The Impact of Amazon

A summary of the MDM Webcast, *Redefining Partnership in the Digital Age*, featuring:

- Jenel Stelton-Holtmeier, Editor, *Modern Distribution Management*
- Mark Dancer, Author, *Becoming a Digital Distributor*
- Colin Puckett, Senior Marketing Manager, B2B, Amazon Business

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Since Amazon took aim at wholesale distribution with the launch of AmazonSupply in 2012, many questions have arisen about the impact the online retail giant would have on traditional distribution networks. Although Amazon Business replaced AmazonSupply earlier this year, those questions still remain.

The broadened scope of Amazon Business centers on bringing the Amazon B2C shopping experience to B2B, an "everything to everyone" strategy. The service allows companies to sell their products on the site to other businesses, something they can do already for consumers, along with free two-day shipping on orders of $49 or more, business-specific pricing, purchasing approval and order tracking, among other features.

In the recent MDM Webcast, Redefining Partnership in the Digital Age, *Mark Dancer, author of* Becoming a Digital Distributor, *and Colin Puckett, senior marketing manager, B2B, Amazon Business, addressed some of the top questions around the platform with MDM Editor Jenel Stelton-Holtmeier.*

With distribution traditionally being a relationship business, what does having business go online mean for the traditional relationship?

A traditional manufacturer-distributor relationship often centers on alignment of what each other is trying to accomplish financially, according to Dancer. Manufacturers focus on driving sales growth and market share, while distributors focus on productivity, efficiency, margins and customer service levels.

"That lack of understanding about what each other's objectives were and how they judged financial success is something that has had to be worked through over time," Dancer says. "As distributors think

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about third-party online players, both parties need to understand what they're trying to achieve for their business."

One challenge to this partnership, however, is that much of the interface between a distributor and an online third-party provider is done digitally. Conversations can happen, but distributors are nuts-and-bolts, people-oriented businesses, so many distributors like to regular have conversations with their suppliers, Dancer says. Fewer conversations coupled with more digital interactions present a hurdle for this new channel.

With data growing in importance to distributors, what does an online partnership mean for sharing data?

The challenges and barriers most distributors cite for partnering with a third-party marketplace revolve around product data, according to Puckett. But if a distributor is selling a product that is already listed on a third-party marketplace, the company must ask itself, "Is there an efficient way to list that product without having to re-create that data?" There are ways to leverage existing data as part of that third-party marketplace to help a distributor save time and get new products listed.

Distributors must remember that data requires give-and-take in a third-party relationship. "By listing your products on a trusted e-commerce platform, you're exposing those offers to registered business customers located across the country all at once to grow your own sales," Puckett says. "So in essence, we're giving you access to our customer data and adding that to your own sales database."

With this in mind, distributors should pursue a third-party partnership only if the data shows they can reach new customers, gain new accounts and penetrate new geographies.

Are price visibility and comparison shopping something to combat or a new reality?

In today's era of innovation and disruption, customers are increasingly empowered by the availability and transparency of data, especially when it's related to pricing, according to Puckett. The B2B model is taking on B2C characteristics because business customers want the best price, broadest selection and a similar buying experience.

But what hasn't changed is that B2B buyers remain cognizant of the knowledge base and overall value proposition of all the links in their supply chain, Puckett says. They pay close attention to things like seller performance and the quality of the listing and content online. So even in a world of search-engine driven comparison shopping, a seller's overall value proposition is still going to be the primary driver in purchases.

Sellers on a third-party storefront must showcase their story and their unique value to the customers. In this regard, third-party marketplaces are evolving the way other channels evolved, from big box to integrated supply, Dancer says. When those channels became successful, they did so by proving they serve the needs of customers. If price visibility is something that customers value, distributors need to deliver that.

How can companies compete online profitably?

Because distribution is already a slim-margin business, many companies are wary of third-party marketplaces because of the platform's fees and commission, which can further shave margins. However, a distributor must look at overall value proposition of the channel and ways to improve margins, such as reduced fees for larger orders, according to Puckett.

Fees pay for a trusted platform that buyers and sellers are familiar with and are already using, so with access to a built-in customer base, the cost of engaging a third-party marketplace might make more financial sense than mining and recruiting new customers, Puckett says. Distributors need to consider the total cost associated with onboarding new customers independently when comparing the cost of using a third-party marketplace.

Also noteworthy is that sellers control their own pricing and can adjust prices to cater to business buyers.

With the e-commerce expertise and brand recognition of many third-party marketplaces, Dancer says, this channel might make sense for many distributors as part of an overall, blended-margin business model.