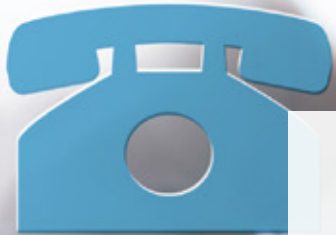


What Customers Want:
A Great Customer Experience
Online and Offline

By Jonathan Bein, Ph.D.





We've surveyed thousands of distributors' customers over the years and found that customer experience is a differentiator. It has a real impact on your top and bottom lines.

But what about customer experience moves the needle the most?

We know what matters to customers, generally, based on Distribution Strategy Group surveys. Your customers want to interact with distributors across channels; in particular, digital has become more important as part of their shopping and buying journeys.

But what once was a differentiator – digital tools and platforms – is now expected. Given that, what can distributors focus on to shift customer satisfaction for the better?

Is it price? Delivery? Your people? Your website? We'll come back to that.



First, some foundational data. We've surveyed 10s of thousands of distributors' customers over the past 10 years about what they want when it comes to shopping and buying.

- **Shopping** is researching, evaluating and assessing a product's suitability for your needs.
- **Buying** is completing the transaction, including placing the order.

In the consumer world, if you go to Amazon, you are shopping and buying in the same spot – unless you shop on Amazon and then go into Best Buy to make your purchase. Then, you've separated the shopping and the buying experience. In this case, the shopping was digital, but the buying occurred in-store.

This happens more often in distribution. A customer will talk to a sales rep, call in to get more information from a customer service rep, and then place an order by email, for example.

Distributors' customers three biggest preferred **shopping** channels are all digital: search engines, a distributor's website and a manufacturer's website.

When it comes to **buying** – or completing the transaction – email ordering continues to dominate. Website/mobile also continues to grow, while phone orders fall.

Get more of our data around how distributors' customers want to shop and buy on page 10.

The Drivers of Customer Experience

What our shopping and buying data shows us is that digital is going to play a critical role in distributors' customer experience going forward. It is no longer a differentiator. It's a must-have.

So, what will differentiate today? What part of the customer experience will make a difference?

Based on our data, distribution companies can influence 11 critical drivers of the customer experience:

1. Inventory availability
2. Customer service
3. Competitive price
4. Professional sales reps
5. Product assortment
6. Technical expertise
7. Delivery
8. Branch experience (counter service and will call)
9. Easy-to-use website including ecommerce
10. Proximity to branch
11. Value added services

While distributors can influence each of these, not all of them are important to your customers. Our survey work looks for nuances in how customers view these categories on a scale from highly important to not at all important. Importance indicates market requirements – what distributors must have to compete today.

What's Most Important to Distributors' Customers?

1 Product Availability

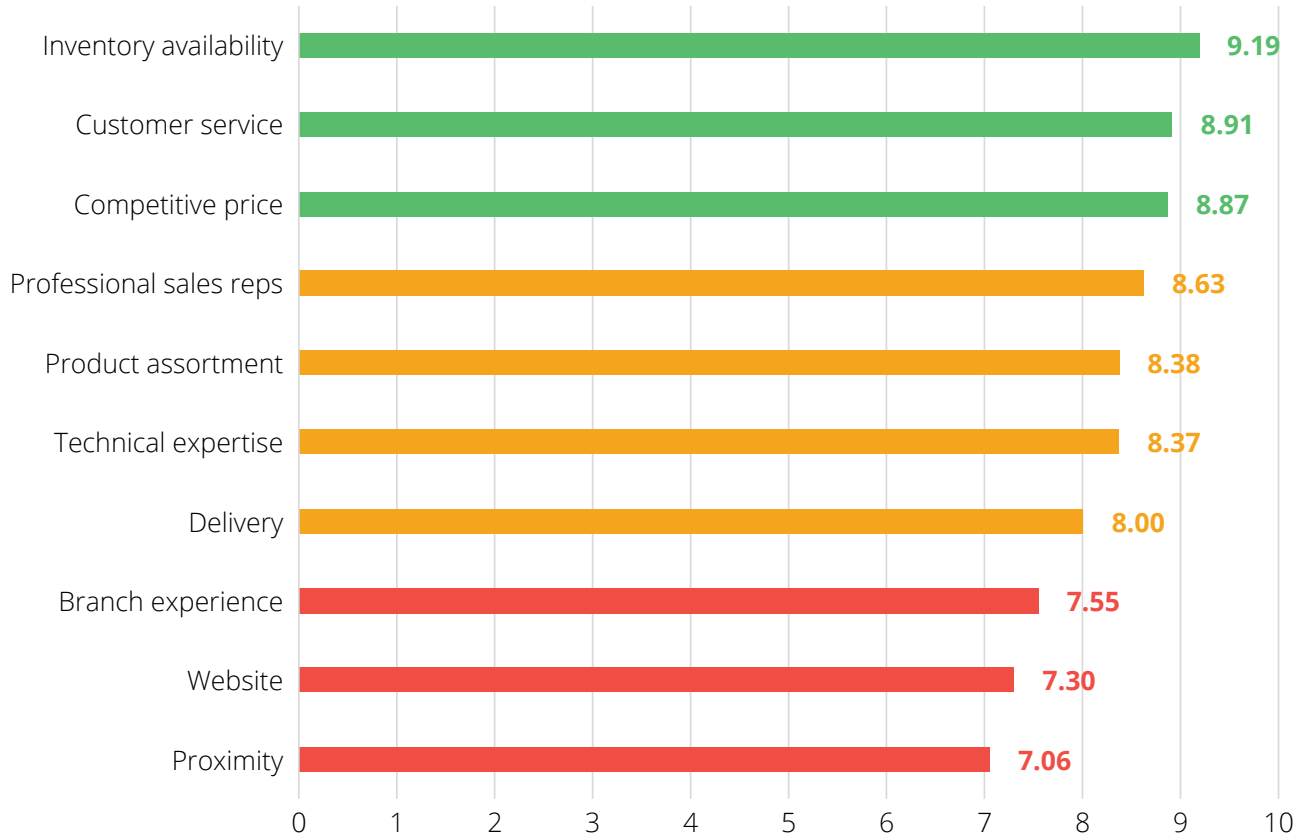
Visibility into the availability of products is the most important for customers. This trend was particularly true during COVID when those numbers increased due to supply chain issues. If we observe trends based on the ranked importance, about three-quarters of customers rank product availability as first or second, with around 65% suggesting it is the No. 1 attribute of a good customer experience.

There is almost no variance in the importance of availability to customers across industry, customer size and business category. Product availability is important to everyone.

The emphasis on product availability commoditizes products even further online. It's important for smaller distributors who compete against the larger players, such as The Home Depot and Amazon. If customers want products when they want them, whoever has that product wins out over those who do not.

The game of how quickly you fulfill the basic want is getting tougher all the time and led to channel and product hoarding during COVID.

Capability Importance



2 Customer Service

Customer service is the perennial favorite for customers, and it still matters as a point of differentiation of your business. Whether it's a CSR, a field sales rep or counter sales, it matters across the board. How customers view service varies by industry category.

For example, manufacturing does a lot of standardized ordering via electronic data interchange (EDI) and email. But construction does a lot of reordering via customer service. The type of industry you're in changes the game around what emphasis you place on customer service, but it still ranks high as something buyers value.

3 Price

The surprising result is that pricing is third on the list of the most important attributes your customers want. Distributors hear from their sales reps they're losing on price daily. Price will always matter to smaller customers because their budget is smaller, but it typically isn't at the top level of importance and, as we've seen, hasn't been for years.

4 Sales Reps Sales reps matter more to customers when correlated with product assortment and product or transaction complexity. If it's a more straightforward transaction, the sales rep matters less.

Ultimately, if customers can't get something from their regular supplier when they need it, they'll go to the competition. Availability wins out.

Attributes with Less Importance to Customers

Product Assortment: When distributors message on product assortment, they're going to have a hard time differentiating in the mind of the customer. That's because it's not as important to them, and most distributors claim the same value.

Technical Expertise: This matters less for low-complexity products.

Delivery: This varies greatly across customer bases. For construction end-markets, it's more important, for example.

Branch experience: This is less important to most customers, but there is significant variation by industry and size of distribution companies and their customers.

Website: A decade ago, websites were a real point of differentiation. Today, a good website ranks less important not because it isn't—but because it's the baseline customers assume distributors have.

Proximity: This is low on the list of customer expectations. How close your branch is matters more for construction delivery. However, when we've done the financial analysis, we see revenue dropping the further away the location is; it's a dissonance between what customers say is significant and what we've seen on the ground.

Customer Satisfaction Drivers

Above, we listed the relative importance of those attributes – again, these are what's required in the market today. Just because price is in the top three, for example, it doesn't mean that it moves the needle when it comes to overall customer satisfaction with an individual distributor.

Satisfaction measures what makes customers happy.

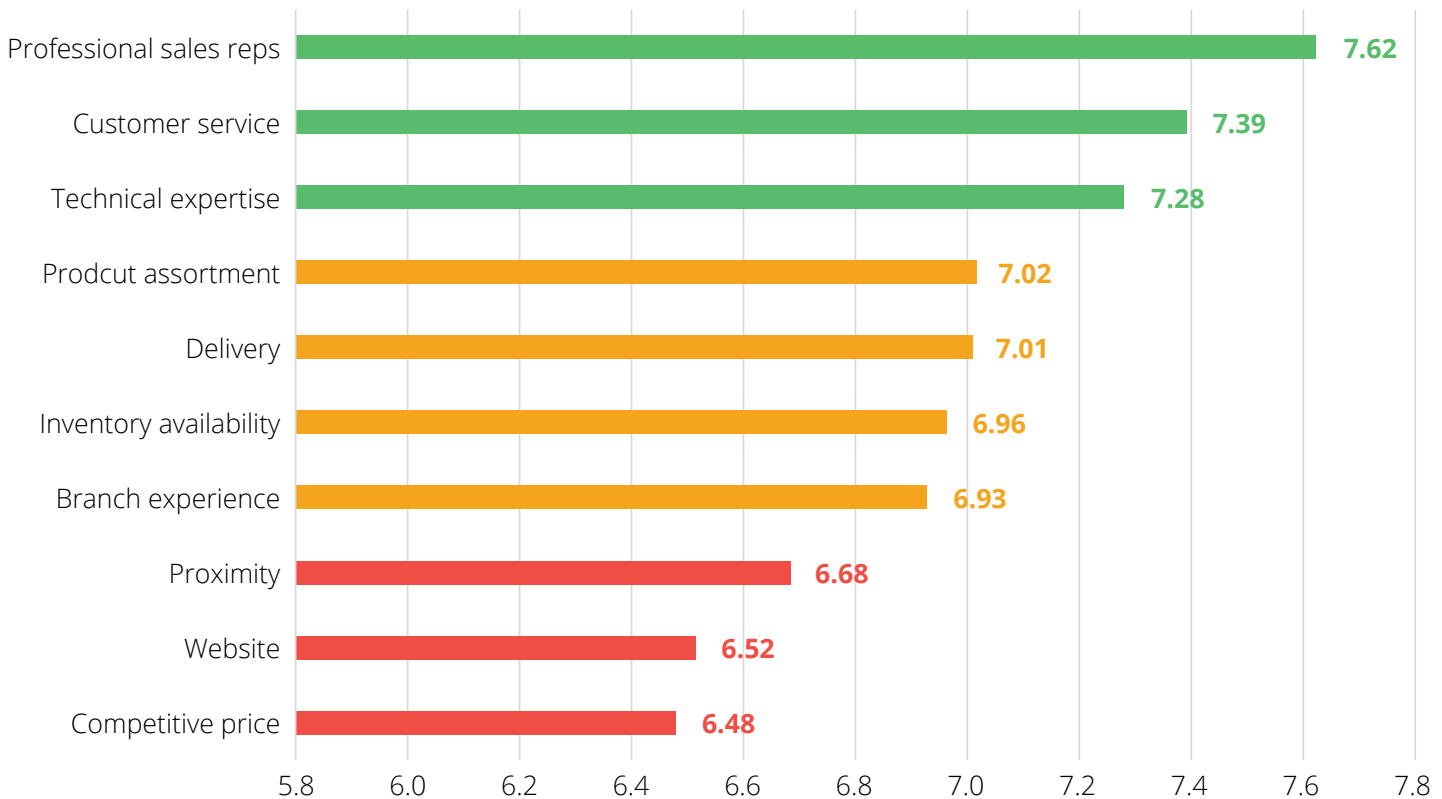
If you want to measure your customers' satisfaction with you as a supplier, you could use the Net Promoter Score (NPS), which measures customer loyalty by asking customers how likely they are to recommend a company, product or service to someone else.

We crunched the data and determined that only a handful of the above attributes contribute to an improvement in that score. The good news for many distributors is that in an increasingly digital world, the people factor is critical to driving greater satisfaction.

The top three drivers of improvements in satisfaction are all delivered by a field or phone rep:

- Professional sales reps
- Customer service
- Technical expertise

Capability Satisfaction



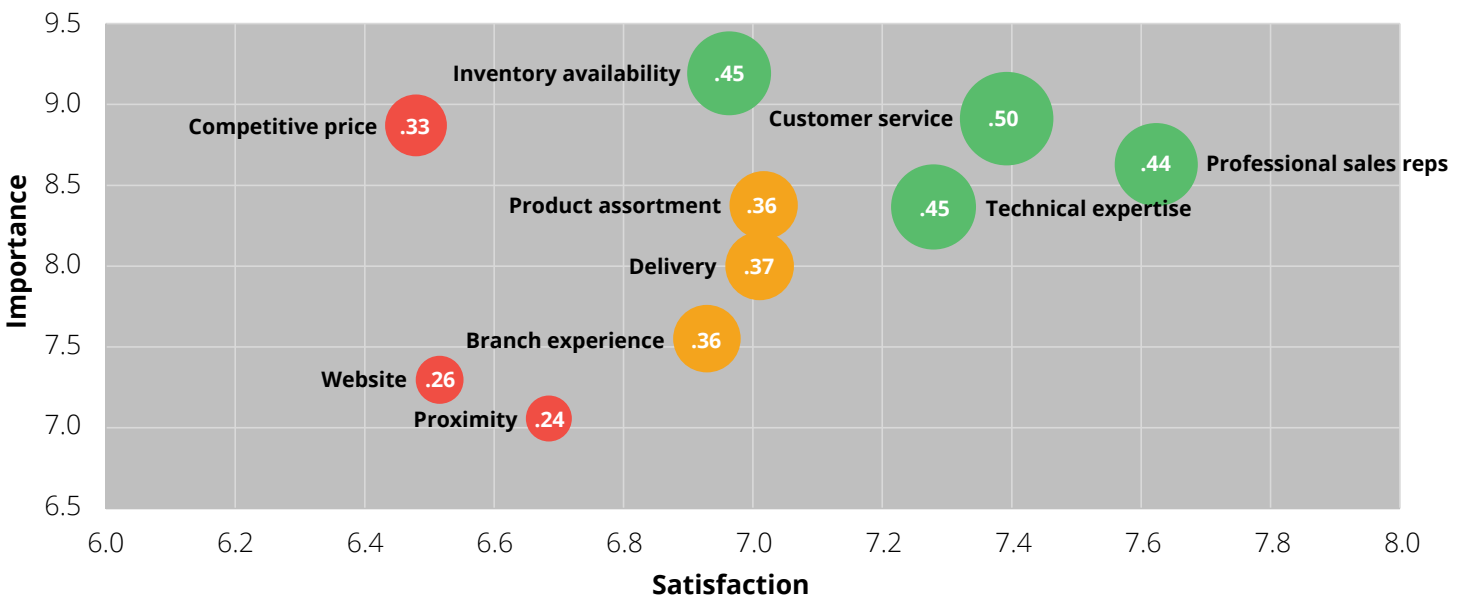
Less impactful on customer satisfaction are assortment, delivery and even availability. Note: They are still important to the customer, but they are must-haves. They don't differentiate. Changing them won't change how a customer feels about you as a supplier – at least not as much as improving the way you serve them with your people.

If you want to keep your customers, you need to invest in your people. They are the value-adding contributors to long-term customer happiness.

What good sales reps and other customer-facing team members do well is bring expertise to the table. They help customers get what they need. They're doing things a website can't replicate, like going above and beyond for a customer to replace unavailable products, offering brand application knowledge and advocating for faster fulfillment. A trusted advisor who solves customer problems is highly appealing.

The below shows the correlation between importance and satisfaction, which is telling us what really drives overall customer satisfaction. Price, website and proximity – while expected by and important to customers – are not significant contributors to overall satisfaction. While each customer base is unique, higher-touch customer service around product availability is a key distributor differentiator.

Capability Importance, Satisfaction and Effect on Overall Satisfaction



Key Customer Experience Takeaways for 2024

A website with ecommerce functionality is the baseline this year. Even if customers are not placing orders through the shopping cart, a clean, robust website with real-time product data is the bare minimum to survive in this industry.

These four areas will drive customer satisfaction:

- Customer service
- Professional sales reps
- Technical expertise
- Inventory availability

Again, individual mileage may vary, and it's important to conduct this research for your own customer base. This process can give you a solid roadmap on where to focus your efforts in the next year.

What our general data says for most distributors, however, is that improving your website or expanding branch locations will not drive greater customer loyalty. This is helpful – because you can't feasibly tackle all the possible drivers of customer satisfaction available to you. Concentrate instead on the three or four that matter to your business and your customer base to grow.



Shopping and Buying: The Move to Digital

We've surveyed 10s of thousands of distributors' customers over the past 10 years about what they want when it comes to shopping and buying. Here's what we've found and how the data is shifting:

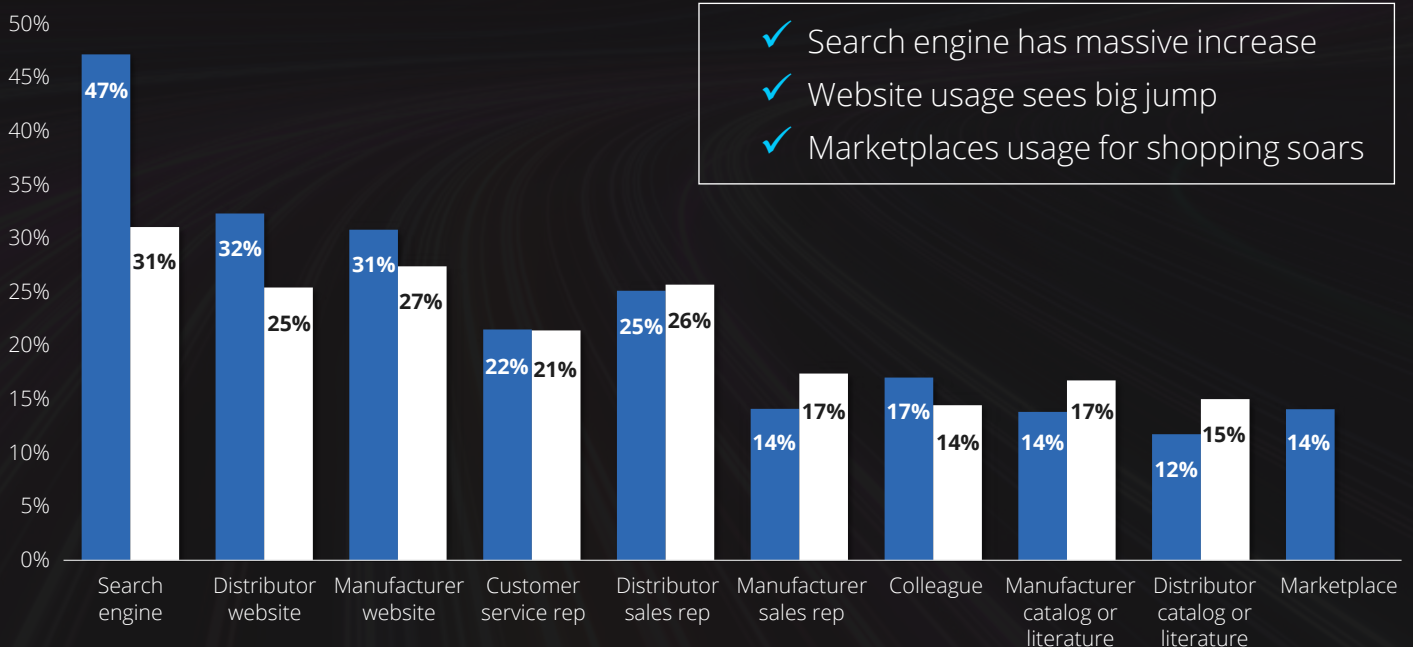
How Customers Shop

The three biggest preferred shopping channels in distribution are all digital:

- Search engine (such as Bing or Google)
- A distributor's website
- A manufacturer's website

This chart shows data from post-2020 (blue) versus pre-2020 (white).

Shopping Changes by Average of Business Segments: Pre-2020 vs. Post-2020



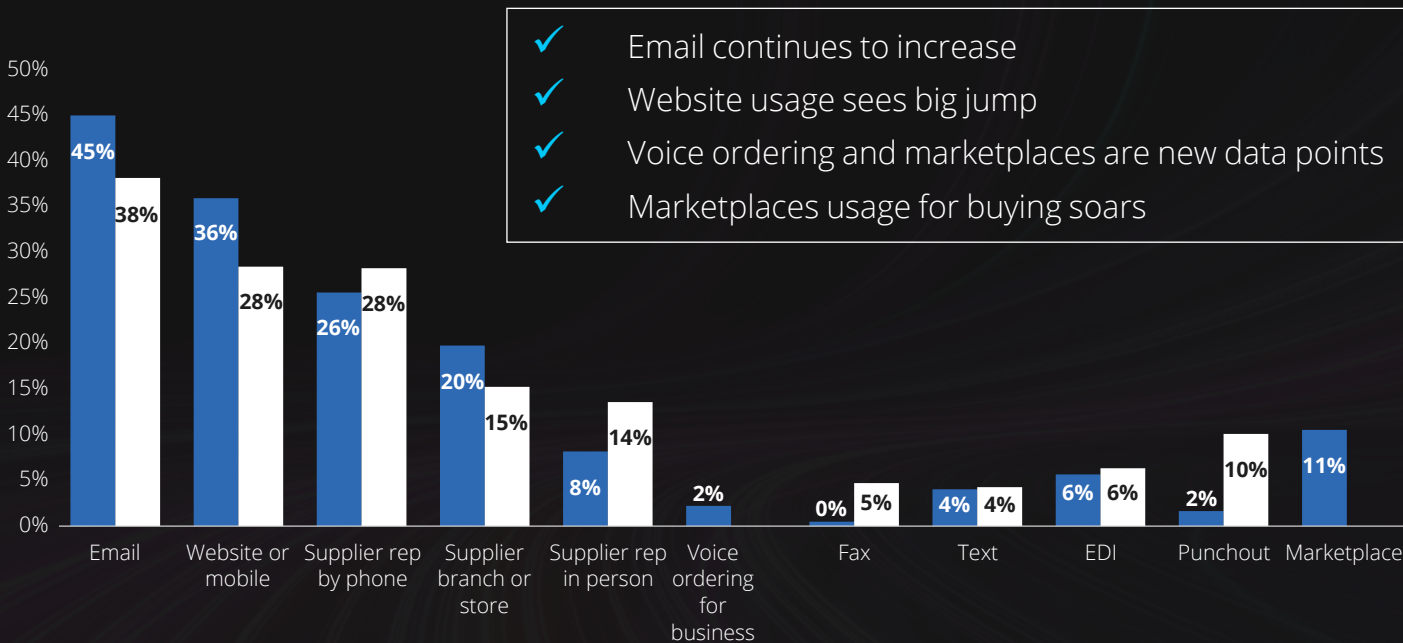
A couple of data points stand out.

First is a massive increase in search engine activity, that is, customers searching on a search engine before reaching out to a distributor through more traditional channels. Customers are spending more time on distributor and manufacturer websites, and marketplace usage is soaring.

How Customers Buy

Email ordering continues to dominate customers' preferred buying path. Post-2020, email ordering increased from 38% to 45% as the primary channel for buying. Website/mobile also continues to grow.

Buying Changes by Average of Business Segments: Pre-2020 vs Post-2020



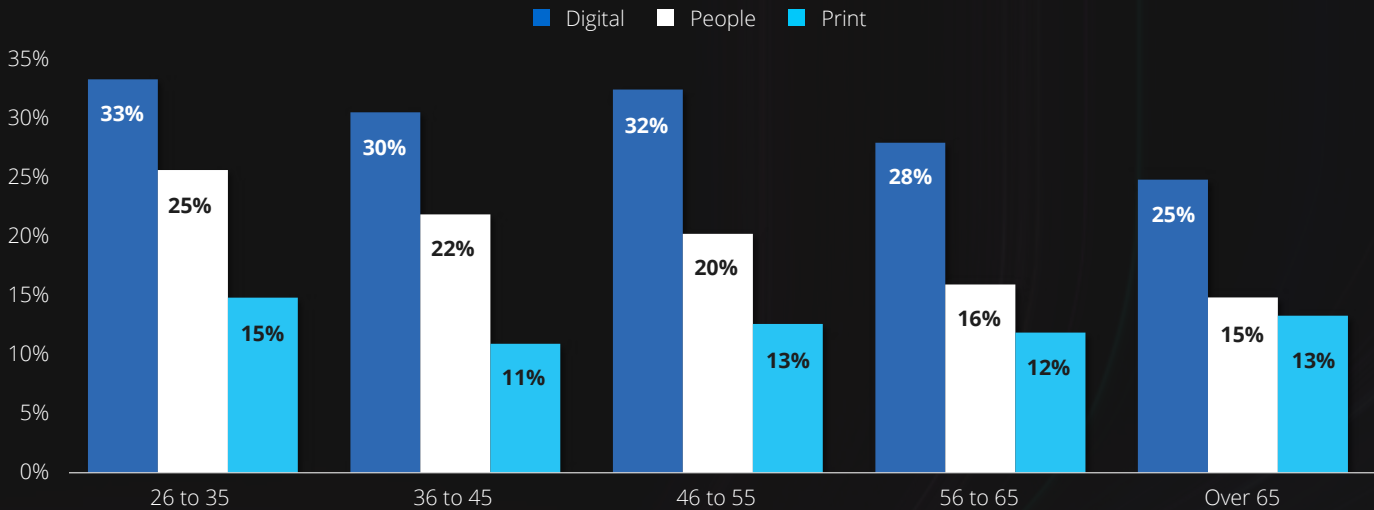
There is less emphasis on phone orders with a CSR or an in-person visit from a field sales rep. As artificial intelligence (AI) continues to emerge in distribution, anticipate a jump in voice ordering as these tools improve.

While this is aggregate data, note the increase and emphasis on digital buying.

Demographic Shifts Toward Digital

Interestingly, there's no significant difference between younger and older usage of digital channels. This chart would have looked different a decade ago, with younger populations surging in digital use over their older counterparts in their buying journey.

Shopping Methods to Find and Select Products: Differences by Age



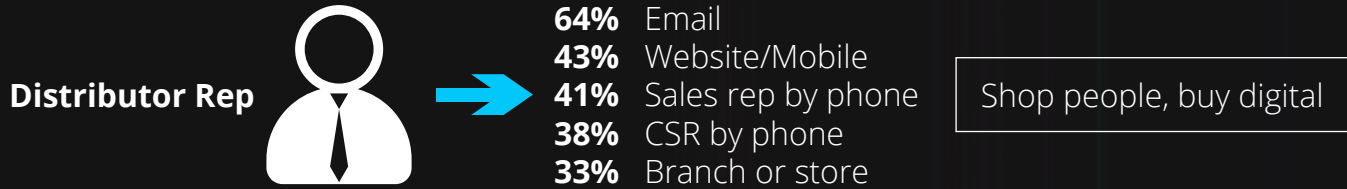
- Younger professionals tend to use digital more than other age groups.
- 2020-2023 data

The Buyer's Journey

After reviewing products on a distributor's website, 62% of customers across industries will send an email. However, nearly 50% will order from the website itself. The message for distributors is their website matters greatly for influencing customer shopping and buying – no matter what channel they ultimately purchase in.

Even if the customer talks to a sales rep, customers still use email and ecommerce. The more complicated the order, the more likely they'll be to check in with a live person.

Journey: Distributor Shopping ► Buying Methods



- Aggregate data
- Respondents asked to identify all buying methods they used if shopping as indicated

Distributors have an attribution problem. Websites often are under-attributed for capturing the sale when, in fact, they did play a huge role in the customer journey. We know that if 75% of customers shop with you digitally and only 10% hit the ecommerce shopping cart, it doesn't mean scrapping ecommerce is the right approach. Instead, start to collect data at the point of sale on your other channels on whether your customer spent time on the website before picking up the phone or sending their email.

About the Author



Jonathan Bein, Ph.D. has worked with many distributors to make their marketing a profit center. He has developed and applied analytic approaches for customer segmentation, customer lifecycle management, positioning and messaging, pricing, and channel strategy for distributors.

Prior to Distribution Strategy Group, Bein has successfully led and been part of executive management for software product and services companies in information technology, healthcare, and communications. Bein has been CEO of several companies.

DISTRIBUTION STRATEGY **GROUP**

About Distribution Strategy Group

Distribution Strategy Group's thought leadership, research and consulting services are provided by a team with decades of experience in the distribution industry. They have helped more than 70 distribution companies build a solid foundation to win in today's changing market.

Distribution Strategy Group offers strategic guidance for distributors in the face of disruption, including:

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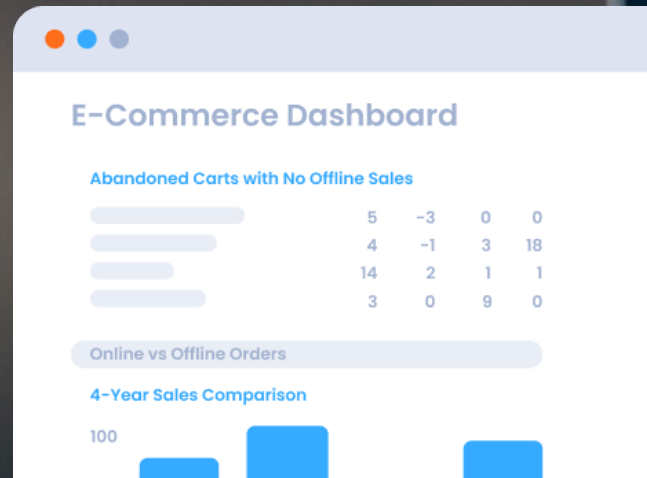
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