

The 2022 State of eCommerce in Distribution, Part 1:

# Distributors' Digital Revolution

---

By Dean Mueller & Jonathan Bein, Ph.D.



*Distribution Strategy Group conducted its 12th-annual State of eCommerce in Distribution survey from October-December 2021, updating the leading benchmark for adoption and drivers of ecommerce in the wholesale distribution industry. This is the first report based on this research. The second will be a guide to what to do in response to this data in 2022 and beyond.*

The adoption rate of ecommerce in wholesale distribution has soared since 2020 with an average 11.75% increase from 2020 to 2021.

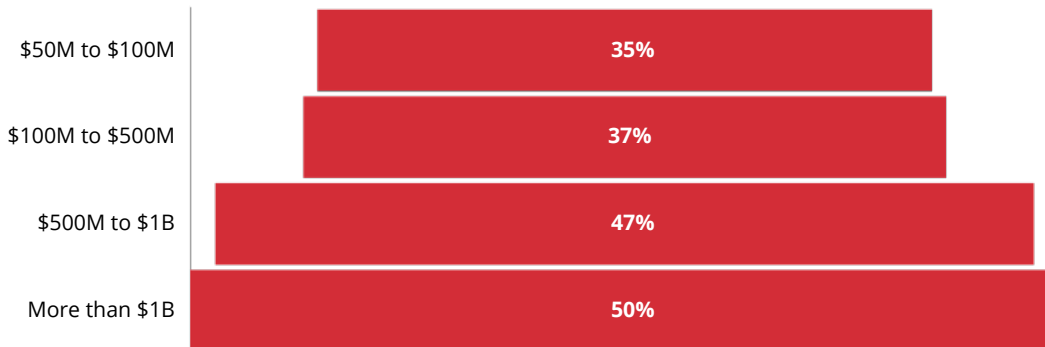
The percentage of distribution companies offering ecommerce varied widely depending on both company size and sector. About 35% of companies between \$50 million and \$100 million in revenue offer ecommerce in the latest survey while 50% of companies larger than \$1 billion do. Companies in the \$10 million to \$50 million revenue range are growing very rapidly as a result of more affordable ecommerce platforms, better available product data, and more digital and online expertise in the industry.

The increase in ecommerce in the \$50 million to \$100 million category is significant: from 13.4% in 2019 to 25.1% in 2020 to 35% in 2022, or a 161% increase in just three years. The more-than-\$1 billion category saw an increase of 47% to 50%. Given the significantly smaller number of companies in this category and the larger beginning base, this is not surprising.

We're finding that not only have adoption rates continued to rise, but maturity rates have spiked. Maturity is measured by the percent of a distributor's revenue that comes from ecommerce.

Ideally, the time you spend in the nascent state of ecommerce maturity (between 0% and 5% of their revenue from ecommerce) is short and sweet. The percentage of respondents with ecommerce still in the nascent phase of maturity fell from 32% to 22% in this latest survey (2020 vs. 2021). That's a good sign.

## Chart 1: Percent of Distributors with eCommerce: 2021



## eCommerce Adoption Trends

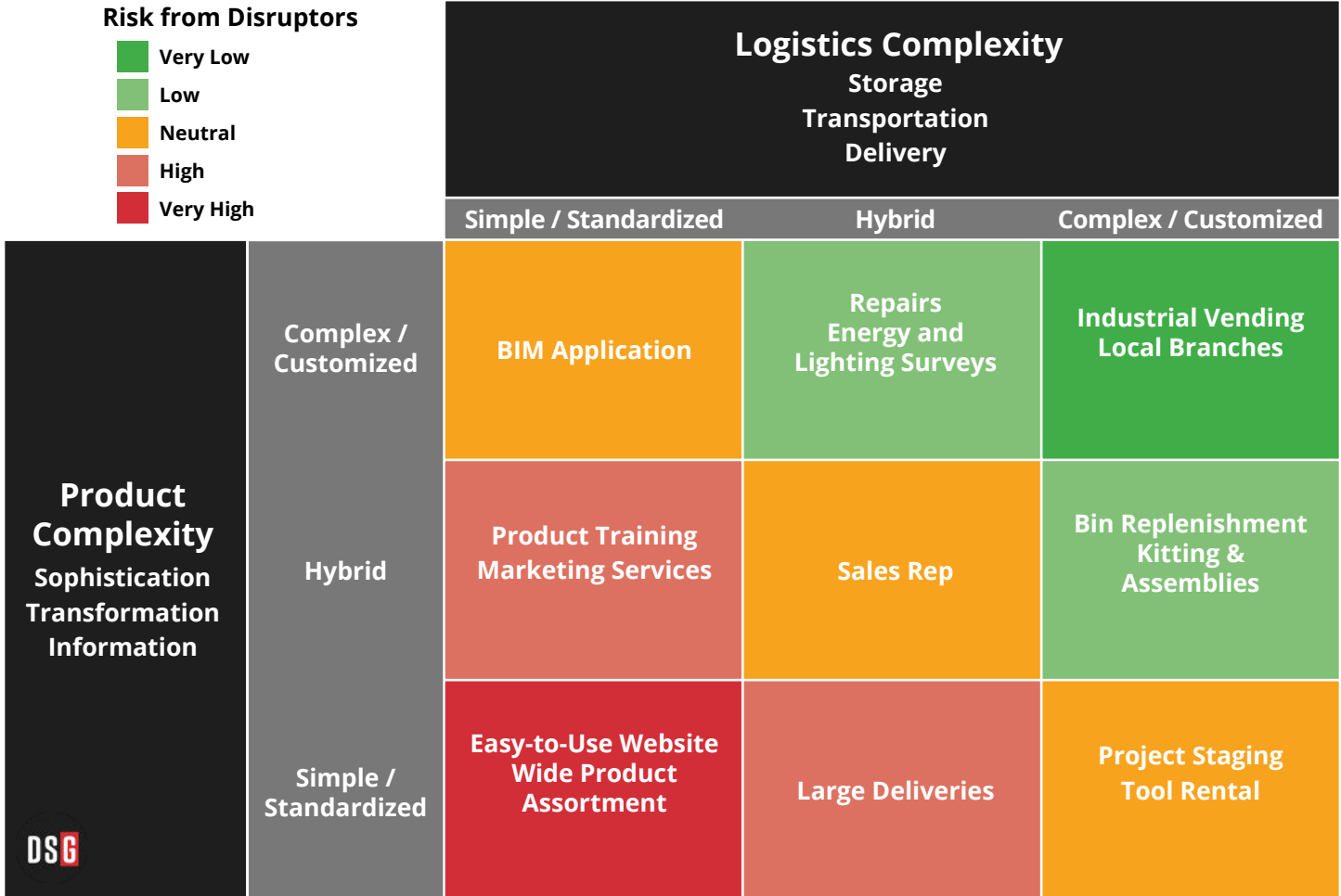
To get a broader picture of who is offering ecommerce functionality across sectors, Distribution Strategy Group has exhaustively analyzed more than 3,900 B2B websites. The resulting data shows the percentage of companies that offer ecommerce but does not show how mature their ecommerce is. Ecommerce maturity data was identified in the survey and will be discussed later.

Not surprisingly, the larger a company, the more likely it was to offer ecommerce in some form.

The astounding adoption increase of 87% from 2019 to 2020 came from the smaller companies, those that are less than \$100 million in size. However, the rate of adoption by smaller companies slowed in 2021, with just an 13% increase in ecommerce adoption.

We've found that a distributor's adoption of ecommerce is directly related to what we call the Distributor Relative Value Model, which is a description of their business relationship complexity. This value is comprised of two factors: Product Complexity (sophistication, transformation, information) and Logistic Complexity (storage, transportation, delivery). These factors are ranked from Simple/Standardized to Complex/Customized.

## The Distributor Relative Value Model



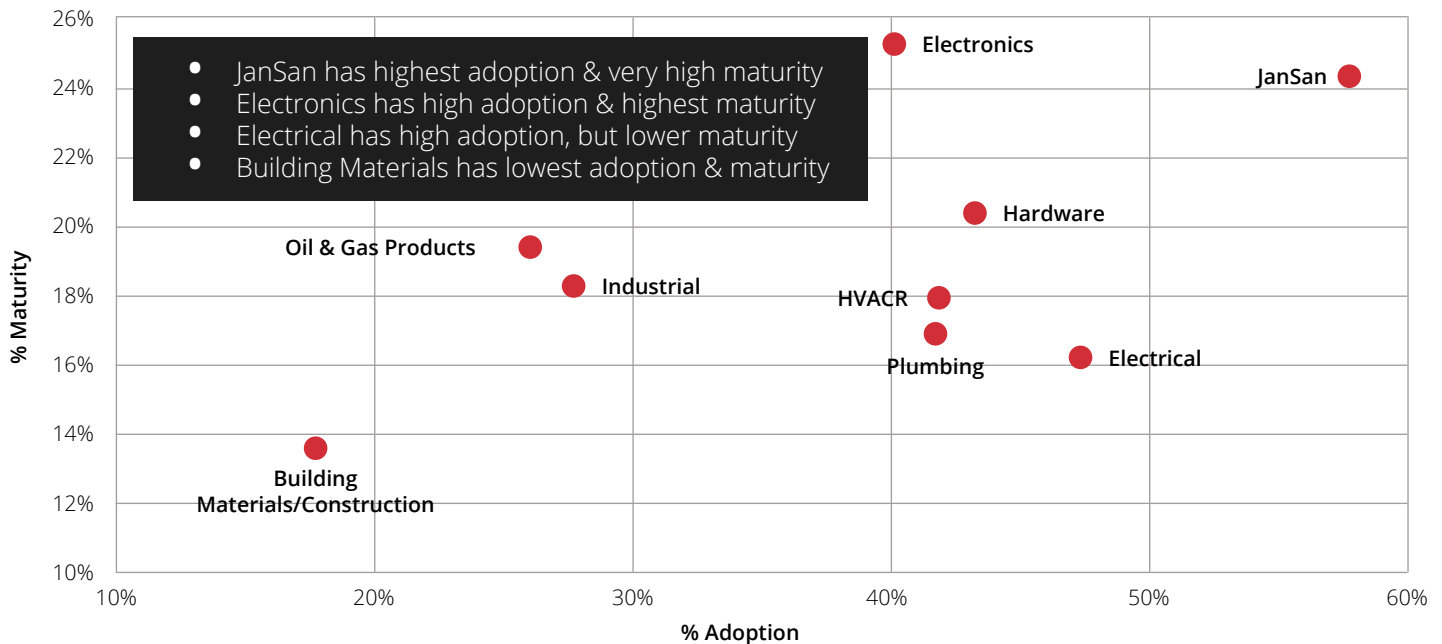
A company that has a simple and wide product assortment with an easy-to-use website will have a high value in adopting ecommerce (the red squares in bottom left). The reality is that many distributors have products that fit into the lower left of this graphic, but others that are in the upper right. So, a business may have some products not so dependent upon sales and telephone, for example, where others are highly dependent on these sales channels.

Distributors that offer a lot of value-added work, consultation from sales reps, counter sales at the branch or phone access usually see fewer shopping-cart sales. The top right green section includes examples that would be less apt to adopt ecommerce due to the complexity of their products and logistics. However, customers are increasingly using more channels to research product information before purchase. Distributors with product and logistic complexity are realizing the importance of an ecommerce channel for the initial point of contact in the sales cycle.

Another way to look at eCommerce adoption is by sector. While adoption rates are climbing overall, there are significant differences when you drill down into sectors. The JanSan sector leads eCommerce adoption with 58% of companies offering eCommerce. Many, if not most, of the products offered in JanSan may be easily sold through eCommerce, so it is logical this segment has high adoption.

On the other end of the spectrum is Building Materials/Construction, with just 18% of companies offering eCommerce due to the often-customized nature of products offered by these companies. While a primary factor for eCommerce adoption in 2020 was the pandemic, respondents have told us for the past couple of years that their key priorities, discussed in a later section, are to improve the customer experience and grow revenue with new and existing customers.

**Chart 2: 2021 eCommerce Adoption & Maturity by Sector**



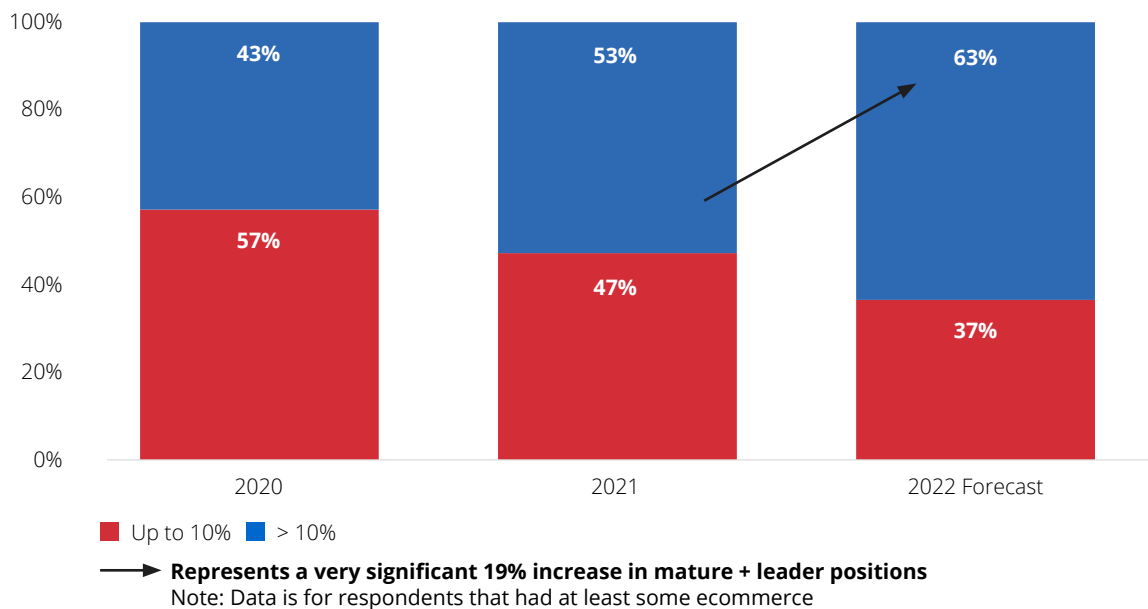
## eCommerce Maturity Trends

This survey had a built-in bias, in that the data is relevant only for those distributors and manufacturers that do offer ecommerce and does not take into account those that do not offer ecommerce. eCommerce maturity has increased significantly since 2020. That year, 43% of respondents said that ecommerce revenues were greater than 10% of their total sales, or mature. 2021 saw 53% with revenues greater than 10% of total sales; the projection for 2022 is 63%.

Additional features will increase the maturity trends in ecommerce. For example, companies in industries such as electrical, plumbing and HVAC purchase specified products, which most distributors find difficult to do via ecommerce. However, the ability to provide that capability online will evolve rapidly over the next few years.

Companies that don't make a continued investment and effort are generally those that will not gain traction and will remain in the nascent, or under 5% of total sales, stage. Gaining traction in ecommerce requires continued resourcing and effort.

**Chart 3: eCommerce Maturity (Percent of Total Revenue)**



Nascent	Greater than 0, less than or equal to 5%
Development	Greater than 5%, less than or equal to 10%
Mature	Greater than 10%, less than or equal to 20%
Leader	Greater than 20%

Our data shows a very significant 19% increase in mature and leader positions from 2021 to the forecasted 2022 number. The biggest change in 2021 was in the market leader stage, where a big jump occurred from 2020 at 24% to 32% in 2021. The forecast for 2022 is that 37% will be earning over 20% of their revenues through ecommerce.

Conversely, our data show there's been a dramatic decrease in the amount of time and the number of distributors that are in that nascent and development stage.

The number of companies in the nascent stage dropped from 39% in 2020 to 22% in 2021. In looking at 2021 revenue as a percentage of total ecommerce, several findings stand out:

- The length of time a distributor has employed ecommerce does not guarantee maturity (Chart 4).
- Distributors with the highest leadership positions started ecommerce at least five years ago.
- A good mix of distributors that have recently started ecommerce are seeing strong results.

The data clearly shows companies are not only getting into ecommerce at higher rates, but also are more quickly gaining ecommerce traction. Looking at ecommerce maturity by sector, there are several interesting takeaways.

First, there is no surprise that a sector leader is JanSan, with a very high percentage at maturity. As previously discussed, their Distributor Relative Value Model is simple in both product and logistic complexity, with a high percentage of SKUs easily merchandised online. The electronics sector has the highest percentage of companies at maturity and a high adoption rate of 40%.

The HVACR sector had a significant increase in maturity in 2021, and 69% of the respondents forecast that in 2022 over 10% of their revenue generated will come from ecommerce.

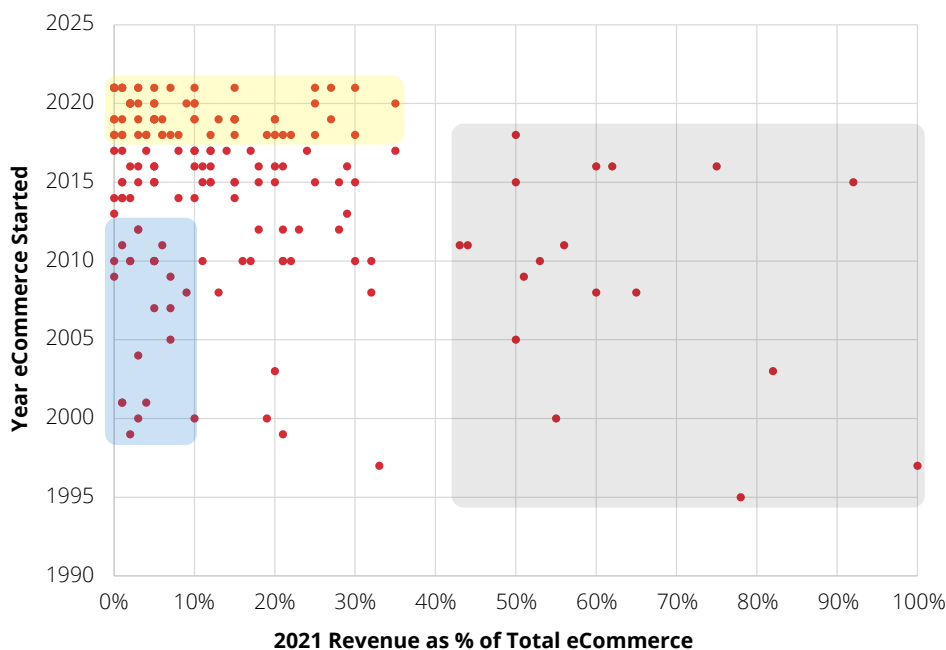
Despite the fact that less than 20% of companies in the Building Materials/Construction sector offer ecommerce and they have the lowest percentage of leaders (13%), the data showed a 63% increase in companies that fall into the leadership position.

The electrical sector made gains in 2021. In 2020, they had the highest percentage of companies in the “up to 10% of revenue” maturity category, with 67% early in their ecommerce journey. In 2021, adoption has increased by 3% and maturity has increased by 23% over 2021. Their forecast for 2022 is continued adoption of ecommerce, with almost 60% of companies earning over 10% of their revenue through ecommerce.

Electrical buying groups have done a good job at making ecommerce data and a cost-effective ecommerce platform available to members. As a result, the barrier to ecommerce entry is relatively low. These distributors are meeting the challenge.

The maturity by sector forecast may seem overly exuberant, but the numbers back it up. In 2020, 57% of distributors were up to 10% of revenue generated by ecommerce sales. In 2021, it was 47%, as more of the companies were moving beyond the primary stages and graduating to maturity and leadership.

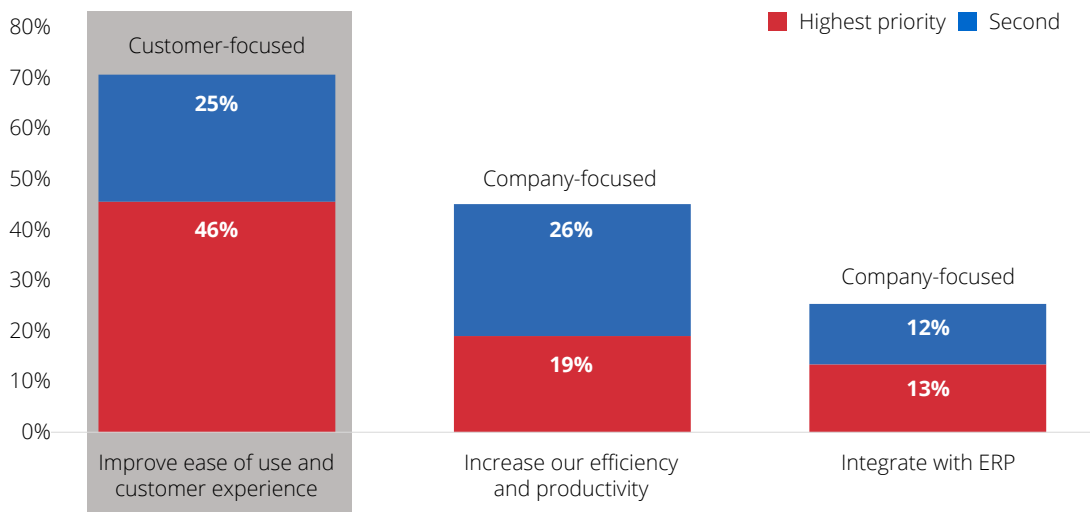
#### Chart 4: Revenue vs. Year eCommerce Launched



- Being in ecommerce for a long time does not guarantee a mature position.
- Distributors with highest leadership position started ecommerce at least 5 years ago.
- Good mix of distributors that have recently started ecommerce are seeing strong results.



## Chart 5: Customer Experience Drives Operational Objectives



## What's Driving eCommerce Investments?

Priorities for ecommerce implementations fall into two categories: financial and operational. And while these top two priorities have remained unchanged from 2020, the financial objectives now come second to the operational priorities. In other words, the customer experience is now driving operational objectives – improving ease of use and customer experience is by far distributors' highest priority in an ecommerce investment.

### Distributors' top two operational priorities for ecommerce include:

- Improve ease of use and customer experience
- Increase efficiencies and productivity

[McKinsey & Company](#) has found that while customers now have numerous choices in how to engage with companies, they are accustomed to engaging with companies through multiple channels.

This is especially true of distributors that sell products of high complexity; these distributors want to deliver ecommerce as another channel for an initial point of contact in the sales cycle.

According to McKinsey, "companies must develop a customer-service strategy, or set of principles, that encompasses not only a vision for how to deliver an excellent experience but also how these interactions should feel for their customers." An omnichannel strategy

can help distributors design customer sales and service journeys that achieve the right balance of interaction within each channel and a synchronization of digital and live channels.

For example, a distributor may get business from someone searching for a product. Because the distributor has ecommerce, the customer can create a project on the website and request a quote. They may then decide to call the sales rep to get technical advice and while on the phone, turn the quote into an order. This is a sales journey that started digitally but was enhanced by a live channel.

Distributors' clear priority operationally is to improve the customer experience, with 46% of respondents saying it is the top operational priority. Combining both the highest and second priority, 71% of respondents noted improving the customer experience as a top priority. Gartner also found that 75% of B2B businesses cite creating a better customer experience as a top reason for ecommerce.

How a customer or prospect experiences your website goes beyond how pretty it is. It includes how easy it is to navigate and find the information they need to move forward in the shopping or buying process. Gartner states that 89% of businesses expect to compete mainly on customer experience, up from just 36% in 2010. There's a big gap between the experience companies think they provide – and how customers view that experience. Eighty percent of companies believe they deliver super experiences, but only 8% of customers agree.

What defines a good customer experience?

- **Speed** - Fast support, easy product search, easy self-service website
- **Transparency** - Product and pricing information are always accessible
- **Personalization** - Tailored recommendations, pricing and browsing
- **Consistency** - Pricing and recommendations harmonized across channels

While these are best practice, it's critical to survey your customers to understand what defines a great customer experience for them.

The second operational priority, to increase efficiency and productivity, is a key benefit. Value can be created with e-business (the broader set of digital purchasing tools such as EDI and email ordering that go beyond just shopping-cart revenue) through:

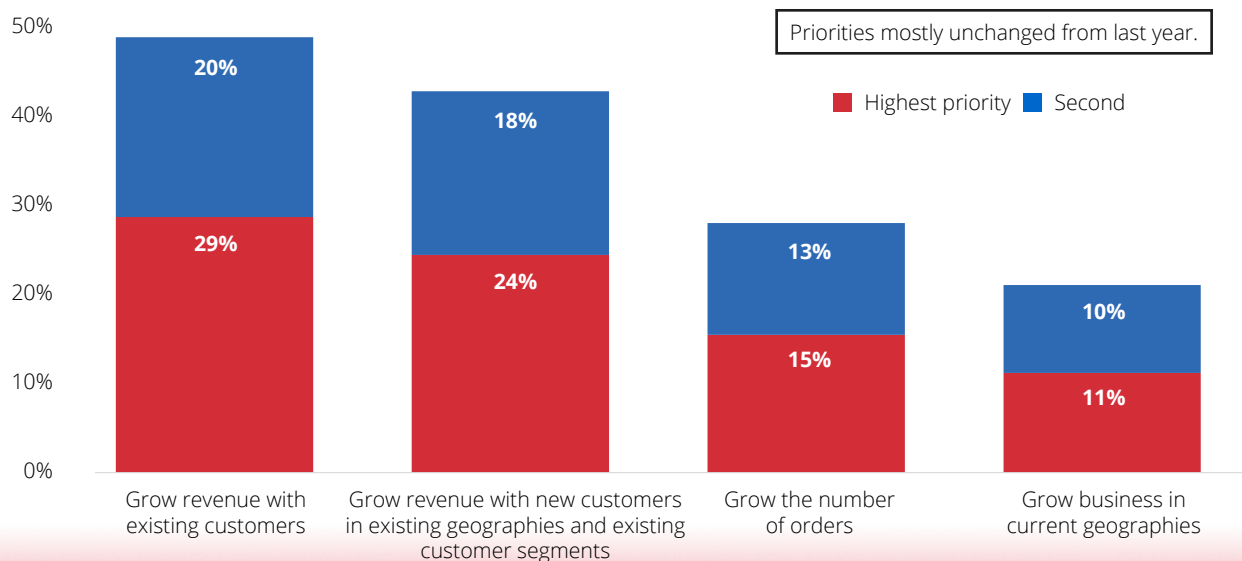
- Existing customers who shift spend online
- Leveraging EDI, punchout and order automation, with orders sent from the customer's ERP system to a distributor's ERP system, reducing the need to manually enter item information
- Integration of ecommerce to the distributors' ERP system for efficiency
- Customer service reps no longer having to manually input orders that come in through ecommerce, email and e-procurement channels
- Order accuracy improvements
- Lower cost of field sales due to increase in self-service

### Respondents' top two financial priorities for ecommerce include:

- Growing revenue with existing customers
- Growing revenue with new customers in existing geographies and customer segments

These make a lot of sense given that generally, most business growth comes from the areas in which you already have the most success. Companies want to use ecommerce to increase revenue with existing customers. The second financial objective is to grow revenue with new customers in existing geographies and existing customer segments by using channels like ecommerce to attract additional business.

### Chart 6: Financial Objectives Driving eCommerce Investments



## Omnichannel vs. Multichannel

These terms are often used interchangeably, but they are different. An omnichannel experience is customer-based, focused on providing a consistent, personalized experience for customers across all channels and devices. Bottom line is that omnichannel is customer-based and not channel-based. Multichannel is differentiated from omnichannel in that marketing may go across different channels like a website or branch/store, but each is separate and independent from the others. Having a different customer experience with different channels often causes customer confusion and frustration.

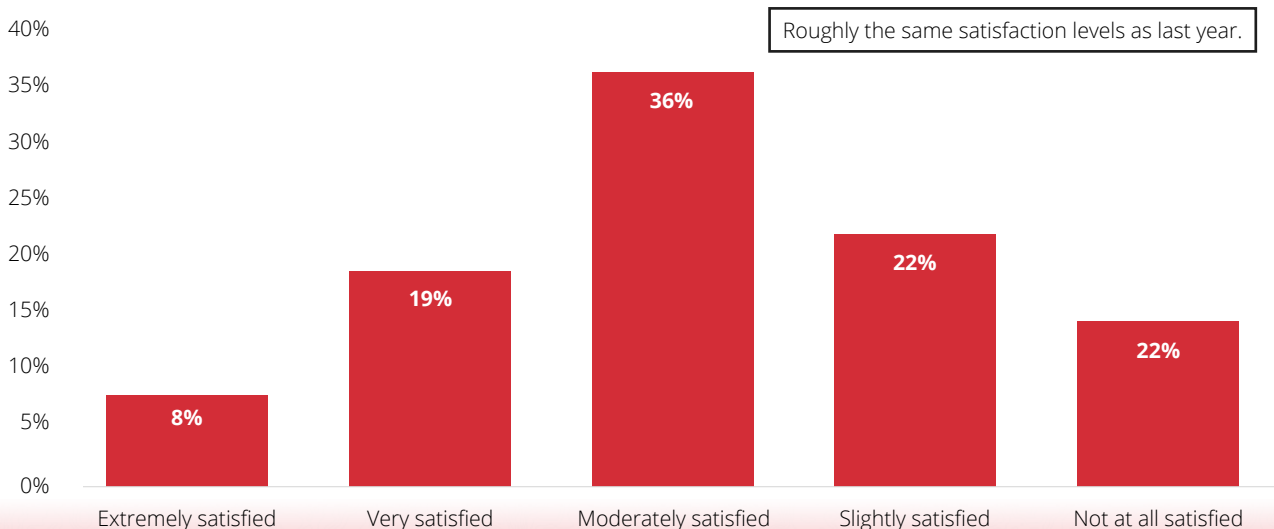
## Satisfaction with eCommerce

Similar to last year's data, a majority of respondents (63%) indicated they are at least moderately satisfied with their ecommerce as a result of their company's investment. That leaves 37% who are only slightly satisfied or not at all satisfied. However, there are companies in the middle (58%) that could be more satisfied with their ecommerce and need to diagnose why they are not achieving success. The biggest issues generally fall into three categories:

- Not using the right technology or not using it correctly
- Do not have adequate product and/or pricing information
- Inadequate marketing

Be sure to read the second whitepaper in this series for more on how to improve an ecommerce implementation.

### Chart 7: How Satisfied Are You with Your eCommerce Investment?



## The Opportunity Ahead

What we've found in this year's data is that the customer experience is the foundation of how most distributors are going to grow. And an omnichannel approach with the adoption and maturation of an ecommerce channel is a good strategy toward that end. Unlike five years ago when adopting digital technology was a priority, today distributors should focus on a business strategy for a digital world versus a digital strategy.

No matter where you fall on the Distributor Relative Value Model, a robust website that meets your customer needs is critical. Your customers begin their shopping experience online even if the final transaction is conducted offline. Every bit of research and self-service that happens online before somebody buys is a benefit to your company; there's a direct correlation between power users on your website and purchasing.

As we said in the last State of eCommerce in Distribution report, there is plenty of runway left for the adoption of ecommerce. Nearly two-thirds of smaller companies (\$50M-\$100M) still do not have ecommerce, even as adoption for those companies increased by 13% from 2020 to 2021. And while adoption by the largest companies was up 6% over the previous year, 50% still don't have ecommerce.

The challenge that 2021 brought, however, is that adoption does not mean success. Distributors should create a strategy focused on their customers' buying journey and use digital and in-person channels to achieve a better customer experience and increase sales.

Distributors that already had an ecommerce platform in place accelerated their maturity in 2021. These are distributors that view ecommerce success as a calculation of sales created by shopping-cart sales and ecommerce-assisted sales – when a buyer shops your ecommerce site and then purchases through any other means. In part two of this report, we will discuss how to measure ecommerce success and how to significantly improve your customer experience.

For that, you need a digital platform that enables more efficient and effective shopping and buying for your customers. And if you have already built one, you need to invest in broader capabilities, marketing tools and organizational alignment to drive maturity for your organization.

## About This Research

This research was conducted by Distribution Strategy Group. The research included an online survey taken by 596 participants across a variety of sectors. Of those identifying as either manufacturer or distributor, 89% were distributors and 11% manufacturers.

There was participation from industrial, JanSan, chemicals & plastics, oil & gas products, electrical, safety, HVACR, building materials, hardware, plumbing and others. Fifty-one percent of respondents were in the 46-65 age bracket and 25% were in the 36-45 age bracket. More than 50% of respondents had executive or general management roles.

**Thank you to our sponsors:**

**ORACLE**  
**NETSUITE**

[netsuite.com](https://netsuite.com)

 **Optimizely**

[optimizely.com](https://optimizely.com)

**PROS**®

[pros.com](https://pros.com)

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

ORACLE  
NETSUITE

# See Why NetSuite is the #1 Cloud ERP for Wholesale Distributors

Visit our website @ [NetSuite.com](https://www.netsuite.com) for  
a Free Product Tour.







## The most complete commerce suite for growing companies

### B2B Commerce

#### **Create experiences your business customers can't live without**

B2B Commerce was built for businesses so you can easily provide a buying experience your customers will love. Personalize experiences with data-driven recommendations and give your team the tools they need to drive revenue with built-in workflows.

#### **Commerce in a single solution**

Minimize the complexity of your online commerce stack by effectively managing your Catalogs, Check-Out, Orders and Commerce--all from one holistic view.

#### **Build better experiences that drive adoption**

AI closes gaps in the customer experience so you can match the right visitor segments with the right digital experience to enhance your team's ability to drive more revenue.

#### **Deliver more revenue**

Meet aggressive sales goals by opening new channels, addressing new markets and providing data-driven recommendations to your current customers.

[optimizely.com](https://www.optimizely.com)

Insight  
& Analytics

**Gain Real-Time,  
AI-Powered Insight**

- Solve Margin Leakage
- Move With the Market
- Prevent Customer Churn

Price Optimization  
& Management

**Optimize and Enable  
Real-Time Pricing**

- Reduce Manual Overrides
- Win With Optimized Pricing
- Elevate Sales Confidence

Quoting and  
Digital Selling

**Provide a Frictionless  
Buying Experience Both  
Online and Offline**

- Deliver Quotes Faster
- Price Effectively Online
- Improve Internal Processes

# The PROS Platform for Distributors

With the PROS Platform, distributors can transform the end-to-end sales process to create enriched customer sales experiences.



**LEARN MORE:**  
[pros.com/industries/distribution/](https://pros.com/industries/distribution/)