

2015 State of E-Commerce in Distribution

An MDM Webcast transcript, featuring:

- Thomas P. Gale, Publisher, *Modern Distribution Management*
- Jonathan Bein, Senior Partner, Real Results Marketing
- John Fisher, Global Head of B2B Marketing, *hybris* software

This is the full transcript of the MDM Webcast “2015 State of E-Commerce in Distribution” from March 2015.

The Webcast presentation slides are included at the end of this transcript.

Tom Gale: Welcome, and thank you for joining us for today’s MDM webcast, “The 2015 State of E-Commerce in Distribution.” Our 60-minute program today is sponsored by hybris software, an SAP company.

My name is Tom Gale, publisher of Modern Distribution Management newsletter and website mdm.com. I have the pleasure of moderating today’s program.

We are back today to give you an annual update on our ongoing e-commerce and wholesale distribution research partnership with Real Results Marketing, now four years old.

As Jonathan Bein, Senior Partner of Real Results Marketing will outline shortly, one of the key take-aways from the past 12 months is a shift in how e-commerce is being implemented by distributors.

From a transactional platform to a more integrated and strategic tool within a company’s overall sales and marketing strategy. In our program today we are going to dig into the trends and best practices emerging. We will discuss how e-commerce priorities and capabilities are shifting. And we’ll also share insight into how distributors’ customers are also changing their online purchasing behavior.

I’m delighted to introduce our speakers today. John Fisher is Global Head of B2B Marketing at hybris software. John has 20 years of experience implementing and managing both B2B and B2C commerce businesses. Prior to joining hybris he was vice president of e-commerce at Aramark, a \$14 billion dollar food services company.

Jonathan Bein is Senior Partner of Real Results Marketing, a Boulder, Colorado-based marketing strategy and execution firm that’s focused exclusively on the distribution industry. Jonathan has successfully led and been part of executive management for software product and services companies in information technology, healthcare, and communications.

Welcome to you, gentlemen. And to start our program I’d like to ask John Fisher to give us a brief introduction. John, welcome.

MODERN DISTRIBUTION MANAGEMENT

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John Fisher: Great, thank you, Tom. Well as Tom said I am the Global Head of B2B marketing at hybris. And I'm thrilled that we're able to sponsor this research this year. And I just want to kind of give a one-minute overview of hybris, now an SAP company. And as you see there on the slide we have about 1,000 satisfied customers I'd say evenly split between B2B and B2C customers. And we are recognized as a leader both at Forrester and Gartner analyst reports which could be downloaded at hybris.com.

In the middle panel there, I just talk about I get asked a lot about how to create an ROI or business case for a B2B company and project. And there's really four things that go into that and that's where hybris helps. It's increasing B2B customer satisfaction, the demand for self-service capabilities. Enabling growth in new markets and geographies for companies as they grow. Increasing average order size and lead gen conversion.

And finally of course reducing costs while not reducing the user experience. So kind of all those things that go into creating that ROI. And then on the right hand side I'm just showing kind of two large distribution companies that we've helped. Grainger is one of the largest distribution companies in the world, something like a million products, three thousand suppliers and almost \$3 billion in online sales.

And I was the former VP of e-commerce at Aramark and I was on the team that led the selection of high risk and we had 100,000 B2B customers, 10,000 products and 100 different warehouses. And we went from zero to a \$100 million in sales over 18 months. So again, hybris has been in this business for a long time, understands the B2B and distribution business and it is happy to help in also this research. And with that I will send it over to you, Jonathan.

Jonathan Bein: Thanks, John. So I wanted to give people an overview of what we're going to be looking at today, some of the key trends. And a lot of good stuff in here especially for companies that are getting going in e-commerce and they're looking at how you can effectively compete against some of the more established players.

Some of the things that we're going to see is that the e-commerce revenue as a percent of overall distributed revenue is rising. However the growth is slow. We've seen a number of cases where people have bigger expectations. They build it and they don't come, at least not quite as quickly as they were hoping originally. The good news for some of the smaller market companies is that the barrier to entry for getting into e-commerce has dropped significantly. We will talk about that when we look at some of the e-commerce platform feedback.

Key objectives this year that we are seeing are about branding, how do you use e-commerce as a way to describe who your business is? How do you do revenue with new customers? And how do you also improve the usability or the user experience? Grainger, still the top player. In terms of the functionality that the people have we saw kind of mixed satisfaction with what I would call B2B functionality of distributors on their own e-commerce sites.

Marketing efforts are in many ways so rudimentary and I would say siloed. We are seeing people really not utilizing all that could be used although that's starting to change. Information that we are sharing here is really from two different surveys. One is one that we conducted with distributors. We had about 450 participants through Modern Distribution Management. And then we are running an ongoing shopping and buying survey or end users across multiple distributors. So the end-user data is a new piece in this year's webinar relative to last year.

OK, no surprise. Grainger is overwhelmingly named by the competitors in the distributor survey as having the best website. McMaster-Carr was again second and nobody else was even close. Oh, and by the way, Grainger just added several hundred people to its e-commerce initiative in 2014. However this webinar is about what you can do even if you are not Grainger or McMaster-Carr or the 800-pound gorilla in your sector.

The rest of the webinar is going to look at six areas. One is revenue and growth as reported by distributor respondents. E-commerce priorities, the actual technical capabilities and the level of satisfaction that the distributors have with those capabilities. We will look at some trends in the platform which is a new piece to this year's survey, and then we'll look at marketing and we'll finish with integrated marketing. Of course we are Real Results Marketing so you can expect us to finish with integrated marketing, right?

When we look at the stages of maturity of distributary commerce we really look at three different stages. The first is a nascent stage where the distributor has less than 5 percent of their total revenue coming through the e-commerce channel. The second stage is a growth stage where they are really looking

at about 5 to 10 percent e-commerce revenue. And then finally when you get to maturity you are looking at ten percent or more e-commerce revenue. The key thing about when you get to maturity is that you could decide great, we are going to try to park this in the 10 to 12 maybe 15 percent range of total revenue or from that point you can decide we are going to try to be like Digi-Key, which is probably more than 50 percent for e-commerce. At maturity you have really worked out all the kinks. It's a profitable channel. It's well-oiled and that is a place that most distributors would be striving to get to.

In terms of what we saw from the respondents we are showing that the data from the last four years of the survey the first three years there were a lot of the respondents were in the nascent stage, less than 5 percent, which is the tall blue bar here. As you can see that number is starting to come down.

Now 2015 is projected. People are projecting that it's going to come down and that there is going to be more distributors who are in the growth stage, the 5 to 10 percent range of total revenue. What's happening is there are a lot more companies jumping in.

However one of the things that we've seen is that expectations about growth or about moving from one stage of maturity to the next stage tend to be a bit overoptimistic. We saw a number of distributors who think they are going to go from a cold start meaning zero e-commerce revenue to actually 10 to 20 percent revenue. And unless you are a true-play e-commerce distributor or direct marketing e-commerce distributor, it's virtually impossible to go from that cold start to maturity in one year.

In terms of the projected numbers, and again, we have to take those with a grain of salt, 75 percent increases projected in the growth stage and then another 40 percent increase in the mature companies. I think what we saw in 2014 was an increase in the percentage of mature stage companies. And I think that's a good development.

Here are some perspectives on e-commerce growth. As I mentioned the expectations tend to be optimistic and I'll try to break down some of what we see as to why they are too optimistic here. In the nascent stage it really does take three to five years to get through that stage of development and here is why. From the point where you decide that there is going to be an e-commerce platform the actual development and implementation takes, on average, a half year and a year.

And then once you get into market, there's still a period of working out all the operational kinks. How do you manage inventory? How do you handle fulfillments? How do you handle technical support questions? Oh, by the way, how do you manage content? There's a bunch of things that need to get worked out so that first year is in many ways a dress rehearsal. And a lot of distributors are doing a phased or staged rollout in which they expose it to a smaller set of customers initially and gradually introduce it to their broader market.

And then getting to that 5 percent total revenue stage usually takes two to three years on top of those first two years of development and working out the operational kinks. In terms of the growth stage, that is also typically another two to four years. The moves that we see in the growth stage are really about optimizing conversion rate. How do you test and refine things in terms of merchandizing, in terms of search optimization so that you can really drive conversion in an effective way not in a haphazard way? In terms of the functionality a lot of the B2B functionality that supports self-service is improved in that growth stage.

And then along with that, if it's not already in place, sometimes it is, the e-procurement functionality, whether it is EDI or punch-out, are things that we typically see in that growth stage. And then finally the development of the multichannel marketing. So once you get all those things together you can move through the growth stage faster than the nascent stage and you can potentially get through it in as quickly as two years if it's really, really focused. And if it's treated strictly as a strategic initiative...

Tom Gale: Jonathan, before you move on, can I just ask a quick question here? In the survey do EDI purchase orders count as e-commerce revenue? Can you just talk a little bit in terms of how you categorize?

Jonathan Bein: That's a good question. You know, I think when Grainger reports their number it is a mixed number. Some of the listeners may know, but I think that a good portion of that is not the B2C purchasing online. I think a good portion of that is going to be EDI and punch-outs. In this survey we did ask about EDI and punch-out but we didn't break it out specifically in terms of e-commerce, Tom, so I don't have that at my fingertips. It sounds like a good topic for us to include in future years.

Tom Gale: Yeah, but I believe when we frame this, and in the question, everything is included there, so EDI purchase orders will be counted as e-commerce revenue in the questions that we're asking and framing in this survey.

Jonathan Bein: That is correct. Yes.

Tom Gale: Thank you.

Jonathan Bein: In terms of priorities within e-commerce, here is how the respondents indicated what the priorities are within their initiatives. The top priorities really are new customers, as shown here in the second bar. It's comparable in being the highest priority to promoting the brand, but if we look at the overall response of people who said it's anywhere between the highest priority, second, third, fourth or fifth, it looks like the highest priority, which is increasing new customers.

Along with that is promoting the brand and that's a new question for us. People are really understanding now that e-commerce is much of how they look to the world. That's how people check them out first if they haven't already walked into a branch or store. And then the third area was to improve the user experience. The ease of use on the website and that remains from last year. I think one of the things that's exciting as a development is that these priorities reflect the growth stage of e-commerce more than the nascent stage of e-commerce. If we were seeing a heavier emphasis on increasing revenue from existing customers, that would be typically more of a nascent stage thing. But if we look at where it is now, it's starting to shift into getting new customers and that is a growth step from any distributors.

This is a slide that we had from last year. I think it's the only slide we had from last year but it's looking at where e-commerce leadership is within the organization. And you can see that for about 40 percent of the respondents it's in marketing. For about 5 percent there is a specific e-commerce division. But then there's a variety of other operational functions that are leading e-commerce. It could be operations itself. It could be IT. It could be sales. And we think that the dedicated leadership is really a key piece. So only half of the companies that responded had a dedicated leadership versus 70 percent who are in the growth and mature stage had a dedicated leadership. So one of the things that augers well for your total success is when you get to the point where you have dedicated leadership.

Each year on the survey we ask about the capabilities of the e-commerce offering and we ask the distributors to rate how they think those capabilities are serving the distributors. So I'll go through those at this point.

The first set of capabilities we see is that the respondents are satisfied with the basic functionality, so that includes things like contact information, product information and basic search. However, with key capabilities to support self-service, and it would actually improve sales or conversion and ultimately retention, satisfaction is much lower. And those areas include quoting, they include live chat and purchase suggestions. The purchase suggestions is clearly a feature or a capability of more mature e-commerce offerings. Not surprisingly, a deeper look at the data showed that the satisfaction of the features correlates with overall e-commerce maturity. So the nascent companies that were at the nascent stage were more critical of their functionality than those that were at the mature stage.

The next set of capabilities is really a lot more heavily weighted on the B2B side, and once again we see that the respondents have high satisfaction with the easier things, so login, order placement, basic account management. But when we looked at some of the more complex capabilities, particularly around tax and shipping, that's a scenario that people rate lowly. And when we looked at the respondents from the end-user survey we also saw that a lot of the end-users were frustrated that they could not get a good estimate of tax and shipping costs from the software. In the B2C world, we understand that as table stakes. We don't get an estimate when we shop at Amazon or any B2C site. It is exact and if it's at variance we typically have an issue with that. And that's partly what's happening with the distribution, that the end-users are experiencing frustration with kind of ball-park numbers on tax and shipping rather than on actual numbers. The other B2B functions would include the advance account managements, customized online product catalogue, personal products list, the respondents have either mixed or low satisfaction, so this is an area where there's a big opportunity for growth as you look at how to compete against the other players in the space.

In terms of mobile, the biggest changes that we saw in from 2014 are that the respondents have

increased satisfaction with mobile enabled websites and with mobile apps. There wasn't much change in their satisfaction with their offering for laptop or desktop computers or for tablet computers. In terms of the end users we saw data that showed that the 35 percent considered tablets and more than 45 consider smartphone important as a feature to have within the next year. And if we looked at an even longer horizon over the next three years, which is a little bit harder to predict, the numbers go to more like 70 or 80 percent.

Talking to individual distributors we've also seen from their analytics platforms that the number of visits and even conversions coming through smartphones is increasing, in some cases significantly, as much as 25 or 30 percent per year.

Here is some news just in that I think is relevant to the listeners here. It pertains to how search optimization is going to be done. It's from Google. It says "Starting April 21st we will be expanding our use of mobile-friendliness as a ranking signal. This change will effect mobile searches in all languages worldwide and will have a significant impact on our search results. Consequently users will find it easier to get relevant high-quality search results that are optimized for their devices."

What does this mean to you? Well it means that if a site isn't mobile optimized, for example by response and design techniques, that making it mobile optimized should be a high priority. For distributors that are just implementing an e-commerce platform, strongly consider one that has responses designed and built in. The end-users rely on search engines and they expect the use of search engines to take a significant increase in the next couple of years. For a distributor to rely on such results, the site must be mobile optimized.

Tom Gale: Jonathan, if I can just add a comment there because this impacts us as well with MDM and our platforms. But my takeaway here is this puts some distributors in the penalty box because essentially what this is doing is it's shifting the ranking parameters so that even if right now mobile may not be important to you, it still will have an impact on how your overall site gets in the search results and in your rankings even if it may be a very small percentage. Am I correct on that in your view?

Jonathan Bein: Absolutely, Tom.

Tom Gale: So it's one of these things where in the short term it really is a penalty but it still it's important to figure out how to address it if you haven't already designed in the responsive design that carries over from your website into mobile devices because if that's not there, then you have to put some sort of a stop-gap solution or figure something out, because otherwise you will start to feel the impact of not having as good a search platform and getting the results that you are hoping for out there.

Jonathan Bein: Yeah, you will be penalized if you don't have a good response to this new movement and in particular the initiative from Google that I mentioned.

We also asked distributors about to rate their e-commerce operations. And so here we have the satisfaction with those e-commerce operations. What we saw that was significant was as it pertained to fulfillment. There was slightly lower satisfaction with the warehouse and inventory levels. In terms of quotation handling, last year it was an issue and it's still a big issue we think for distributors with nearly 20 percent unsatisfied or actually a little bit more than 20 percent unsatisfied.

This is table stakes for your business. If you are unable to do quotation handling that does not bode well and it doesn't bode well for your online even if you can do it well offline. The order handling, it's good except that it's pretty much underutilized by a lot of the respondents, the end-users I mean to say. When we step back, when we think about operations for e-commerce, it's often an afterthought in the whole development process and it can make or break the customer experience if it's not thought through carefully. End-users ultimately just want somebody to respond to me and they want to know in stock or out of stock. The particular inventory count is less important. In fact, we are seeing many of the leading distributors starting to trend away from saying there's 434 of this abrasive product in stock. They are just saying it's in stock or out of stock. Yes or no.

Overall there is maturation from last year in capabilities. Big opportunities or growth areas, the growth areas for many distributors are in B2B functionality. So if you look at this data when you get the deck, perhaps consider how you stack up against your competitors and look at which areas you might

want to make an improvement in to gain advantage and to get improved customer experience.

The key to doing this, however: you may have heard the expression, “Data is not the plural of anecdote.” I’m not sure who to attribute it to even though I quote it all the time. The key to making this work is getting specific functionality requirements derived from market research within your customer base. So rather than relying on what somebody in operations says or somebody in sales or somebody who is focused on e-commerce, make sure you do the homework and find out what’s important to your customers.

As I mentioned, this section is a new area that we’re looking at, which is trying to understand where people are with e-commerce platform, how they feel about that, what they are looking for, what they are not getting. We broke the e-commerce platforms down into five different categories. One would be like a homegrown thing where you are building something with scripting tools or Java or Python. Another would be an ERP provided portal such as Storefront from Infor. We saw a number of responses that were hybrid that used perhaps an ERP-provided portal and something homegrown or maybe something that was open source such as an open source shopping cart tool. So we saw a number of people that had a hybrid approach. And then there are the sort of pure play e-commerce platforms, the midmarket platforms and then what I would call the enterprise platforms. We’ll talk a little bit more about some of the distinctions with those on the next slide. Suffice it to say from what we are seeing now, overall there is comparable satisfaction between the enterprise e-commerce platforms and the homegrown solutions. However if you look at the bars, you’ll see that the enterprise solutions have a much higher very satisfied rating than the homegrown solutions. And for the most part, the homegrown solutions tend to be for smaller companies so you might be at a more nascent stage of development of the folks that are reporting into that question. In my previous company we built a number of million-dollar plus retail e-commerce systems during the dotcom and early 2000 era. Within several years the range of those platforms increased significantly. One could then build a retail platform for a quarter-million dollars. Admittedly it didn’t have a lot of the functionality of the enterprise platform particularly for things like merchandising, content management, search or one to one personalization. What happened was this allowed a larger set of retailers to get into e-commerce. Within B2B commerce, there’s been a similar trajectory where the enterprise platforms retain key functionality that’s not available in the less expensive platforms. However, the advent or the appearance of the less expensive platforms has enabled a much, much broader number of distributors to offer e-commerce as discussed earlier. Today when we think about how to cost justify the platform, the large distributors can usually cost justify an enterprise platform even in the nascent stage of maturity. If you are looking at a billion dollar company that is doing one percent in its first year of operation post implementation, two percent the second year, the additional benefit that you are going to get from the enterprise e-commerce platform is justified. But for good market distributors a lot of it depends on who the competition is. If your main competition is other good market distributors, companies like you, then the mid-market platform or ERP platform could be a very good way to go. On the other hand, if you are really focused a lot on competing against the 800 pound gorilla in your space, then considering the enterprise platform or something between the two may be a more appropriate choice.

Tom Gale: Jonathan, can you just describe a little bit more the differential between a mid-market, an enterprise, and then just contrast to a homegrown?

Jonathan Bein: Sure. Aside from price I think the big difference between mid-market and enterprise is in functionality that’s helping to grow revenue. I’ll talk a little bit more about this on the next slide, Tom. I want to just finish up one thought here and then I’ll go directly to that if I could.

Tom Gale: Thank you.

Jonathan Bein: So when we think about the companies that are at the nascent stage, since it often takes longer than expected there is almost always a good rational for small distributors to use a mid-market platform or ERP-provided portal to get going. You can switch to a more sophisticated platform later on as you start to transition to the development stage. But in the meanwhile if you were to use a much more expensive platform and you are looking at just drips and drabs of revenue because you are small and you are in a nascent stage, the net result is that you will end up driving a Ferrari around the block. If you build the right ROI case, you will almost always find this to be true.

So Tom, to your question about the platforms, here are some perspectives on platform. When we look at two perspectives there's a different in focus. There's tactical solutions, which tend to be driven by IT, tend to be measured by total cost of ownership. And those correspond to the mid-market ERP portals, perhaps some type of hybrid solution.

As you shift to the strategic focus and the enterprise platforms, the leadership tends to come from marketing or a specific e-commerce division. And the focus in the purchase of the platform is around ROI. As John was mentioning in his brief introduction, things related to driving traffic to your website, converting traffic to your website, personalization, cross selling, content management, these are some of the things that really differentiate the higher end platforms from the mid-market and the ERP portals.

Again you know, it's perfectly fine to get into the market with a good market and ERP portal. And a lot of companies are going to stay there. They will get to maturity. The size of the company will never ultimately justify switching to an enterprise platform. But ideally what we do want to see at all stages is the shift in thinking about e-commerce as a cost center to e-commerce as a profit center, to e-commerce as "how do we save cost with IT?" As opposed to "how do we make money with marketing or the e-commerce division if that's how the company is set up?"

And that's a critical thinking. It's a place where a lot of distributors we think are focused improperly. Sometimes the decision is driven by five or six of your largest customers who say we need to have a custom catalogue online and that's a condition for doing business. And companies who think about it this way or just this way are missing the boat. Given that the whole world is shifting towards more efficient interactions, you have to look at how e-commerce plays a broader role than just this tactical thing. So, Tom, did that speak to the question you had about the enterprise platforms?

Tom Gale: Yes. The question I would have is when you look at homegrown systems, is it possible to make this transition from what may have been initially just a place where they could take orders and manage transactions to a more strategic type of a platform?

Jonathan Bein: Absolutely, and again that could be one of the mid-market platforms. It doesn't have to be the case that the mid-market platform is aligned with IT or with just a cost focus. A lot of companies can get started with an open source approach or a homegrown thing or a hybrid thing and then end up with the mid-market or ERP portal. As long as they are doing a lot of the other aspects of the overall e-commerce initiative properly, the choice of that mid-market platform could be fine.

I talked to a company yesterday, a \$45 million or \$50 million company, and they've done kind of a homegrown thing or they hired a design firm to do it and they got 25 percent of their revenue coming through the e-commerce channel. There are prettier sites out there, there are more sophisticated sites, but gosh, I think most people on this call would happily take 25 percent of their revenue on e-commerce through whatever portal they could get it.

Tom Gale: Thank you.

Jonathan Bein: I think the final thing, and it goes back to this focus on branding as one of the objectives in the e-commerce initiatives, is that this really does end up being your face to the world. It becomes a central or key part of your positioning and messaging to the market rather than just a simple ordering system.

OK, let's look at what we learned about marketing from the survey. First is how we actually drive e-commerce demand. And this year we added a couple of other choices into the question about effectiveness of marketing vehicles for driving e-commerce demand. Those additional choices were the sales rep and the customer service rep. This is important because some of you or even many of you may have experienced that your sales organization can play a key role in enabling or in some cases disabling your e-commerce initiative. If they are really on board with what's happening, they can be a huge, huge driver of your success and that is reflected in the answers here.

In terms of vehicles that were in both where we asked about both the effectiveness and the spend, email marketing catalogue, and search-engine optimization are the most effective and also the highest spend. One thing that we saw, we commented on it extensively last year is that marketing automation and paid search are underutilized. And there's a big opportunity for companies to be doing more with

that. I'll talk about that more on the next slide here.

One of the questions we asked was about the importance of marketing automation and email marketing. And you can see here that many folks are using email marketing such as constant contact or vertical response. A smaller number are using the next step up in platforms which would be like a Marquetto, an Eloqua, an Act-On, which are pure marketing automation platforms, maybe HubSpot. And we asked about the importance of some of the features related to marketing automation and you can see that website visitor tracking is the most important. What happens with website visitor tracking is you are able to see who came to the website even if they didn't login. And that gives a very powerful advantage for all kinds of things that you might want to do if you know what somebody is doing on your website.

The next area that we looked at was being able to do automated emails that are triggered by behavior of the user on the website or perhaps the absence of the behavior on the website. And you can see that's also considered very important to a lot of distributors. When done well, marketing automation can actually help you create a dialogue between the marketer and the customer base on their user actions behaviors. And it allows the marketer essentially to get a read on the digital body language of the customer and determine what offer or content you want to send.

We looked at the next category which is called shopping cart abandonment alerts and notification. It's become fairly prevalent in the B2C world. Some of you may have noticed that you sometimes get an offer from a site where you put something in a shopping cart but didn't check out. Well that can be done in the B2B world with marketing automation. And the ROI on this technique alone is usually enough to justify switching from email marketing to marketing automation. A simple thing like 1 or 2 or 3 percent conversion of your abandoned shopping carts will typically cost-justify the move from email marketing to marketing automation.

And then when we looked at lead scoring it's possible to do what traditional email marketing programs, but the problem is it's limited compared to marketing automation because the email marketing programs can really only detect whether you open an email or whether you clicked on a link. Once a user is on a site, the email marketing programs really can't track it any further. By contrast with marketing automation the programs can see everything the user does once they are on the site. Based on that user behavior, drip or nurturing campaigns can be run in which case you are sending a different offer or a different type of email based on what they do. Above and beyond that, you can also send an alert to an inside or outside sales person if somebody for example spent a bunch of time looking at abrasives on your website, you can send them something pertaining to abrasives. So the power of this is very, very deep and a big opportunity for distributors...

When we looked at search marketing one of the things that we've seen in our consulting practice when we are doing strategy or execution with e-commerce for distributors is that a lot of the impulse for distributors is to say let's start with search marketing as the primary or only means to drive traffic and generate demand. Search marketing is great and I'll talk in a second about why people need to be doing more of it. However, the way typically you deploy your e-commerce site is you are going to focus initially on your existing customer base. And for your existing customer base, search marketing is going to be less effective. In cases where you know the bones are buried meaning you know where there's a finite set of customers, something like a direct response medium is going to be much, much more effective. So they are starting in the wrong place and then ultimately most distributors are not very successful with search marketing initiatives.

I just got off the phone with a small distributor in Canada in the metal working space, and they have been trying search marketing for three or four years. They finally realized that they need to start working with a third party to make that work better. In terms of the survey respondents here is what we saw. It's very low hanging fruit to improve organic search and it's not expensive. It's typically not a big ongoing expense. There's a larger one-time expense and then a much lower maintenance expense. In terms of the paid search we actually looked at a bunch of different websites among the distributors who responded to the survey and far less than 20 percent are using paid search and actually very few are using it effectively.

In terms of what you need to take away from this, unless e-commerce is the primary or only channel most nascent stage companies are going to get better results and spend less by outsourcing to an experienced search marketing agency. And even though small and mid-market companies can't compete with the big players on paid search you still can do a lot with organic search and that's a better move to get going. Once you reach the growth and mature stage, that's the time to consider bringing some of the skills

for search marketing in-house.

OK the final section is really looking at how all this stuff plays out in an integrated marketing setting or context. Here's the problem that we see with marketing in general and e-commerce in particular in distribution. As you know and as we've shown, the way people shop and buy is shifting towards much more efficient vehicles and mechanisms. The days of hour-long sales calls with a dozen donuts are fewer and further between. And while many distributors have started some kind of e-commerce or multichannel offering, still the business is overwhelmingly field sale-centric. That's going to be true for most of you unless you are more of a pure play direct response or e-commerce house. And the other experience that many of you have is that the big players, the national and the global ones have developed effective multichannel offerings and those are taking market share from the smaller competitors. What distributors understand is that they need some type of multichannel offering with e-commerce at the center but they are uncertain about the timing and the requirements both within and beyond e-commerce.

So what I want to show here is some data from the Shopping and Buying Survey that we were doing with end users. First though some broad shopping trends and you can get these from many different places. First one is that nearly three-quarters of B2B buyers say they research at least half or more of their work purchases online before buying. That's from Forrester. Nearly 4 percent of the potential buyers researching B2B products are millennials today up from 27 percent in 2012. That increase is much faster than you'd expect. You'd expect the increase to be at the rate that the baby boomers are retiring but this is showing that the millennials who are more digital savvy, more electronically oriented are moving very rapidly into purchasing roles.

Here are some trends that we see from the Shopping and Buying Survey that we are doing with several thousand end users and several distributors. We put up a list of ten ways that people shop, meaning how do they find stuff? How do they transact? And the three things that came out as the most significant were looking at the manufacturer website, because I'm going there, I know I want to go specifically to 3M or the Loctite. Then doing search which is on the rise significantly. And then the third is actually looking at a distributor website.

When I looked at this data, my immediate thought was, as a distributor, am I OK with the manufacturer being the most prevalent means of shopping? Of course the answer is no. I want my distributor site to be primary. I want it to be rich in content such that shoppers turn to me first. And I also want to be first among distributors because if, for example, they shop on Grainger and then they buy from me because I'm cheaper they still might end up just buying from Grainger when they are shopping there even if I have better prices. So I want to have my website be more prominent with good content. That's product content. That can be other technical content that's specific to your end users. I want my distributor website to be more prominent. I want them coming there because then I have a better chance of converting them. So within your industry the work you have to do, you have to do the work to make your site the destination of choice.

I want to shift now to how people actually order. And this is from part of a survey we did for one distributor. The question is, two years from now what percentage of your supplies purchases will be transacted online, not including email? What you can see here is that there's a huge percentage of the respondents that think at least a quarter of their purchases are going to be online and another large chunk think that 11 to 25 percent of it will be online. Even if we discount this because predictions about future behavior are difficult and they should be treated as directional rather than precise, this was a huge, huge wakeup call to this distributor who was in no way prepared operationally to take on this level of volume. They have been scrambling since then and what I want you to take home from this is the importance of actually doing the research.

When it comes to actually ordering, so you've done the shopping and now you are ordering, one of the things that we wanted to understand is how do ordering methods play a role in vendor selection and preference? And what we see here is that 55 percent of the respondents -- I'm sorry, let me just focus on the aggregate data. We see here that email, over the phone, and website are required by many end users for transacting business. They are required. Meaning if you don't have them, you won't get the business and in fact you may even lose the customer. The face-to-face interactions at the branch or at the job site are declining. The key takeaway here though is that individual mileage does vary. I'm showing you the data here from one distributor and for their customers and what you can see here is that ordering with personal interaction either via phone or face-to-face is a much, much more significant requirement than elec-

tronic or Web. So there's you have to get the data for your customer base. Now when we do e-commerce and channel strategies for distributors we encounter exactly as you think: Well if I don't have e-commerce or EDI, I'm just going to be losing e-commerce or EDI revenue. This research that we're doing shows that there's more at stake. You can actually lose the customer overall, not just the revenue associated with the channel or ordering method. For this distributor almost 20 percent of their customers require ordering by website. That means that some portion of that 20 percent of the customers could be lost unless their e-commerce ordering is up to snuff. OK I've just got a couple more slides here and then we'll get to questions.

If we look at communication with customers, once again we are showing data from the aggregate survey of shopping and buying preferences. What you see is that there 16 percent of the customers never want a sales rep visit and 21 percent want a visit just once a year. That's effectively 30 percent of your customers that basically don't want a sales rep to visit them. Eighty-four percent want a catalogue if we look at from the purple down to the blue and 60 percent are happy to get email at least monthly. So the big takeaway here is that your customers want to hear from you more than you know and that you should not project your views as a consumer about receiving email, phone calls, electronic email, you shouldn't project those views onto your customers.

When we looked at the individual data for one of the distributors that's participating in the survey we see it's very, very different than the aggregate data so individual mileage does vary. Sixteen percent never want a sales rep visit and 21 percent want a visit once a year in the Shopping and Buying Survey. But for this distributor their customers always want their sales reps involved, 96 percent want weekly or monthly, 95 percent want a catalogue at least once a year, and 80 percent will receive email at least monthly. Key takeaway these respondents from this customer base differ in important ways from others in the Shopping and Buying Survey and you've got to do the homework.

In terms of integrated marketing, here is a lot of what we see how distributors get going. If you look at the shopping and buying table here, the shopping options are here and we can have more, we can have fewer but a lot of what distributors do is they say OK, it's an electronic medium. I'm trying to drive e-commerce traffic, getting them to buy by a website with a computer, by a tablet or smartphone, so it's going to be search engine or email. And there's a number of self-limiting views with how shopping relates to buying. One view is that since buying it digital, shopping must be digital. Another is I've done my search marketing. We are all set to launch as I discussed before. And as I discussed just now like me my customers don't like getting email.

There's a much broader option here that you should be looking at for really driving your e-commerce site which is to say potentially all of the buying mechanisms -- I'm sorry all of the shopping mechanisms are fair game for driving traffic to my e-commerce site. Other digital media can lead to digital buying, print shopping can lead to digital buying, personal interactions can lead to digital buying.

And then if we look at the fully integrated view here it's really a 10 by 10 set of options and some of them may not make sense for you but this is the ultimate integrated view of digital marketing which is that any of these shopping things can potentially trigger any of these buying things. Finding the mix for your company is what matters.

So here are the things that you need to think about. How do my customers hop? How do they find and select things as opposed to ordering? How do they order? How do they want to receive communication? And within the ordering and shopping, what do they require to continue business with me? Am I actually going to lose business if I'm not up to snuff in one or more of these ordering methods? So in conclusion I'll just say a couple things and then I'll open it up for questions...

What we are starting to see with the influx of distributors is that many experience this phenomena of build it and they don't come as opposed to build it and they do come or they will come. Shifting this focus from tactical to strategic is key to having a maturing e-commerce capability and really starting to capture the revenue. There's going to be a lot more players in the market. There's going to be a lot more sort of me-too websites in the market as the barriers to entry for building an e-commerce offering go down. And then viewing the e-commerce is part of a broader multivehicle and multichannel strategy is essential for success. Tom, that concludes my presentation.

Tom Gale: Great, Jonathan, thank you so much. We do have a few minutes here for questions and as a

reminder just ask the question by typing it into that chat window at the lower left corner of your webcast window and then hit the return key. I have a few questions here to start and one is, "Can you speak to any points about the ROI of electronic integration between your online catalogue and your customer's own ERP enterprise system?"

Jonathan Bein: I don't have the data on that. But what I can tell you is that getting the catalogue integrated with ERP or getting it integrated with a PIM is very, very powerful in terms of reducing total cost of ownership for e-commerce. A lot of companies struggle with getting that data managed. Typically the ERP system is not going to provide good information on photos of the products that you have so you're going to have to do work above and beyond that. And if you can get this integration done well, you can kill two birds with one stone which is you can then do print catalogues as well as electronic catalogues whether they are full line or mini catalogues. I'd be happy to follow up on that question after the call and dig a little deeper if there is interest.

Tom Gale: Thank you. We had talked about the Google shift in terms of their change in terms of search and the importance of mobile friendliness. Can you just share that date once again? It was in April?

Jonathan Bein: Yeah, it's April 21st that Google is starting to shift to expanding using mobile as a basis for ranking.

Tom Gale: Great, thank you.

Jonathan Bein: And the announcement said all languages worldwide will have a significant impact on search results.

Tom Gale: OK we have a number of questions coming in here. We've got about a minute before the top of the hour I'm going to ask one more question here and I'll give people notice because I do like to be respectful of their time. But we will continue to answer questions here for at least five minutes or so because there's quite a list of questions here and if you are able Jonathan will just continue here and try to address some of them.

Jonathan Bein: You bet.

Tom Gale: "How do you convince upper management and major decision makers to view e-commerce as part of a broader multi-vehicle strategy?"

Jonathan Bein: I think a lot of it- the obvious answer is you need to get the data from your customer base to show them that e-commerce is relevant to the end users that you have. So the kind of things that we're doing on our survey provide data not anecdotes to say yes, e-commerce matters. Yes, this is how they are shopping. Yes this is how they are buying. This is how they are selecting and preferring vendors.

One of the vendors that we did this for that's participating in the survey, one of the distributors, we actually looked at the revenue from some of the respondents and we said oh, there's a million dollars of revenue that's unhappy with the current platform. There's a million dollars we spent with your current customer base that's unhappy with your current e-commerce platform. Well that's probably a million that's at risk and there's another million in revenue that's really happy with your customers with your competitor's platform. That's also probably another million at risk.

So if you look at that two million out of say eight or nine million that reported, then you've got the basis to go back to those customers and really probe further and clarify yes, is this revenue at risk with you? Because you are really happy with somebody else's and you are unhappy with ours. So ultimately you have to get the data and you need to show the revenue impact of e-commerce as being at the center of what you are doing here. The good news is it's relatively easy to get this data. I mean there's ways to get this data including this is, Tom, as you call it, shameless self-advertising, including participating in the survey that we're doing.

Tom Gale: So Jonathan we've talked about this as well and some of the survey data pointed this out but the need to get this data is because there is such different behavior in terms of whether you are talking about specifically web versus tablet versus phone from construction, end-markets, versus industrial versus more commercial, institutional very specific industry. It really varies by the end market that there are such different adoption rates and ways that people are actually using these tools, correct?

Jonathan Bein: Absolutely and I would add one other piece in there. I would add the role of the end user, is it a buyer or is it an influencer? If it's an influencer you want to look more at how they are shopping. If it's a buyer you want to look at more about their preferences for ordering.

Tom Gale: So get the data from your customers and really identify what their behaviors are because it is shifting pretty quickly. Next question is "Across the different distribution verticals are there types of distributors that have been more successful implementing e-commerce solutions than others?"

Jonathan Bein: There definitely are. We are going to be producing a broader PowerPoint that has the firmographics of the respondents. But the simple answers would be electronics has been a leader in this for quite a while. You look at somebody like a Digi-Key and they've got, like I said, 50 to literally 60 percent of their revenue from e-commerce and there's things about electronics that lend itself to an electronic type of purchase in terms of how you search for things. There have been some sectors within industrial that have been very successful. So I would like to respond to that more in the follow up with the fuller set of firmographic data but those would be a couple that have been very successful.

Tom Gale: Are you seeing a great disparity between traditional and digital results in terms of both customer experience and revenue?

Jonathan Bein: Meaning is the customer experience correlated between traditional and digital results? If that's how I understand the question, I would say no. I mean there's not a great correlation between the traditional and digital results. You have some companies that have great CSRs. They provide a great branch experience if somebody walks into one of the stores. However depending on where they are in the maturity of their e-commerce offering, it could be good, medium, or bad experience with e-commerce. So I haven't seen a big correlation there. You know most of you are in business because you service customers well. You sell well and you service customers well. So I think for that reason we are probably not going to see a great correlation between the traditional experience and the online experience.

Tom Gale: Are you seeing different expectations from manufacturers for each of these stages of e-commerce that you have talked about today?

Jonathan Bein: Yeah the big challenge for manufacturers is figuring out are we selling B2B to distributors or are we selling B2C to end users or both? And it's forcing a really an identity crisis for them because many of the manufacturers historically have honored the distribution channels. Certainly for the small and mid-market customers. Maybe they've gone direct to the larger end users. But it's forcing them to think about what do we want to do with the end user base? And do we actually want to compete with our distributors? Do we want to do lead generation through our website and toss it back to our distributors? Mostly what we are seeing is that they begin with a B2B focus, selling to their distributors and then as that gets mature they start to be willing to encounter the identify crisis of are we going to break from what we have traditionally done and sell to end users?

Tom Gale: Let's touch on mobile optimization. Can you just talk a little bit more in terms of what that means, Jonathan?

Jonathan Bein: Well a lot of what you want to have happen if you think about responsive design is when I go to your site on my laptop or desktop I see a certain view and responsive design says that when I go

to that that same site on my tablet or my smartphone that the site is going to adjust automatically. And so that's really the key thing in this new trend. And a lot of the platforms will actually support responsive design. It used to be the case and this is even in the last two to three years, prior to the last two or three years you had to do your regular site and then you had to do your mobile site. But a lot of the sites that are supporting responsive design a lot of design agencies are leveraging responsive design so that you build once and deploy in multiple locations rather than having to build a separate thing or having to do a large customization for mobile versus traditional online.

Tom Gale: And finally let's wrap up with this question. "Is there any statistical information in terms of percent growth on how e-commerce impacts margins, revenue, kind of the key drivers in a distribution business?"

Jonathan Bein: We are gathering those statistics right now. The qualitative answer is obviously you are going to have reduced order costs and that's a big motivation. You are also going to have reduced on the spot discounting if you listen to CSRs or sales reps it's not five minutes before you hear an unwarranted discount. Now you get your contract pricing when you log in but you probably don't get a discount unless you make a request for special price so the big benefits are going to be higher margin and then also reduced cost order processing and then I think it's one listener is mentioning reduced mistakes are going to be a big part of the R.O.I.

Tom Gale: And if you looked at the research even from the 1990s from initially when in distribution W.W. Grainger certainly pioneered and invested heavily. What you will typically see is the increase in average order size is also a key factor in terms of your cost to serve is being decreased at the same time that the average order is getting larger. So the economics certainly and that's not just Grainger certainly and that's not just within industrial markets or distribution. That overall B2B that that's I think the research has pretty well proven that that's a pretty reliable benchmark when people really start to implement e-commerce tools.

Jonathan Bein: Absolutely and just back to that question we are going to be doing that research later this year on about 400 to 500 distributors we are going to be getting transaction data and getting down literally to the net profit at the transaction level based on where the order came from to the answer back to that question.

Tom Gale: Great, well Jonathan, thank you so much for the update today. Again it's been a pleasure to work with you in this fourth year on this project and I'd also like to thank hybris software for its sponsorship of this program today.

Jonathan Bein: Thanks, Tom.

The 2015 State of E-Commerce in Distribution

Featuring: Jonathan Bein, Managing Partner, Real Results Marketing

Sponsored by:  **hybris software**
An SAP Company

Date: March 26, 2015

Speakers



Featured Presenter: Jonathan Bein
Senior Partner
Real Results Marketing



John Fisher
Global Head of B2B Marketing
hybris software, an SAP Company



Thomas P. Gale - Moderating
President & CEO
Gale Media, Inc.



hybris serves nearly 1,000 customers



Leader in both Forrester and Gartner analyst reports



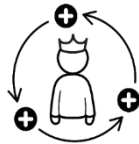
Increase B2B customer satisfaction: demand for self-service capabilities



Enable growth: new markets/geographies



Increase average order size/ lead gen conversion



Reduce costs/ increase user experience



1 million products
3,000 suppliers
2 million customers
500,000 orders / day
\$3B online sales



100k customers,
10k products across
100 warehouses
\$0-\$100M sales in 18 mos

Summary

- Key trends:
 - E-commerce revenue as a percent of overall revenue is rising, yet growth is slow
 - Lower barrier to entry for small companies
 - Key objectives are branding, growing revenue with new customers, and improving website usability
 - Grainger is still overwhelmingly considered the best website by other distributors
 - Respondents express mixed satisfaction with much of the B2B functionality on their own e-commerce sites
 - Marketing efforts are rudimentary and siloed for many distributors
- Information in this presentation is from two surveys:
 - February 2015, State of Distributor E-Commerce survey of more than 400 distributors conducted with Modern Distribution Management.
 - Ongoing Shopping and Buying survey of several thousand end users from multiple distributors

Best Competitor Website

- Overwhelmingly, Grainger is named by competitors as having the best website for the fourth year.
- McMaster-Carr was a distant second.
- Nobody else was even close.

Best Competitor Website

- Overwhelmingly, Grainger is named by competitors as having the best website for the fourth year.
- McMaster-Carr was a distant second.
- Nobody else was even close.

...Grainger added several hundred people to its e-commerce initiative in 2014

Overview

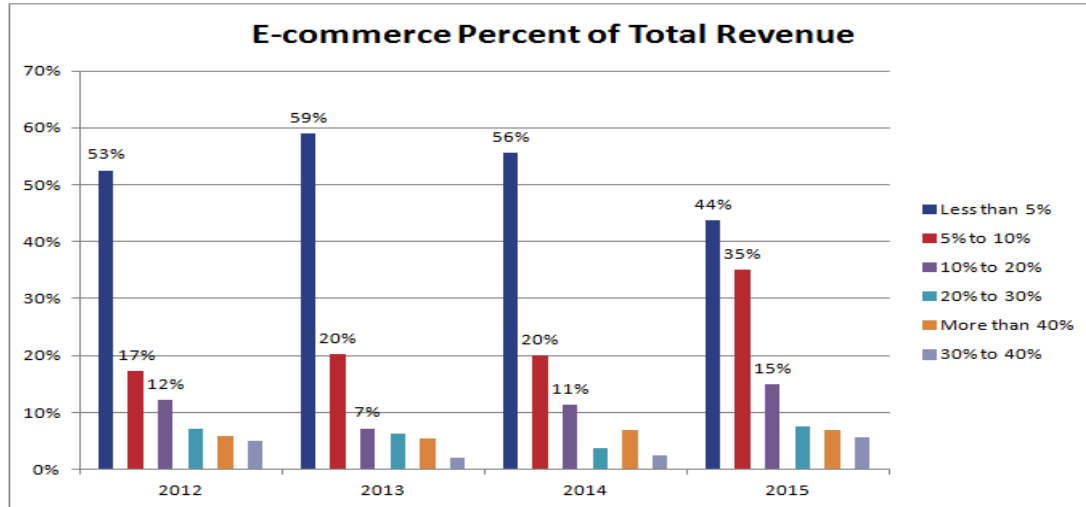
- Revenue and growth
- Priorities
- Capabilities
- Platform
- Marketing
- Integrated Marketing

REVENUE AND GROWTH

Stages

- Nascent – less than 5% e-commerce revenue
- Growth – 5% to 10% e-commerce revenue
- Mature – 10% or more e-commerce revenue

E-Commerce Revenue – 2012-2015



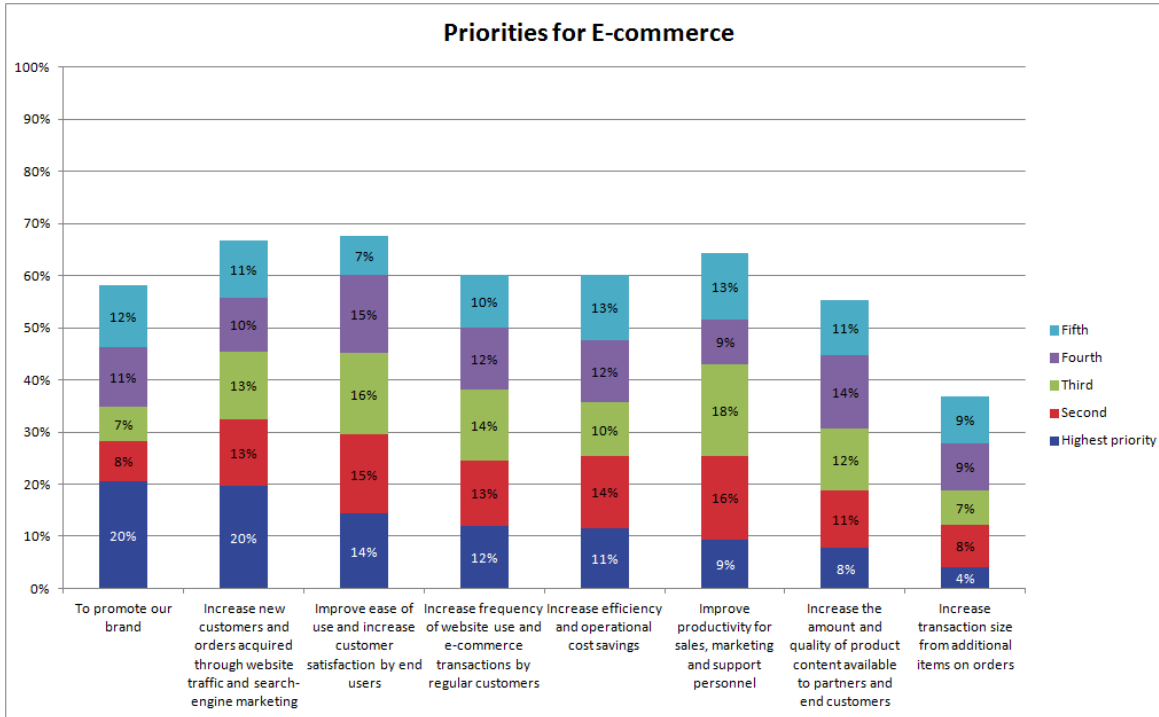
- 2013 – Increase of nascent and growth stage companies
- 2014 – Increase of mature stage companies
- 2015 – Projected
 - 75% increase in growth stage companies
 - 40% increase in mature companies

Perspectives on E-Commerce Growth

- Nascent stage – 3 to 5 years
 - Development – Half year to 1 year
 - Working out operational kinks – 1 year
 - Getting to 5% of total revenue – 2 to 3 years
- Growth Stage – 2 to 4 years
 - Continued test and refinement (CRO – conversion rate optimization)
 - Content development for self-service and SEO
 - E-procurement build out, if needed
 - Strong multichannel marketing to support and promote online channel

PRIORITIES

E-commerce Priorities

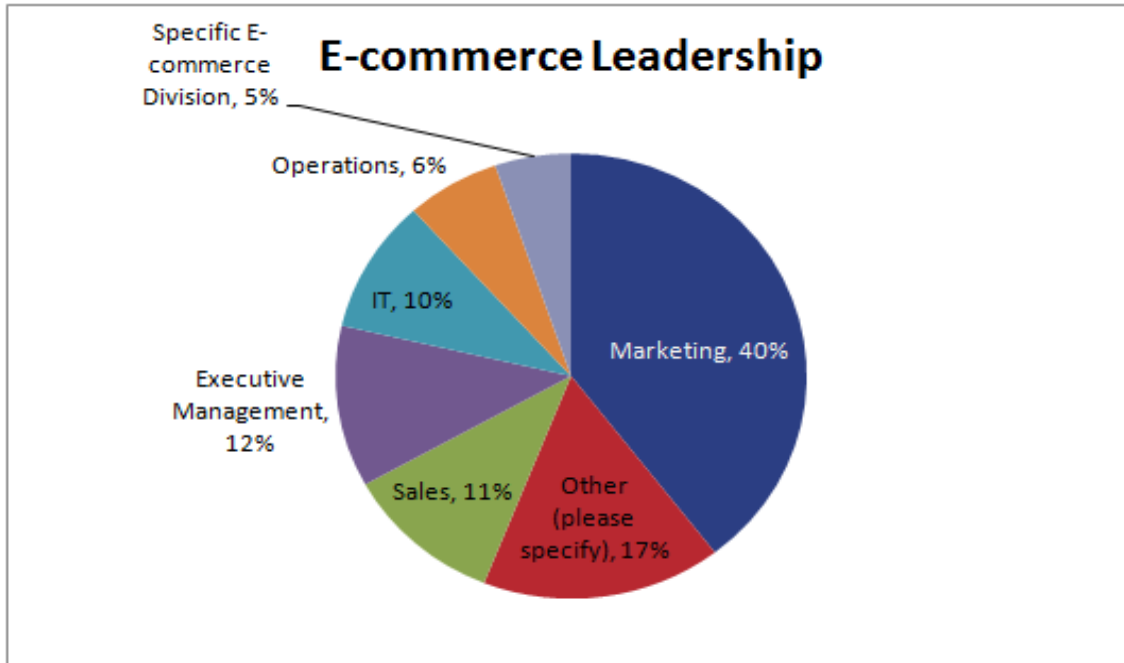


Top priorities are

- New customers
- Promote brand
- Ease of use

Priorities reflect the growth stage of e-commerce in which the priority is to get revenue with new customers with a better user experience

E-commerce Leadership

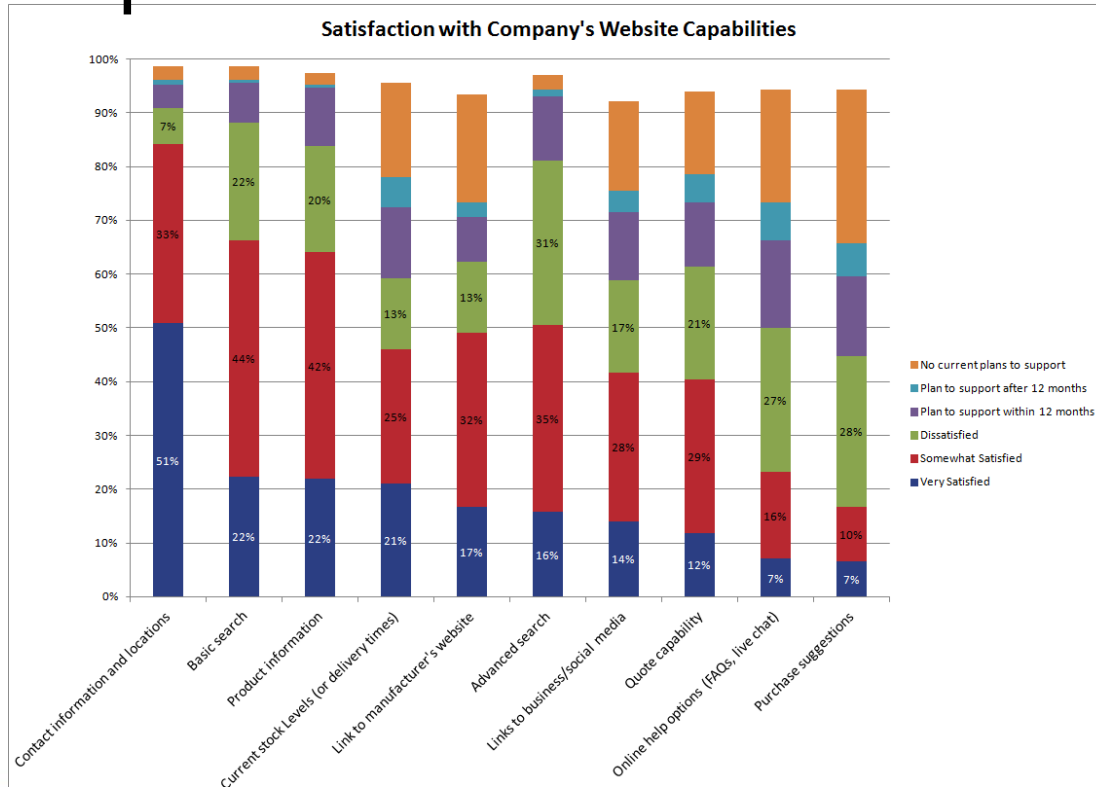


Among respondents with nascent stage e-commerce programs, only half have dedicated leadership vs. 70% who are in growth or mature stage.

*** Data from 2014 survey**

CAPABILITIES

Capabilities



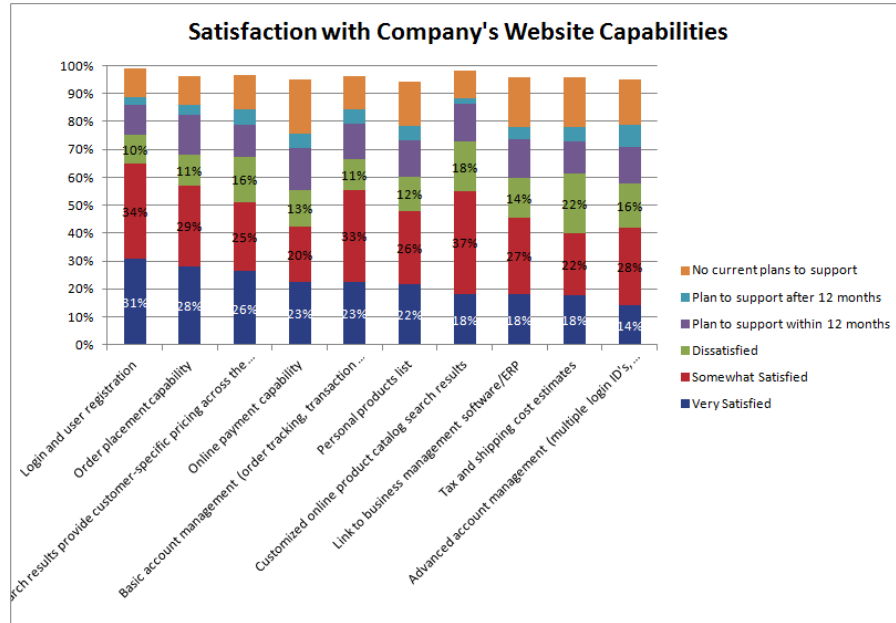
Respondents are satisfied with the basic functionality:

- Contact information
- Product information
- Basic search

For key capabilities that support self-service and increase conversion, satisfaction is low:

- Quote
- Live chat
- Purchase suggestions

Capabilities



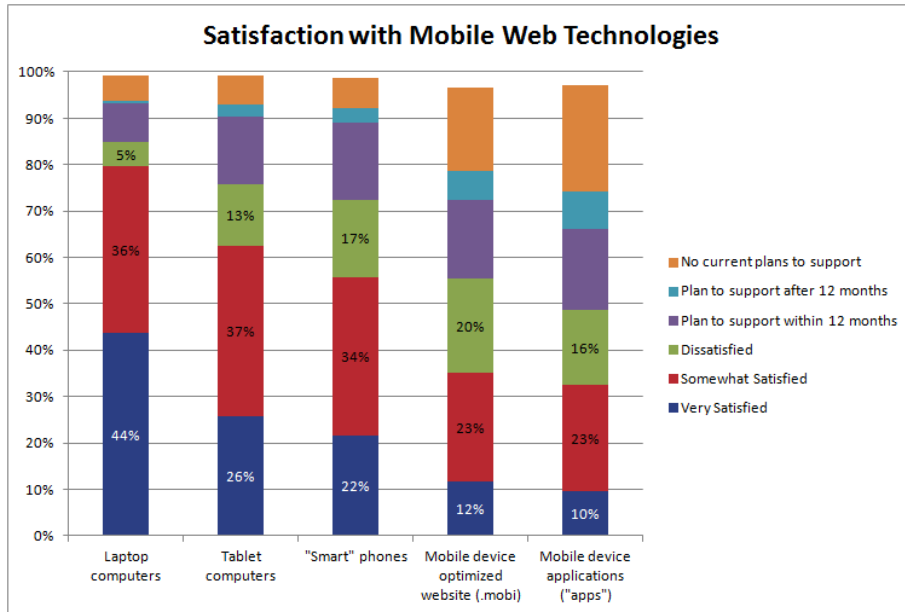
Respondents have high satisfaction with:

- Login
- Order placement
- Search results with customer-specific pricing
- Basic account management

Except for tax and shipping, other functions are B2B that have mixed or low satisfaction.

End users have higher expectation for tax and shipping that is derived from the B2C world.

Mobile Capabilities



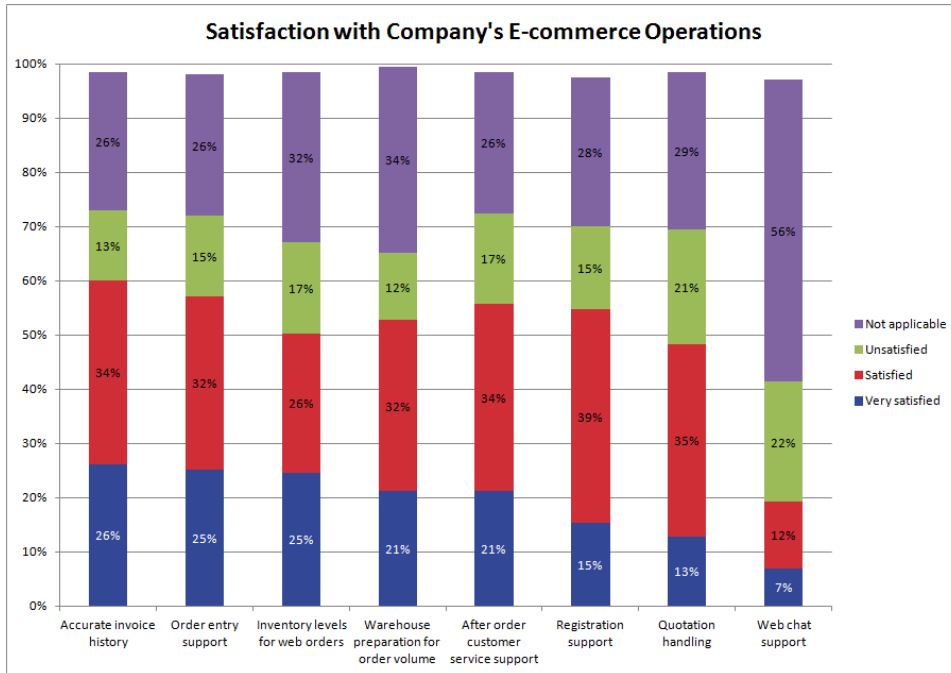
Biggest changes from 2014 are increased satisfaction with:

- .mobi
- Mobile apps

Satisfaction with support for tablet and smart phones remained about the same as 2014.

From shopping and buying, survey 35% consider tablet and more than 45% consider smart phone important within the next year.

Operations



Fulfillment – Slightly lower satisfaction with warehouse and inventory levels.

Quotation handling – Still a big concern with nearly 20% unsatisfied.

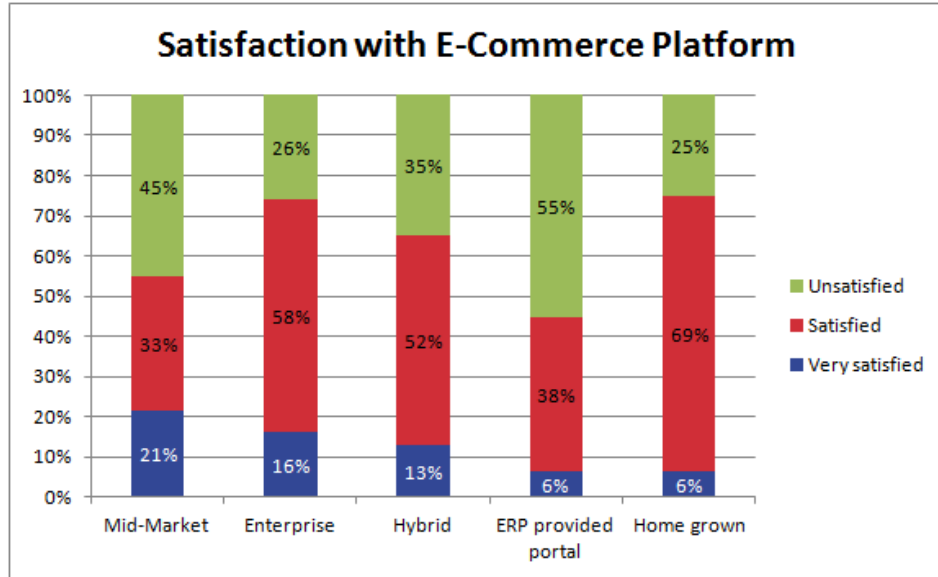
Order handling – Good, except chat is underutilized.

Capabilities Summary

- There is maturation from last year in overall capabilities.
- Growth areas for many distributors are in B2B functionality.
- Specific functionality requirements should be derived from market research with your customer base.

PLATFORM

E-Commerce Platform



Overall comparable satisfaction between enterprise e-commerce at 74% and homegrown at 75%.

But, enterprise has a much higher percentage of very satisfied, 16% vs. 6%.

Companies with nascent e-commerce capability are the least satisfied with their e-commerce platform.

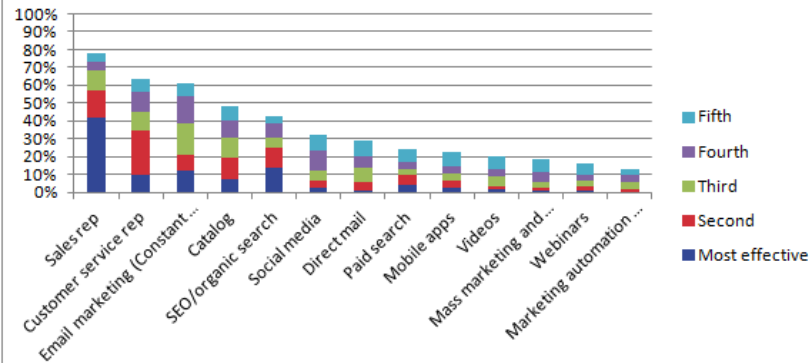
Perspectives on Platform

Focus	Tactical	Strategic
Platform	Mid-Market/ERP Portal	Enterprise
Leadership	IT	Marketing
Measurement	TCO	ROI or ROMI

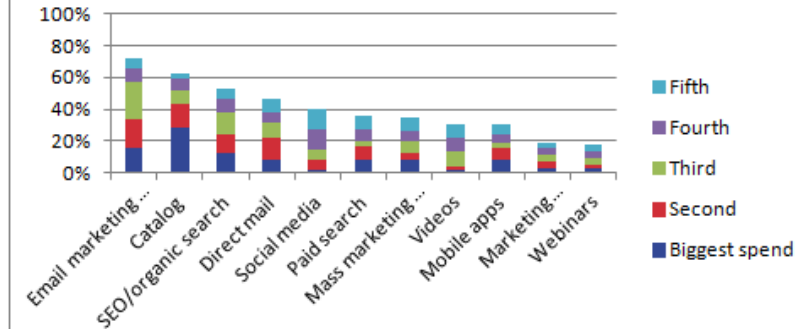
MARKETING

Driving E-Commerce Demand

Effectiveness of Marketing Vehicles for Driving E-commerce Demand

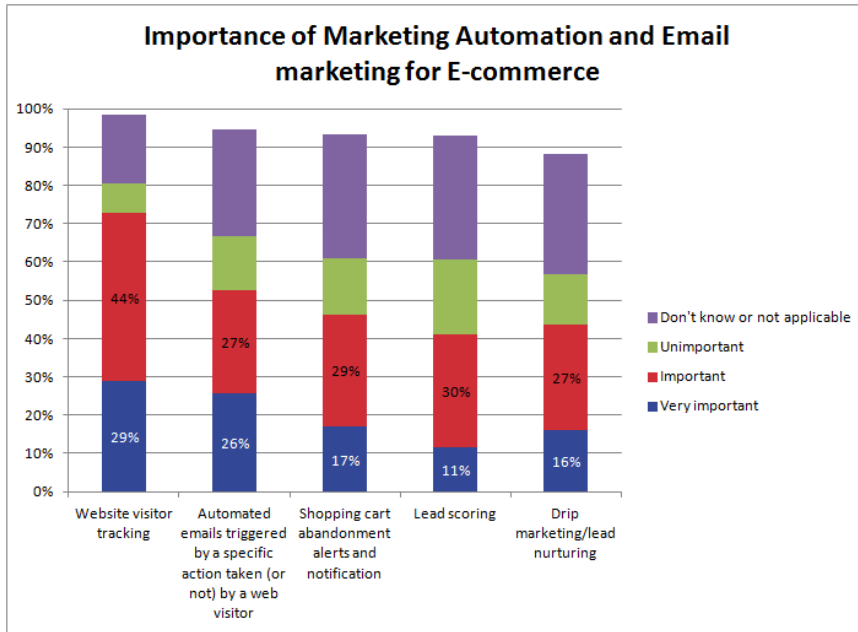


Spend by Marketing Vehicle for Driving E-commerce Demand



- Sales rep and CSRs are highly effective at driving demand.
- Email marketing, catalog and SEO are most effective and highest spend.
- Both paid search and marketing automation are underutilized in distribution relative to other industries.

Marketing Automation and Email Marketing

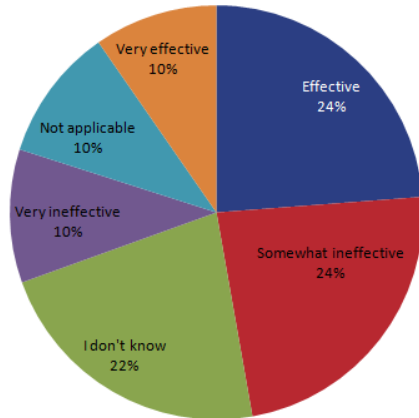


Many distributors use email marketing to promote products, special and branch events.

There is limited awareness among distributors about marketing automation and how it differs from email marketing.

Search Marketing

Effectiveness of Organic and Paid Search at Generating New Customers



Many distributors start with search marketing as the primary or only means to drive traffic and generate demand.

Yet, only one-third of respondents consider search marketing effective for customer acquisition.

Our research of survey respondents shows:

1. Improving organic search is low hanging fruit and should be done.
2. Less than 20% are using paid search and few effectively.

INTEGRATED MARKETING

The Problem

- The way customers want to shop and buy is shifting toward more efficient vehicles and mechanisms.
- Most distributors still have a field sales-centric model even if they have begun a multichannel offering.
- National competitors who have effective multichannel offerings are taking market share from smaller competitors.
- Distributors understand they need some multichannel offering, but are uncertain about the timing and requirements both within and beyond e-commerce.

Broad Shopping Trends

- 74% of business-to-business buyers said they research half or more of their work purchases online before buying. – Forrester
- 46% of potential buyers researching B2B products are millennials today, up from 27% in 2012 – Google, Millward-Brown

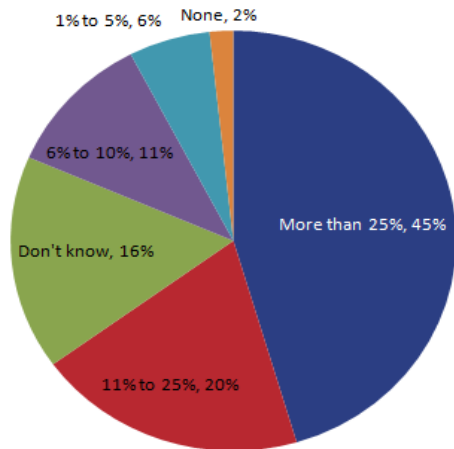
Distribution Shopping Trends

Top Three Methods from Shopping and Buying Survey

1. Manufacturer website
2. Search – on the rise significantly
3. Distributor website

Future Online Transactions for One Distributor

Two years from now, what percentage of your supplies purchases will be transacted online not including email?



In two years

- Nearly half believe that 25% or more of transactions will be online.
- One-fifth believe that 11% to 25% of transactions will be online.

*** Predictions about future behavior should be treated as directional rather than precise.**

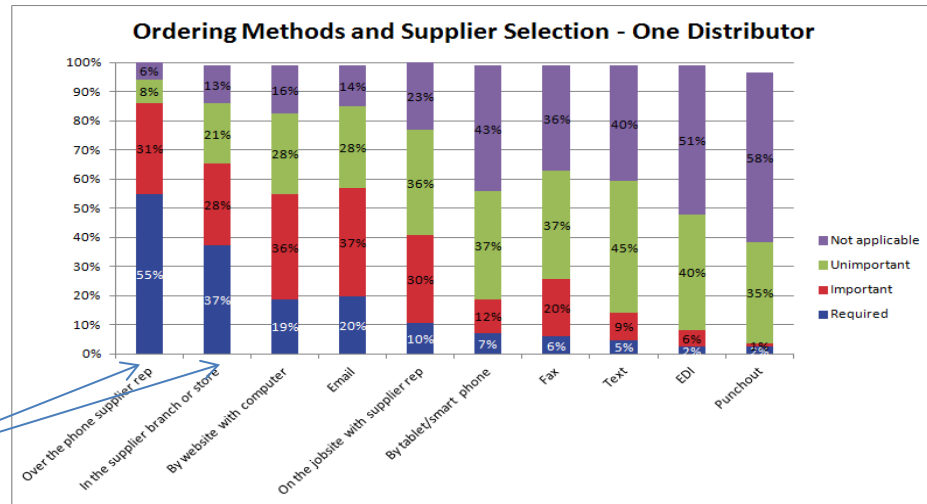
Ordering Methods

In Shopping and Buying survey, the most essential ordering methods are

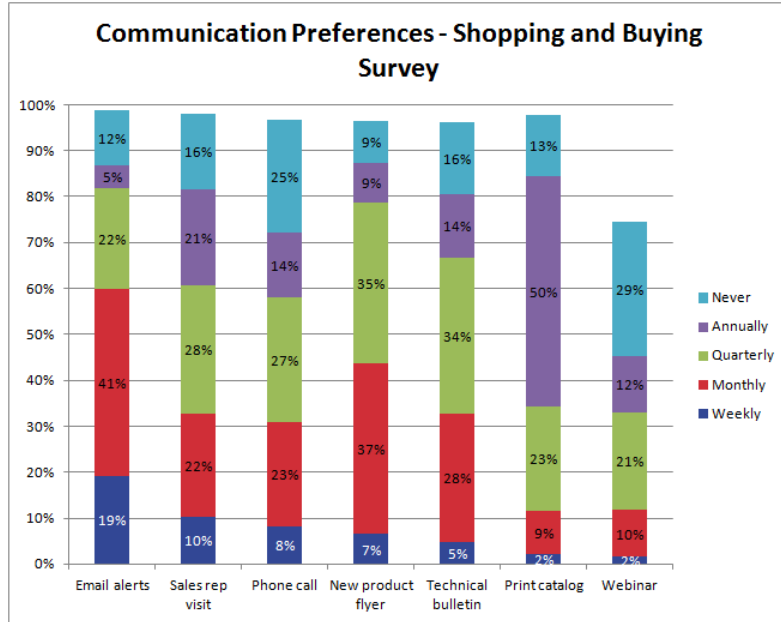
1. Email
2. Over the phone
3. By website.

Face to face, in the branch or at the job site are declining.

Individual mileage does vary: For one distributor's customers, ordering with personal interaction (phone or face to face) is a much more significant requirement than electronic (email or web.)



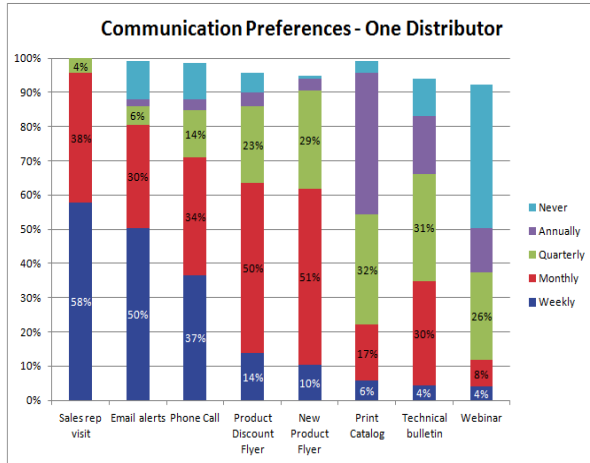
Communicating with Customers



Customers want to hear from you more than you know and in more ways than you suspect.

- 16% of customers NEVER want a sales rep visit and 21% want a visit once per year.
- 84% want a catalog at least one a year.
- 60% will get email alerts at least monthly.

Communicating with Customers



Individual mileage does vary:

16% of customers NEVER want a sales rep visit and 21% want a visit once per year in the Shopping and Buying survey.

For this distributor

96% want a sales rep visit weekly or monthly.

95% want a catalog at least once per year.

80% will receive email alerts at least monthly.

Respondents from this customer base differ in important ways from others in the Shopping and Buying survey.

Limited View of E-Commerce Marketing

Shopping/Buying	By website with computer	By tablet/smart phone
Search engine	Green	Green
Email	Green	Green
Distributor website	Red	Red
Print catalog	Red	Red
Manufacturer's literature	Red	Red
Manufacturer's website	Red	Red
Distributor's literature	Red	Red
Distributor's sales rep	Red	Red
Manufacturer's sales rep	Red	Red
Customer service rep	Red	Red
Colleague	Red	Red

Many distributors have the following limiting views of how shopping relates to buying on an e-commerce site:

- “Since buying is digital, shopping must be digital”
- “I’ve done my search marketing, we are set to launch”
- “Like me, my customers don’t like getting email”

Expanded View of E-Commerce Marketing

Shopping/Buying	By website with computer	By tablet/smart phone
Search engine		
Email		
Distributor website		
Print catalog		
Manufacturer's literature		
Manufacturer's website		
Distributor's literature		
Distributor's sales rep		
Manufacturer's sales rep		
Customer service rep		
Colleague		

In this view, all shopping mechanisms potentially lead to buying over the web.

Other digital media can lead to digital buying.

Print shopping can lead to digital buying.

Personal interactions can lead to digital buying.

Integrated View of Multichannel Marketing

Shopping/Buying	By website with computer	By tablet/smart phone	Over the phone supplier rep	In the supplier branch or store	Email	In person with supplier rep	Fax	Text	EDI	Punchout
Search engine										
Email										
Distributor website										
Print catalog										
Manufacturer's literature										
Manufacturer's website										
Distributor's literature										
Distributor's sales rep										
Manufacturer's sales rep										
Customer service rep										
Colleague										

Ultimately, each shopping mechanism can support any other buying mechanism. Finding the mix that works for your company is what matters.

Key Questions for E-commerce and Multichannel Strategy

- How do my customers shop (not order)?
- How do my customers order?
- How do my customers want to receive communication?
- What ordering methods do my customers require to continue business with me?

CONCLUSION

Conclusion

- Many distributors experience “Build it and they don’t come.”
- Shifting the focus from tactical to strategic is key to having a mature e-commerce capability.
- Viewing e-commerce as part of a broader multi-vehicle and multichannel strategy is essential for success.

Thank you!

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Questions?

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