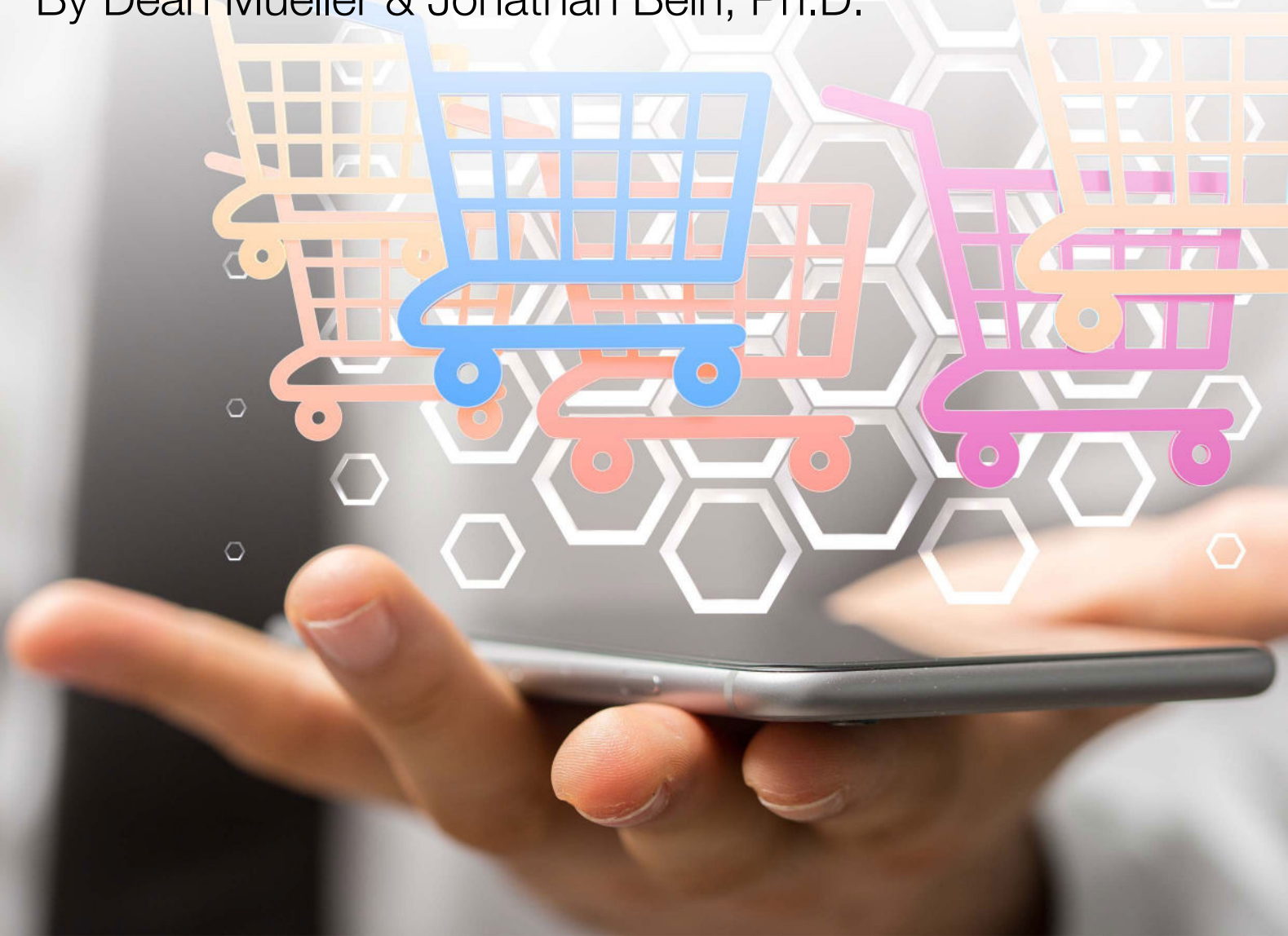


2021 State of Shopping and Buying in Distribution

# Behind the Changing Customer Journey

By Dean Mueller & Jonathan Bein, Ph.D.



*Partnering with distributors, Distribution Strategy Group has surveyed more than 3,800 customers across diverse sectors and geographies over the past 12 months. The goal of this ongoing Shopping and Buying Survey is to gain a fuller understanding of how customers want to shop and buy by asking the customers themselves.*

This report provides an aggregate view of survey data, summarizing:

- Customer shopping preferences
- Customer buying preferences

For the purpose of this report:

- The terms **end-user** and **customer** both refer to distributors' customers.
- **Shopping** includes finding, researching and selecting a product. Shopping happens before the purchase.
- **Buying** involves the transaction, or purchasing or ordering the product.

We examined where customers want to shop and buy, and divided those locations by:

- **Digital:** Search, text, website or mobile, voice ordering, EDI, marketplaces, punchout
- **People:** Sales reps or customer service reps by phone, branches or stores
- **Print:** Catalogs, distributor or manufacturer literature

The data and analysis in this report will challenge you to think differently about your business needs to better serve your customers and can further inform your company's specific plans for 2022 and beyond.

We've published the data and analysis from this report in two prior versions, the first in 2016, and the most recent in 2018. This update was completed in 2021.

The data is clear: Your customers continue to prefer more efficient electronic shopping and buying methods.

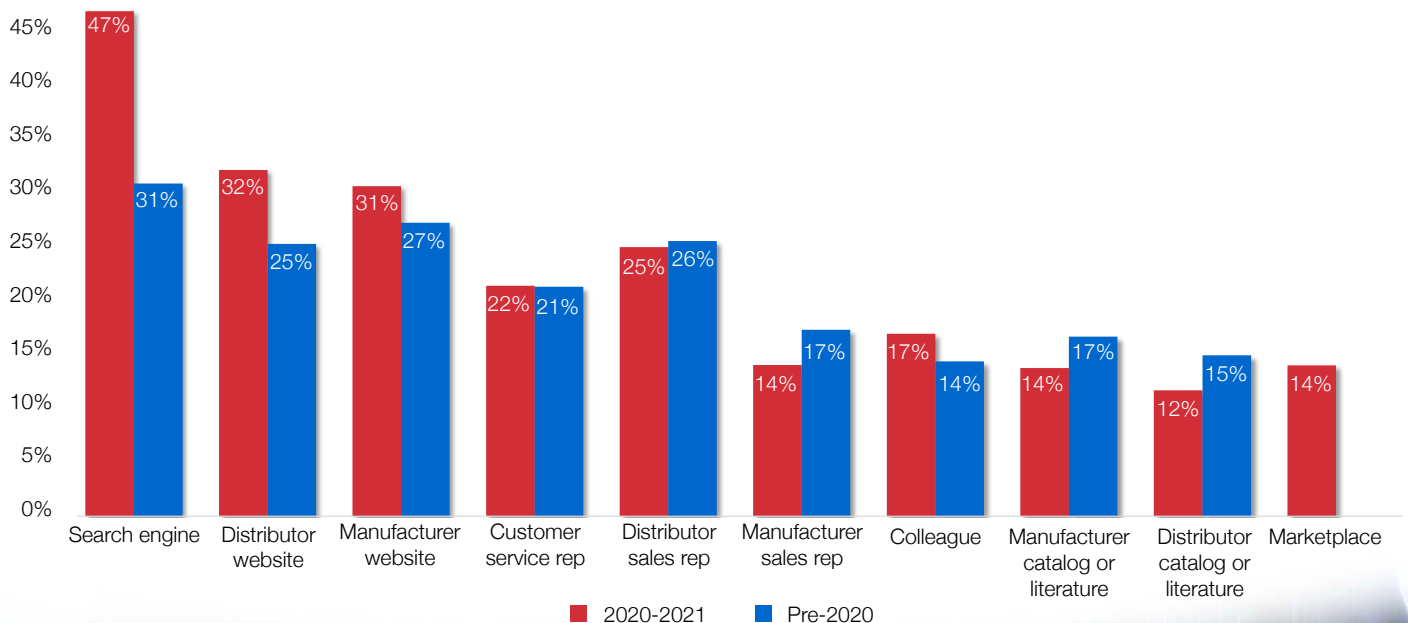
Since the first version of this report was published, we have discovered an even more pronounced move away from print and people toward digital channels such as email and websites. We've also continued to see a move toward more efficient in-person channels such as inside sales and customer service. The pandemic accelerated that further, forcing a sharp increase in online engagement in March and April 2020, which stuck. Many distributors are now moving to implement a sustainable hybrid sales model to support customers as their journey becomes increasingly digital.

## How Customers Prefer to Shop

Shopping includes finding, researching and selecting a product, but not buying or purchasing the product. Shopping happens before the transaction to complete the purchase. In general, the shift for shopping has continued strongly toward digital. The data showed a strong preference for digital shopping methods, and these methods are expected to grow in use over the next two years.

While some headway has been made over the past few years, distributors continue to be more effective in their capabilities to support shopping by people or print than they are for digital shopping.

Chart 1: Shopping Changes by Average of Business Segments: Pre-2020 vs Current



\* Data is for "very frequently" usage and is an average of business segment.

Here are three notable findings in our latest shopping preference data:

### Search engine

We saw a massive increase from pre-2020 to 2020-2021 with the percentage of customers who very frequently start shopping with search engines such as Google and Bing increasing from 31% to 47%. Over the years, we've seen more distributors prioritize search marketing as a tool to attract new customers. Improving organic search for product marketing is low-hanging fruit for most distributors. Distributors must improve and differentiate the product data on their websites, which we'll discuss further in the recommendations portion of this whitepaper.

### Website usage

We also saw a huge jump in shopping on both distributor and manufacturer websites. Pre-2020, about 25% of customers preferred to shop on a distributor's website, and that number has increased to 32% after 2020. The percentage preferring to shop on a manufacturer website very frequently has grown from 27% to 31%.

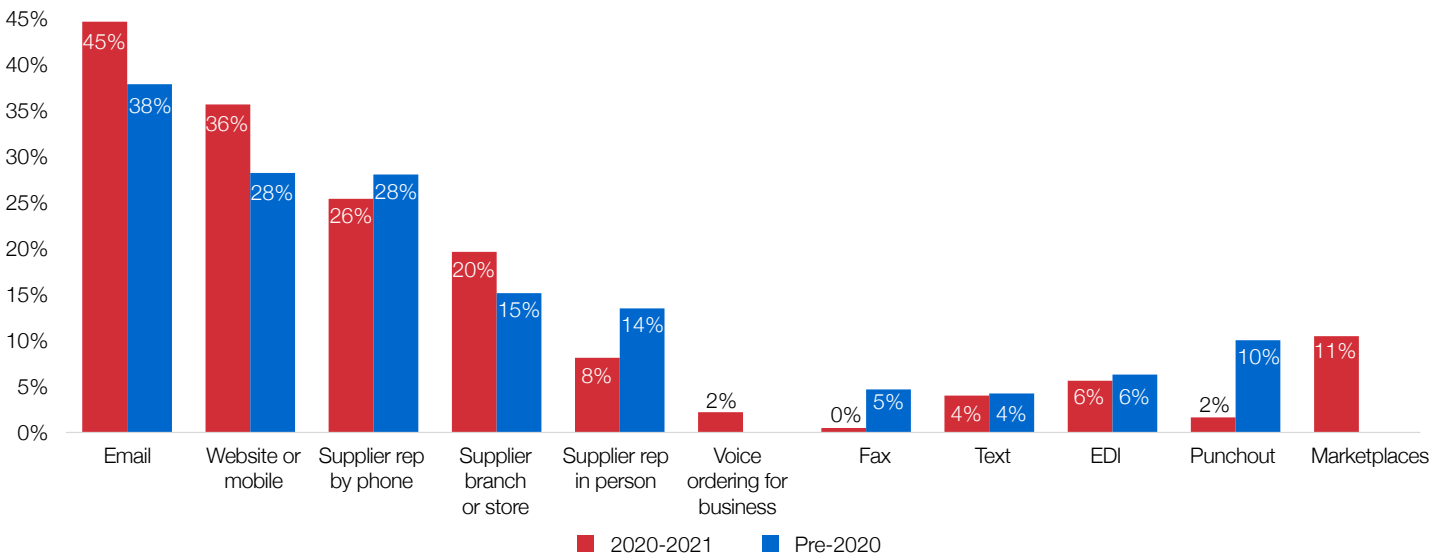
### Marketplaces

A marketplace is an ecommerce site where products or services are provided by third parties (such as distributors), and transactions are processed by the marketplace. We don't have customer preference data for marketplaces pre-2020, but their use for shopping has soared over the past couple of years. Fourteen percent of customers say they now prefer to shop on marketplaces very frequently. Examples of well-known marketplaces include Amazon Business, Alibaba, Craigslist, eBay, Uber, Airbnb and Etsy.

## How Customers Prefer to Buy

Buying includes the actual order or purchase of a product. Just as with shopping, end-users have moved to digital purchasing. The top three were email, website and ordering over the phone with a supplier rep.

Chart 2: Buying Changes by Average of Business Segments: Pre-2020 vs Current



\* Data is for “very frequently” usage and is an average of business segment.

Here are three notable findings in our latest buying preference data:

## Email

Email continues to grow, with 45% of customers preferring to very frequently purchase by email vs. 38% pre-2020. One of the reasons ordering by email may be preferred by many customers is because it's easier to shop and then drop a PDF into an email than it is to enter it into an ecommerce system or relay it over the phone. What's more, many distributors' ecommerce systems – if they have them – are not yet as easy to use as email. Customers find email more efficient. Distributors need to figure out how to make ordering by email easy for customers and for themselves. Email order automation speeds up order processing and improves the time to cash. It also eliminates the costly keying of orders, saves the cost of manual order entry and frees up staff to better serve customers.

## Website usage

Not surprisingly, website usage jumped significantly compared with pre-2020 data. About 36% of customers said they very frequently prefer to buy on a website or mobile app, compared with 28% pre-2020. Many customers deem it important or required for distributors to have ecommerce options available, making that option table stakes, rather than a nice-to-have.



However, in past surveys of distributors' customers, we've asked what the greatest hurdles are to their using websites more frequently. Customers said they were more likely to leave an ecommerce website without buying if it didn't have enough product information, was hard to use, they couldn't find what they needed, the product wasn't available, or the price was too high or not shown.

The adoption rate of ecommerce functionality in 2020 soared with a weighted 26.3% increase from 2019 to 2020 among distributors. It varied widely depending on company size and sector, but an astounding increase was seen among companies under \$50 million, with a quarter saying they now offer ecommerce, up from 13.4% in 2019.

### Voice ordering and marketplaces

Voice ordering, where a customer can continue to do other tasks while making a purchase, and marketplaces like Amazon or eBay are new entrants to the survey this year. Just 2% of customers said they currently very frequently buy by voice ordering. And just 11% say they do so on marketplaces.

Because of the long-term goals of dominant players such as Amazon, we anticipate that voice ordering will expand into full-fledged voice shopping. Just 3% of distributors are currently working with the technology, but 20% of distributors in our 2021 State of Technology in Distribution survey expect to deploy it within three years.

### Your individual mileage may vary

Individual mileage not only can vary – it almost certainly does – based on the makeup of a distributor's customer base. For most distributors, these trends do apply, but surveying your own customer base is important. There is no substitute for getting the voice of your customer.

For example, in our most recent data, customers in construction and services industries were more likely to buy from a person vs. digitally. This isn't entirely surprising for construction, as workers may make multiple visits per day to a branch depending on the project. Customers in manufacturing and wholesale trade industries were more likely to purchase digitally.

We have also seen differences depending on the age of the respondent. Younger professionals tend to prefer digital more than other age groups, for example, for shopping. That said, digital was the preferred shopping method by every age group in our research compared with print or in-person.

Chart 3: Buying Differences by Business Segment

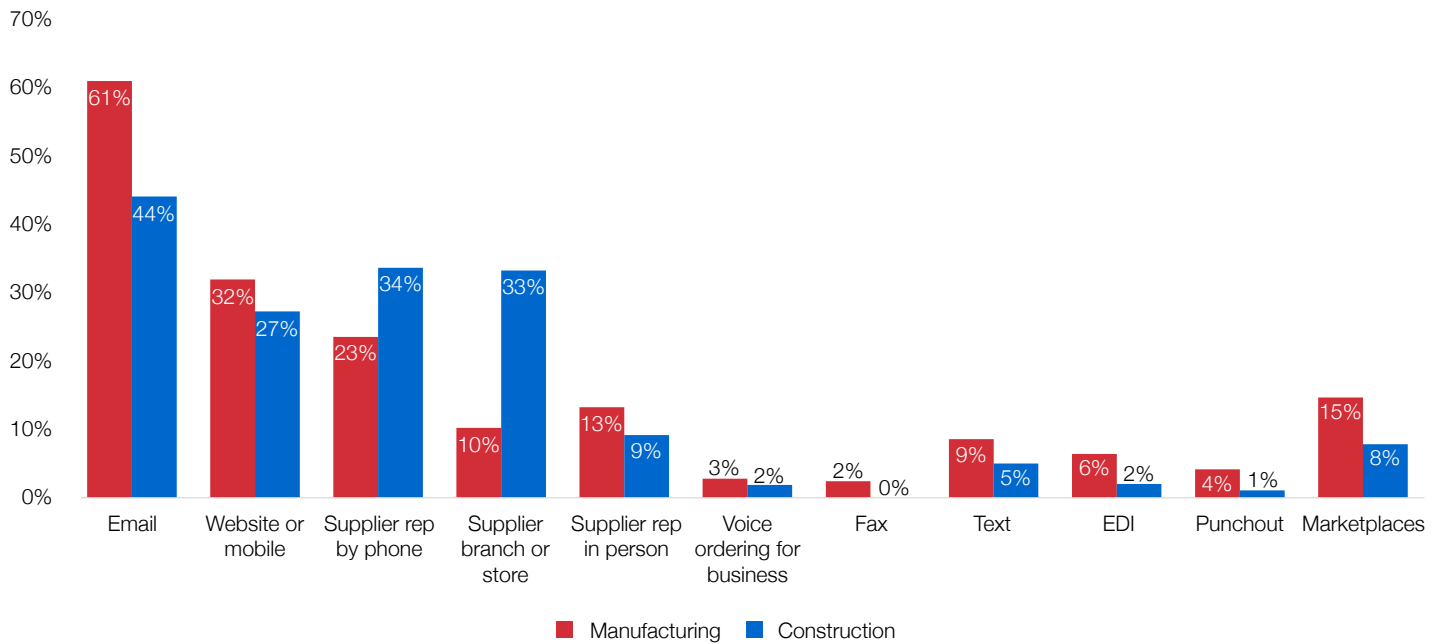


Chart 4: Digital vs People Buying Differences

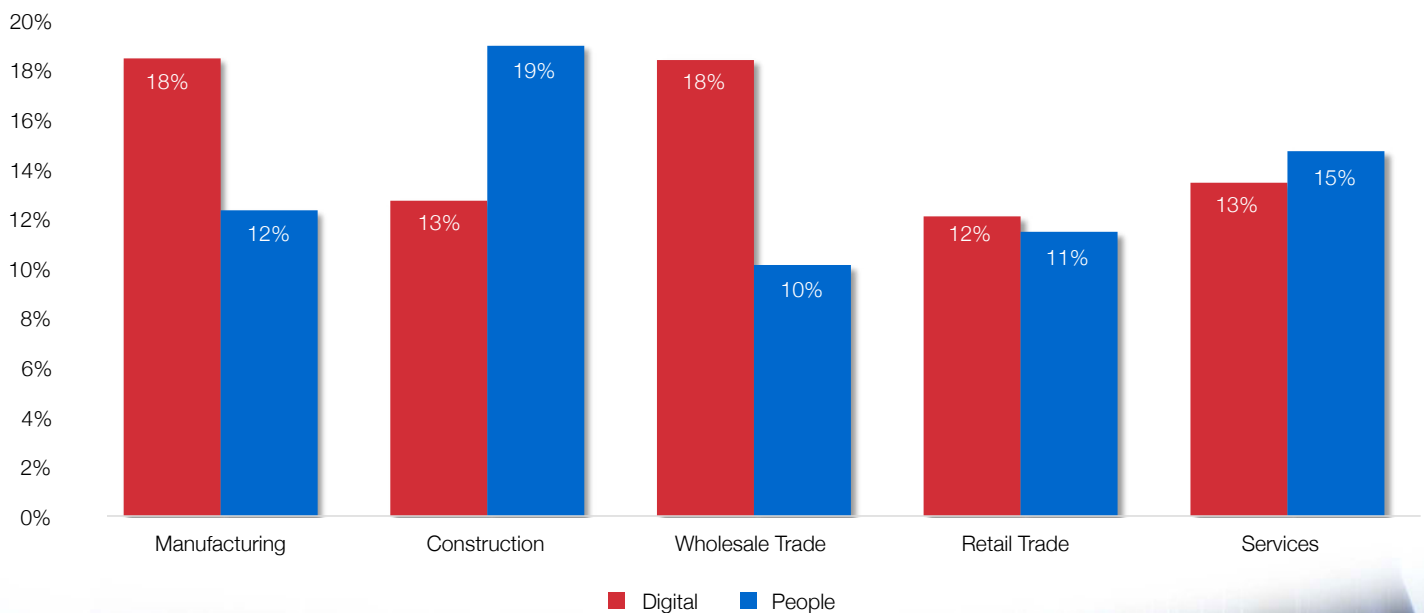
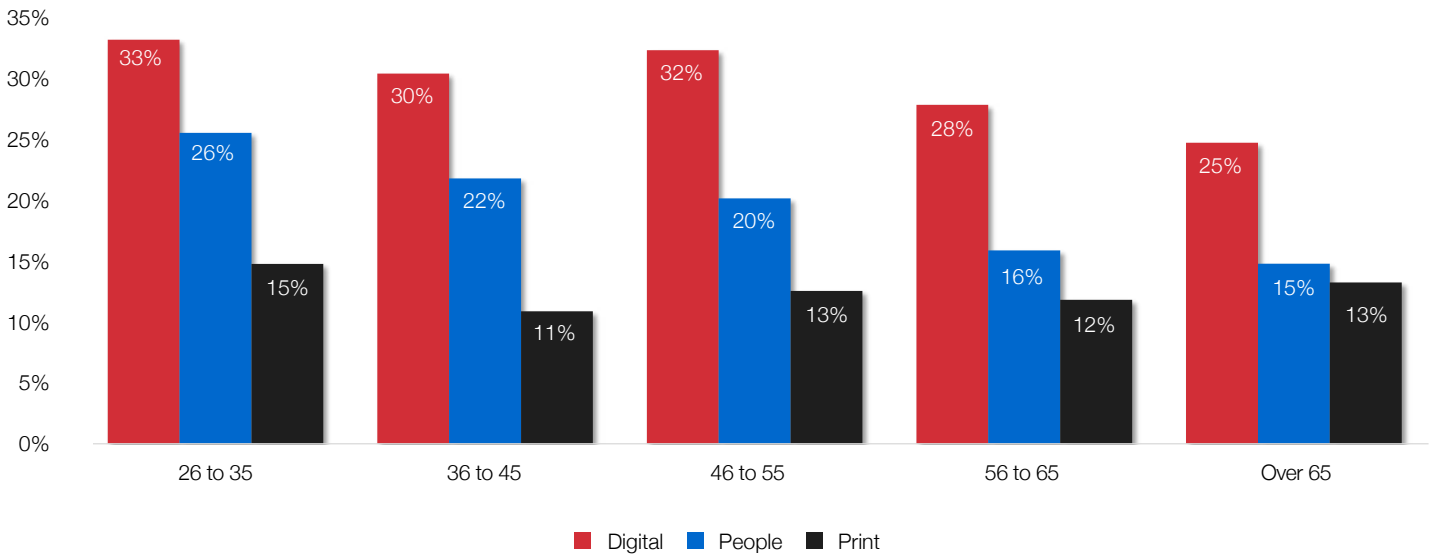


Chart 5: Shopping Methods to Find and Select Products: Differences by Age



## Customer journey

The shopping and buying survey data collected tells a story about how end-users typically go from one shopping or buying activity to another. This emphasizes the importance of thinking not just about the most popular channels through which customers shop or buy, but all channels and the ease by which your buyers can go from one to the next. It's important to make shopping and buying seamless across all channels. For example, order history on a distributor's website should align with the data that a supplier rep has access to when a customer calls.

We looked at the paths distributors' customers took in the shopping and buying journey. If an end-user shops by one channel, by which channel are they most likely to buy? There were some differences by industry, but generally speaking, if a customer shopped digitally, they were more likely to purchase on a digital channel, such as email or the website. After shopping with a distributor rep, customers were most likely to order digitally, as well, via email or on the website.



Chart 6: Order Placement After Shopping on Distributor Website

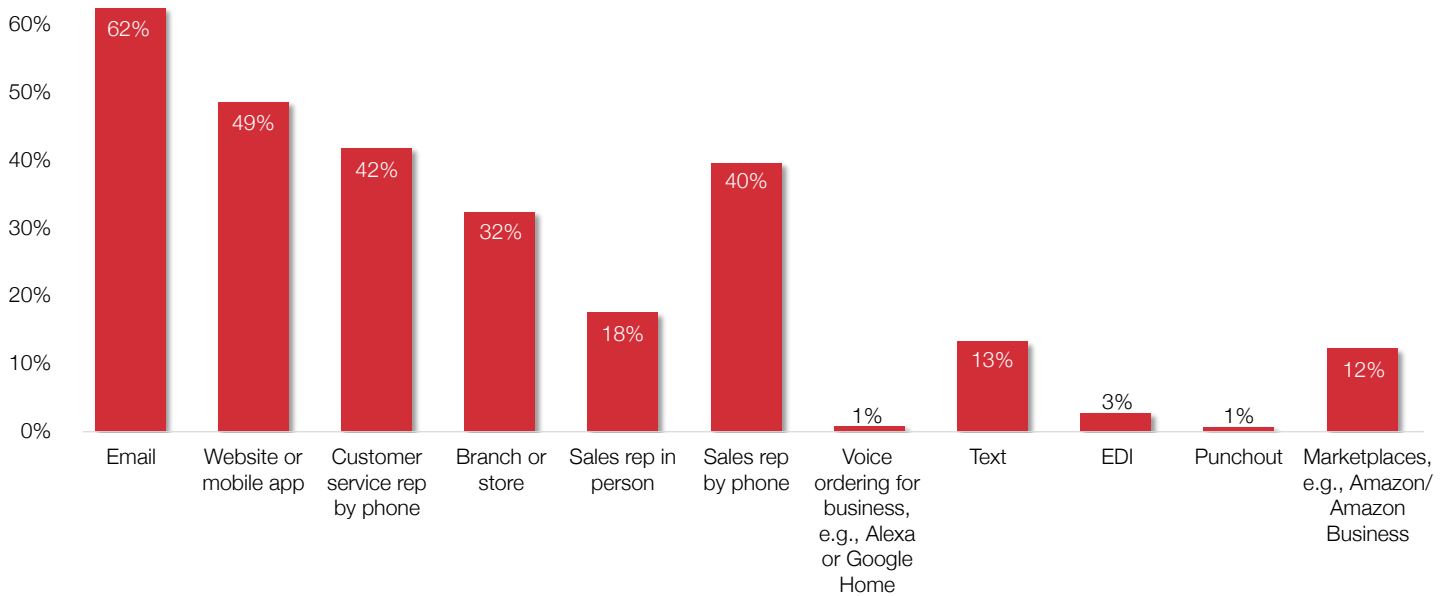
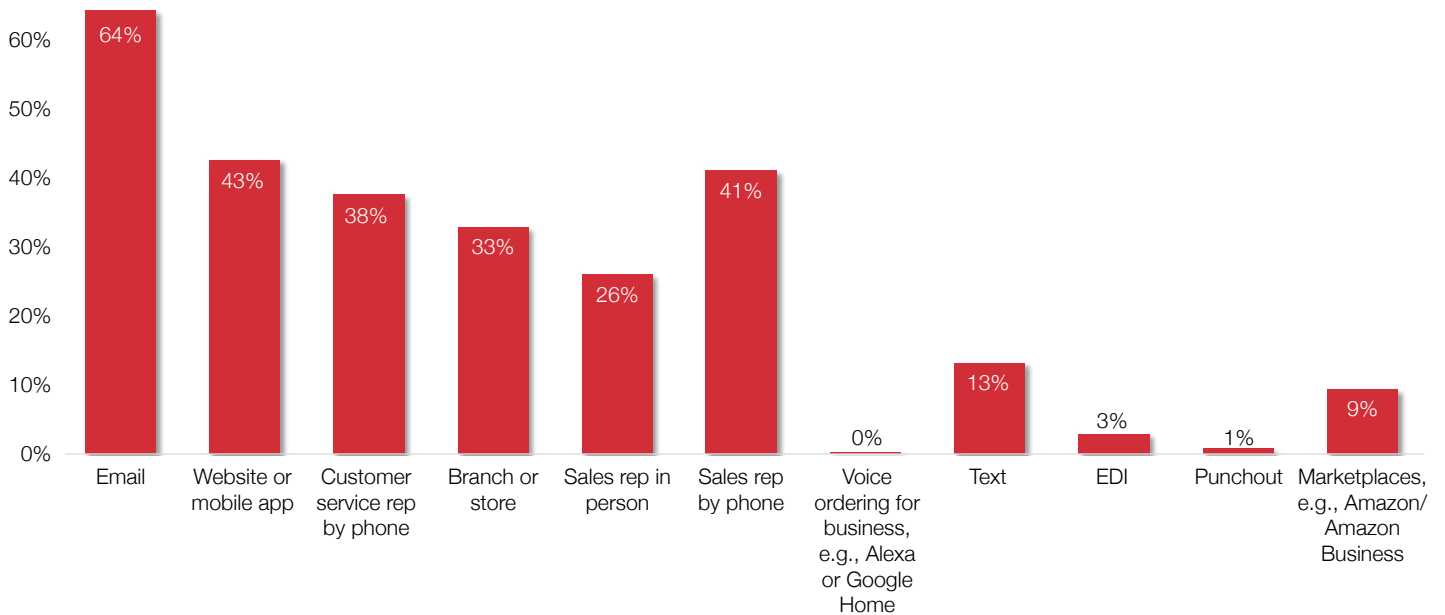


Chart 7: Order Placement After Shopping with Distributor Rep

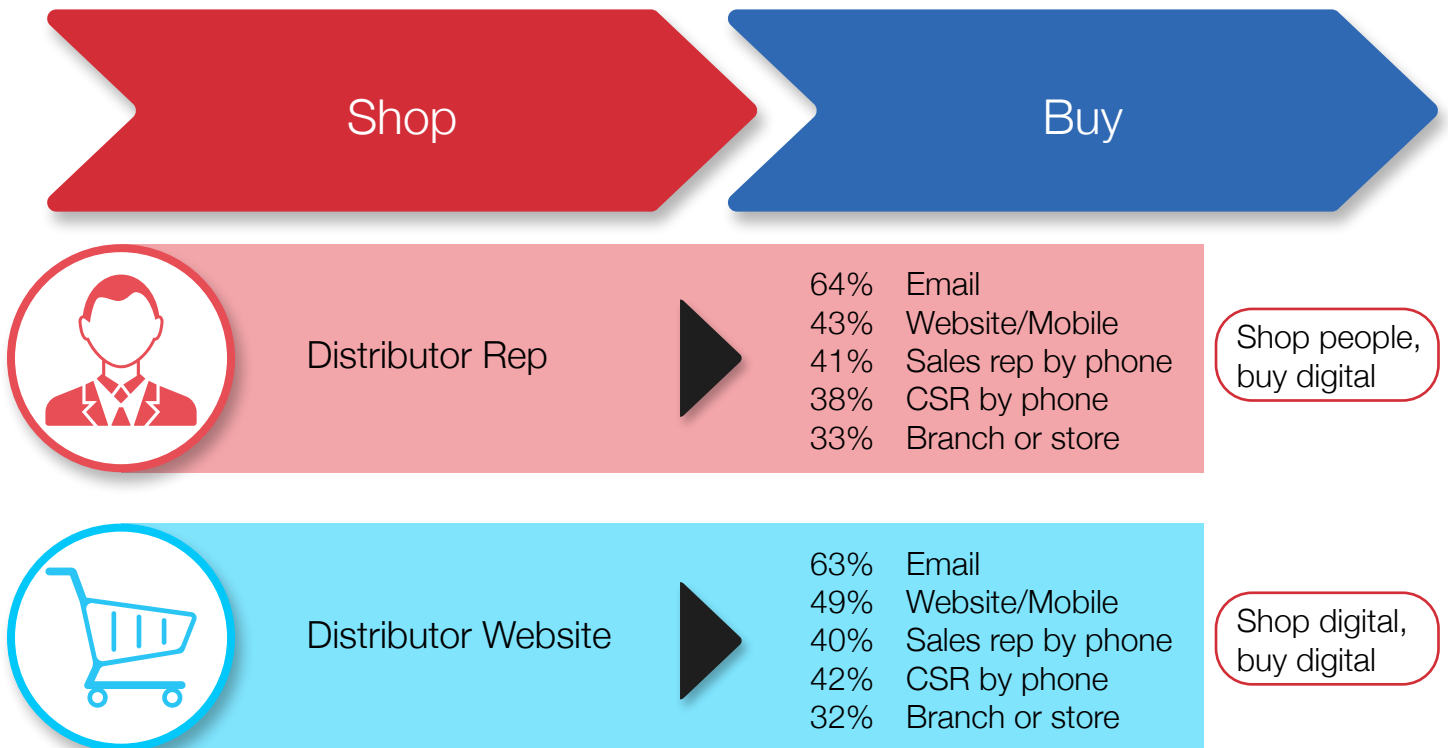


A few comments from customers on this phenomenon:

- “I’ll order directly through the website every opportunity I can. If I am releasing a quote, I will call or email to have it released depending on the urgency.”
- “The more complicated the order, the more likely I am to call the CSR.”
- “I typically look online at items, then call my order into my local branch.”

The bottom line is that just because a customer shops with one channel, does not mean that is how the order ultimately gets placed.

Chart 8: Journey: Distributor Shop -> Buying\* Methods



\* Aggregate data

\* Respondents asked to identify all buying methods they used if shopping as indicated.

## What does the future of shopping and buying look like?

Expect a continued move toward digital by B2B customers over the next two years. More than a fifth (22%) say they will somewhat more frequently shop digitally compared to now, and 12% say they will shop digitally much more frequently.

Digital methods led the growth of shopping methods, with search engine, distributor and manufacturer websites and marketplaces seeing strong expectations among customers for future use.

For buying, 18% of respondents said they'd use email much more frequently and another 22% said they'd use it somewhat more frequently in the next two years. More significant is the expected growth of website use to buy, with 19% saying they'd use it much more frequently and 29% saying they'd use it somewhat more frequently. Punchout and marketplaces are also expected to grow in use for purchasing.

Chart 9: Expected Change in Shopping Methods to Find and Select Products Over Next Two Years

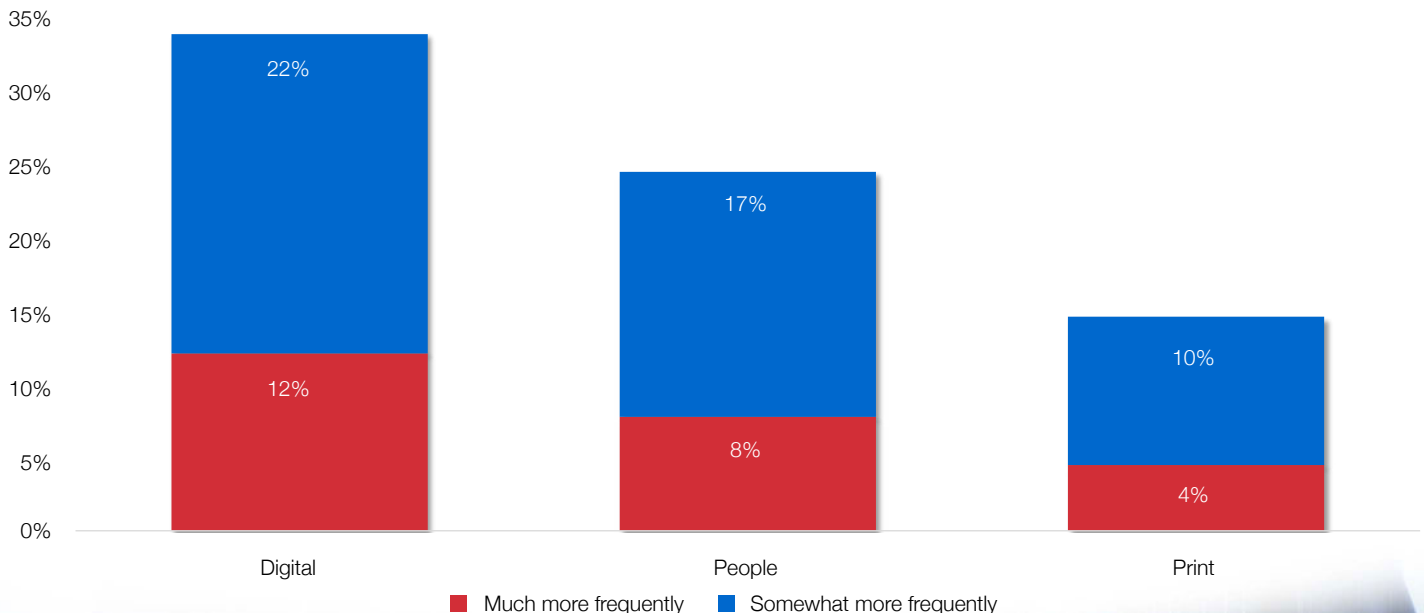


Chart 10: Expected Change in Frequency of Shopping Methods in the Next Two Years

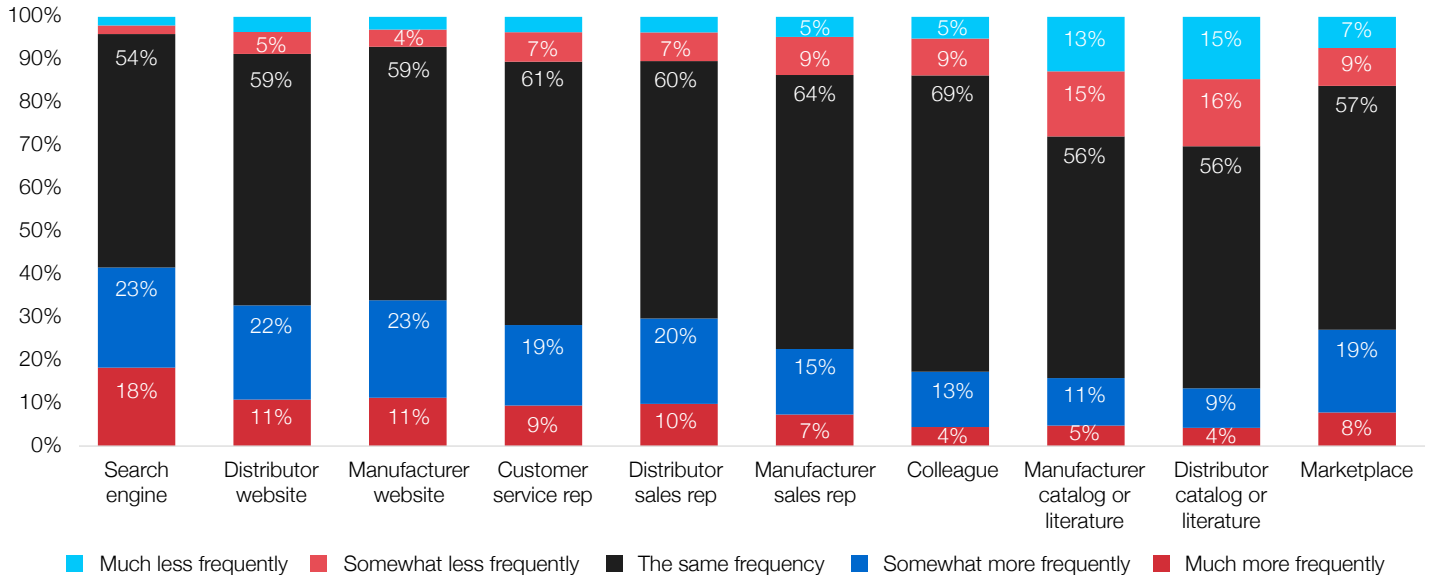
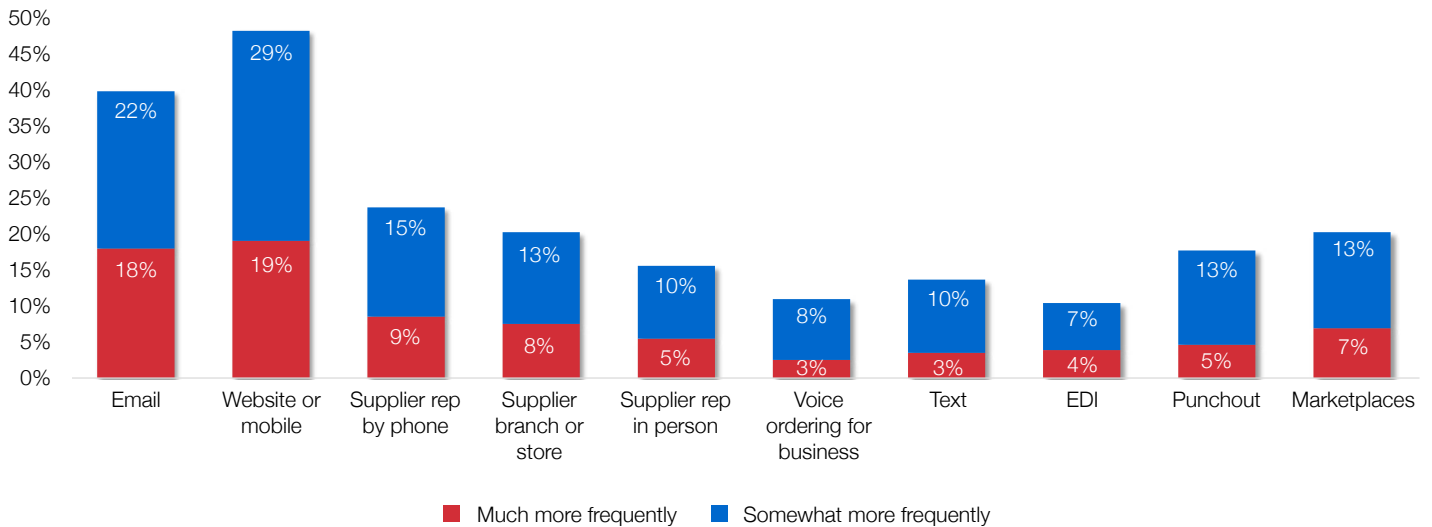


Chart 11: Expected Change in Frequency of Buying Methods in the Next Two Years



In addition to the ongoing trend away from print and toward digital (with continued use of in-person methods), expect several new shopping and buying methods to take center stage for your customers in the next two years, including:

### Marketplaces

Eight percent of respondents plan to shop much more frequently on marketplaces in the next two years, and 19% plan to shop somewhat more frequently on marketplaces. A fifth of customers surveyed by DSG said they plan to buy somewhat or much more frequently on marketplaces over the next two years.

### More retail

More B2B customers, especially those in construction or the trades, are going to big-box stores such as Home Depot or Lowe's.

### More direct to manufacturer

More customers are going directly to manufacturers to get supplies due to the growing ability of a manufacturer to manage those transactions on their own websites.

### Item recognition

In another DSG survey, we found that 78% of distributors expect item recognition to be important for their business over the next five years. Item recognition is when you can take a picture of a product you're using as part of a search for a replacement. The technology has improved to the point where you can usually find a near or exact match. This is far more efficient than even typing in the product you're searching for. Item recognition and voice ordering will likely be combined for a far more powerful tool for ordering, so that you can take a picture and place an order, telling your intelligent device: "Figure out what these cutting blades are and send me a dozen."



Item recognition + Voice ordering = Integrated shopping & buying AI system

### Voice ordering

Voice ordering for business is expected to be used much more or somewhat more frequently for purchasing by about 11% of customers. Considering it was not an option just a few years ago, this is significant. Voice ordering is also a technology that will contribute to improving the overall customer experience, making it even more efficient than a mobile app or email.



## What to Do Next

Distributors need to take bold action to meet customers where they are. Customers demand an efficient, seamless experience with you no matter the channel they are shopping and buying from. While most prefer electronic channels such as search and email, inside sales and customer service are growing in importance. It all depends on the task at hand. Develop an omnichannel strategy in line with your customer's journey. Here's where to start:

### Understand your own customer journey and how it affects shopping and buying.

Every customer base is different. While the data outlined in this report based on our surveys of more than 3,800 end-users generally applies, there are some important differences among different groups, such as customer types (construction vs. manufacturing, for example). A contractor is more likely, for example, to want to use a mobile app than a plant manager. If an extensive customer survey isn't in the cards right now, don't wait. Start to collect data to understand your customer's journey. Task your customer service reps with calling the last 100 customers, and ask them to provide more insight into their transactions. Ask questions like:

- How did you make the decision to make that order with us, and the way that you did (online, phone call, email, etc)?
- Where did you start your transaction? Did you look online first — search, website, other?
- Were we your first call? If not, who else did you speak with?

Not only will you get some goodwill for thanking them for the order, you'll be able to start mapping persona journeys to ensure you're meeting customer needs throughout the shopping and buying process.

### Search — on your own site and through search engines — is fundamental. Feed it with quality product data and SEO initiatives.

Prioritize an SEO strategy and plan, starting with an SEO audit and then systematically optimizing content. For a distributor with an ecommerce site, product data (what shows up on the product page on your website) is the lifeblood. If you want to increase the likelihood

of being found in search engines such as Google and Bing, where many customers start their purchasing journey, you need to modify your product data to stand out. The biggest distributors in each sector are growing the number of keywords that show up in search engines by 50% to 100% annually.

Improving your product data is also critical to having a robust site search. Good product data, including extended product descriptions, multiple images, video, spec sheets and more, also improves user experience. A user is more likely to buy when the information provided is useful, such as multiple images showing different angles of a product, a spec sheet, a video of the product in use, reviews and so on. And while the product data provided by associations or buying groups is a great foundation for any distributor website, be sure to enrich the data that is most relevant to your customer base, adding details that pertain to their industry, most likely application and so on.

### Prioritize online and offline customer experience (CX).

Customer experience is how customers view your brand throughout their shopping and buying journey with your business. This includes:

- Access to customer service and inside sales reps
- Using your field sales reps strategically, targeting the customers that want rep interaction with this valuable resource
- Seamless interaction across sales channels, making it easy for the customer to find information they need to shop and buy from your company
- A solid ecommerce offering that gets and keeps them online
- How easy it is to find desired products online, which speaks to the search function and how good the underlying product data is, as well as how well you organize the website so it's easy to consume

Ensure your technology stack supports a positive customer experience, no matter where your customers are interacting with you.

### Implement multiple technologies for touchless ordering including email order automation, EDI and punchout.

Touchless ordering through email order automation, EDI and punchout decreases the time and cost for the transaction, and

increases profit for the distributor. Set a goal to increase the percent of orders you can automate or process without human intervention. Over a two- to three-year period, you'll experience significant cost savings if you can move that number to 50%.

### Change how ecommerce ROI is measured to ensure resourcing appropriately.

Distributors are looking for the payoff in an ecommerce investment and, if they don't see one, they count it as unsuccessful. The problem with this narrow way of thinking is that if distributors make plans based on forecasts that show limited ROI, they might decide to spend less and limit the site's functionality and integration, dooming themselves from the start. A proposed website budget shouldn't be treated like other capital expenditures because most ROI models can't measure the effects of eroded long-term competitiveness from a failure to invest. This equation doesn't account for the fact that digital capabilities are simply a survival requirement today. And not having ecommerce results in a high risk of customer churn, according to our research. It's a risk not worth taking.

ROI models also don't typically account for revenue results outside of the shopping cart. If your ecommerce site is packed with great information, and customers are using it to research before ordering via a different mechanism such as an account manager,

## Distributor Ecommerce ROI

### The Full Numerator:

- + Shopping cart sales
- + Orders generated by the website but placed via other channels
- + Omnichannel impact: accounts buying from multiple channels are bigger
- + Customer lifecycle: Digital capabilities drive customer acquisition, onboarding, purchase frequency, wallet share, retention, "winback"
- + Lower cost to serve / transaction

Denominator: +eCommerce Capital Costs  
+eCommerce Expenses (Labor, Ongoing Fees, etc.)

the ecommerce initiative isn't getting proper credit for the potential revenue it's bringing in. ROI must encompass the value that you're bringing to a customer. A digital presence is critical to capturing an order, no matter where it is placed. The alternative to building these capabilities is a long, slow going out of business.

### Differentiate your value-added services

More than a third of distributors in our 2019 survey on the topic said their survival depends on value-added services. However, many distributors tend to have a limited worldview when it comes to which services they provide. That is holding them back from getting ahead in a market that's growing more transactional and where manufacturers can more easily distribute directly to the end-user. Services can be broken into three categories: logistic, information and value-added processing.

Distributors must offer enough value beyond logistics to keep a customer from going to the competition. If you want to compete against Amazon Business and other companies that excel at logistics, shift your focus to information services and value-added processing. Information services and value-added processing affect the core function of your customer's business – or the line function. You want the customer's costs to fall as you do more work, saving them time, effort and money, and integrating yourself into their operations.

*Distributors historically have been field sales-driven, but our customer survey data and recent events show that it's a model that is outdated. It's critical that you understand how your customers want to shop and buy from you, now and in the future - and what their customer journey looks like. Prioritize building and refining an omnichannel offering that integrates online and offline channels.*



# GET AHEAD OF THE DIGITAL CURVE



Connecting commercial strategies with effective sales execution is anything but straightforward for distributors — especially in the digital age. It requires transforming how you use data to price and sell in traditional and digital channels.

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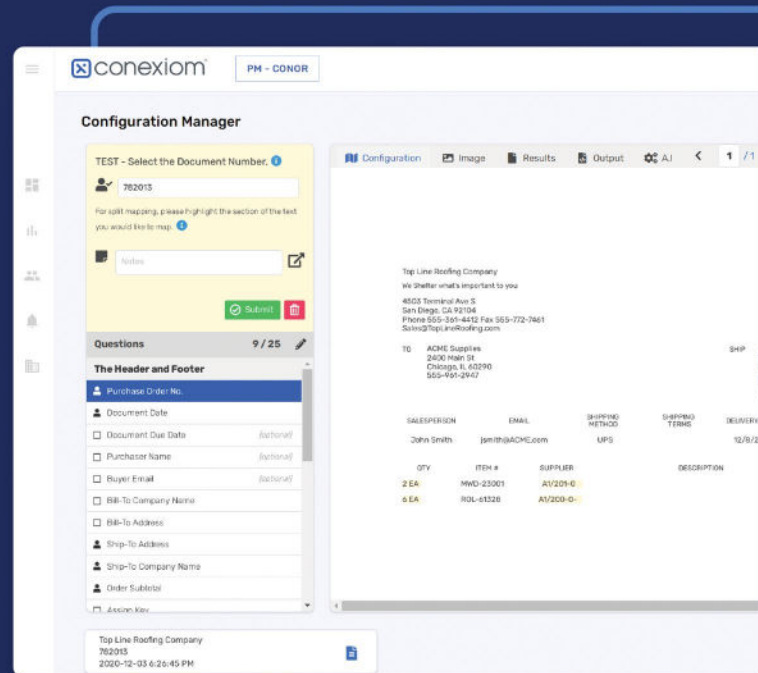
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1,400 proprietary machine learning algorithms eliminate all manual processing of documents and allows your team to focus on delivering greater levels of customer satisfaction.



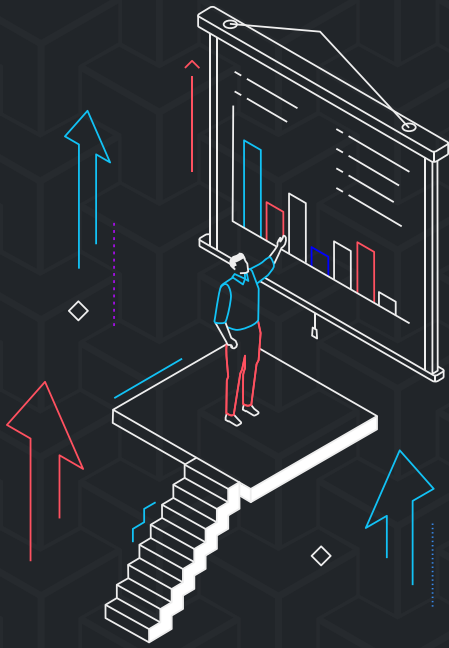
I can't imagine going back to what we did previously without Conexiom.

Andy K.  
Full review on G2.com



Get up and running with Touchless Sales Order Automation in as soon as 30 days on **Conexiom.com**





# How Distributors Use Technology to Drive Growth

The 2020 Epicor® Global Growth Report surveyed over 2,000 businesses across the globe. Here are the quick facts on business growth in distribution and how technology influences it.

## Growth Stats



**Almost 70%** of distribution companies **saw growth** in the last 12 months.



Distribution leaders cite **planning and strategy** as the most significant positive influences on growth.



Distribution businesses believe **working more efficiently** and **having better technology** will help overcome growth challenges in the next 12 months.

## Tech Facts



**58%** of distribution leaders believe they **can hire less experienced workers** by using modern technology.



**Smart Supply Chain, Cloud Technology** and **5G** are the top technologies the industry believes will have a direct impact on positive growth over the next 12-18 months.



**85%** of distribution companies report that **AI helped drive business growth**.



Roughly **50%** of distribution companies polled have been using **AI for 1-5 years**.



**50%** report that AI helps **reduce costs** and **40%** said it delivered **business value** in 6-12 months.

To read the full 2020 Global Growth Index report, visit [epicor.com/growth](https://epicor.com/growth).

For information about Epicor Distribution ERP solutions, go to [epicor.com/distribution](https://epicor.com/distribution).

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# DISTRIBUTION STRATEGY **GROUP**

## About Distribution Strategy Group

Distribution Strategy Group's thought leadership, research and consulting services are led by a team with decades of experience as senior operators in the distribution industry. They have since worked with more than 70 distribution companies to 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:

- Digital and ecommerce strategy
- Customer lifecycle management strategy
- Customer analytics
- Sales channel strategy

Contact us:

[distributionstrategy.com](http://distributionstrategy.com) | 303-898-8626 | [contact@distributionstrategy.com](mailto:contact@distributionstrategy.com)