

E-book

The Future of Distribution

Trends, Challenges, and Strategies for Success.

Sage



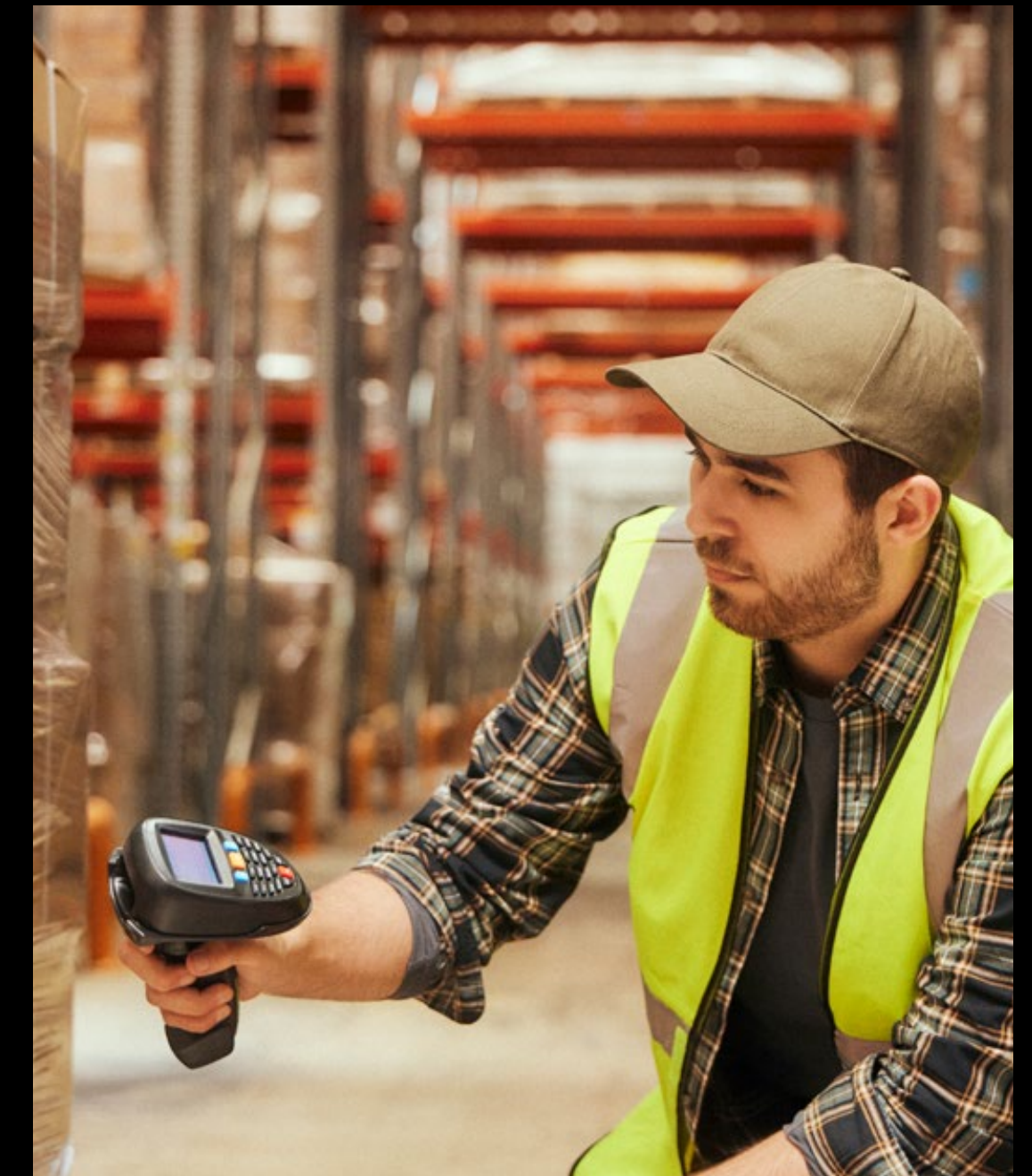
Distribution in 2025: How to Stay Ahead in a Shifting Market

Distributors power the economy, keeping goods moving, shelves stocked, and industries running. But with rising costs, shifting customer expectations, and global complexity, staying ahead takes smarter strategies.

First off: the double-whammy of rising costs and the looming slowdown in spending. You're caught in the middle—paying more for products and transportation while your customers get tough on budgets and expectations.

The rise of globalisation and e-commerce has brought many opportunities, but also vastly increased complexity, with international supply chain management and differing compliance requirements coming into play.

Talent and technical skills shortages are impacting distributors across the industry, particularly in sectors such as chemicals and metals, food and beverages, and automotive engineering. According to MDM's (Modern Distribution Management's) 2025 Industry Outlook, 68% of surveyed businesses cited difficulty in finding and retaining skilled workers.



Alongside all of this, the industry landscape is changing, and fast. Distribution trends such as the use of AI and the internet of things (IoT), direct-to-consumer (DTC) models, sustainability, and dual-sourcing are now integral for many, with companies who are slow to adapt risking being left behind.

In this e-book, Sage will take a closer look at these trends and predictions, explore what they mean for your business, and see how embracing emerging technologies and approaches can transform today's challenges into tomorrow's success stories.

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Boosting Efficiency and Insight with AI

The two main ways in which AI can benefit business are by:



Delivering increased visibility and insight into operations and financials, to inform smarter decision-making.



Automating tasks for increased efficiency.

An average 34% of distribution and manufacturing companies surveyed* recently said they had “No single view of the truth for their organisation, with no ability to make decisions or have meaningful insights”.

Yet the 2025 MDM Industry Outlook confirms that companies embracing analytics, AI, and e-commerce platforms reported a 10-15% higher revenue growth compared to those relying on traditional models.

Right now, AI is making an impact in back office operations, HR automation, marketing content creation, and IT issue resolution. But for distributors, the biggest gains lie ahead: AI-powered demand forecasting, route optimisation, and warehouse automation are already driving 10-15% higher revenue growth* for early adopters.

Meanwhile, automation frees employees from repetitive tasks, reducing human error and operational costs. Distribution companies are already seeing the benefits throughout their operations, from automated picking and packing systems in warehouses to robotics and drones for deliveries.

Because AI feeds on data, distributors need to ensure theirs is accurate, current, and accessible in order to provide the best foundation for AI-powered insight. The state-of-the-art analytics offered by modern ERP systems deliver complete and timely decision making power across your business operations, finances, and performance, priming them for continuous improvement.

* Source: IDC: Manufacturing Industry Intelligence, December 2024 IDC Global GenAI Technology Trends, July 2024, WW manufacturing organisations

Powering Smart Warehousing and Connected Logistics with IoT

Internet of Things (IoT) capabilities are playing an increasingly transformative role in enhancing distribution operations, improving efficiency, visibility, and responsiveness across the supply chain.

Smart warehousing technology helps tackle current challenges such as squeezed margins and skills shortages through:



Delivering increased visibility and insight

IoT-enabled sensors and radio-frequency identification (RFID) tags track inventory levels in real-time, reduce the need for manual counting, and minimise stock discrepancies.



Automated handling

Autonomous, IoT-powered robots, and conveyor systems streamline sorting, picking, and packing.



Monitoring conditions

Temperature, humidity, and vibration sensors ensure that sensitive goods such as perishables and pharmaceuticals are stored in the recommended conditions.



Energy management

Smart lighting, heating, cooling, and ventilation systems in warehouses reduce operational costs via intelligent consumption monitoring and control.



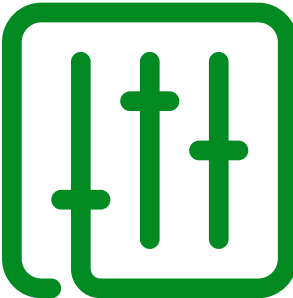
Predictive maintenance

IoT devices on machinery monitor performance and predict failures. This means preventative maintenance can be planned and performed in advance, reducing downtime, and improving operational efficiency.

In transportation and logistics, companies are increasingly embracing:



Fleet tracking and management
GPS-enabled IoT devices track location in real-time, ensuring more accurate delivery ETAs and better route optimisation.



Asset instrumentation
Smart sensors on cargo monitor environmental conditions such as temperature, and notify drivers of any anomalies. Almost 60% of IDC Manufacturing Survey respondents cited this as a key initiative*, reflecting the need to minimise waste and protect margins.



Sustainability measures
Many measures that save fuel or energy to reduce a company’s carbon footprint, such as route optimisation, also reduce costs.



Driver performance tracking
IoT systems monitor speed and rest periods to ensure compliance with safety regulations and maximise efficiency.



Supply chain visibility
Real-time data sharing between partners enhances transparency, for better decision-making and a faster response to disruptions.



Delivery optimisation
Dynamic routing, based on live traffic and weather data, helps minimise fuel consumption and delivery times.

* Source: Source: IDC: Manufacturing Industry Intelligence, December 2024
IDC Global GenAI Technology Trends, July 2024, WW manufacturing organisations

DTC—Threat, or Opportunity?

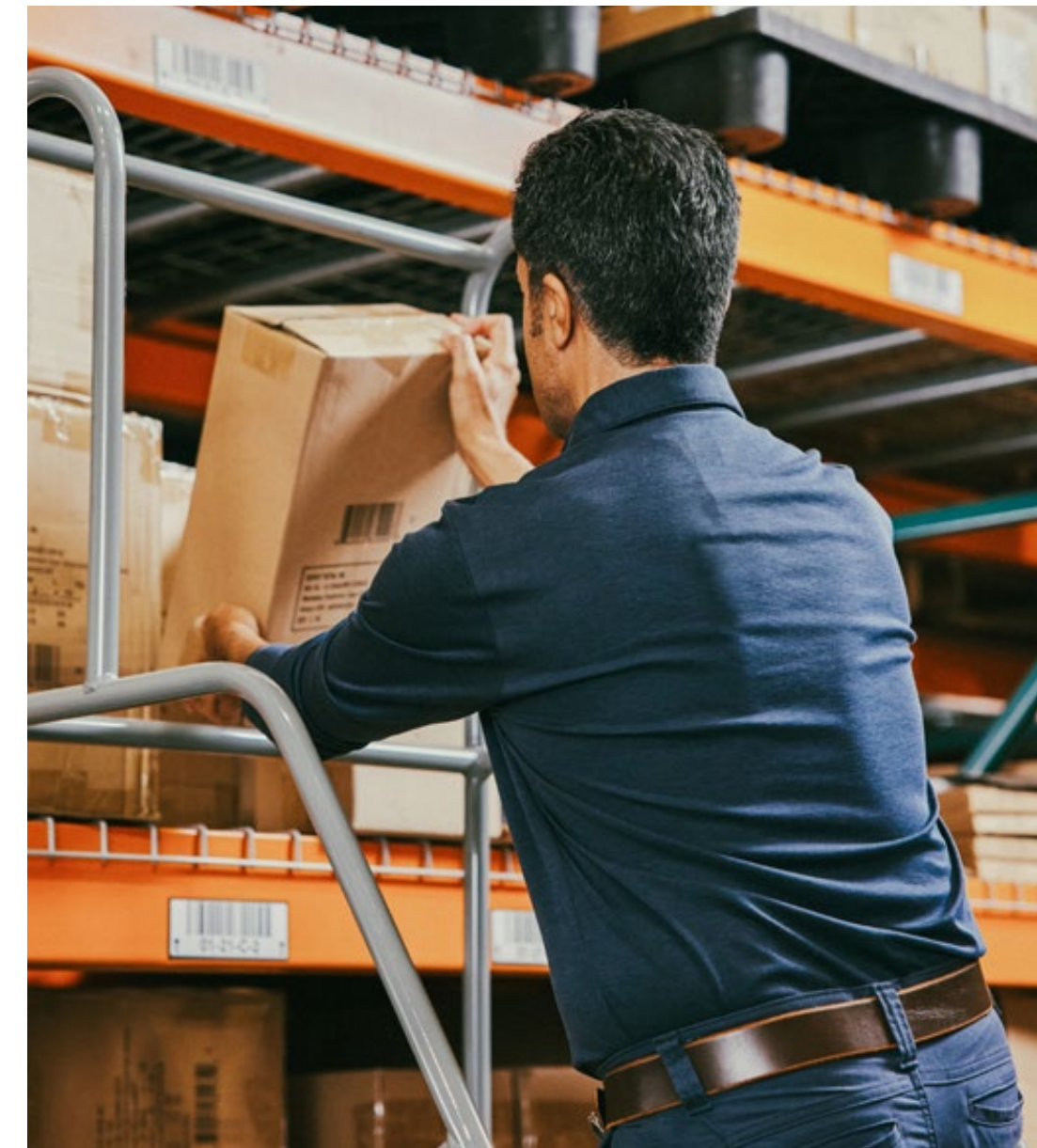
According to a 2024 report by Shopify*, global DTC e-commerce is currently growing by 8.4% a year and is now estimated to be worth around \$6.09 trillion.

Traditionally, this has been seen as a concern by distributors, but as brands and manufacturers realise that DTC involves more logistical considerations than originally thought, the opportunity is emerging for wholesale distributors to bring value to these companies.

It's all about the data. Keeping customers happy starts with knowing what they want and being able to accommodate their changing preferences. DTC models offer an excellent opportunity to gather data about consumer preferences. By leveraging technology to gather this data and using it to tailor and add value to your services, you can transform your customer relationships, driving loyalty and building a positive perception of your business and your brand

Distributors who embrace DTC learnings can turn them into competitive advantage. By leveraging customer insights, they can offer value-added services, improve fulfillment speed, and strengthen manufacturer relationships, driving higher margins and customer loyalty. Using software and even AI to spot trends and anomalies can position businesses to be more prepared for changes and better able to predict fluctuations and issues, for example a typhoon in Asia, or a strike at a dock. They can build these delays into their supply chain planning to avoid stockouts.

Collabouration and flexibility across the supply chain enables everyone to adapt and thrive.



* Source: <https://www.shopify.com/uk/blog/global-ecommerce-sales>

Thinking Sustainably to Attract Top Talent

Green initiatives and ESG reporting requirements may be required in some industries, especially if your business has an international supply chain and/or customer base.

Younger generations of prospective talent may also count a commitment to sustainability high on their list of criteria when comparing potential employers. Demonstrating such a commitment may give your business an advantage in the present climate of labour shortages.

Crucially, many sustainability measures also bring definite financial advantages. For example, route optimisation and warehouse energy efficiency strategies will help save fuel, costs, and the planet. What's not to like?



Dual Sourcing to Mitigate Risk

It's no surprise that dual-sourcing is gaining traction in distribution.

For a start, it helps mitigate uncertainty by improving supply chain resilience and reducing dependency risks. By sourcing from two suppliers instead of relying on a single source, companies gain a safety net to lessen the impact of disruptions such as natural disasters, geopolitical issues, or supplier failures. Should the worst happen, diversifying helps ensure operational continuity, consistency of supply, and less likelihood of stockouts. Lastly, sourcing suppliers near customers can lower shipping costs.

Dual-sourcing also promotes healthy competition between suppliers, which can result in more competitive prices and better service quality. Bear in mind however that managing multiple suppliers can mean more complexity and costs, for example additional inventory management and higher admin expenses. You'll need to coordinate logistics, oversee quality consistency, and invest time in maintaining good supplier relationships with all partners.

With the right systems in place to assist in this, it's an attractive strategy for companies aiming to balance risk and operational stability while maintaining a competitive edge in volatile markets.



Strategies for Success

In a business landscape of constant evolution, it's essential to roll with those changes, adopting emerging trends and technology to remain competitive.

Meet concerns about a slowdown head on: Invest in predictive tools that can put together 'what if' scenarios for end-to-end processes so you can gauge costs. Choose ERP software designed for distribution businesses, that you can customise to your unique business processes, and which provides a compliance framework in line with industry regulations.

Equip your teams to thrive: technology needs to be easy to use with good customer support, to help employees collabourate and feel like valued contributors.

Be easy to do business with: empower your business to meet the increasing expectations and demands of customers and suppliers by implementing shared networks, cloud connectivity, and automation. They'll save time to focus on priorities, and make it effortless to collabourate for everyone's advantage.

“

Sage Intacct lets us focus on the numbers, not on having to manage the system.

”

Tom Lewis,
Finance Manager Allmanhall

Countering Cost Pressures

As the IDC Manufacturing Survey highlights, increasing costs are impacting distributors from all angles, including materials, labour, and logistics.



Optimise efficiency to protect margins across all aspects of the business, from smart warehousing to delivery efficiency solutions. Invest in scalable tech systems to automate workflows, streamline supply chain issues, and deliver the insight you need to pinpoint areas for improvement.



Use forecasting data to predict and see trends, such as spikes in demand linked to season or events, so you can plan for capacity and cost-efficiency.



Transition from transactional to strategic relationships with customers and suppliers, by analysing their wants and needs and using these to add value. This could be through personalisation, by creating tailored bundles of items, and by sharing unique insight you've discovered in your data.



Be Ready, be Flexible

Navigating today's distribution challenges requires a strategic and technology-driven approach. With Sage, leading distributors are leveraging automation and real-time insights to streamline operations, drive smarter decision-making, and future-proof their businesses. By staying ahead of industry trends, adopting sustainable practices, and embracing continuous improvement, your business can maintain a competitive edge and achieve long-term success.





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