
An UnleashWD Executive Whitepaper
By: Dirk Beveridge

The Bet Every Distributor Must Make

UNleash 
Distribution. Freshly Inspired.

Introduction

In the news business there is a saying, “If It Bleeds, It Leads,” and if you give the viewing public the violent details of a tragic event, you pull the viewers in every time.

The “If It Bleeds, It Leads,” phenomena is certainly played in the world of wholesale distribution when Forbes published an online article by staff writer Clare O’Connor on May 7, 2014. After just two days, the article had a massive 114,000 views. To put this into perspective, the five previous O’Connor written Forbes articles had an average of 9,100 views. Readers were pulled in as if they were watching the lead story of carnage in city center of the 5 PM local news.

So what was the Forbes lead story? What could cause a 1,200% increase of readers? The headline read:

Amazon’s Wholesale Slaughter: Jeff Bezos’ \$8 Trillion B2B Bet¹

The death of an industry. . . the big attacking the weak. . . An industry titan flippantly—all bets are frivolous, right?—undercutting an \$8 trillion market. There it is, a story of business slaughter became a must read, and it should be read. It should be read very closely by all of those within wholesale distribution. As Tom Peters pointed out on Twitter, O’Conner wrote a superb and important article.

If you had any question if AmazonSupply would be affecting your business, markets, and/or line of trade before last week, I think O’Connor’s “Slaughter” article should put those thoughts to rest.

And it should be read, very closely by all within wholesale distribution. As Tom Peters pointed out on Twitter, O’Conner wrote a superb and important article.



AmazonSupply - Our Disruptive Competitor

If you had any question if AmazonSupply would be affecting your business, markets or line of trade before last week, I think O’Connor’s “Slaughter” article should put those thoughts to rest.

¹ Clare O’Connor, “Amazon’s Wholesale Slaughter: Jeff Bezos’ \$8 Trillion B2B Bet,” Forbes, May 7, 2014, <http://www.forbes.com/sites/clareoconnor/2014/05/07/amazons-wholesale-slaughter-jeff-bezos-8-trillion-b2b-bet/>

About 12 years ago, Amazon realized that they did not have the technology infrastructure that allowed their data-center guys to give the app guys a set of dependable tools, they started building their own for internal use. They quickly realized with a little bit of extra work they could make it available to everybody.

Despite the internal argument of “stick to the knitting” Bezos reasoned, “This is a good idea, we have a lot of skills and assets to do this well, we’re already going to do it for ourselves —why not sell it, too?”²

From this internal need, Amazon Web Services created an Amazon offering and has displaced Google and others as the market leader. According to a 2013 Gartner report, Amazon Web Services is estimated to be five times larger than a dozen of its top competitors in the market combined.³

AmazonSupply has the technology, distribution capabilities, operational excellence, customer centricity and talent that B2B customers require, and they intend to leverage these assets.

My point?

You will recall former Chief of Staff to President Obama, Rahm Emanuel’s notorious quip that a crisis is a terrible thing to waste. We’ll it appears that Bezos and team believes that skills and assets are a terrible thing to waste and have every intention of leveraging their capabilities to disrupt the wholesale distribution industry. They have the technology, distribution capabilities, operational excellence, customer centricity, and talent that B2B customers require and intend to leverage these assets.

From the Slaughter article demonstrating AmazonSupply’s commitment to disrupt wholesale distribution:

- Bezos describes B2B distribution as “an incredible category” during the company’s 2012 annual meeting
- AmazonSupply launched quietly in April 2012 with 500,000 items for sale. Two years later, still officially in beta, it has grown to more than 2.2 million- a staggering figure considering the average wholesaler sells closer to 50,000 products online.
- Addressing the question of limits to the types of products AmazonSupply will distribute, Prentis Wilson, vice president of B2B and AmazonSupply says “We would explore any item to ensure that we’re able to fulfill it.”

² Steven Levy, “Jeff Bezos Owns the Web in More Ways Than You Think,” Wired, November 13, 2011, http://www.wired.com/2011/11/ff_bezos/all/1

³ Brandon Butler, “Gartner: Amazon still public cloud leader by a long shot,” Network World, August 20, 2013, <http://www.networkworld.com/news/2013/082013-gartner-amazon-273005.html>

- “The question is not whether AmazonSupply will be a threat. Rather it is which customers, purchase occasions and categories will be attacked first.” Richard Balaban of Oliver Wyman.

AmazonSupply’s Bet

The views of AmazonSupply throughout wholesale distribution are varied indeed. They range from the view in the Forbes article that Bezos and company will slaughter the industry to the declaration by the CEO of a multi-billion dollar manufacturer who sells through distribution that “Amazon cannot last and will implode.”

The Forbes *Slaughter* article framed AmazonSupply’s move into the world of wholesale distribution as a bet. I find this interesting because there are a number of ways bets can be made.

What type of bet is Amazon making with AmazonSupply? Is it a disruptive force that will “slaughter” wholesale distribution or a bet that will implode? Or something in between?

One possible bet is that of a Las Vegas tourist sitting down at the roulette table. The visitor is gambling for the entertainment value, yet has high hopes of big wins from big bets. From the casual gambler with no strategy to the frequent returnee, their courage is fueled by free drinks pumped into their system by the casino. The lure of it all helps them forget that the odds are clearly stacked in the house’s favor.

The other type of bet is that of a professional and experienced stunt driver. Ever since the 1974 James Bond film, *The Man with the Golden Gun* shows how bets changed for the ultra-skilled stunt drivers. For the first time, producers Harry Saltzman and Albert R. Broccoli used a computer to calculate the epic 360-degree corkscrew jump. A jump that launched a red AMC Hornet X Hatchback Special Coupe off a slanted ramp causing it to cork-screw mid-air over a narrow river and successfully land on the other side. ⁴

Business history is full with stories of companies making bets as both the Las Vegas tourist and the successful ultra- skilled stunt driver. For example:

- The Disastrous and Expensive Bets: Motorola had bet \$5 billion on Iridium, a low-Earth-orbit constellation of satellites that promised global communications when deployed in 1998. The bet unfortunately was based on a business plan that was locked in place 12 years before the system became operational, and while the satellites did not, the endeavor came crashing to earth in bankruptcy.

⁴Christopher Neiger, “5 Scariest Stunt Car Feats,” How Stuff Works”, June 20, 2010, <http://auto.howstuffworks.com/auto-racing/motorsports/5-scariest-stunt-car-feats.htm#page=1>

- The Technology and Data Driven Yet To Be Played Out Bets: Disney is currently in the early stages of a \$1 billion bet to track theme-park visitors, experimenting in crowd control, data collection, and wearable technology that could change the way visitors experience their parks.⁵
- The Successful and Transformative Bets: In 1964, IBM unveiled the System/360 line of mainframe computers, a daring innovation that transformed business, science, government, and the IT industry itself. Some consider the \$5 billion (\$35 billion in today's dollars) investment the biggest bet of all time.⁶

Three Lens To View AmazonSupply's Threat

I get the feeling that Bezos and team's bet into wholesale distribution is much closer to IBM's System/360 bet than Motorola's Iridium and to that of today's stunt driver than a drunken casino visitor. Here are three reasons why:

- We are competing against the BOLDEST Guys On The Planet
- We are competing against the SMARTEST Guys On The Planet
- We are competing against the MOST RELENTLESS Guys On The Planet

We Are Competing Against The BOLDEST Guys On The Planet

The stated goal of AmazonSupply should take your breath away. On its career website the goal is defined; "AmazonSupply employs an assortment of talented, compelling people to drive Earth's largest selection of business and professional supplies. IN FACT, our goal is to supply everything needed to rebuild civilization."

Gasp!

"Our goal is to supply everything needed to rebuild civilization."

Can you imagine any management team in distribution thinking that way? No, really. Can you imagine any management team in distribution thinking that way? Every supply needed to rebuild civilization!

⁵Christopher Palmeri, "Disney Bets \$1 Billion on Technology to Track Theme-Park Visitors", March 7, 2014, <http://www.businessweek.com/articles/2014-03-07/disney-bets-1-billion-on-technology-to-track-theme-park-visitors>

⁶Randy Alfred, "April 7, 1964: IBM Bets Big on System/360, April 7, 2011, <http://www.wired.com/2011/04/0407ibm-launches-system-360-computers/>

I think it's generally accepted that the wholesale distribution industry is comprised of managers and owners who lead with a propensity towards the conservative. "Let's hit singles and doubles," is a common refrain.

Certainly I'm not suggesting that every distributor should be swinging for triples and walk off home runs. But I am saying beyond a shadow of a doubt - no matter what line of trade - we have a new competitor. A non-traditional competitor we don't know. And one who is fond of reminding us "Your margin is my opportunity."

Certainly I'm not suggesting that every distributor should be swinging for triples and walk off home runs. But I am saying beyond a shadow of a doubt - no matter what line of trade - we have a new competitor.

Bezos is bold. And he invests in his bold ideas. His hobbies include investing in a team to raise one or more of the five F-1 rocket engines that launched Neal Armstrong to the moon from the ocean floor having found them after 40 years. He also has another team of 300 working to revamp and commercialize spaceflight through his Blue Origin startup.⁷

Big, bold, audacious does not not seem to scare Bezos, he seems to be drawn to it. And one look at

AmazonSupply's stated goal it becomes obvious that we are now competing against the boldest guys on the planet.

We Are Competing Against The SMARTEST Guys On The Planet

In December 2013, Bezos sent a tremor through the business landscape while firing a shot over the bow of every business with delivery fleets when he unveiled his futurist plans of delivery by drone on 60 Minutes. Remember that? Of course you do.

Gasp!

Really? Can they do that? Can Amazon really fly packages directly to your doorstep with a mere 30-minute delivery time? I'm not sure. But the fact that they are thinking about it is breathtaking.

Can you imagine any management team in distribution thinking that way? No, really. Can you imagine any management team in distribution thinking that way? Delivery by drone!

For the last three years, I've been saying that I believe down to my core that we in distribution have been too damn incestuous. We haven't opened ourselves up to new - dare I say - smarter thinking. We meet with the same people. Go to the same meetings. And rehash what's been rehashed for years.

⁷Jeff Bezos, "Welcome to the Apollo 11 F-1 Engine Recovery Website", March 28, 2012, <http://www.bezosexpeditions.com/learn-more.html>

We have at least one new competitor in AmazonSupply who is thinking differently. And smarter. A lesser publicized story than delivery by drones is that Amazon is planning to ship orders before they are ordered. In a December 2013 patent they call it Anticipatory Shipping. Amazon will have its proprietary algorithms continually examine previous orders, product searches, wish lists, shopping cart contents, returns, how long a cursor hovers over an item and more to ship you what you are about to order. That's right - what you are about to order!

This doesn't happen by accident.

Jeff Bezos has been identified as hyper-intelligent, ultra-driven, and obsessed with details and expects everyone around him to be the same. In the November 13, 2011 Wired cover story, "Jeff Bezos Owns the Web in More Ways Than You Think," the case is made that "Bezos may well be the premier technologist in America."

Amazon's smarts have allowed it to conquer the internet, reinvent the book trade, lead in web services, tackle tablets, movies and more. And now, they are bringing that smarts to wholesale distribution. We are now competing against the smartest guys on the planet.

*Amazon will have its proprietary algorithms continually examine previous orders, product searches, wish lists, shopping cart contents, returns, how long a cursor hovers over an item and more to ship you what you are about to order. **That's right - what you are about to order!***

We Are Competing Against The MOST RELENTLESS Guys On The Planet

Jeff Bezos long-term view and patience is legendary. This became clear with the letter to shareholders he published in 1997, the year Amazon went public. "It's all about the long-term" he stated. Further defining Amazon's intent Bezos continued, "We will continue to make investment decisions in light of long-term market leadership considerations rather than short-term profitability considerations or short-term Wall Street reactions."⁸

Gasp!

Can you imagine any management team in distribution thinking that way? No, really. Can you imagine any management team in distribution thinking that way? Making decisions not for next quarter or even next year, but for the long-term!

⁸Jeff Bezos, "1997 Letter To shareholders", 1998, http://benhorowitz.files.wordpress.com/2010/05/amzn_shareholder-letter-20072.pdf

Many wholesale distributors aren't thinking long-term. They've become lifestyle businesses, managing for tomorrow rather than the next decade. Even those "professionally managed" distributors where leadership reports to outside directors and shareholders, the thinking tends to be short-term versus long-term.

On-the-other-hand, while he absolutely cares about return-on-investment, Bezos is willing to wait 5 to 7 years for a payoff. He also believes the difference in thinking - Amazon's long-term view versus wholesale distributor's short-term view - can be a very big competitive advantage. Bezos has said, "We are comfortable planting seeds and waiting for them to grow into trees, we don't focus on the optics of the next quarter."

All this long-term thinking from a very bold and very smart guy who is building a 10,000 year clock. The project is as Bezos says, "of monumental scale inside a mountain in West Texas." The project itself will take many years to complete. The point is that Bezos and Amazon relentlessly pursue their goals.⁹

The long-term view and relentless focus of achieving its goals, disrupting itself and markets is something new to the wholesale distribution industry. And we should take note, because we are now competing against the most relentless guys on the planet.

The Bet All Wholesale Distributors Must Make

All distributors must place a bet on innovation.

Amazon has let it's intentions be known. They are making a bet on disrupting your business. I'll say that again. They are making a bet on disrupting your business. In the Forbes article, *Slaughter*, Author O'Connor observes the following; "Forget delivery drones and TV deals, Jeff Bezos' stealthy foray into the unsexy world of B2B distribution is likely his most disruptive move yet...AmazonSupply...has the potential to turn into the most important development in the company's history since it started selling books."

All distributors must place a bet on innovation.

"We are culturally pioneers," Bezos once said. "We like to disrupt even our own business. Other companies have different cultures and sometimes don't like to do that. Our job is to bring those industries along."

So our antes are on the table. The cards are being dealt as we speak. You have the hand that has been given to you throughout the history of your business. If you're going to stay in the game without folding, you too are going to have to place a bet. And what must that bet be?

⁹Jeff Bezos, "Welcome to the 10,000 Year Clock website", <http://www.10000yearclock.net/learnmore.html>

I have spent the last three years asking this very question in the creation of **UnleashWD**, the only **innovation** summit for distributors and for the book I've researched and authored for the National Association of Wholesaler-Distributors, Institute for Distribution Excellence which will be published in August.

My research has led me to conclude that every wholesale distributor must make a bet on becoming The Innovative Distributor.™

The Innovative Distributor™

Tentatively titled, *The Innovation Imperative, How Tomorrows Innovative Distributors Will Lead Their Customers To A Better Future*, the NAW published book will outline in detail the model of The Innovative Distributor™ and provide a roadmap for remaining relevant in the age of disruption.

Disruptive Wheel of Change

Distributors are facing what I call the Disruptive Wheel of Change. With the constant disruptions and pressures that distributors face—technology changes, shifting demographics, new government regulations, and of course competitive threats from non-traditional competitors such as AmazonSupply—the real challenge is to create a sustainable and relevant business.

To do so, and I think this is very important, we must at some point take our focus off of AmazonSupply, Google For Suppliers or any other competitor and turn those inwardly to assess if we have the will, energy, and focus that **innovation** requires. Of course we'll stay abreast of AmazonSupply, but the goal is not to keep up, differentiate, or out Amazon.

We have to become bolder, smarter, and more relentless looking at our own business with a rigor and urgency that many distributors are not accustomed to. NAW president, Dirk Van Dogen stated in the *Slaughter* article that "The industry is largely ignored. You can go your whole life without having a single thought about it." He is right, and when an industry is accustomed to flying under the radar the urgency to **innovate** is non-existent.

We have to place a bet on **innovation**.

There is a guy by the name of Bezos who has been thinking about the \$8 trillion opportunity the wholesale distribution market presents, and the game is changing faster than most ever imagined. Distributors must break from the gravitational pull of the status quo and legacy thinking to create bold, smart and relentless non-traditional competition.

Here are four business imperatives of *The Innovative Distributor*[™] - you can read the four items more in depth in our forthcoming book. These imperatives are the bets we must make going forward. The Innovative Distributor will make a bet on:

- Vision and Culture
- Value Propositions
- Business Model **Innovation**
- Transformative Leadership

Vision and Culture

The Innovative Distributor[™] has created a vision for their constituents built around continuous improvement, transformation, change, and a bright future. The leaders of the organization set the vision and keep pushing for it and they acknowledge that without aligned employees there is no **innovation**.

Value Proposition

In a world of commoditization, The Innovative Distributor[™] is perpetually working to understand the articulated and unarticulated needs of the customers and markets they serve. The voice of the customer is paramount in all that they do as they work to enhance the customer's experience in differentiated and meaningful ways.

Business Model Innovation

Once the value proposition is defined, The Innovative Distributor[™] defines the business model - how it will create, deliver, and capture value. A commitment to experimentation unleashes new models of serving customers in the ongoing quest of remaining relevant.

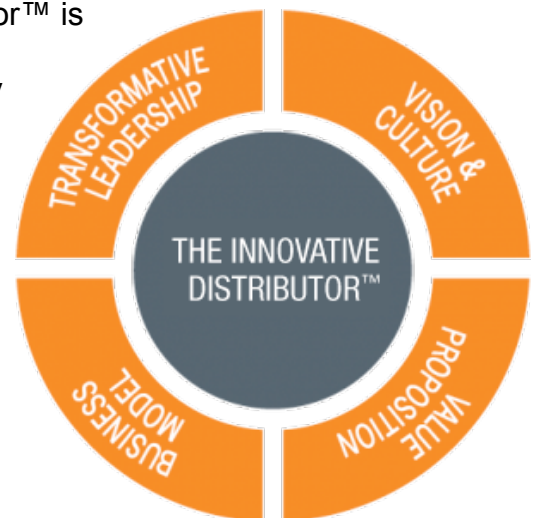
Transformative Leadership

And in the end, no sustaining **innovation** happens without leaders who are prepared to lead the organization to a new future. The Innovative Distributor[™] understands that stimulating change is the job of every leader in the organization.

[Let me know here if you'd like to be alerted to the books release date](#)

The Good News - You Can Do This

For the last three years, as I have had focused on **innovation** throughout wholesale distribution, I've had the great fortune of meeting and working with distributors who are creating their future through **innovation**.



There are stories and lessons of distributors who have new **innovative** business models, stronger and differentiated value propositions, and a vision and culture that catalyze **innovation**. Team members who have the will, energy, and focus to transform their business to remain relevant in this age of disruption lead these models.

You can do this. Others have and are. I hope this paper serves as a dialogue starter in your business.

In creating UnleashWD, I've placed my own bet on wholesaler distributors, like you. I made this bet because I believe you and many others are ready for new ideas, a new meeting format and to learn from the greatest **innovators** in the world.

At UnleashWD, we are providing a new and exciting alternative for wholesale distributors. An alternative to start thinking differently, think across industry segments and think about **innovation** which lead to finding new ways to grow our business. As we continue to face challenges like AmazonSupply we must invent and reinvent faster and faster. UnleashWD is a place for starting new ways of thinking, and a conference is the right way to do that today.

This October 29-30, 2014, we will host the 3rd annual UnleashWD **Innovation** Summit. The only **innovation** summit made for wholesalers, distributors and their supply chain partners.

Details can be found at www.unleashwd.com

About The Author - Dirk Beveridge

Dirk Beveridge is the industry's leading advocate for **innovation** in wholesale distribution. For over 25 years, Dirk has been a part of the whole distribution industry as a consultant, author and speaker. He has a deep-rooted passion for **innovation** and believes it is not reserved for the Apples of the world, and that the industry must Unleash its entrepreneurial and ingenious core.

When Dirk speaks to industry associations and companies his passion, energy and unique insight *catalyze new thinking*, collaboration and action. His 9-90-1 **Innovation** Day has proven to help distributors bring **innovation** to their business in such a way that the status quo is obliterated.

To contact Dirk about speaking or other services, reach out at Dirk@unleashwd.com or by calling 847-381-7797.

© 2014 UnleashWD and the Beveridge Consulting Group