will no longer exist if they do not keep up with these technology trends.¹ Leading wholesale distributors are preparing to use digital tools to find new answers to questions such as:

- What are the profitable new business models and trends in marketplaces, 3D printers, drones, smart vending, and data science?
- How do we capitalize on the demand for more and new services in a hyperconnected world?
- Which trends and technologies from adjacent industries are influencing distributors (retail, consumer products, and life science manufacturers)? And, does it matter, or are the new market disrupters the real threat?

Disrupters are emerging quickly and from unexpected places

The wholesale distribution industry boundaries are already blurred. Large players such as Amazon, Alibaba, and others provide personalized, business-to-consumer (B2C)–like services that customers have come to expect. Key questions include:

- How do we ensure that our customers are at the center of everything we do, and how do we sustain and grow customer relationships with new digital services?
- Which market spaces are most attractive for new disruptive competitors, and how do we defend our position and win or keep the business?
- Who are the right partners on our journey?

Aware but unsure

Executives know the world has changed. Research shows 90% of CEOs believe the digital economy will have a major impact on their industry, but only 25% have a plan in place, and less than 15% are funding and executing on the plan.¹

Early adopters are winning

Companies that embrace the digital world and execute on a digital strategy grow shareholder and stakeholder value faster than their peers. The nature of the digital framework forces participants to synchronize and collaborate to deliver quality products at a fair price, at the exact moment the customer needs them, with the value-added services they expect. Wholesale distributors are focusing on the business segments that allow market leadership and differentiation. They are able to understand which tasks are better allocated to a partner in their network and are able to continuously adapt to changing market conditions.

WHAT DOES THIS TELL US?

The road map to relevance is to reimagine business models and proactively evolve before new digital competitors emerge. Leading distributors are:

- Reinventing and digitalizing the business
- Cooperating with partners to achieve economies of scale
- Digitalizing engagement with customers

Today, every business is a technology business.

Access more information
on the latest technology
trends here:



**Digital business
models are disruptive.
The rules have changed.**

- **Fastenal** boosted its FAST Solutions vending total 15.7% to 50,620 smart vending machines for the quarter compared to the same quarter a year ago. "The vending machine is a sign of engagement with your customer. If you are truly engaged with your customer, you should be able to put vending machines out there, and it makes the business stickier."²
- **National DCP** is an exclusive cooperative for more than 8,000 Dunkin' Donuts establishments that recently implemented a number of SAP solutions. "This was an unprecedented amount of change at one time, touching every system, every process, and the underlying platform. At the same time, it was the fastest way to accelerate our business progress with the least amount of risk from a technology perspective."³

EXECUTIVE SUMMARY

The Future: Strategic priorities for wholesale distributors

In today's competitive marketplace, it is essential to focus on the right strategic priorities to drive digitalization across the business. Distributors must reinvent themselves from a warehouse of products for serving demand to information-centric companies that utilize new business models to gain competitive advantage. It will no longer be possible to survive by simply breaking bulk. Working with leading companies across the globe, we see investments around three strategic priorities.



1. **Using value-added services to create new revenue sources** – everything from light manufacturing and kitting, to ad-hoc virtual training, to automated tracking of sensors for maintenance, to predicting future demand patterns based on long-term weather forecasts



2. **Becoming a real-time distributor** by using drones or Uber drivers to deliver within hours. Use predictive analytics to track demand patterns and recommend order items and quantities. Incorporate social media feeds into your customers' apps for immediate feedback from their customers on processes and programs.



3. **Providing infinite inventory** by using 3D printing in-house or at a customer location. Master the art of spot buying to provide an infinite catalog of products. Make full use of the business network to become the master distributor for a group of products or geography.

Successfully embracing the opportunities from new technologies and consequently addressing these three strategic priorities will be the foundation of successful digitalization and staying ahead of the innovation curve.

REIMAGINING

Do you have the right strategy? Start by reimagining your business, with business outcomes and customers at the center.

Reimagine business models to drive competitive advantage by expanding beyond traditional boundaries. Reimagine business processes to dramatically change the way you can do business. Reimagine work based on real-time information to make the right decisions and drive immediate impact.



US\$50 billion

In incremental revenue is available through simplification in the United States, the United Kingdom, and Germany combined⁴



81%

Believe simplification is important for their organization, and 88% admit IT investment is important to achieve simplification⁵



36

Enterprise apps per billion dollars in revenue for the average company. This is driving most of the technical complexity.⁶



REIMAGINING

THE DIGITAL ECONOMY OFFERS INFINITE OPPORTUNITIES

In a connected world where every company is becoming a technology company, smarter products and services will refocus commerce on business outcome and blur industry lines.



REIMAGINE BUSINESS MODELS

Distributors must reinvent themselves from a warehouse of products for serving demand to information-centric companies that utilize new business models to gain competitive advantage. It will no longer be possible to survive by simply breaking bulk and having great legacy customer relationships. The time to digitally transform is now.

Value-added services distributors

For years, most distributors have been providing value-added services, many of which have been free of charge. Leading distributors will take these value-added services to the next level and use them to significantly increase revenue and bottom-line profitability. Consider providing your customers with a menu of a la carte options, such as:

- Light manufacturing and kitting on orders
- Ad-hoc virtual training for restaurant operators on how to prepare new entrees to installing and maintaining equipment
- Sensors embedded by the manufacturer in products that will notify your customers of their own customers' equipment downtime
- Predicting future demand patterns based on long-term weather forecasts and recommendations on reorder quantities based on this information
- Acting as a financial institution by providing lending services

Real-time distributor

All customer touch points can and will be in real time: logistics, ordering, payment, marketing through social media, and even training.

- Use drones or Uber drivers to deliver orders within hours, not days
- Use up-to-the-minute predictive analytics to track demand patterns and automatically recommend order items and quantities
- Incorporate social media feeds into your customers' apps for up-to-the-minute feedback from their customers on processes and programs
- Install smart vending machines at your customers' locations or job sites so they can access what they need when they need it

Infinite inventory distributor

By becoming an infinite inventory distributor, you will significantly reduce inventory carrying costs yet still give your customers access to an unlimited number of products and services.

- Use 3D printing in-house to print nonstock parts, or give your customers a 3D printer and sell them the specs so they can print parts in-house, on demand. The specs can be limited by the number of prints or a certain time frame
- Effectively use spot buying to provide an infinite catalog of products
- Become the master distributor for a group of products or for a geography by fully leveraging the business network



NEW TECHNOLOGIES

Prime Air – a future delivery system from Amazon designed to safely get packages into customers' hands in 30 minutes or less using drones ⁷



SUPERIOR CUSTOMER EXPERIENCE

Fastenal has 50,000 industrial vending devices installed at customer sites. Vending has quickly become a core part of Fastenal's business and an important growth driver.⁸

REIMAGINE EVERYTHING



REIMAGINE BUSINESS PROCESSES

Any business process can and will be modernized and digitalized. The time to plan and execute is now.

OPPORTUNITY TO CASH

Exceptional customer experiences

Become easier to do business with. Provide a vast variety of ordering channels from call centers, Web sites, text messages, and in-person interaction to deliver the exact products and services your customers need when they need them. The customer experience today constitutes a lifecycle, not just an interaction restricted to the front end of the enterprise. Customers expect a consistent experience during each and every touch point with your organization.

PROCURE TO PAY

Business networks for goods and services

Predefine suppliers, pricing, safety stock, or reorder points to enable touchless and automated processing. Automation of these highly manual processes will enable employees to focus on customer-centric activities, which will help to improve loyalty and ultimately increase sales.

PROFITABILITY OPTIMIZATION

Predictive analytics

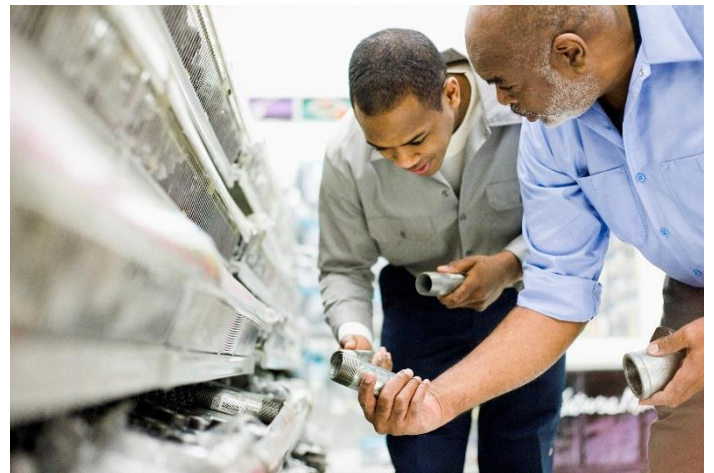
Data should be used to forecast and predict, not reminisce. Enable the business to react to trends in real time. Imagine being able to tell your customers which products they will need and when they will need them, well before they are even aware of a potential shortage.

Customer insight and segmentation

Segmentation and stratification of your customer base and those individuals within the customer base who interact with you will transform marketing, personalization, and customer loyalty. This will enable you to focus on improving and nurturing relationships with your most profitable customers, and to take insight-driven action to improve business operations with your least profitable customers.

Cost recovery and rebates

Negotiate the best deals with suppliers to increase margin, optimizing chargebacks, pricing, and inventory levels. Handle complex, high-volume financial processing in your own company or as a service for business partners. Today, many companies are leaving significant revenue on the table, as rebate and chargeback processes are still manual. With digital solutions, the process can be completely automated to ensure that every opportunity to collect is captured.



8%–14% sourcing savings with integrated strategic sourcing and a supplier management solution⁹



Ingram Micro achieved 50% greater business-to-business order entry utilization in specific channels¹⁰

REIMAGINE EVERYTHING



REIMAGINE WORK

Employer-of-choice status goes beyond recruitment and retention – to fundamentally revolutionizing the way people engage with peers, customers, other business partners, and the organization itself.

Every substantial business transformation automates manual tasks, enriches jobs, and drives efficiency.

Eliminate work all together by digitalizing manual steps in the process (for example, invoice and payment processing). This will enable your employees to focus on true value creation and customer service. It will also enable you to reallocate your employees to tasks and responsibilities that are more customer focused and customer facing, to help drive additional revenue and bottom-line results.

Improve productivity and profitability by enabling users to access the right information at the right time on any device. Employees will have immediate access to what they need, when and where they need it, to quickly and easily complete simple and complex tasks.

Employ a flexible, lower-cost workforce to address customer demands in real time by onboarding part-time, temporary workers to fill gaps or spikes in business demands. This contingent workforce can be used to provide additional services to customers if and when you don't have the skills in-house. For example, a temporary service technician can be called upon to train your customers on how to service and maintain equipment they have purchased from you.

People continue to be key assets in the wholesale distribution digital economy. Their roles will change, but their value to each area of the business will grow.

Use predictive and self-learning software to improve collaboration, productivity, and engagement to optimize business decisions. Employees will have the power to learn on demand, enhance their skills, and become more productive and effective.

Use interactive technology to improve user experiences, including voice recognition, visualization, and gaming. The lines between work and personal experience have blurred, so enable your employees to use the tools and technology at work in much the same way they use them at home.



Al-Futtaim has realized \$433,232 in savings to date by delivering learning online.¹¹



As the wholesale trade sector can expect a substantial exodus of workers in the forthcoming years, employers may face tensions in matching workers to jobs. This may require rethinking longstanding workplace practices.¹²



SAP DIGITAL TRANSFORMATION FRAMEWORK

A SIMPLE AND PROVEN APPROACH TO VALUE CREATION THROUGH DIGITALIZATION

Every company in the wholesale distribution industry requires a simple digital approach to build a pragmatic and executable vision on its digital strategy.

SAP DIGITAL TRANSFORMATION FRAMEWORK

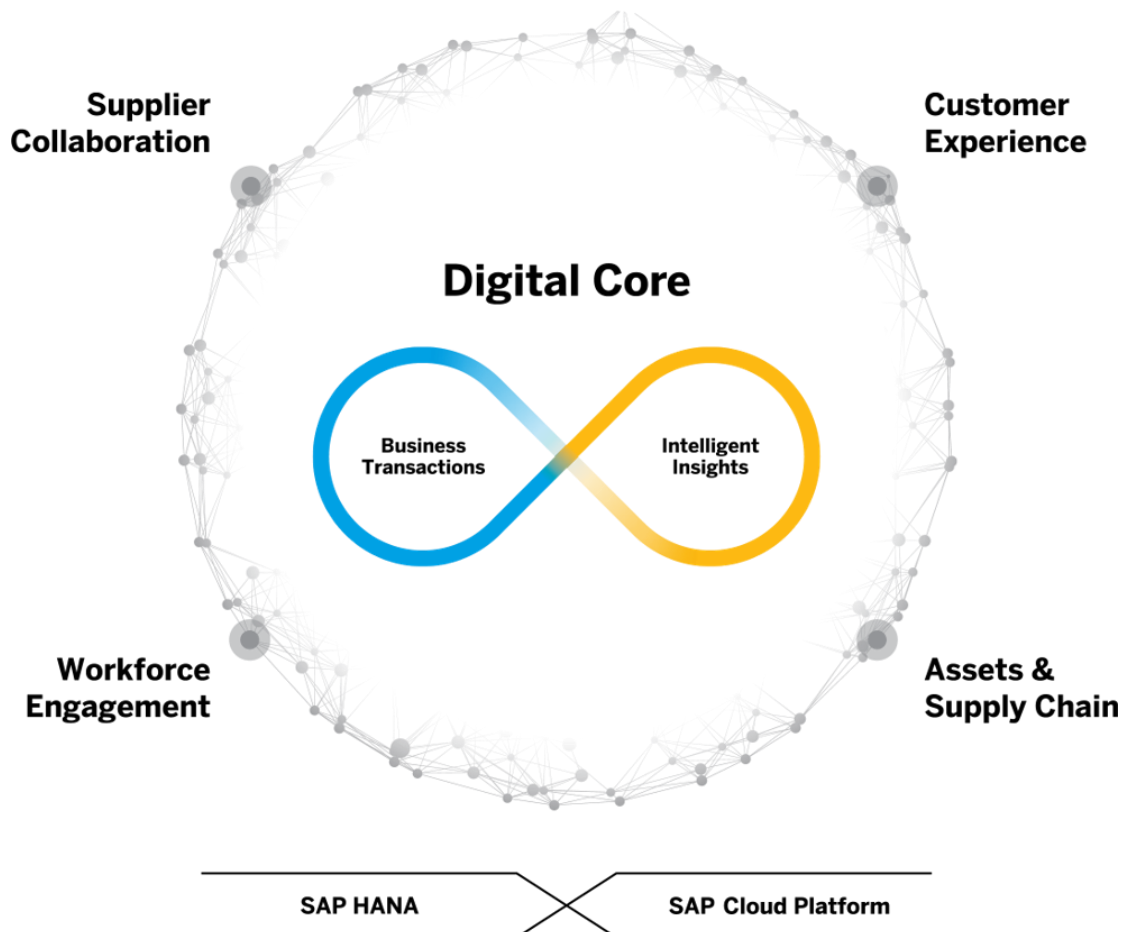
Every wholesale distributor needs to think about digitalization across key pillars.

Wholesale companies are looking to address the digital convergence across B2B and B2C. By realizing the importance of integrating workflows and technology to address each of the digital pillars – customer, supplier, workforce core business processes, business networks, and the IoT – leading wholesale distributors are transforming, reengineering, and finding hidden ROI within their business. Each of these digital pillars plays a vital role in harnessing the profit from dynamic, savvy, and empowered consumers that are masters of the marketplace.

This concept, which is often referred to as “bimodal IT,” is brought to life through the SAP Digital Transformation Framework methodology, pictured below.

The **digital core** is the foundation for the core enterprise processes, which need to run consistently and uninterrupted. It provides real-time transactions and analytics, the ability to work with Big Data, and connectivity to the outside pillars of the framework.

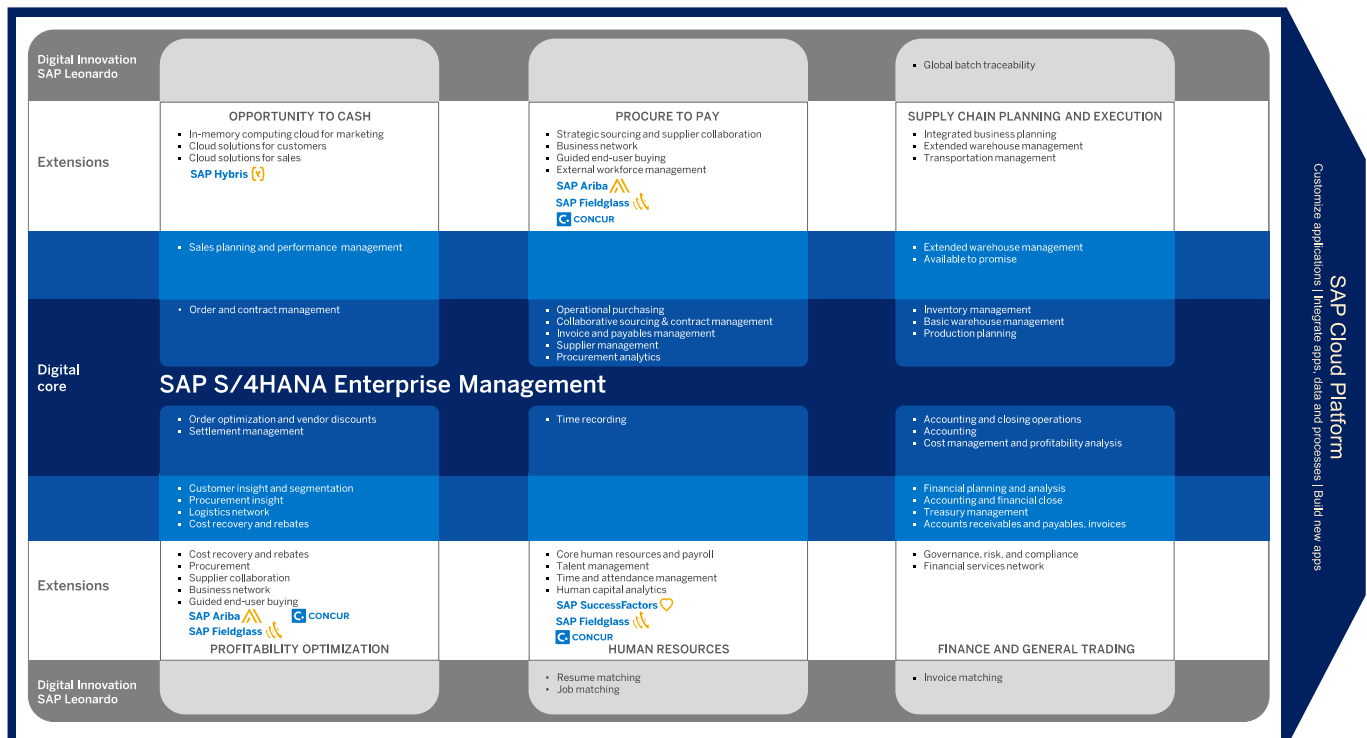
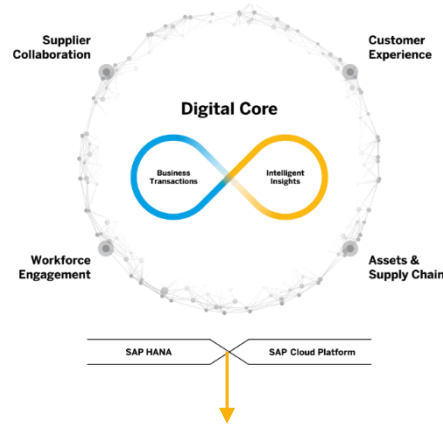
1. Ensure premium, consistent **customer** service across all channels with new insight-based business models.
2. Attracting and retaining a talented **workforce** is vital. As business models change, skills can be supplemented with contingent workers to meet new and unique business requirements.
3. **The IoT and supply chain** fuels new business models such as predictive maintenance and more-efficient energy consumption at all locations. This simplifies collaboration with suppliers and eliminates errors from business tasks such as invoicing, creating RFPs, order processing, and supplier selection. Forecasts will be more accurate, and it provides opportunities to create new sales channels.
4. **Business networks** allow management of the entire analyze-to-contract process and can drive significant sourcing savings, effectively managing contracts and collaborating more efficiently with suppliers – all while helping ensure compliance.



SAP PORTFOLIO WITH SAP S/4 HANA AND SAP LEONARDO

SAP has innovated its portfolio to provide both for a stable digital core as well as flexible line-of-business (LoB) extensions.

In the digital economy, simplification and business innovation matter more than ever. To do this effectively, it's important to cover the entire digital transformation journey, ranging from planning a digital innovation road map and implementation plan with proven best practices to the ability to run all deployment options and ultimately optimize for continuous innovation with a focus on outcomes. Processes are designed from the outset to flow end to end across the cloud-based solution extensions, listed in the white bands in the image below, and are fully integrated to SAP S/4HANA Enterprise Management and are optionally deployed to address business needs. The solution capabilities in the dark blue band below, the digital core, are delivered as part of SAP S/4HANA Enterprise Management. The capabilities in the lighter blue band, also in the digital core, are part of SAP S/4HANA Enterprise Management but added on as needed.



SAP Cloud Platform
Customize applications | Integrate apps, data and processes | Build new apps

- Digital core: Core solution capabilities delivered as part of SAP S/4HANA Enterprise Management
- Digital Core: Solution capabilities that are also part of SAP S/4HANA Enterprise Management, but added/purchased as needed.
- Extensions: Cloud-based (LoB) solution extensions that are *fully integrated* with SAP S/4HANA Enterprise Management, but added/purchased as needed.
- Leonardo: Solution capabilities that are powered by a Leonardo technology and included in the Leonardo suite and how to add/purchase is not shown on this diagram.

Learn more about SAP solutions today and discover planned innovations by accessing the SAP road map for whole sales distribution here:



Digitally reimagine your business models through new business capabilities along a value map.

Value-added services distributors

Real-time distributor

Infinite inventory distributor

Wholesale distribution companies need to reimagine business models and business processes to find new revenue and profit sources by:

1. Reinventing the business from a warehouse of products fulfilling demand to an information-centric company that uses new business models to gain competitive advantage

2. Addressing operational inefficiencies proactively and impacting bottom-line results while becoming easier to engage in business

Opportunity to Cash	Procure to Pay	Supply Chain Planning and Execution	Profitability Optimization	Human Resources	Finance and General Trading
<ul style="list-style-type: none">Streamline marketing operations by giving employees the insight they need to understand customer needsDeliver the right order – right on schedule – by collaborating enterprise-wide in real timeCoordinate marketing activities across channelsBoost delivery performance with embedded logic that automatically matches supply of an ordered item with demand	<ul style="list-style-type: none">Manage the entire analyze-to-contract processStreamline sourcing processesImprove source determination for direct materialsMitigate risk and enhance compliance with standardized contract-management processesStreamline material flows, support customer communication and collaboration, and make warehouse operations more transparent	<ul style="list-style-type: none">Govern and analyze demand streams and feed them into operational planningAutomate and tightly control the purchasing process through catalog-driven pricing, contract logic, and an approval workflowEnable complete visibility into inventoryUse live calculation of key performance indicators to analyze spend, contracts, and suppliers	<ul style="list-style-type: none">Aggregate disparate spend data, analyze it for new insights, and share new intelligenceCapture agreement and transaction data, manage claims, and control agreements – from initiation to settlementManage chargeback and rebate programsUnify all customer and market data into a single view	<ul style="list-style-type: none">Attract and retain the best employeesUtilize a flexible, lower-cost workforce to address customer demand	<ul style="list-style-type: none">Simulate and analyze scenarios to evaluate financial implications of strategic business choicesManage customer portfolios strategicallyIncorporate payment models for digital services into product calculation and financial reportingOversee complianceOptimize working capital
<ul style="list-style-type: none">Deliver real-time offers with real-time views of customer feedbackPlan and execute targeted, multichannel, and multiwave campaigns with dynamic content personalized based on customer behaviorGive internal sales with relevant insights, contacts, and collaborationPrioritize customers through business rules for back-order processing	<ul style="list-style-type: none">Provide near-real-time visibility into organizational spend and suppliersDrive sourcing savings, manage contracts, and collaborate with suppliersIntegrate barcode and RFID technology into outbound processes to manage just-in-time availability, unit handling, serial numbers, electronic data interchange, and proof of delivery	<ul style="list-style-type: none">Monitor the supply base to provide actionable intelligence and insights into supplier riskTake advantage of real-time analytics to better address orders, invoices, inventory, and costsStreamline vendor selection, sourcing negotiation, performance measurement, and invoicingIntegrate processes for sales, inventory, and operationsMatch supply to demand across the supply network	<ul style="list-style-type: none">Gain real-time visibility into spend data, suppliers, and ordersConnect and collaborate with the logistics network to comply with regulationsGain a 360-degree view of the customer with real-time profiles that track context, interests, and predictive scores	<ul style="list-style-type: none">Enable employees to make decisions in real time on any deviceUse predictive and self-learning software to improve collaboration, productivity, and engagement to optimize business decisions.Social media	<ul style="list-style-type: none">Mitigate increased financial risks associated with highly flexible supply chainsAnalyze profits across multiple dimensions such as product groups, customers, projects, profit centers, and warehouses
<ul style="list-style-type: none">React quickly to market opportunities with real-time market and performance insightsIncrease collaboration among internal and external teamsProvide status of mass-product availability to plan sales and production ordersOptimize marketing across channels, customers, and contentEngage your customers in a contextual experience	<ul style="list-style-type: none">Use a dynamic, centralized platform for supplier managementStreamline material flows and transparency across end-to-end inbound logistics operationsAutomate warehouse operation processesImprove asset utilization, help ensure on-time and accurate order fulfillment, and manage transportation costs	<ul style="list-style-type: none">Manage transportation requirements by planning, optimizing, tendering, and settling freight; booking carriers; managing forwarding orders; and complying with international trade and hazardous goods requirementsAutomate warehouse and distribution operationsPerform allocation management, order promising, replenishment, deployment, and manufacturing network planning	<ul style="list-style-type: none">Anticipate customer behavior with predictive analyticsGain a holistic understanding of the market's voice by systematically monitoring structured and unstructured data from call centers, e-mails, social media, and other channels	<ul style="list-style-type: none">Align employee performance and goals to create an engaged and high-performing workforceProvide employees with on-demand learning to improve skills and productivity	<ul style="list-style-type: none">Support financing and management of the risk of assets that are operated for customers through a product-as-a-service contractControl the finances of performance-based service contracts

Typical business benefits*

Customer satisfaction: +10%–20%

On-time delivery: +10%–30%
Inventory levels: -25%–30%

Supply chain planning: -3%–5%
Order fulfillment issue resolution: -50%

Revenue loss due to stock-outs: +10%–15%
Days in inventory: - +10%–12%

Employee turnover: -32%
Revenue per worker: +20%

Total logistics cost: -10%–12%

Internet of Things

Machine Learning

Analytics

Blockchain

Big Data

Digital Innovation SAP Leonardo	SAP Cloud Platform	Analytics Services	UX Services	Mobile Services	Security Services	Collaboration Services
	<div>Opportunity to Cash</div> <ul style="list-style-type: none">In-memory computing cloud for marketingCloud solutions for customersCloud solutions for sales <div>SAP Hybris</div>	<div>Procure to Pay</div> <ul style="list-style-type: none">Strategic sourcing and supplier collaborationBusiness networkGuided end-user buyingExternal workforce management <div>SAP Ariba SAP Fieldglass</div> <div>CONCUR</div>	<div>Supply Chain Planning and Execution</div> <ul style="list-style-type: none">Global batch traceabilityIntegrated business planningExtended warehouse managementTransportation management	<div>Profitability Optimization</div> <ul style="list-style-type: none">Cost recovery and rebatesProcurementSupplier collaborationBusiness networkGuided end-user buying <div>SAP Ariba SAP Fieldglass</div> <div>CONCUR</div>	<div>Human Resources</div> <ul style="list-style-type: none">Resume matchingJob matchingCore human resources and payrollTalent managementTime and attendance managementHuman capital analytics <div>SAP SuccessFactors</div> <div>SAP Fieldglass</div> <div>CONCUR</div>	<div>Finance and General Trading</div> <ul style="list-style-type: none">Invoice matchingGovernance, risk, and complianceFinancial services network
Extensions	<ul style="list-style-type: none">Sales planning and performance management		<ul style="list-style-type: none">Extended warehouse managementAvailable to promise	<ul style="list-style-type: none">Customer insight and segmentationProcurement insightLogistics networkCost recovery and rebates		<ul style="list-style-type: none">Financial planning and analysisAccounting and financial closeTreasury managementAccounts receivables and payables, invoices
Digital Core SAP S/4HANA	<ul style="list-style-type: none">Order and contract management	<ul style="list-style-type: none">Operational purchasingCollaborative sourcing & contract mgmt.Invoice and payables managementSupplier managementProcurement analytics	<ul style="list-style-type: none">Inventory managementBasic warehouse managementProduction planning	<ul style="list-style-type: none">Order optimization and vendor discountsSettlement management	<ul style="list-style-type: none">Time recording	<ul style="list-style-type: none">Accounting and closing operationsAccountingCost management and profitability analysis

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HOW DOES IT ALL COME TOGETHER?

While each of the digital business pillars delivers significant value as a stand-alone capability, the ultimate goal is to design the next generation of business processes that will span across all the digital pillars. Customer experience will not stop at the channel experience. Supply chain and services have to be aligned with the customer experience strategy if products and services are to be delivered as promised.

Use sensor data, omnicommerce, and business networks to provide customers with the exact product they need when the existing product is at the end of its lifecycle.



Example: The process flow described on this page portrays how leaders in the wholesale distribution business can integrate their operational technology and information technology to better serve their customers. These two technology platforms are typically owned and operated by two different parts of the business. In the new digital framework, the value will come from the interoperability of these environments.

In this example, a sensor was embedded in a pump during the manufacturing process. Because the distributor has collected the data from the sensor, a service technician can now be signaled, through text message, that the pump is malfunctioning.

The service technician can view, on any device, where the malfunctioning pump is located, and then evaluate whether to repair or replace the pump based on labor hours and total cost. He determines that the pump needs to be replaced, so he visits the distributor's Web site to order a new pump.

It becomes clear during the ordering process that the customer needs assistance, so the distributor's customer service agent launches an online chat. The right pump is selected and ordered for next-day delivery. Since this pump is not stocked at the distributor, a spot buy from a preapproved supplier is executed with a dropship to the customer's location.

As the service technician begins to install the new pump, he quickly recognizes that he needs assistance. He scans the QR code on the pump and is directed to the distributor's site where he sees, in specific detail, the step-by-step process required to install the new pump.

The benefits of this scenario are significant:

- Increased customer satisfaction and loyalty
- Zero downtime for the distributor's customer
- Higher productivity
- New services and new revenue streams

Watch a video illustrating this example here:





FROM YOUR CURRENT STATE TO DIGITAL

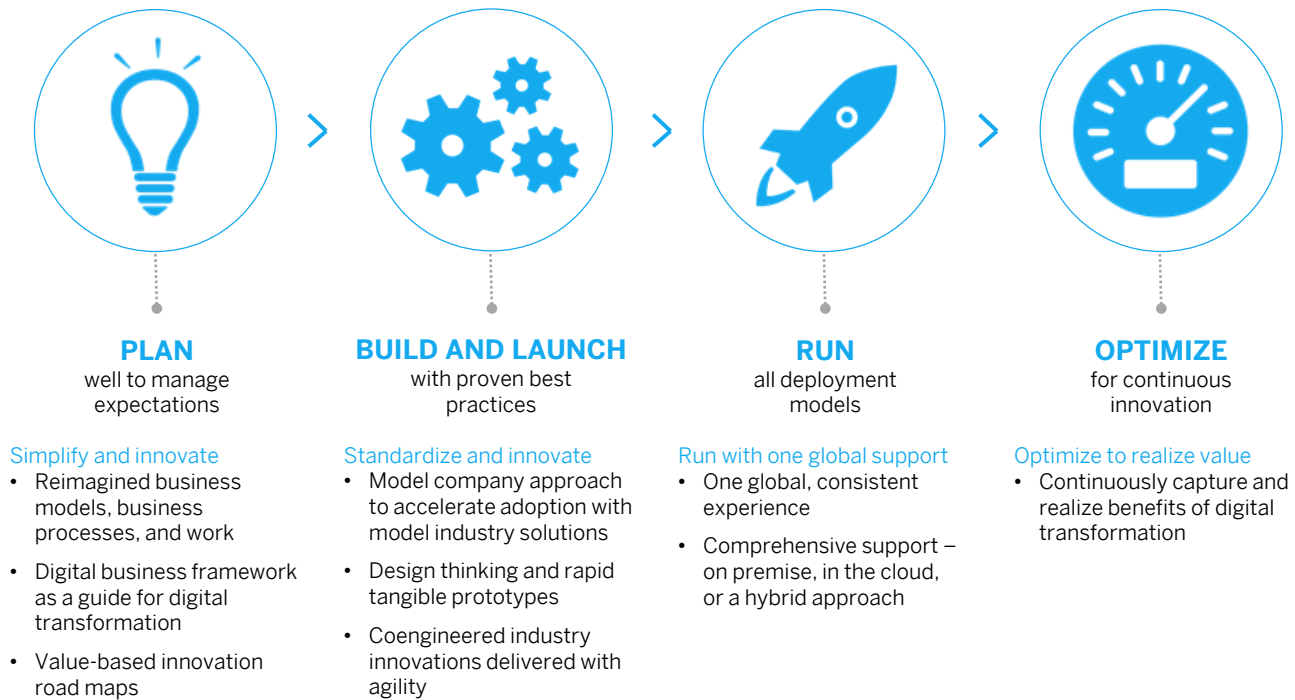
The journey to becoming a digital distributor begins with planning a digital transformation road map.

TRANSFORMING FROM YOUR CURRENT STATE TO DIGITAL

The keys to success

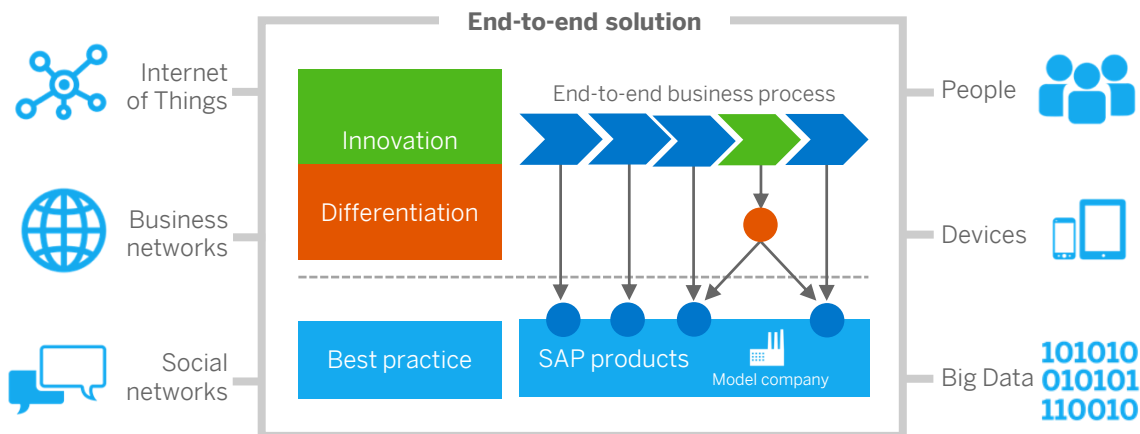
In the digital economy, simplification and business innovation matter more than ever. To do this effectively, it's important to cover the entire digital transformation journey, ranging from planning a digital innovation road map and implementing the plan with proven best practices to the ability to run all deployment options and ultimately optimize for continuous innovation with a focus on outcomes.

The end-to-end digital transformation journey



To move forward with speed and agility, it helps to focus on live digital data, instead of Big Data, and combine solution know-how and industry-specific process expertise with data analytics so that the right digital reference architecture is defined and delivered. In that context, we believe that a model company approach is very relevant to enable you to transition from your current state to digital. Model companies represent the ideal form of standardization for a specific line of business or industry. They are built on existing SAP solutions using best-practice content, rapid prototyping solution packages, and additional content from customer projects. They provide a comprehensive baseline for rapid and customer-specific prototypes, cloud demos, and quick-start implementations.

Model Company Approach



SAP DIGITAL BUSINESS SERVICES

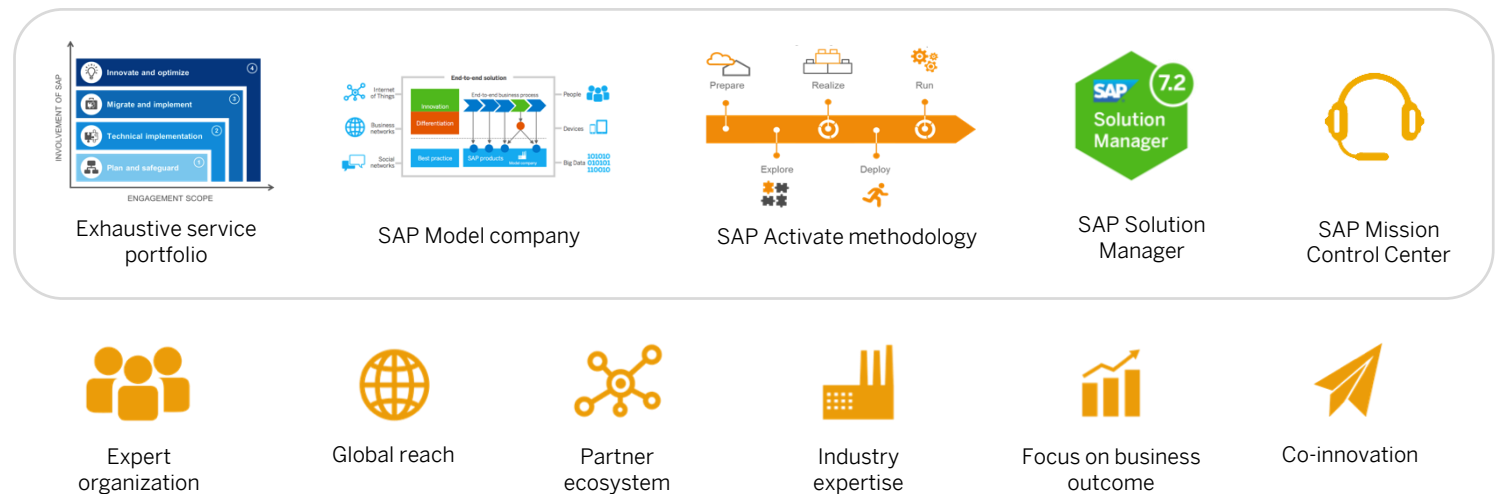
Enabling your success in digital transformation

SAP has a broad range of services to cover the end-to-end digital transformation journey, ranging from advising on a digital innovation road map and implementation plan with proven best practices to the ability to run all deployment options and ultimately optimize for continuous innovation. We provide both choice and value within our service offerings, allowing you to tailor the proper approach based on your specific company expectations and industry requirements.

- 25,000 professionals in 70 countries
- Customers in 130 countries
- Outcomes delivered as one team in one contract
- Projects connected in real time to a global network of support functions through SAP Mission Control Center
- SAP MaxAttention™ and SAP ActiveEmbedded services to safeguard investment
- Consistent experience – on premise, cloud, or hybrid
- Standardized adoption of processes and tools
- Streamlined onboarding and ramp-up of stakeholders

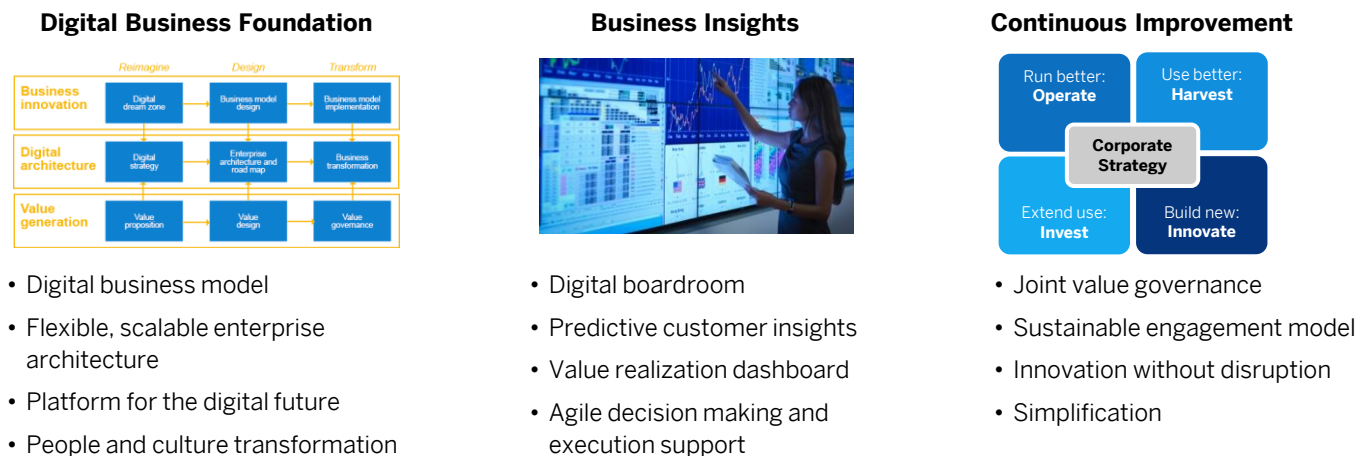
From proposing a comprehensive digitalization proposal to realizing and running it, SAP delivers on the digital transformation promise to its customers – on time, within budget, and on value.

SAP value delivery relies on unique differentiating assets.



The SAP Digital Business Services organization delivers digital innovation with simplification and accelerated implementation, which is key to adoption and value realization. Continuous improvement is supported through ongoing assessment of real-life data insights and joint governance with customers.

SAP value delivery focuses on the following deliverables.



SAP COMPREHENSIVE ECOSYSTEM

Orchestrating the world to deliver faster value

Our comprehensive ecosystem for the industrial machinery and components industry offers:

- Integration into a wide range of business services (suppliers, banks, key vendors, travel, and more)
- Open architecture, with a choice of hardware and software
- Complementary and innovative third-party solutions
- Reach – partners to serve your business of any size anywhere in the world
- Forum for influence and knowledge
- Large pool of industry experts with broad and deep skill sets



BUSINESS NETWORK

- 1.8 million suppliers
- 200 major travel partners (air, hotel, car)
- 50,000 service and contingent labor providers

INFLUENCE FORUMS AND EDUCATION

- 32 user groups across all regions
- 40+ industry councils
- SAP community with >24 million unique visitors per year
- 1,800 SAP University Alliances

INNOVATION

- 1,900+ OEM solution partners to extend SAP solutions
- 2,000 startups developing SAP HANA apps



IMPLEMENTATION SERVICES

- 1,100+ services partners focused on industrial machinery and components
- 3,200 services partners overall
- Delivering 20+ wholesale-specific solutions

PLATFORM AND INFRASTRUCTURE

- 500+ wholesale cloud partners
- 1500+ platform partners

CHANNEL AND SME

- 950+ wholesale channel partners
- 4,800 overall channel partners



WHY SAP?

SAP has the vision, the solutions, and the commitment to go with you all the way – from defining your digital strategy to delivering the right solutions to running your digital backbone in the cloud.

SAP IS COMMITTED TO INNOVATION

Vision

Help the world run better and improve people's lives

Mission

Help our customers run at their best

Strategy

Become the cloud company powered by SAP HANA



- **82,000 employees** representing 120 nationalities
- **335,000 customers**
- Operating in **190 countries**



- Solutions for **25 industries and 12 LoBs**
- **98% of most valued brands** as customers
- **76% of the world's transactions** managed on SAP software



- **120 million** business cloud users
- **1.9 million connected** businesses
- **More than \$800 billion** in B2B commerce
- **More than 99% of mobile devices** connected with SAP messaging



- 2011 **SAP HANA** launched
- 2012 **SAP Cloud** launched
- 2014 **SAP business networks** are the largest marketplace in the world
- 2015 **SAP HANA Cloud** launched
- 2016 **SAP S/4HANA:** Most modern ERP system



- **99%** of the wholesale distributors in the **Forbes 2000** are SAP customers
- Our customers distribute more than **78%** of the world's food and more than **76%** of the world's healthcare products



BETTER SERVICE THROUGH IMPROVED INSIGHT

To accelerate growth and give customers what they want when they want it, **Avnet** needed improved insight into its data. With SAP Business Warehouse powered by SAP HANA, Avnet is bringing its solutions to market faster, allowing its customers to do the same, while achieving a 4:1 data compression rate and simplifying its IT landscape. Brian Chan, Vice President of IT, says, "We are paving the way to provide Avnet with **game-changing analytics that accelerate the success of our customers.**"¹³

RESOURCES

Outlined below is external research that was used as supporting material for this white paper.

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12. *Talent Pressures and the Aging Workforce: Responsive Action Steps for the Wholesale Trade Sector*, Stephen Sweet, PhD and Marcie Pitt-Catsoupes, PhD, The Sloan Center, page 3, www.bc.edu/content/dam/files/research_sites/agingandwork/pdf/publications/TMISRO8_Wholesale.pdf.
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Note: All sources cited as "SAP" or "SAP Benchmarking" are based on our research with customers through our benchmarking program and other direct interactions with customers

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