



Growth Strategies to Build your Business

Introduction

Wholesale distribution companies, that want to maintain the good levels of growth they have enjoyed for the last five years, will need to apply cool thinking and clever investment to determine the strategies and tactics to reach continuing growth goals.

As stated by Dr. Adam Fein, founder and president of Pembroke Consulting, “top-line revenue growth in wholesale distribution is derived from a deceptively simple combination of selling more products and/or services (volume), achieving higher prices for those products and/or services (price), or a fortunate combination of both factors.” In a nutshell, this translates into “selling more to current customers” or “adding new customers.” This sounds like a simple strategy, but there are serious barriers to growth in today’s marketplace and successful players will have to find a method to steer around them.

The aim of this insight paper is to show companies in this sector what these barriers are, and exactly how solutions such as Lawson M3 can support them as they find a path to real growth.

Distributors Today

No one can doubt that genuine barriers to growth exist. A new report from Pembroke Consulting, “Growth Strategies in Wholesale Distribution,”¹ reveals that senior management from wholesale distributors, in the United States, Europe, and Australia and New Zealand (ANZ), agree that growth is essential for company success. However, there was a wide range of views on the best and most pressing approach to adopt in achieving that growth.

But the supply chain has specific barriers that will need to be overcome, before growth rewards can be enjoyed. Lawson believes a solid “Platform for Growth” can help distributors confront, and surmount, each of these barriers.

Growing Sales to Existing Customers

Seventy percent of wholesale distribution executives view current customers as their most important source of growth over the next five years. Simply hoping to sell “more of what you have to whom you know” is clearly not good enough. A strategic approach must be adopted to ensure “sales opportunities are exploited.” Lawson believes there are a range of tools and disciplines available to the modern distributor to help know your customer better and to build more profitable relationships.

Think carefully about pricing strategies, including the best way to introduce

"There is no doubt that one of the major benefits of the Lawson e-sales solution is the strengthened relationships we now have with our customers."

**Steen Petersen,
Channel Manager, Brødrene Dahl**

"We turned to Lawson as it was the only solution supplier able to offer a complete solution from A to Z—right down to matching hospital dispensing cabinets with our warehouse loading carriages."

**Dirk Berlemann,
Managing Director,
Fiege Medical Order Center**

"We operate a local-for-local policy in the area of sales, but our planning is borderless and our financial reporting is consolidated all the way up the chain. We wouldn't be able to do this without M3—our plans simply wouldn't function without it."

**Thomas Stenebring,
President, GBC Europe**

promotions and other incentives. Ensure that no business is left on the table by controlling individual product agreements rather than using blanket customer terms and conditions. Store, analyze and utilize information about your customers—their preferences, their current needs, their previous buying patterns and so on. Make it easier for your customers to do business with you via the introduction of advanced internet capabilities including web shops and self-service facilities.

The Lawson Distribution solution helps distributors share customer information throughout the organization, including both internal and remote sales teams. The Lawson solution permits a comprehensive knowledge database to be built by supporting and tracking all aspects of customer relationships. It tracks all customer-related activities including contact and campaign management, lead generation, specific sales initiatives, and follow-up activities, improving the accuracy of decision making and the efficiency of individuals.

The Lawson M3 e-sales solution provides the opportunity to manage the diverse needs of customers and suppliers through web-based portals that offer self-service, which speeds up the entire process and significantly reduces administration costs.

Brødrene Dahl, a distributor of heating and sanitation products in the Nordic countries of Europe, has improved the handling of customer information as a result of using the Lawson M3 e-sales solution. The company now believes it can offer clients, not just a fast and efficient flow of products, but also an equally effective flow of information, specific to each customer organization's needs. This, it insists, has helped strengthen relationships with its customers.

Introducing New Products and Services

If companies want to concentrate principally on increasing their range of products and services they will need to identify and overcome one of their biggest barriers, which is to source the add-on sales opportunities. Strategic product sourcing, accurate supplier monitoring, and effective catalogue management are also factors to address. Lawson M3 automates supplier sourcing, introduces real-time information handling to category management, undertakes spending analysis and margin control as a part of contract management, and facilitates consolidated sourcing for purchase order proposals.

Furthermore, the Pembroke report highlights that distributors wishing to extend the range of value-added services must examine whether these are being considered as additional revenue earning opportunities, or simply a cost of maintaining a customer's business.

For some time, the entire distribution sector has been trying to find new ways of adding value for clients. The reason for this is that the traditional role of the distributor – to buy, store and ship whatever products clients have a need for – now yields a far slimmer margin than in years gone by. In some cases, according to Dr. Fein, margins have shrunk to as little as two percent, which makes it very difficult to pay for the considerable overhead involved in having enough people, warehouse space and transportation to carry out this work and still make a profit. However, new value-added services allow distributors to charge a higher fee, with a much healthier margin, and reap the benefits of more than their daily activities.

Lawson customer and logistics service provider, Fiege, used a range of applications in Lawson M3 to form core operations for a group of hospitals near Munster, Germany. Clinicians are now able to place orders online,



"We will extend the use of the Lawson software to support our business processes as our company expands across countries and product ranges. If we decided to start a new operation in another country tomorrow, we would be able to utilize our Lawson solution to support it. Our system is reliable, flexible and secure."

Henk Gommans, IT Manager, Dorel Netherlands

receive just-in-time deliveries, and utilize the services of a sterilizing unit (located at the Fiege warehouse) to retrieve cleaned medical equipment within four hours. This achievement has enabled Fiege to enjoy the economic benefits of implementing value-adding solutions to its customers.

Organic Growth Versus Acquisition

Mergers and acquisitions are headline-grabbing events and are an important means of growth especially when customer loyalty is a powerful source of competitive advantage that is difficult and costly to duplicate. Surprisingly, however, given the amount of activity in the marketplace, the Pembroke report found that company growth strategies still emphasize operational improvement over acquisition. Only 25 percent of European, North American, and ANZ executives plan to use acquisition as their most important growth strategy.

Acquisition is often a much faster way to grow volume and add customers than organic expansion in wholesale distribution. Yet distribution companies can find themselves stretched too thin if they fail to build an integrated business with a strong operating vision and the discipline to impose that vision on the entire organization.

Thus 75 percent reflect the realistic business nature of operational improvement. To achieve this, distributors need to look at their on-time delivery performance, ensure that warehouse systems are integrated effectively, optimize purchasing, and focus on delivering high customer service.

General Binding Corporation (GBC), now a part of ACCO, made the shift from being a multinational manufacturer and distributor of its own branded office equipment, such as binding machines and laminators, to that of a value-added distributor and service provider of its own and third-party products. To achieve this transformation, a structural reorganization was required, that merged the disparate European operations into one centralized-focus and reporting structure.

By undertaking an overhaul of the planning function, GBC decided to centralize supply chain planning. Its employee cost base was reduced by up to 50 percent in some areas, including a layer of general and middle management, and the number of warehouses throughout Europe decreased from 18 to 5.

But what of the 25 percent of those companies surveyed that hope to achieve growth through acquisition? Controlling operations across multiple locations is the biggest barrier perceived by companies in all geographical locations. According to the report, however, there is an even more serious barrier for European companies, whereby 24 percent believe the most difficult challenge to growth is integrating acquired companies into their existing operations. Only a small percentage of North American companies agreed on this point.

If a company decides to pursue growth through acquisition, the report confirmed what most businesses already know—that combining the working culture and techniques of different entities is hard work. It is of critical importance to carry this out in a manner that keeps customer confidence high. The task of uniting all branches of the business, and making them perform well together, is more challenging in Europe than in the American and the ANZ markets. Greater diversity of language, culture, and currency are the clearest reasons why.

Lawson is confident that its solutions can make this complicated challenge simpler. As well as offering multi-language and multi-currency functionality,

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it provides users with a dashboard representation of the state of the business. This is an important source of support even in assessing possible acquisition targets. Lawson M3 also offers tools to make the process of integrating legacy IT systems smoother.

Baby and children's brand owner, Dorel, provides a good example. Dorel is based in The Netherlands, with operations in various other countries, including the two largest European markets, Germany and the United Kingdom. Its products – push-chairs and children's car seats – have proved increasingly popular and the company describes the growth it has gone through in recent years as dramatic.

During this expansion, however, Dorel realized the importance of retaining the loyalty of existing customers and it decided to offer "value at every turn" to achieve this. The company is convinced its implementation of Lawson software helped significantly.

Conclusion

Across the board, most companies quote improvements to their current setup as the most important route to growth. Fewer companies in these regions say that acquiring rival companies in the sector is their preferred strategy. Even fewer still want to focus on opening new facilities of their own in territories where they have no presence yet.

The Pembroke report further defines these growth barriers, making it clear that there is no pain-free path to success.

It also suggests that the biggest barriers to growth are internal. More than half of them said managing the information flow from increased business with existing customers, or from their attempts to bring new customer organizations on board, presented their companies with a real problem. All the more reason, why they should look towards software such as Lawson M3, which offers a genuine platform for growth with transparency, security, and integration across the whole organization, to make the flow of information much smoother and the path through the growth barriers far less painful.

¹ The Pembroke report "Growth Strategies in Wholesale Distribution" identifies the changing dynamics of the global wholesale and distribution industry and makes recommendations on the strategies that executives must consider to maintain growth and competitive edge. The report, based on research conducted by Pembroke Consulting on behalf of Lawson Software, surveyed 1,300 respondents across North America, Europe, Australia and New Zealand, comparing and contrasting current strategies between the regions and the barriers that exist to facilitate growth. A full copy of the report is available for free download at www.lawson.com/dis_growth.