STORIES FROM THE FRONT LINE:

The Cloud Addresses Key Trends in Distribution



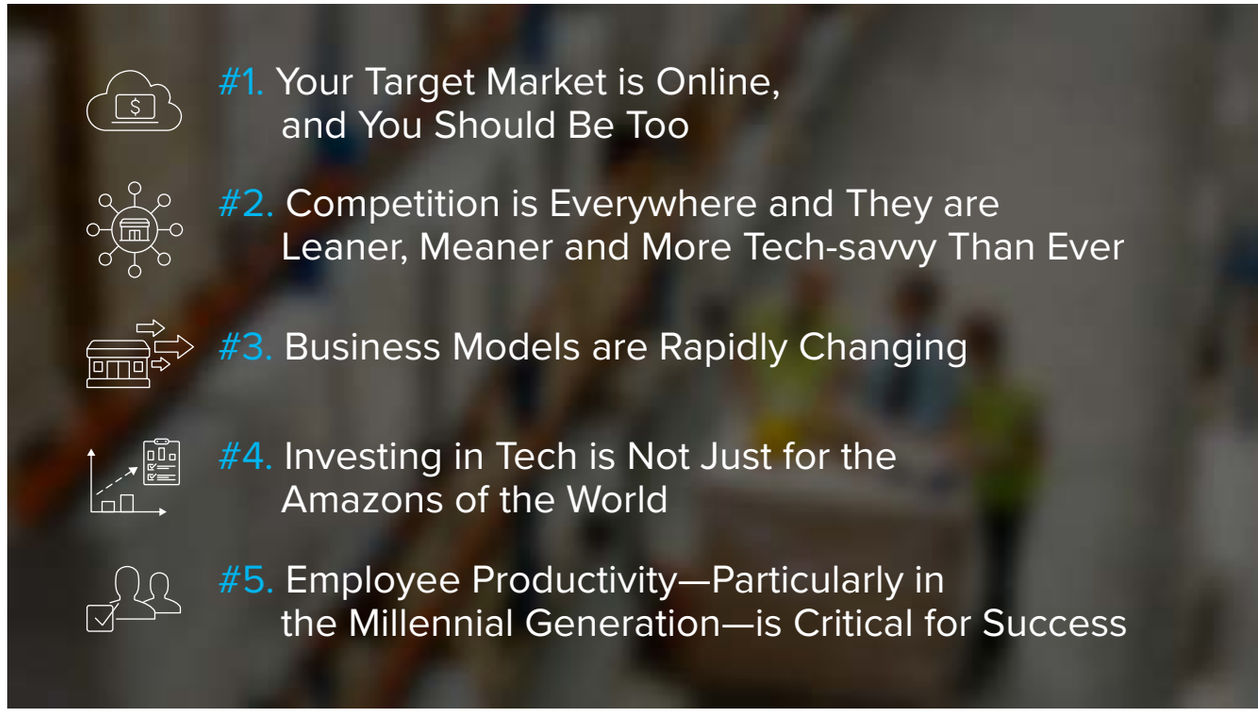
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To the untrained eye, distribution may appear to be a fairly straightforward industry—in all reality, however, it is evolving more rapidly than ever before. From increased competition and changing business models to a barrage of new, innovative technologies, the way distributors do business is starkly and fundamentally different than it was even five years ago. In an age with such pronounced structural change and competitive pressures, to risk not changing is to risk failing.

There are five key trends distributors need to pay attention to as they adapt and innovate to the changing industry:

1. The modern consumer is always online – commerce is key for continued success.
2. Competition is everywhere, and they are more innovative and tech-savvy than ever before.
3. Business models are rapidly changing as distributors explore new ways of going to market.
4. Investing in technology is critical for the success of every type of business, not just the Amazons of the world.
5. Enabling employee productivity—particularly among millennials—is critical for achieving long-term goals.



If distributors thought the advances in business technology, increased prevalence of online buying and changing business models were not a factor, then they need to think again, and think again fast. Given these key trends impacting the industry, investing in the appropriate technologies to address them effectively is absolutely critical for continued success. By learning about the trends, the businesses thriving in the midst of them and the technology available to address the trends, distributors are arming themselves with the knowledge they need to remain competitive.

#1. YOUR TARGET MARKET IS ONLINE, AND YOU SHOULD BE TOO

The modern consumer, across every part of the supply chain, turns to the internet as their source of knowledge for purchase decisions—that said, a strong online presence is crucial for continued business success, both in the world of B2B and B2C commerce. Ecommerce continues to be a key trend and distributors need to be ahead of it if they want to remain relevant and fresh in the face of major industry changes. No longer is seeking an ideal customer experience restricted to the online shopper—business buyers and online shoppers alike look for the kind of omnichannel experience that gives them flexibility and power in their purchasing. As a business, capitalizing on this customer experience means catering to both your direct buyers and shoppers with an ecommerce tool that can provide functionality for each market.

HEAR IT FROM THE BUSINESSES LIVING IT

Becker Safety & Supply is a perfect example of a company experiencing growth in ecommerce and new B2B markets by capitalizing on new commerce technology. Using NetSuite's cloud ERP, Becker's sales reps seamlessly interact with leads and customers via the CRM. Additionally, a new ecommerce site based on NetSuite's SuiteCommerce Advanced, linked to Becker's instance of NetSuite Inventory and Order Management, will expand geographic reach and meet customer demand for 24/7 online self-service. By using this new technology linking commerce, sales, inventory and order management, Becker has greater agility to



Customer Spotlight: Becker Safety & Supply

withstand volatility in its core oil and gas market and grow the business well beyond its current reaches.

HEAR IT FROM THE BUSINESSES LIVING IT

Tacoma Screw Products is another example of a company extending its reach with NetSuite's SuiteCommerce in B2B and B2C markets. By opening an ecommerce channel, Tacoma Screw complements its outside sales force and 16 brick-and-mortar stores in Washington, Oregon and Idaho and has captured new B2B and B2C business across all 50 states, with some international orders. The ease and efficiency of online ordering across 45,000 SKUs improves cost efficiency for both Tacoma Screw and its customers. It has also enhanced its omnichannel experience by offering buy online/pickup in store service, which is particularly popular among contractors needing to stock up for the next day's job. In combination with the SuiteCommerce Customer Center, which provides B2B buyers with robust self-service purchasing power including full account management, visibility into order status and history, and role-based purchase approvals, Tacoma Screw Products is using its commerce technology to cater an omnichannel experience both to its direct end shoppers and business buyers.



Customer Spotlight: Tacoma Screw Products



Demo: NetSuite Ecommerce

#2. COMPETITION IS EVERYWHERE AND THEY ARE LEANER, MEANER AND MORE TECH-SAVVY THAN EVER

In today's distribution landscape, it is only getting harder to differentiate. With the ever growing number of competitors, how do distributors position themselves as unique and stay a step ahead? What trends are affecting the industry, and how can distributors capitalize on them? Assessing and reassessing these questions on a regular basis is absolutely essential for continued success in the constantly evolving world of distribution. Businesses need to remain agile and poised for change at the drop of a hat in order to compete against the fast-moving, innovative competition. If a distributor wants to quickly add a new product line, onboard a new supplier for a same day order or get their product to the end buyer as quickly as possible, then they, without a doubt, need the technologies in place to cater to rapid pivots. There is no leniency to allow for the costly time associated with manual entry, disparate systems and dated technology.



Watch the Action Health customer story

HEAR IT FROM THE BUSINESSES LIVING IT

Action Health wanted to take its business to the next level to blow out the competition, but the reality was that the system it was running wasn't going to support the goals and plans the company had. When the CEO posed the question "What's the risk involved in changing the system we are using to run our entire business?", Sean Cwynar and Phil Negri, the President and CFO respectively, turned it around and asked "What's the risk in *not* changing?". If they had stayed the same for much

longer, they knew they would become obsolete—which is why they turned to NetSuite's single, cloud ERP to run everything from financials and CRM to inventory and order management. After adopting a new system and positioning themselves for success in the modern world of distribution, Action Health has achieved double digit growth in the health care market.

#3. BUSINESS MODELS ARE RAPIDLY CHANGING

With companies like Lyft, Netflix, Spotify and Airbnb disrupting business models and changing the way consumers operate day-to-day, it's not surprising that distributors are exploring new ways of going to market and pivoting their business models to capitalize on new markets. Between the internet's pervasiveness among modern consumers and the constant flood of technological advances in the business world, companies have to change the way they operate at their core to hold up against their competitors. How businesses sell, source and create their products is constantly evolving—implementing these rapid changes requires business systems that can stand up to these rapid pivots. For this reason, more and more businesses are turning to cloud-based technologies



Customer Spotlight: PACT | ORGANIC

to run their front- and back-end business processes. With a cloud solution, businesses are always running the most up-to-date version of the product and accessing real-time information about their business—which is hugely important for a modern distributor trying to stay agile.

HEAR IT FROM THE BUSINESSES LIVING IT

PACT | ORGANIC started out selling through its B2C website and through retail partners, like Whole Foods and Target, but it had set its sights on bigger things—leadership wanted to pursue a more expansive go-to-

market strategy. PACT is refocusing its retail presence on larger B2B retail partners and is working on expanded ecommerce initiatives to improve offers and retargeting, all the while further enhancing business intelligence with more detailed analysis. PACT turned to NetSuite's cloud ERP to manage its fair trade-certified supply chain and to oversee complex financial relationships and inventory at every step, from organic cotton procured by manufacturing partners in India to finished goods at 3PL locations, to ensure visibility across the supply chain. PACT also uses NetSuite to manage growth and to amplify its footprint across its ecommerce channel and international markets, while simultaneously minimizing waste through a true Just-in-Time (JIT) inventory model.



Hear more from PACT | ORGANIC

#4. INVESTING IN TECH IS NOT JUST FOR THE AMAZONS OF THE WORLD

In order to remain competitive, distributors need to continue upgrading their work environments and stay on the cutting edge of technology. Gone are the days of paper pushing, Excel spreadsheets and manual processes—tablets, warehouse scanners, B2B portals and cloud systems are changing the game and making the modern distributor warehouse sleeker, cleaner and more efficient. Based on where we are today, simply thinking about making these changes is no longer an advantage; rather, it is imperative for survival. When your competitors are constantly evolving, to be complacent is to risk failure.

HEAR IT FROM THE BUSINESSES LIVING IT

Choosing a unified, modern cloud platform over SAP Business ByDesign and Microsoft Dynamics GP cleared Big Agnes' path to innovation and growth.

The company was swayed by NetSuite's flexibility and scalability; in the aftermath, Big Agnes has doubled productivity in order and inventory management, fulfillment, and accounting, freed up staff resources while avoiding hiring additional people, gained real-time visibility into the business and improved customer support quality. With this new technology at its fingertips, Big Agnes is able to power the processing of orders from Big Agnes' retail partners and its consumer-facing website, while NetSuite partner Oz Development's OzLINK shipping solution further accelerates fulfillment. At the same time, investing in NetSuite's scalable cloud ERP has Big Agnes ready for expansion into 20 countries.



Watch the Big Agnes customer story

HEAR IT FROM THE BUSINESSES LIVING IT

By moving to NetSuite's cloud ERP, Philz Coffee made the switch to a system powering accounting/finance, inventory and warehousing, order management, procurement and sales, and ecommerce—all in one place. Since investing in a cloud ERP solution in May 2010, Philz's revenue has soared 400 percent with rapid growth to 13 coffee shops in the Bay Area and a vision for hundreds in California and beyond. NetSuite has helped Philz streamline and grow its wholesale distribution channel to more than 100 buyers, including Whole Foods, Virgin America, LinkedIn, Yelp, Facebook and Google. Leveraging efficiencies gained in the cloud, Philz is disrupting the Bay Area coffee industry and improving its competitive position over much larger rivals such as Starbucks and Peet's. Philz has also invested in NetSuite SuiteCommerce, which it uses for web sales of 30+ custom coffee blends to B2C customers in the U.S. and internationally, with integrated order management

for efficient processing and fulfillment. At the same time, NetSuite Inventory Management gives Philz real-time visibility into stock in-stores and its 20,000 square foot Bay Area warehouse, and gives store managers the power to reorder as needed. The real-time capabilities of NetSuite provides Philz management on-demand visibility into key metrics such as margin, customer count, average ticket, sales by store, labor costs and more, with drill-down detail so that they are equipped to make the best business decisions possible.

Read more from the Philz Coffee CEO.



Customer Spotlight: Philz Coffee

#5. EMPLOYEE PRODUCTIVITY—PARTICULARLY IN THE MILLENNIAL GENERATION—IS CRITICAL FOR SUCCESS

Tech upgrades—although very important—are useless without the employees to act on the efficiencies they bring. Employee productivity for the modern distributor is key to long term success, and much of that productivity can be facilitated with new technologies.

Warehouse automation, CRM, ecommerce, pricing and analytics are just some of the updates modern distributors implement to streamline their processes while increasing employee productivity to improve the output of their operations and free up their employee time to focus on improving the business versus performing manual processes. With more and more millennials now holding B2B purchasing roles, the way B2B purchasing is done is starkly different from previous generations. Although some distributors may be slower to hire the

next generation, the reality is that their customers are not. That said, equipping millennials with the technology that they are comfortable with to be successful is key for achieving the most productive work environment possible and to sell most effectively.

HEAR IT FROM THE BUSINESSES LIVING IT

When Sourcingpartner selected NetSuite over Epicor, it selected a solution that not only was up and running on time and under budget in 95 days, but also was ready for business from Day 1. On the new solution, executives are able to easily monitor automated, mobile inventory management practices on prebuilt dashboards to reduce errors and streamline processes without having to request complex Excel reports that could take hours of employee time to generate. Customers are also able to access real-time order and account information through a secure, self-service portal, freeing up employee time once dedicated to manual entry.



Customer Spotlight: Sourcingpartner

HEAR IT FROM THE BUSINESSES LIVING IT

Another example of a company simplifying operations and increased employee efficiency is Advantage Sign Supply. By switching to NetSuite's cloud ERP, it has streamlined their operations, empowering its workers



Customer Spotlight: Advantage Sign Supply

to shift their attention beyond manual tasks and taxing processes. By allowing Advantage Sign Supply to do business on the web and unify customer touchpoints through linked CRM, ERP and ecommerce, NetSuite has helped Advantage Sign Supply to:

- Cut order processing time by 66 percent.
- Decrease monthly inventory on hand by more than 15 percent ($500,000+ in inventory).
- Save $1,000 per month with electronic invoicing.
- Attract 50+ customers per month, accounting for 11 percent of revenues, with the new website.
- Cut time required to update pricing from two hours to 10 minutes for 500+ items.

HEAR IT FROM THE BUSINESSES LIVING IT

Acquisitions can also lead to bogged down business processes and decreased employee productivity—for instance, iAutomation charted an aggressive acquisition strategy that came with a cost: the company was saddled with siloed applications running in a fragmented IT environment that provided little visibility. Productivity suffered as staff had to manually access, import and export data across multiple systems, while a lack of real-



Customer Spotlight: iAutomation



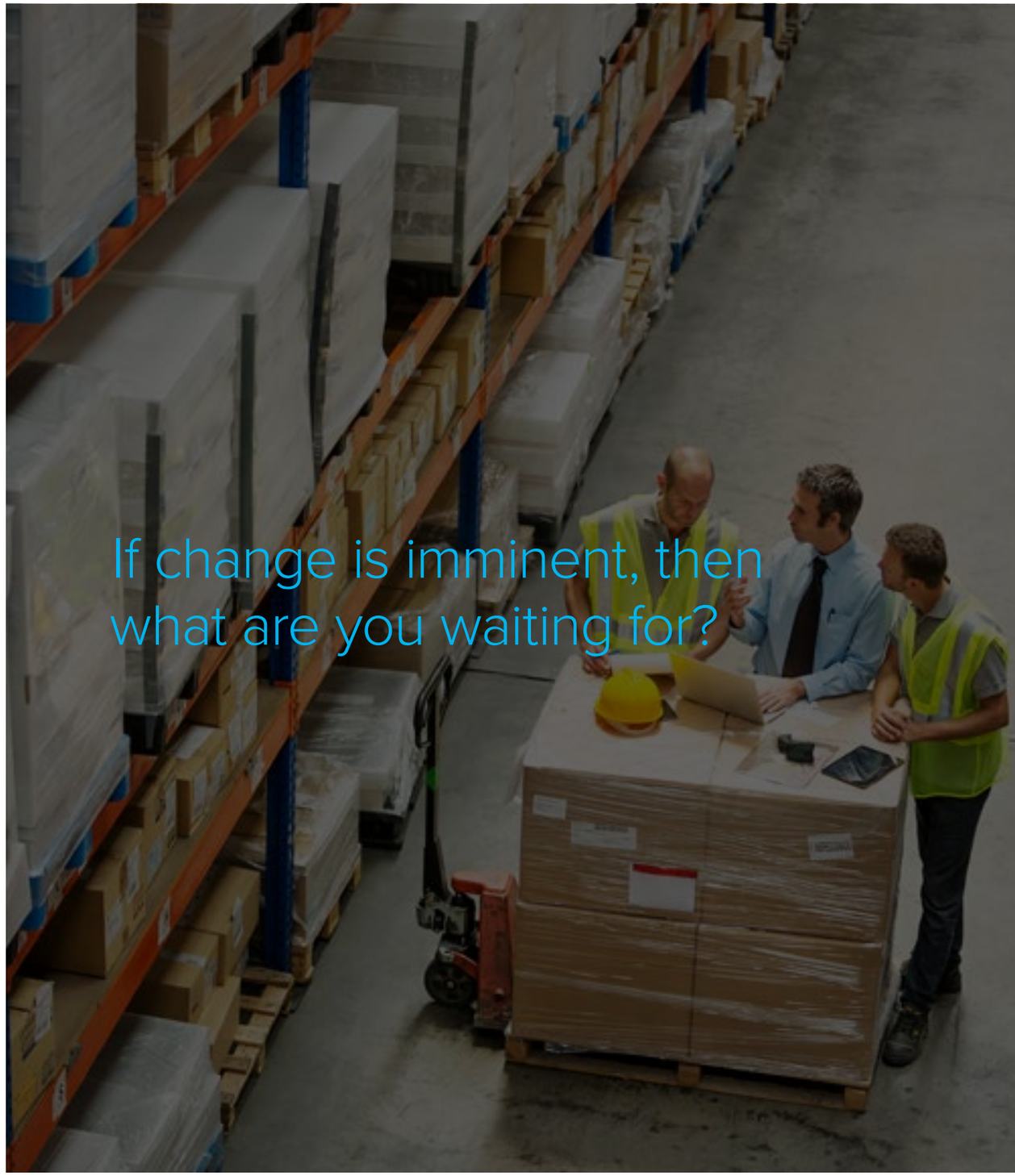
Hear more from iAutomation

time client information was causing needless delays and lost opportunities for sales and customer service. iAutomation's 2008 acquisition of established NetSuite customer, Integrated Motion, led it to the cloud platform. When iAutomation decided to extend Integrated Motion's NetSuite environment to the whole business, the change spurred double-digit revenue gains and significant customer service improvements. iAutomation now enjoys real-time data access across 11 offices, a streamlined supply chain, optimized stocking and newly automated sales and purchase order processes for increased employee productivity overall.

CONCLUSION

Five things may not sound like much, but they are completely altering the face of the distribution industry and changing the way businesses operate, as you can see from the real life company examples highlighted here. Even just a year down the line, distributors may still look different. With that in mind, it begs the question—if change is imminent, then what are you waiting for?

For more on how NetSuite can help wholesale distributors, click here to request a free product tour.



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