How Distributors Can Survive the Digital Shift.

A 3-level SWOT analysis of the biggest threats/opportunities facing distributors.
For distributors, it’s do or die.

The best way to beat the digital competition is to offer more value than they can.

Amazon doesn't know your customer like you do. Other distributors presumably haven't developed your same line of expertise. Still, ask yourself: if your customer lost their phone and could only do business with you online, would you still win the contract?

When it comes down to it, eCommerce = more sales, better margins, more reorders, and less service costs. The future of your company depends on your ability to bridge the B2B eCommerce gap.

This change is both a threat and a significant opportunity.
The State of B2B eCommerce

B2B eCommerce is better than ever - are you?

B2B is Moving Online
B2B eCommerce in the U.S. will reach $1.13 trillion in 2020. If this prediction comes to pass, digital B2B transactions would represent 12.1% of the $9.39 trillion B2B market in the US.
B2B companies are facing a more competitive market as the industry follows in the footsteps of B2C enterprises and moves toward a larger digital presence.
The challenge lies in integrating the unique needs and complexities of most B2B environments.

What if we don’t go digital?
It’s do or die, sorry. Think B2C: since 2007, Circuit City went bankrupt and Best Buy lost 40% of its market cap because they, like other retailers, didn’t go digital and thought that “business as usual” was a good business model. Customers, it turns out, disagreed.
That same shift has begun in B2B, where digitally-aware people are no longer satisfied with archaic, outdated and anything-but-easy-to-use systems.
What a company owns is now less important than the channels and processes used to simplify transactions.

Why a SWOT analysis?
By understanding the Strengths, Weaknesses, Opportunities and Threats (S.W.O.T.) inherent in the 3 main disruptors in distribution, distributors can zero in on the proper strategies and approaches to ensure the survival and prosperity of their business.
Distributors need to bridge the eCommerce gap.
The 3 most disruptive elements in any B2B environment are:
+ Digital Competitors
+ Amazon/Marketplaces
+ Disintermediation

Every distributor (and every other business) needs to maximize revenue and client satisfaction in order to thrive. eCommerce boosts both revenue and customer satisfaction. This whitepaper provides a summary SWOT analysis of the 3 main disruptors to consider as you build eCommerce excellence.

1) **The Competition Has Gone Digital**
   ...and customer expectations have evolved.

2) **Amazon Wants You.**
   ...or your customers, but not both.

3) **Disintermediation**
   Brands, manufacturers and consumers are trying to cut out the middleman.
The Competition Has Gone Digital.
Strengths

Existing agreements + relationships.
You have a history, contracts and negotiated pricing which can be leveraged. You know the products and the market movers inside and out.

Independence from brands / Brand variety.
Your multi-brand portfolio can be leveraged as you are not dependant on a single brand’s ability to move merchandise.

Weaknesses

Transactional Complexity.
B2B transactions are more complicated than B2C (think customer side spend management, variable pricing and line of credit purchasing, for example).

Change is hard.
Adapting your business to thrive in the digital economy requires change, which is always easier said than done. With no vision, there can be no digital growth.

Opportunities

Market looking for digital leadership.
The market is still sorting itself out. If you are the easiest distributor to work with, digitally-speaking, retailers will choose you.

Accessibility of B2B eCommerce tools.
No need to program advanced functionality from scratch. Best-of-breed platforms can be customized to your needs faster and cheaper than ever before.

Threats

The competition is already digital.
If you’re not doing eCommerce, you’re doing your competitors - existing and new - a favor.

Brands/Manufacturers are going direct to consumer.
This is what we call disintermediation. More on this in a few pages.
BRIDGE THE DIGITAL GAP.
3 Keys to Digital Success.

What to focus on once you’ve accepted that digital leads to sales:

**Start by starting.**

The days where putting a product catalog online was enough are gone. You need to be transactional (making sales) and your systems need to work together (efficiently to produce profit). If you are online, are you doing it well? Bad B2B sites shift the burden to customers, who struggle to navigate through difficult options to complete what should be a simple transaction.

From day-one, your customer should be able to use your site to:
- Find products through "search"
- Place orders
- Request quotes
- Check order status
- Review order history
- Receive relevant recommendations

**Provide personalization.**

Relevance through personalization is the digital equivalent of your top salesperson speaking with every single visitor. It increases average order value (AOV) and customer lifetime value (CLV). To personalize your digital experience:
- Enable the customer to login or be automatically identified.
- Optimize which products are shown and promoted for each customer based on their profile.
- Display customer specific pricing, product mix and terms that are relevant to them.
- Make it easy for the customer to order then re-order.

**Provide product details.**

Consumers are now accustomed to having all of the information at their fingertips. They are more likely to buy from vendors with complete product information. The same expectation extends to B2B. From quality pictures, product videos, reviews, to specs and descriptions, your purchaser wants to know what they are getting. The more information you provide, the more confidence you will instill in your buyer.

Good news: there’s a technology for that! [Product Information Management (PIM) systems] centralize and optimize this crucial data and syndicate it across channels.
Amazon: Friend or Foe?

Actually, both.
Wholesalers vs. Amazon.

Strengths

- Comprehensive knowledge of products sold.
  Amazon doesn’t know your customers, markets and products like you do.

- Your reputation.
  Manufacturers and purchasers know and depend on you; your distribution outfit is known to bring value.

- A fresh start, digitally-speaking.
  You can integrate/automate marketplace execution into your digital strategy and transactional platform from day one.

Opportunities

- You can use Amazon to fight Amazon.
  Amazon can be leveraged as an additional sales channel, without cannibalizing more traditional channels that are run by your sales reps.

- The gold standard of simplicity
  Buying and associating goods on Amazon is easy. B2B users are also consumers, and everyone knows how to buy on Amazon. Use this to your advantage.

Weaknesses

- A big technological gap.
  Most distributors and B2B businesses are only starting to include eCommerce into their mix; there is much to be done and time is a factor.

- Legacy business model.
  You may have to rethink how you do business, how you sell and who you sell to, which may create conflict and tensions - people, process and contract-wise.

Threats

- The Amazon standard is high. Really high.
  Amazon has set the bar high in terms of purchasing convenience and speed. Your eCommerce interactions need to be easy to use by your clients.

- Lower margins.
  It is often the higher margin items that are most exposed by Amazon empowered competition. Competing on a broader, more transparent scale may force you to reduce margins on some products. Simplifying bundles, kits, and service are key ways to combat margin pressure.
BRIDGE THE MARKETPLACE GAP.
3 Keys to Making Amazon Word for You.

What to focus on once you’ve accepted that Amazon is here to stay.

Be findable.

Get your products on Google and Amazon, making sure they appear in search results, which can be HUGE drivers of new business. Don’t rely on your retailers to get it right. You need to own this.

If people can’t find your products, consumers will buy from your search-competent competition.

Invest in search engine optimization (SEO) planning and advisory services. Mark Search, SEO and Marketplace Presence (and compatibility) as “must-have” features when developing your digital strategy and choosing your eCommerce platform and technologies.

Display your expertise.

Be the reliable resource in your market. Show your expertise and depth of knowledge through high level customer service, relevant content and social media presence. Every market needs a “go-to” resource. Be the Amazon of your space.

Distributors have in-depth knowledge of more goods like electric componentry or industrial machinery, and this expertise represents value for your customers. Amazon is a marketplace with an estimated 350 million products (if you include Amazon Marketplace Sellers). As a customer, if you needed an expert, who would you turn to?

Start selling on Amazon.

Instead of seeing Amazon as a threat, think of them as a potential partner.

This might seem counterintuitive at first, but if you can see third party platforms as an additional channel that compliment your eCommerce platforms, Amazon can help increase your reach and your sales.

Leverage the marketplace’s weight, SEO mastery, fulfillment infrastructure and client base to your advantage. Use Amazon to increase sales across channels. Move from wholesale margins to retail margins with the platform.
Direct-to-Consumer: Where that leaves you.

Disintermediation creates a ruthless environment.
Disintermediation: Surviving the Supply Chain Transformation

Strengths

**Expertise:** Manufacturers turn to distributors for an expertise in distribution channels, automatic reordering and large-scale shipping.

**Collaboration:** Distributors have loads of experience working with multiple players in the supply chain.

Weaknesses

**Distributors’ business model:** Distributors move goods from the manufacturers to the retailers. The very premise of that workflow is under threat.

Opportunities

**Rethink the supply chain:** Other players are bending the rules. Distributors can too. Perhaps there are products that you can white label, or be exclusive.

**Differentiate yourself from Amazon:** B2B distributors can stand out with a breadth in product offerings or specialized expertise.

Threats

**Direct to consumer:** The technology exists to cut distributors out of the supply chain.

**A messaging problem:** Distributors are widely disparaged in this new anti-middleman paradigm.
How to Survive the Supply Chain Disruption.

How to make sure you're in a winning position once the dust settles.

The network/franchise approach.

Think about ways to get your products to the customer in creative and helpful ways that ensure you remain an integral part of the value equation.

For instance, a tire distributor creates a website to make it easy for consumers to buy their tires online. Once the purchase is made, the consumer has a choice of where to have the tires installed, a "pick-up in store" feature that increases business for your partners.

You could even make your site available in a "white label" format to help your partners sell while leveraging your infrastructure.

Leverage the marketplace.

Like it or not, Amazon is many Americans' first point of purchase research. Instead of fighting this, use it - Amazon and other marketplaces can help you expand your reach and move merchandise.

Setting this up properly, however, takes more than just a merchant account. Make sure you're working with marketplace deployment experts (ask for proof or case studies) to ensure that you're building something that not only will help you sell, but also a solution that integrates into your operations.

Develop eCommerce capability.

eCommerce isn't just retail, it's how goods are bought and sold in the 21st century, period. Whether or not this has hit your market yet is simply a matter of time.

As B2B goes digital, make sure you are leading the pack by:

- Building a transactional eCommerce website that makes it easy for customers to leverage history and previous configurations.
- Working with Amazon and other marketplaces to get your products seen and purchased.
- Doing what you do best - create experiences that provide value across the supply chain.
- Enable B2B buyers with tools that support better methods for tackling more complex orders by accepting spreadsheets, or supporting punchout and distinct customer portals.
BRIDGE THE TECHNOLOGY GAP.
Solution Spotlight: Absolunet + Insite

Absolunet is an Insite Platinum Partner.

Why Insite for B2B?

- The recommended elements and functionality in this paper? Insite offers them!
- 90% of the functionality that Absolunet clients want on day one are out-of-the-box configurations with Insite.
- And Insite is highly extensible for custom requirements and backend integration.
- Absolunet is an Insite Platinum Partner with certified experts to guide you at every step.

Absolunet has 15 years of .NET experience

Absolunet has 85 active B2B + B2C eCommerce clients.

Absolunet has 4 full-time Insite teams.
Key Takeaways.
What wholesalers + distributors need to know to bridge the eCommerce gap.

It’s time to make a move.
The digital shift, the growth of marketplaces and disintermediation are challenging your business and business model.

- Yesterday’s supply chain is being disrupted.
- Tomorrow’s supply chain is beginning to take shape.
- Disrupt or be disrupted.

You need eCommerce capability, digital skills and a strategy to ensure the prosperity and survival of your business.

Buying channels are changing.
It’s never been easier to reach consumers, and vice-versa.

Many customers want to deal directly with brands, and many of those brands and manufacturers are building (some are deploying) the capacity to sell directly.

The relationship with the customer is the new battleground and wholesalers/distributors can reinvent their business to prosper in this reality, as long as they have the tools and strategy to execute.

eCommerce capacity and capability is key.
Your digital infrastructure has to provide your customers with outstanding value and provide you, the wholesaler, with the agility to adapt and pursue opportunities as they arise.

Using a Product Information Management system, for example, can give you the edge when being selected by a major retailer or deploying to a marketplace.

Connecting your systems to be able to take data-driven decisions, to optimize your performance and to transact using today’s tools is a must.
The best time to invest in B2B digital commerce was last year. The second best time is today. Disrupt or be disrupted. (Yes, you can keep your ERP.)

Whether exploratory, advisory, strategic, technical or financial, we should really have a chat about your digital future - because that future, competitively speaking, is now.
How Absolunet can help.

Get curious
If you’ve read this far, you’re probably getting ideas or have questions about how you can use digital to get the edge for your business.

You’ll be amazed at what’s possible today. What was complex 5 years ago is now automated and simple.

Your business is about to go from flip-phone to smartphone.

Get started
We don’t sell software, we help businesses use digital to move more merchandise, understand their people and manage with better oversight.

Here is what we can do for you:

- Strategy + Analysis: from exploration to audit to eCommerce business plan.
- eCommerce Platform Development: customer-centric, frictionless and profitable interfaces that work with your systems.
- eMarketing + Advisory: leveraging digital to grow your business

Get in touch
Let’s talk. You can tell us about your business, including ideas or challenges you’re working on. We’ll share what we’ve learned and what we know, including case studies, best practices and industry trends.

Go ahead, make your competition look like they’re still in 1995.

Reach out at info@absolunet.com
About Absolunet

Absolunet helps North-American manufacturers, distributors and merchants bridge the gap between how they sell and what customers expect in the digital economy.

Absolunet is an eCommerce agency and integrator with 160 people obsessed with delivering results, creating ROI-producing (and award-winning) eCommerce experiences since 1999. Known for its annual Top 10 eCommerce Trends report, Absolunet is a certified Magento Enterprise Solution Partner and is Magento’s fastest-growing North-American partner, as well as being a Sitecore “Gold” partner and InSite Platinum partner.

Industries Served

- CPG, Retail, Distribution, Manufacturing
- Tourism, Travel, Hospitality, Events
- Furniture, Housewares, Home Decor
- Fashion, Apparel, Sporting Goods
- Utilities, Lotteries, HVAC
- Technology, Education, Media
- Automotive, After-market, Trucking
- Food, Groceries, Restaurants/QSR

Services

- eCommerce Business Plan
- eCommerce Site Development
- eMarketing
- Consulting/Advisory Services
- Evolution + Managed Services

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