



# SOLVOYO

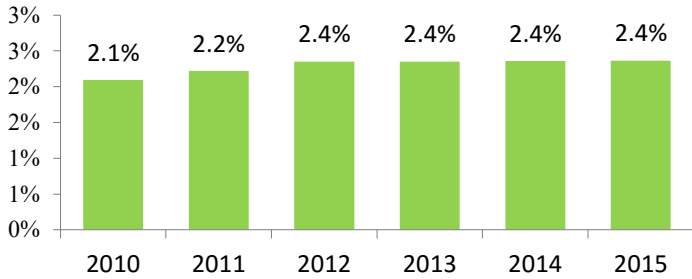


## ESCAPING THE HERD

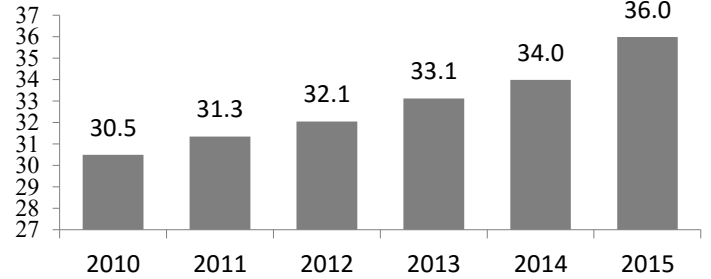
**How Wholesalers and Distributors Can Regain Their  
Supply Chain Game**

In the US, the wholesale industry traded \$5.4 trillion in 2015, almost twice the size of the retail industry<sup>i</sup>. Yet the state of the industry is languishing. Operationally, profit margins have been stubbornly flat and supply chain performance measured in inventory performance has been worsening over the last five years<sup>ii</sup>. Strategically, the shifting retail landscape due to advancements in ecommerce and direct purchase agreements between retail and manufacturers means that wholesalers compete in an increasingly demanding market.

Industry Net Income



Average Inventory Days Holding



Despite the industry headwinds, leading wholesalers and distributors continue to grow and gain market share. Successful wholesalers are choosing either an economy-of-scale-based cost advantage by pursuing M&A consolidation or a specialization-based approach on niche product areas with differentiated service. In fact, wholesaling continues to be a highly fragmented industry, with the median annual turnover of \$56M in 2014<sup>iii</sup>.

For long-term viability, growth and market share increase must be balanced with improvement in supply chain performance. Only by reducing waste, optimizing inventory and improving customer experience will a wholesaler escape the pack and establish the base for profitable growth in the challenging years ahead.

### The Industry Challenge:

<p><b>1</b> Complex Demand Planning</p>	<p><b>2</b> Inventory Puzzle</p>	<p><b>3</b> IT Barriers</p>	<p><b>4</b> Long Planning Processes</p>
<p>As aggregators of market demand and supply, wholesalers lack visibility of the point-of-sale demand and promotions on the demand side, and face long lead-times (mostly due to the offshoring) on the supply side. They lack the tools to predict demand accurately at the SKU resolution. The usual response is to increase their shock-absorbing capabilities through inventory.</p>	<p>The classic wholesaler/distributor operating model is to negotiate bulk discounts, shop for prices and build vendor relationships - not supply chain optimization. The common lack of coordination across functional silos (procurement, finance, sales and logistics) makes inventory optimization a puzzle.</p>	<p>With multiple data sources containing billions of data records to track and monitor, the IT infrastructure may be a bottleneck to turn data into the correct action. In fact according to a recent industry survey, only 19% of wholesalers believe that the data they currently capture and use are sufficient to lead them to correct supply chain actions<sup>1</sup>.</p>	<p>The most prevalent complaint we heard in our discussions is the amount of time consumed by ‘Excel Ghettos’ merging disparate data to perform the most basic planning activities, choking time and resources away from tactical reviews with vendors and strategic issues such as network design. Sales and supply teams are in constant fire-fighting mode to deal with critical stock-outs or excess inventory.</p>

In short, IT infrastructure with disparate sources of data, lack of visibility into the actual demand signal, manual planning and outdated analytics result in the wrong mix of inventory turns and operating margins with mixed results in customer satisfaction.

## A new planning approach with Solvoyo:

Solvoyo's cloud based planning platform has a demonstrable track record of producing significant economic benefits for several of our clients in terms of (i) sales increase due to better product availability, (ii) optimized inventory levels, and (iii) higher gross margins due to less waste or obsolescence.

To make the case more tangible, here is how Duzey Group, your fellow peer in wholesale distribution, has successfully deployed Solvoyo platform and had measurable benefits.

# Düzey



### About Duzey

Turkey's leading CPG distributor with annual revenue ~ \$700M. Duzey is part of Koç Holding – Turkey's largest industrial

### Distribution Network

Over 76,000 point-of-sale locations all supported via Duzey's supply chain network of 9 regional warehouses and 62 distribution centers.

### Situation pre Solvoyo:

- i. Critical stock outs at DCs
- ii. Rising stock levels at regional warehouses
- iii. Growing product waste
- iv. Lack of end-to-end supply chain visibility
- v. Excel ghettos

Products: 1,000+ SKUs



## 1) Big Data Analytics:

The Solvoyo platform is designed to capture a wide range of data and transform them into meaningful analysis. The platform can be configured to automatically (i) bring in detailed business data on both the demand and the supply side, (ii) pipe in additional upstream/downstream data such as supplier/customer inventory, weather, economic stats using our flexible APIs, (iii) combine data across multiple regions, channels, product lines and vendors, (iv) plan fulfillment on the demand side and replenishment on the supply side, accounting for seasonal variations and (iv) incorporate marketing insights about the effect of promotions derived from a Solvoyo's statistical approach.

For Duzey's pursuit of better performance, Solvoyo configured the platform for end-to-end planning. Data are automatically pulled in from Duzey's ERP systems and daily SKU-based forecasts are automatically generated. The web-based collaboration portal allows different teams within Duzey to update the forecasts within the rules of a

workflow engine. Final forecasts and the Solvoyo-generated inventory plan make the basis for the replenishment orders to the supplier base.

## 2) **Integrated planning viewpoint:**

Solvoyo platform provides a common data schema for Duzey to work across supply chain functions, serving as the single "source of truth" for planning. The end-to-end planning approach reduces planning cycle times, synchronizes flow between echelons, and optimizes performance across competing supply chain functions. Furthermore, better data and synchronized planning also allows more accurate tracking and measurement of the KPIs.

Within six months of go-live, Duzey experienced considerable gains in demand planning productivity and a drop in errors due to human factors: 20% improvement in forecast accuracy and 10% reduction in overall inventory investment without degrading its on-time-in-full (OTIF) performance.

## 3) **Strategic review:**

Imagine a planning platform that not only supports your daily or weekly planning functions but that also proactively analyses network-wide issues. By acting as your supply chain planning system of record, Solvoyo automatically becomes a reservoir of data from where you can extrapolate strategic insights. In fact, all our wholesaler clients use the platform data to run periodic inventory stratification projects that help them fight the proliferation of SKUs that so often handicaps this industry. You can routinely answer your strategic supply chain questions like: How much can I grow with my current infrastructure? How should I downsize with the least effect on my clients? If I need a new distribution center, where should I put it? Are my transportation lanes optimal? How do I rationalize my facilities post-merger? Which are my problem products or customers or vendors? Your supply chain world simply becomes clearer and easier to manage.

## **About Solvoyo**

Solvoyo is the next generation supply chain planning and optimization platform built for the digital revolution in the supply chain world. Solvoyo helps companies close the gap between planning and execution. Our all-in-one platform forecasts demand, optimizes inventory, plans production, replenishes networks, fulfills orders, and concurrently optimizes transportation plans. Solvoyo is currently the only planning platform that allows companies to plan their strategic, tactical and operational level supply chain actions in one tool. The scalability, analytical capabilities and quick implementation cycles of our true cloud based platform help our clients quickly achieve dramatic improvements in supply chain performance. We are headquartered in Boston, MA with our R&D center in Istanbul, Turkey. For more information, please visit [www.solvoyo.com](http://www.solvoyo.com)

---

<sup>i</sup> State of the Wholesale Distribution Industry – NAW - <https://www.naw.org/about/industry.php>

<sup>ii</sup> Compiled from quarterly financial data published by the US Census Bureau

<sup>iii</sup> 2014 McGladrey Distribution Monitor Report