2021

CONSUMER PRODUCTS

WHOLESALE DISTRIBUTION INDUSTRY TRENDS

CLARKSTON CONSULTING

2020 was a year of mixed results for wholesale distributors of consumer products. Toilet paper and cleaning supplies have sold beyond most wholesaler predictions, while other retail partners experienced store closures and bankruptcies. As we look towards 2021, wholesalers should be prepared for additional volatility with their retail partners and relationships across their network will become increasingly important. Moreover, as the circular economy grows with the pandemic highlighting its benefits, wholesalers should seek to become active participants who not only contribute to the industry's growth but also find ways to capitalize.

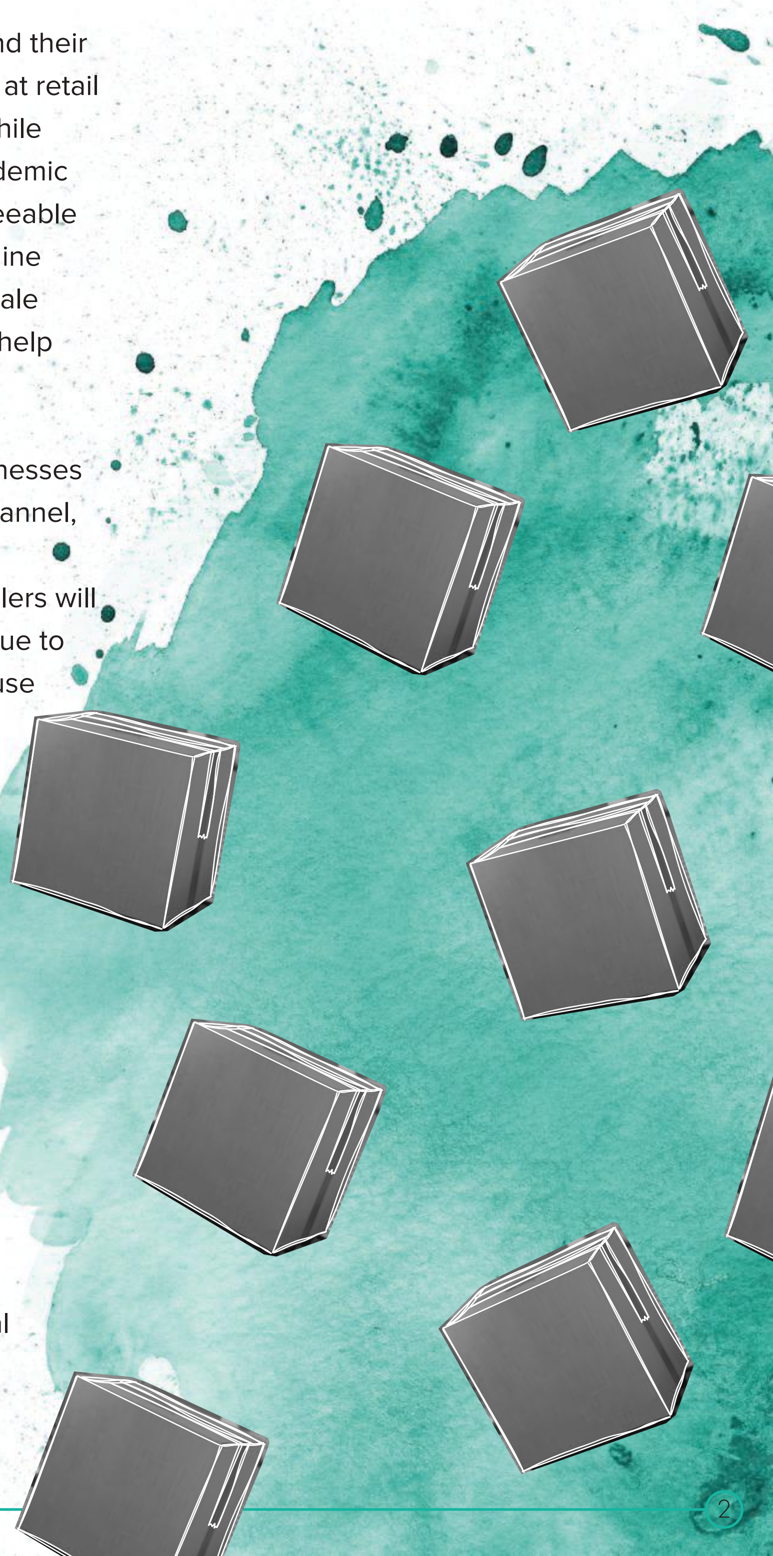
TREND #1

Volatility within Brick-and-Mortar Retailers

One of the greatest downsides to COVID for wholesalers and their retail partners has been the significant decline in foot traffic at retail locations, specifically in highly dense, urban populations. While vaccines are arriving and foot traffic has risen from our pandemic lows, there is a risk that traffic remains volatile for the foreseeable future, and near certainty that consumer preferences for online shopping continue to poach brick-and-mortar sales. Wholesale should look at both of these challenges as opportunities to help their partners and grow their business jointly.

With countless store closures, there is a clear need for businesses to be able to operate in an omnichannel, or at least multi-channel, approach in order to meet customer demands. As retailers continue to offer new channels to their consumers, wholesalers will be required to become dynamic with bringing additional value to their retail partners. Having a strong ecosystem for warehouse and transportation management, inventory management, enterprise resource planning are a few key areas that would offer immediate value to retail partners.

One step further, wholesalers can differentiate themselves by enhancing their partners insights through advanced analytics, machine learning and artificial intelligence. Moreover, the pandemic has emphasized the value of innovative supply chain solutions, such as digital twins, which can also provide robust data to enhance insights and decision making. Scenario planning has become progressively more important with increased volatility and the variety of potential outcomes for which companies are attempting to plan. Wholesalers should look towards becoming an integral advisor to their retail partners as they continue to explore new channels and navigate these uncertain times.



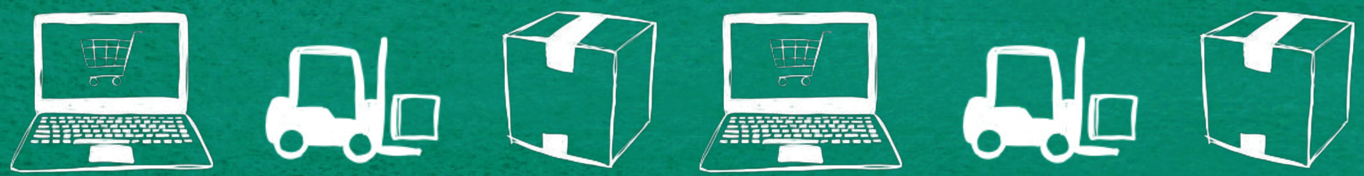
TREND #2

Increased Importance of Wholesaler Relationships

As the world increasingly shifts online, there has been an acceleration of traditional wholesale partners bypassing the network and catering to their consumers directly. PepsiCo may be the most prominent example with their introduction of PantryShop.com and Snacks.com offering most of their beloved products for delivery directly to one's house. During the pandemic, these alternatives were a necessity. However, wholesalers can contribute to these changes as well by broadening partner's distribution networks and providing efficiency among distributing the same product via retail and direct-to-consumer.

To have these opportunities, it will continue to be important for wholesalers to maintain strong relationships with their suppliers and retail partners. Building relationships could prove even more important as it relates to mitigating risks with supply shortages observed through the COVID 19 pandemic. Panic buying, as well as our stay-at-home environment, has led to surges in demand, and subsequent shortages for items such as toilet paper, and cans. Wholesalers are not prone from these challenges and have struggled with unpredictable demand and supply as well. One way to manage such supply shortage risks might be that WSDs consider developing contingency plans by way of establishing relationships with nearshore suppliers. That said, strong relationships help wholesalers effectively communicate with their new and existing partners to develop robust contingency plans.

Moreover, wholesalers should look to strengthen existing service offerings that would become attractive to increasingly diverse clients. For example, as orders increase in volume and become more complex or diverse for suppliers, they will experience inefficiencies and additional costs managing and fulfilling their customer's needs. Wholesalers should leverage their superior expertise with inventory, warehouse management and distribution to partner with suppliers and mitigate the risk of fulfillment challenges that could be experienced with lone exploration into the direct-to-consumer channel.



TREND #3

Wholesale and the Circular Economy

Even as brick-and-mortar has struggled and retail has experienced significant volatility, overall retail sales are at all-time highs and there are plenty of opportunities for growth with wholesalers as well. One area of opportunity lies within sustainability and the circular economy. Consumers will continue to demand improved sustainability practices. Businesses will continue to partner with wholesalers who have environmentally sustainable actions that align with their organization's corporate social responsibility objectives. Wholesalers will need to ensure they are well position to take advantage of these partnerships. Continued investment in sustainable supply chain and transportation technologies will attract increasingly conscious partners. Amazon and Anheuser-Busch saw immediate benefits from widespread praise following investments in electric delivery vehicles. Wholesalers can and should offer these same benefits to their various retailers and suppliers.

In addition, wholesalers should explore opportunities to assist and capitalize on the increase in recycling and upcycling activities that are native to the circular economy. By doing so, wholesalers will add an entirely new industry to further expand its operational and distribution expertise towards. New and existing companies will continue to seek recycled or upcycled materials to build sustainable products, as well as partners to distribute their sustainable products. Wholesalers should look towards serving both of these needs, as well as other avenues to contribute and capitalize on the growing circular economy.

Conclusion

While we will likely experience additional volatility in 2021, there will be plenty of opportunities for wholesalers to grow their operations, partnerships, and bottom line. To take advantage of these opportunities, wholesalers must continue to invest in their relationships and technologies that will enhance the perceived value of their partnerships. Retailers and suppliers will need advisors to navigate uncertainty in 2021, and beyond, and wholesalers should look towards being this partner as well. Moreover, the pandemic has highlighted the importance of the circular economy and has helped accelerate its adoption. Wholesalers should seek an active role in the growth of the circular economy to find an integral role for partners within this new supply chain.