

Fortune Favors the Digital

A Year of Reckoning Catapults Industry Towards Rapid Transformation





Wholesale has been catapulted into a season of much-needed change and growth. Some lessons have been hard-earned, while others are incredibly timely and needed.

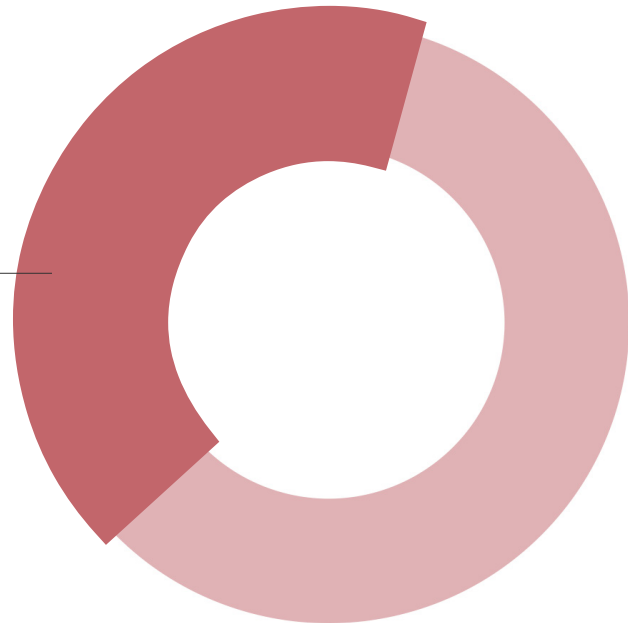
For example, mass consumerism has come to a screeching halt, but on the alternative end, innovation has created tools meant to help brands and retailers succeed and grow regardless of the current circumstances, which makes way for a more thoughtful practice of wholesale.

Long before COVID-19 hit, the wholesale process was overdue for reexamination. The growth of DTC and the growing pains that brick-and-mortar retailers were experiencing were surfacing necessary conversations over the need for a more agile and sustainable wholesale distribution process. Many in the industry were pointing to overproduction and seasonal cycles that were impossible to keep up with as a major pain point--all while relying on an outdated system of pen-to-paper orders. Gone are the days of simply trying to get by on manual processes that are inefficient and leave room for costly mistakes. But how has the industry been faring? We decided to send out a survey to see how brands viewed their wholesale partnerships, their distribution process, and their future outlook on the industry.

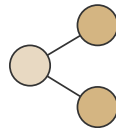
Survey Method

We collected a **total of 688** survey respondents who currently work for brands that range from small to large companies. Out of those surveyed, **41%** have been in the wholesale/apparel industry for 16+ years and are currently in a manager position or above.

41%
Respondents with
16+ Years of
Industry Experience



Key Takeaways



Wholesale Process

Brands continue to invest in wholesale as their key source of revenue but all respondents point to very similar pain points across various wholesale processes, such as a lack of standardization, lack of sell-through data, and lack of proper support from retail accounts.



Views on Future of Wholesale

Respondents have no general consensus on how they view the future of wholesale as a revenue stream, some are split saying they see a positive outlook while others don't have a hopeful view. This has been mostly influenced by COVID-19 and the unforeseen impact it will have on the industry.



Digital Tools for Wholesale

Nearly every respondent reported using a B2B software solution and believe that using the right tool offers a better customer experience for the retailer. Most smaller size brands, however, report not having a budget for the reason why they have yet to onboard a technology.

Who We Surveyed

Age of Respondents

18-24	3%
25-34	28%
35-44	25%
45-54	23%
55-64	15%
65+	5%

Years of Experience

0-2	9%
3-5	16%
6-8	16%
9-10	7%
11-15	12%
16+	41%

Management Level

Individual Contributor	27%
Manager/Supervisor	30%
Senior Management (e.g. Director, VP)	23%
Executive-Level (e.g. CEO, CFO)	20%

Company Annual Revenue

I'm Not Sure	7%
I'd Prefer Not to Say	9%
\$5 Million or Less	28%
\$5-35 Million	29%
\$36-100 Million	12%

Size of Wholesale Teams & Businesses

On average, the companies surveyed are made up of 60% big box, multi-brand retail accounts, versus 40% specialty boutique retail partners.



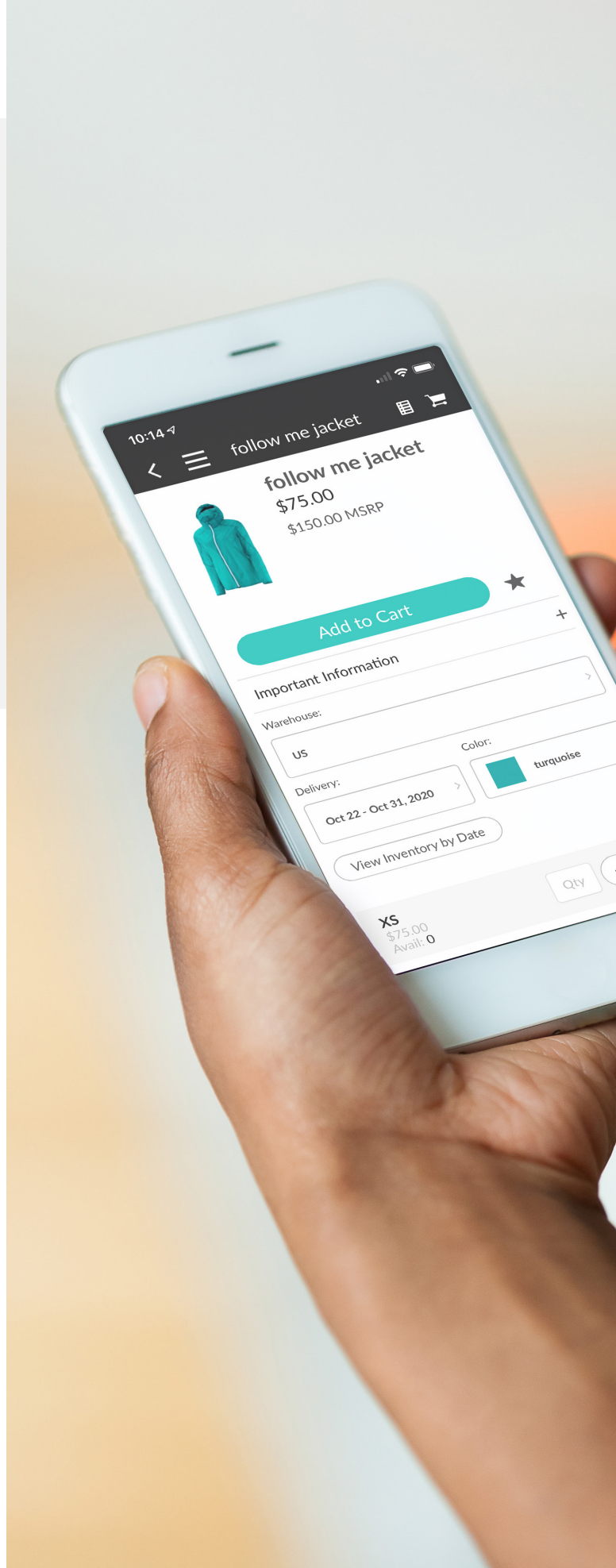
The Wholesale Process

We asked respondents about their views on the wholesale process and how they currently secure retail accounts. We wanted to gain an accurate and deep understanding of wholesale distribution in terms of process and retailer relationships to see where pain points existed and areas that could easily be improved with better modes of operation.

Plans for Wholesale

Most survey respondents report that they will not be moving away from wholesale, which is an indication that wholesale is still a primary revenue stream that holds value for brands. Respondents report their main strategy for growing business is split between increasing their retail accounts and trying to grow their business by selling deeper into existing accounts with more products.

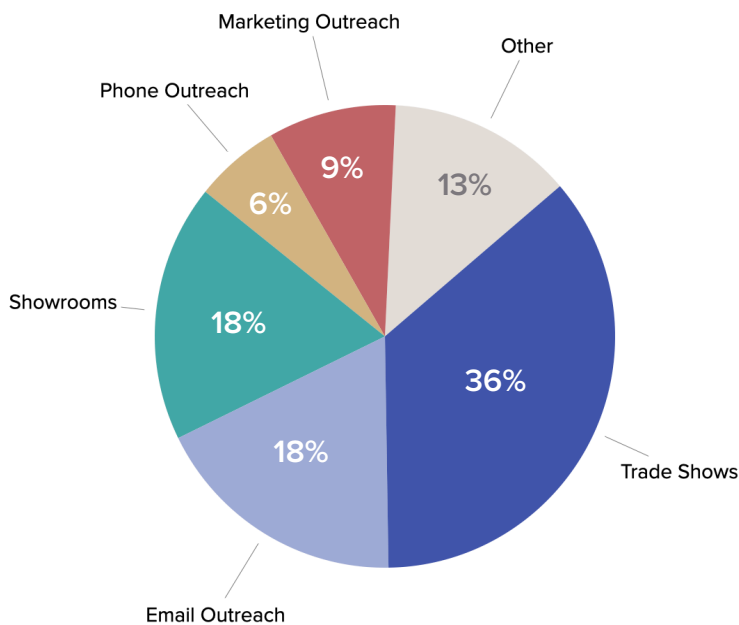
We are trying to increase the number of retail buyers who buy from us	46%
We are trying to sell more into our existing base of retailers	41%
We are moving away from wholesale towards DTC	13%



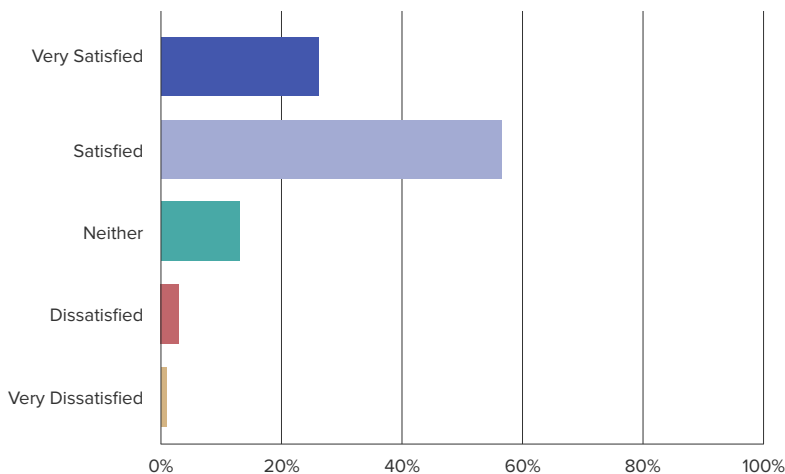
Relationship with Retailer

Unsurprisingly, most brands report that they heavily rely on trade shows and showrooms to secure retail accounts. Most brands report having strong relationships with their retailers that have been forged over time. This good rapport that most brands have with their retailers means that the likelihood of a more collaborative and streamlined process can be accomplished.

How do you find and secure the majority of your retail partnerships?



How would you rate your overall satisfaction with the relationships you have with your retailers?



“We have a well-rounded portfolio and are close with our buyers.”

“Most are good, long-standing relationships.”

“The majority of our retailers are easy to work with, understand the product, and follow our guidelines (pricing, not selling broken sets, etc...)”

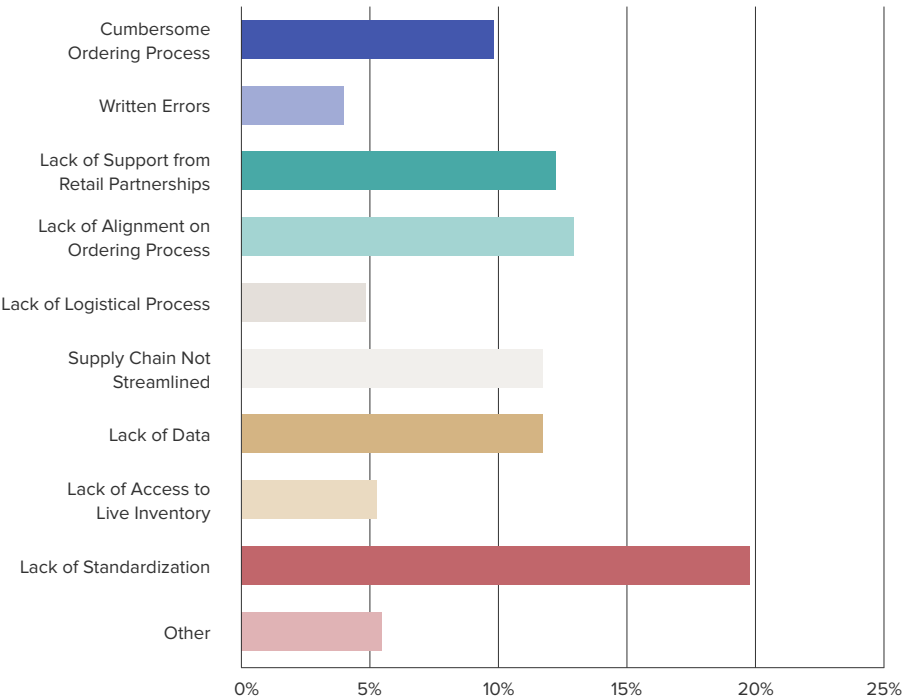
“So far, we’ve worked well together as partners. If we’ve had issues, they’ve been addressed professionally and we’ve grown from that. I find that they are just as invested in our brand succeeding as we are so it really behooves all parties to treat each other with respect and learn from each other where possible.”

**Respondent explanations of their response to overall satisfaction with retailers.*

Challenges in the Process

The call for standardization in the wholesale distribution model has never been more clear. The general consensus from nearly every respondent is that almost every part of the process needs to be upgraded as respondents are split on what their biggest pain points are in the wholesale distribution model. Everything from a supply chain that needs to be streamlined to lack of sell-through data to lack of alignment when retailers submit orders are causing stress for brands.

What’s your biggest pain point with wholesale distribution?



Changes in the Industry

Most brands report having seen a moderate amount of change in the wholesale process in the years they’ve been in the industry with younger, less experienced respondents saying that the biggest shifts they’ve seen have been the closer collaboration that brands and retailers are maintaining versus more experienced participants (11+ years) who cite the merging of retailers and shift to more immediate/in-season purchases (from pre-book) as the biggest shifts they have witnessed.

I have not seen any change at all	2%
I have seen very minimal change	16%
I have seen a moderate amount of change	30%
I have seen a lot of change	36%
I have seen the process change drastically	16%



Changes in the Industry CONTINUED

What are the areas where the biggest shifts in wholesale have occurred?

	Merging & Consolidation of Retailers	Consolidation of Supply Chain & Distributors	New Selling Models (e.g. Subscription-based)	More Collaboration between Brand & Retailer	Shifts from Pre-book to Immediate & In-Season Purchases	Changes in Partnership Pricing, or Terms Agreements	Other
0-5 Years	30%	16%	35%	45%	36%	34%	9%
6-10 Years	30%	17%	32%	49%	51%	31%	6%
11+ Years	47%	14%	29%	39%	46%	32%	11%

Those who have seen little/no change cite the resistance to online methods and an over-reliance on showrooms and tradeshow as contributing factors to slow growth. Respondents mention that **a lack of forward-thinking change** is something they would like to see shift in the wholesale process.

Unfiltered responses from those who said they only saw minimal change in the industry:

“The model of showroom business is playing [sic] the same game for more than 25 years. Even a lot of high-end boutiques still are not willing to work on a digital base or digital orders.

SHOWROOMS & TRADE SHOWS

“I think with specialty business still so valuable, it is hard to implement change. Many of these smaller stores are still working by analog- they are extremely resistant to new technologies & processes.

RESISTANCE TO CHANGE

Conclusion

The ecosystem of wholesale distribution is primed for change as there is reported dissatisfaction with analog methods and outdated systems of operations. Only moderate shifts have occurred over time, but with brands reporting that they have strong relationships with their buyers, a transformation can collectively be made with the right tools and plan in place.

The Future of Wholesale

The insecurity of COVID-19 is more present in how brands view the future of wholesale with most respondents showing insecurity for how their business will make it through the next coming year.

An Industry in Flux

While brands report that they are currently investing in wholesale as their primary source of revenue, there is no general consensus on how respondents view the future of wholesale distribution.



Brands that have a **positive outlook** point to strong operational models that support growth.

“

There is business and sales, it is about having a proper infrastructure to support the demand.

“

We have tons of untapped potential after we are able to automate and streamline more processes internally.

Brands who have a **negative outlook** believe that COVID-19 might be the demise of retail.

“

Wholesale business is decreasing, especially with COVID-19 closing retailers. E-Comm business is increasing.

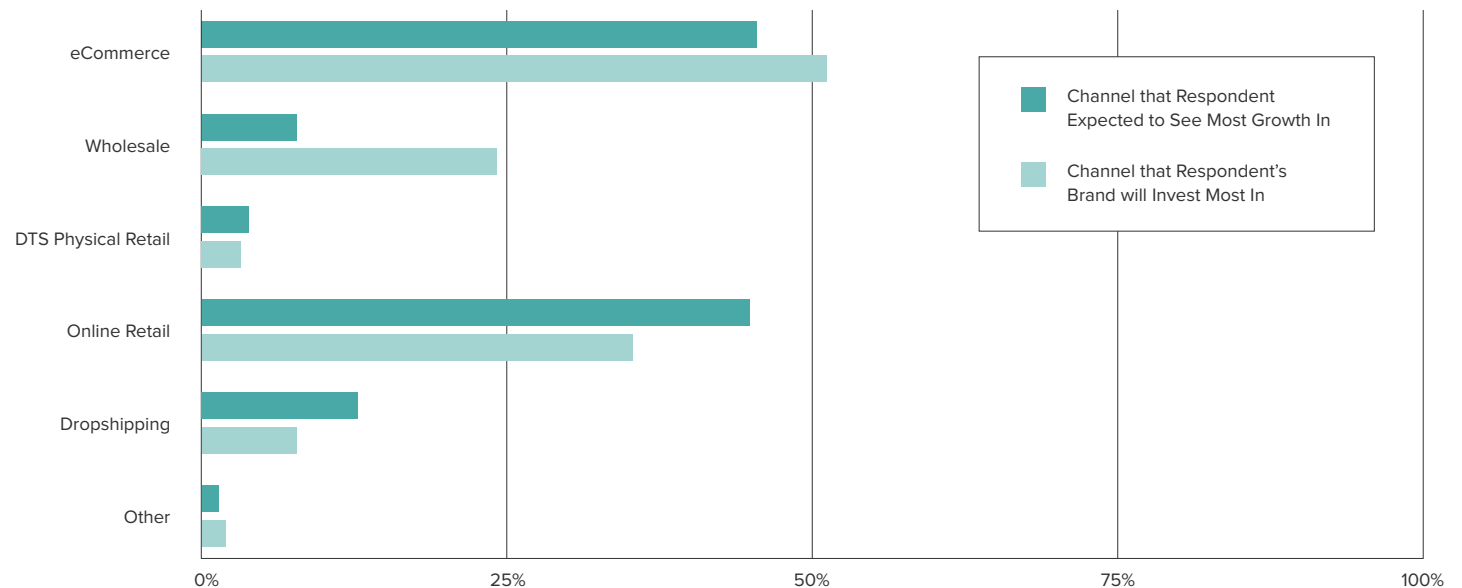
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Retail has been tough over the last couple of years, and a number of our retail partners are now closing doors due to COVID-19.

It's worth noting that respondents at smaller companies (\$5 million or less revenue) tend to have more negative outlooks when compared to companies of larger sizes.

Channel Growth

Online channels, i.e. direct eCommerce and online retail, are projected to see the most future growth. While the future of wholesale is viewed less optimistically, 1 in 4 brands are still committed to investing more in wholesale over other channels.



The brands that have a positive outlook for their business have an infrastructure that is supported by online tools, such as using tech stacks that automate and streamline processes as well as provide more accurate reporting. The resistance and fear to change are what is hurting brands who don't hold the same optimism for the future of their business.



Software Tools for Wholesale

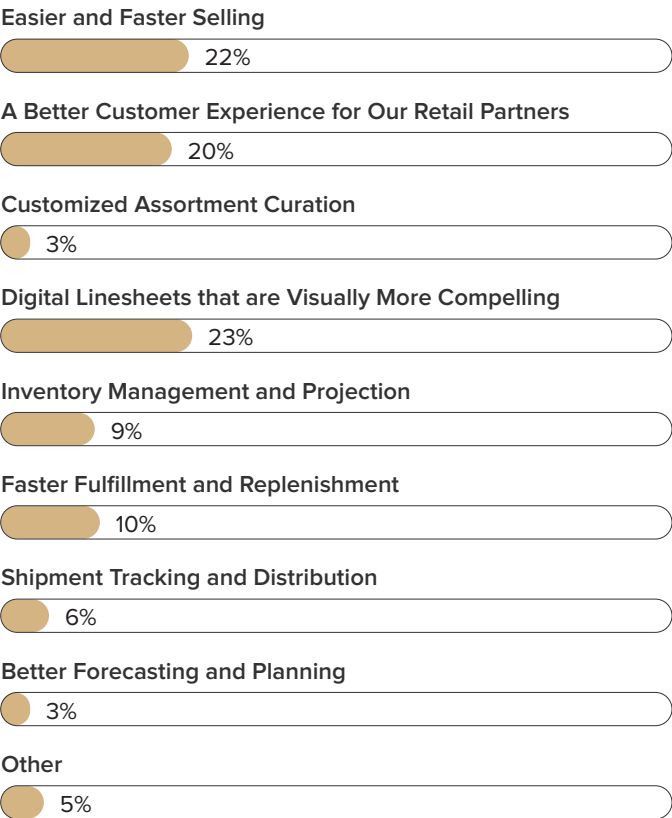
The wholesale landscape has never been more primed for embracing tools meant to make processes easier and more automated. In this section, we wanted to gauge how brands are leveraging software tools.

Tool Usage

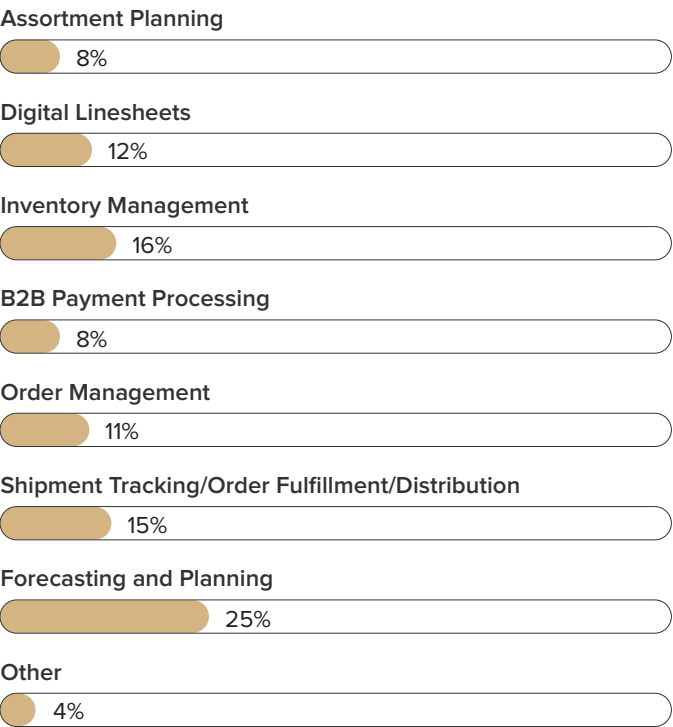
A majority of respondents (71%) are currently using or have used a B2B tool during the wholesale process. **Participants selected all the reasons why they are not currently using a B2B solution**, with a lack of an immediate need or not having budget ranking highest.

Do not have the budget	37%
Do not have an immediate need	32%
Do not have the bandwidth to manage	12%
Other	22%

Respondents were asked to check all areas where they see B2B solutions currently provide value. Digital tools that provided more compelling digital linesheets, faster and easier selling, and a better customer experience for retail partners held almost equal significance to brands.



Posed with the question **what parts of the wholesale process do you wish technology could solve, or do a better job of solving**, most indicated that almost every part of the process would be better off. A versatile B2B solution is considered more necessary and relevant than ever to improve forecasting and planning, inventory management, and order management.



A Better Operational Model

Brands unilaterally recognize the value of wholesale. Retail is not going away. Instead, the retailer landscape is evidence of a clear shift to omni-channel distribution and pure-play online retailers. It is no longer sound business to run a 100% brick-and-mortar retail business, and the impact of COVID-19 has accelerated this change.

For brands, it's increasingly important to adjust their wholesale strategy to embrace these current trends:



a note from

Adam Schneider

COO & CFO, NuORDER

1

Retail Landscape Shifts to Digital

Deepening and acquiring relationships with retailers who execute well online will keep your wholesale business healthy and growing, particularly in this environment.

2

Changing Consumer Needs

Products that enable comfort at home, along with an active outdoor lifestyle, have come to the forefront of retail, and brands that lean into these trends will be rewarded.

3

Modern Buyer Expectations

Brands should be evaluating their wholesale commerce tech stack to ensure that buyers are met with accurate and comprehensive information that translates to a better, more collaborative buying experience.

Our survey results show that there is a shift in the industry leading to a more digital operational model. Brands that are confident in the future have been at the forefront of onboarding tech solutions to automate and streamline processes. Remarkably, brands almost unanimously report having satisfactory relationships with their retailers, which means that the industry is primed to problem solve, streamline, and standardize the wholesale distribution model.