



Logistics Industries ENVIRONMENTAL SCAN

November 2011

Wholesale



This page is intentionally left blank

Overview

Wholesaling has always played an important role in the supply chain system. It involves the sale of finished goods or component parts between businesses or bulk purchases being prepared for an end user market. The roles and activities carried out are predominantly conducted behind the scenes.

In 2010-11 the wholesale trade industry employed 40,700 persons or 3.3% of all persons employed in Western Australia. The industry is divided into six sectors: basic material wholesaling; machinery and equipment wholesaling; motor vehicle and motor vehicle parts wholesaling; grocery, liquor and tobacco product wholesaling; other goods wholesaling; and commission based wholesaling.¹

One of the biggest concerns for wholesale is that there is no industry body/association that represents the collective interests of wholesalers. As a result, despite the nature of their operations, a number of businesses do not identify themselves as a wholesale company. This has led to most working in isolation and classifying themselves as retailers, warehouses and distributors.

Regardless of whether they have an adjoining warehouse or source goods on behalf of clients, the service provided by wholesalers is a unique combination of maintaining good customer relations and catering to business needs. This spans across many different areas that range from food service right through to manufacturing, pharmaceuticals and automotive areas. The training for job roles within wholesale is predominantly done in-house with little interest in or awareness of wholesale qualifications.

Trends Analysis

Over the four year period to 2010-11, the wholesale trade industry in Western Australia grew by 1,800 jobs or 4.6%. While most of the sectors in the industry recorded employment growth over this period, grocery, liquor and tobacco product wholesaling recorded a decline.²

This could be due to an increase in those businesses operating in retail groups, such as a national grocery chain also now offering liquor outlets etc, all aligned under the one banner. There are also fewer independents operating, with most participating in national buying groups. The purchasing for these stores would be done through a national branch, often based on the east coast and stock would be shipped direct to state based warehouses.

Over the four-year period of 2014-15, Monash is predicting that there will be 48,200 Western Australians employed in this industry. This represents an increase of 7,300 jobs, with the machinery and equipment wholesaling industry expected to record relatively strong employment growth of 5,300 jobs.³

In terms of employment by occupation, the majority of workers in the sector are managers (23.8% in 2010). There were also a significant proportion of clerical and administrative workers (19.6% in 2010). All occupations, except for technician and trade workers, community and personal service workers, sales workers and labourers experienced an increase in employment growth over the last ten years.⁴

Regulatory Requirements

Bonded warehouses (customs, excise, excise issues) are regulated by the Department of Transport, Australian Customs and Border Protection Service.

Demographics of Workforce

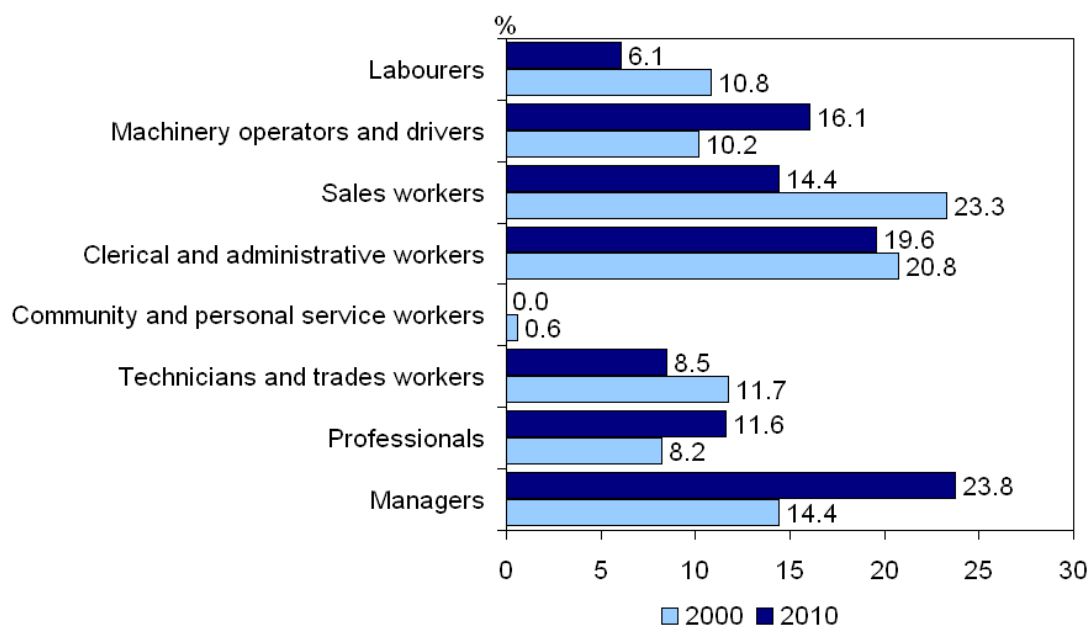
Age Profile

The wholesale trade tends to have a larger proportion of prime age workers, ie those between the ages of 25-44, which goes against the predominant trends in other areas where there is a large percentage of people in the older bracket (45 to 65+).

Gender

Almost a 17% gap exists between the percentages of males employed full-time in wholesaling compared to the industry average of 45.6%. This could be attributed to the demanding nature of the roles, which may include long hours involved in extensive travel by sales representatives. This may not portray a suitable work-life balance for workers with families and other responsibilities, hence the much lower percentages given for part time workers and female participation. In 2000 there were approximately 70.4% males and 29.6% females in this industry and this figure has stayed the same in 2010⁵.

Share of Employment by Occupation⁶



Impact of Globalisation

The dynamics of the wholesale sector are rapidly changing. Not only are there technological advancements but the sector has to deal with the increasing pressures of widening consumer choice and the increased level of competition. The same competition has led to the closure of the manufacturing plants as the unit costs per item produced increased,

leading to the outsourcing of production. This has also caused a significant shift in the structure and operations of wholesalers. Instead of highly diversified entities, these organisations tend to be consolidating to core activities, operating and coordinating the movement of goods to maintain a competitive cost advantage over rivals.

Impact of Government Policy/Decisions

As part of a national OHS harmonisation initiative the Commonwealth and each State and Territory have agreed to amend their OHS legislation so that each is consistent with the national Model Work Health Safety legislation (Model WHS legislation). The legislation is due to commence on 1 January 2012.⁷ However, Western Australia is not intending to adopt the whole of the model but will likely adopt a significant portion of the proposed model laws. Four areas which have been highlighted will not be adopted by WA. These relate to Penalty Levels; Union Right of Entry; Health and Safety Representatives' Capacity to Direct the Cessation of Work; and Reverse Onus of Proof in Discrimination Matters. WA considers that its inclusion is contrary to one of the issues that initiated harmonisation.⁸

Technological

Due to growing technological advancements, especially in IT, some companies have used these advances to improve their business processes. Sales representatives can cut back on the face to face contact that they have with clients, liaising with them via email, which saves a considerable amount of travel time but also improves responsiveness of the wholesalers.⁹ Furthermore, software has been developed to assist in the pre-empting of clients when dealing with repeat orders. This also has the benefit of preventing bottlenecks when orders are combined from different sources in order to produce a particular item. As most computer systems are tailored to the users, templates have been developed as a learning tool to help reinforce standard operating procedures.

Another emerging trend has been the use of social media (eg Facebook and Twitter). This has revolutionised communication channels and the speed at which information is disseminated. Not only is this a faster way of distributing information but it is also more targeted and interactive which in turn assists with improvements and feedback. One downside to this is the reluctance of some workers to use these systems to their maximum potential, especially older workers.¹⁰

Economic Drivers

As with many other industry sectors, wholesaling employers have experienced the drain on resources by the lure of workers to go and join the mining sector and the effects of the reduced economic activity during 2008-2009. With another wave of declined consumer confidence in mid 2011 due to credit rating concerns in America and the debt levels in Europe, more Australians are resorting to online purchases where goods are sold at cheaper prices and may offer free shipping. In some of these cases consumers will be dealing with wholesalers direct hence an increase in activity for this sector. Though there had been some debate on imposing a tax on all goods purchased online, a Gross Sales Tax exception still remains on goods under the value of \$1000.00.

Size and Distribution

WA has the fourth largest internet vacancies for wholesaling behind New South Wales, Victoria and Queensland. With the exception of the Australian Capital Territory, all other States/Territory experienced a significant slump in vacancies for 2009. For Western Australia, Perth is the major hub for this industry sector. However, as regional centres continue to grow and both the mining and oil and gas industries expand their operations, it is becoming more likely for wholesalers to set up operations in these areas, especially if they are involved in selling to the mining sector.

Sustainability

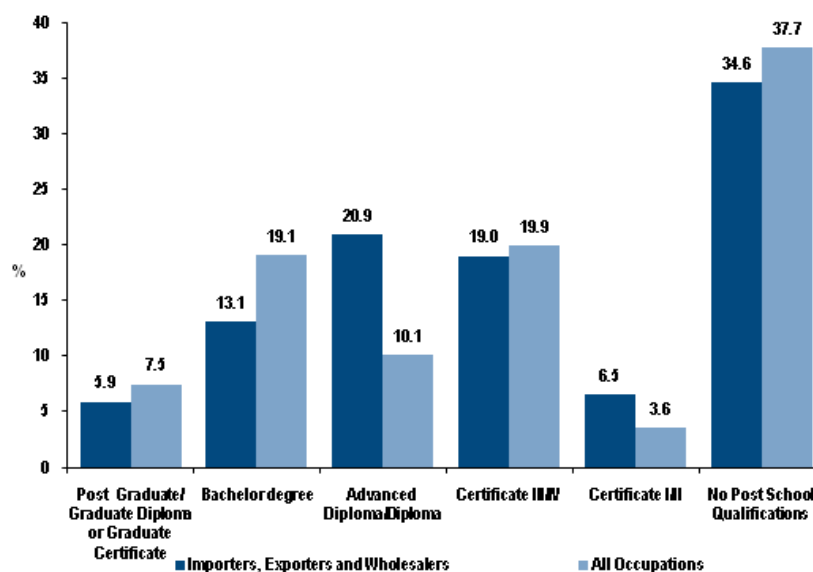
A number of wholesaling companies who have sustainable supply chain management programs have indicated they have changed suppliers over concerns regarding environmental policies. Metcash and Officeworks have recently dropped suppliers who were foresting Indonesian native forests, pending achievement of the required international certification.¹¹

Qualification Profile of Workforce

Wholesaling qualifications were previously imbedded in the Retail Training Package, which led to confusion over their use, with some employers training their staff in warehousing due to the nature of the role where people start off in the company. This is further supplemented by in-house training which addresses the familiarisation of company processes, systems and software that will be used on a day to day basis. As long as workers do their job, companies appear to have little interest in formal training or qualifications.

Educational Attainment

The following graph shows the highest educational attainment (per cent share of employment) for this occupation compared with all occupations.¹²



Social Impact

In the past wholesalers travelled extensively around the State to meet face to face with companies. The internet has changed the way business is now carried out, and these trips away have become less frequent, ensuring that the impact on the family life is kept to a minimum.

Critical Skills Shortage Occupations

Forklift Operator
Storeperson

Reference – End Notes

- ¹ Employment Trends and Prospects, September 2011, DTWD
- ² Employment Trends and Prospects, September 2011, DTWD
- ³ Employment Trends and Prospects, September 2011, DTWD
- ⁴ Department of Training & Workforce Development website www.dtwd.wa.gov.au
- ⁵ Employment Trends and Prospects, September 2011, DTWD
- ⁶ Western Australian Industry Profile, Wholesale Trade Version:240211, DTWD
- ⁷ ALB Legal News on line: <http://au.legalbusinessonline.com/online-practice-area-editor/>
- ⁸ Ian King, CEO WARTA, WA Transport Magazine, October 2011
- ⁹ Industry consultation 2010
- ¹⁰ Industry consultation 2011
- ¹¹ www.thesustainabilityreport.com.au
- ¹² ABS Survey of Education and Work, May 2010 cat. no. 6227.0.