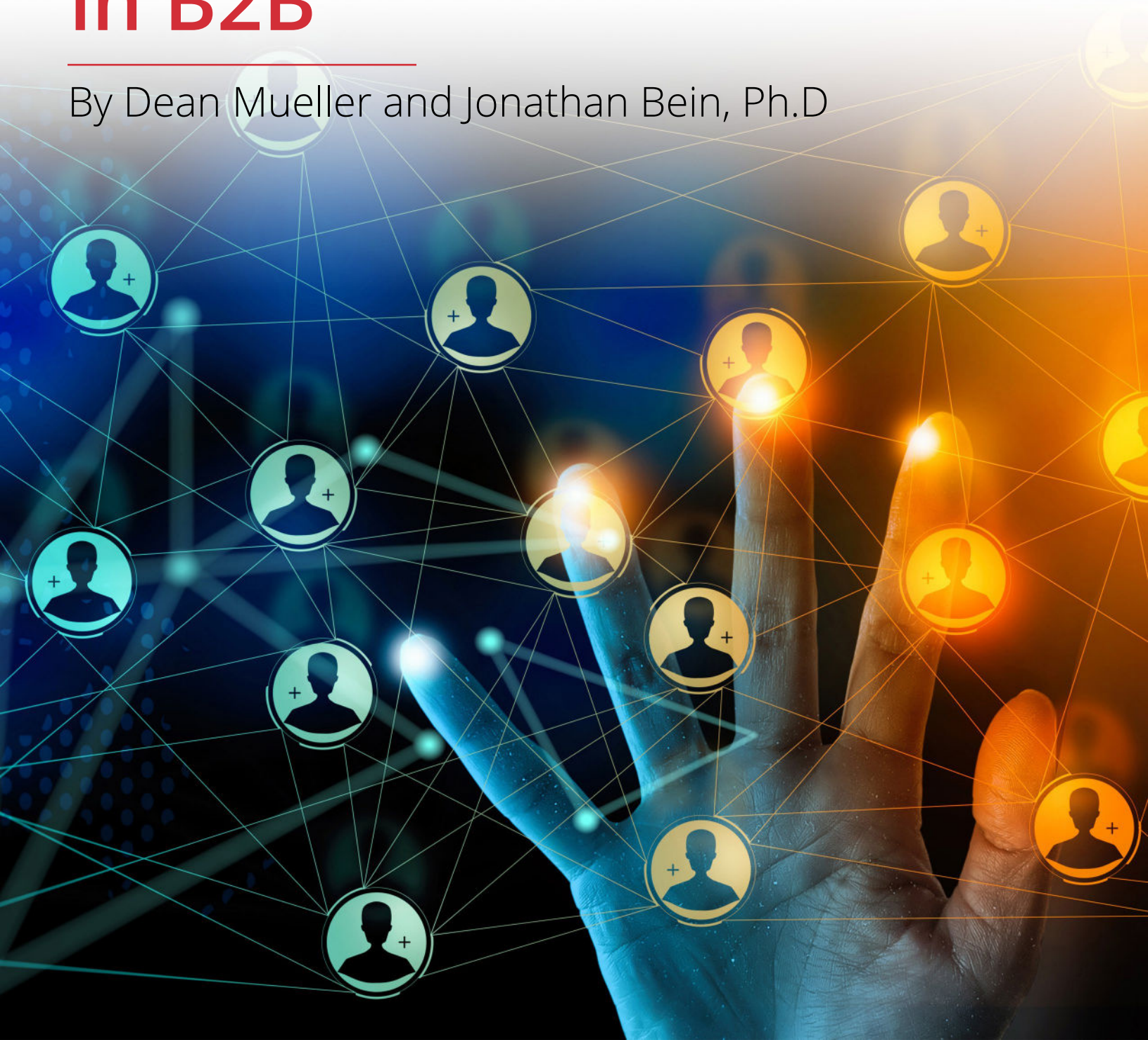


The Future of eBusiness in B2B

By Dean Mueller and Jonathan Bein, Ph.D



Perhaps not surprisingly, given the pace of change, eBusiness in B2B markets will change significantly in the next several years due to a growing emphasis on improving and providing a more consistent customer experience (CX) across channels.

As a result, customers will win.

Companies that focus strategically on the areas discussed in this whitepaper will also win. They'll be able to move more efficiently in response to change and grow revenue more quickly by applying a relentless focus to customer experience.

This whitepaper covers several critical areas to help you prepare your business for the next three to five years:

- Key factors that affect the future of eBusiness
- How and why simple vs. complex transactions tie into the future
- How customer experience changes across channels in an omnichannel approach
- Changes to how product data is used, which is foundational to serve customers

Key Factors that Affect the Future of eBusiness

What's driving the future of eBusiness in B2B markets? First, consider workforce age. It's estimated that by 2025, Millennials will represent 75% of B2B buyers. The makeup of the workforce is changing, and businesses must meet customers where they are.



The pandemic has also transformed expectations held by the customer's workforce. More workers are operating remotely, at least part of the time. This makes an omnichannel strategy even more important, as it helps companies provide a consistent customer experience regardless of channel. The pandemic also led to the rapid acceleration of the use of digital channels for shopping and buying. Rather than revert to pre-pandemic levels, that trend toward digital is expected to increase.

Distribution Strategy Group recently asked manufacturers to weigh in on how their sales channel usage will change over the next five years (Charts 1 and 2 on page 4). What we learned was astounding: Manufacturers expect to use traditional distribution channels about 20% less to reach the end-user, and marketplaces (+80%) and pure digital distributors (+87%) significantly more. In part, this was due to distributors not investing enough in digital channels to meet some customers' needs.

We also researched ecommerce adoption in our previous work on the State of eCommerce in Distribution and found dramatic changes. We sampled thousands of companies to determine if they could accept a transaction via their website. What did we find?

- 42% of distributors with greater than \$50 million in revenue could take a transaction via their website. Adoption varies widely based on sector and how simple the product is. For instance:
 - JanSan already has 56% adoption. By mid-decade this could easily be 75%. Many JanSan distributors have 25% to 30% of their revenue going through the shopping cart. Many products in the JanSan sector are relatively simple and do not have logistic complexity.
 - Building materials had 24%. It has a lower percentage of revenue coming through the shopping cart. Building materials can require logistic complexity and more upfront support in determining the right product for the specific application.
- Just 11% of manufacturers greater than \$50 million took web transactions. Stark differences were seen depending on sector, type of product and its complexity.

Chart 1: How Manufacturers Expect Sales Through Each of These Channels to Change Over the Next Five Years

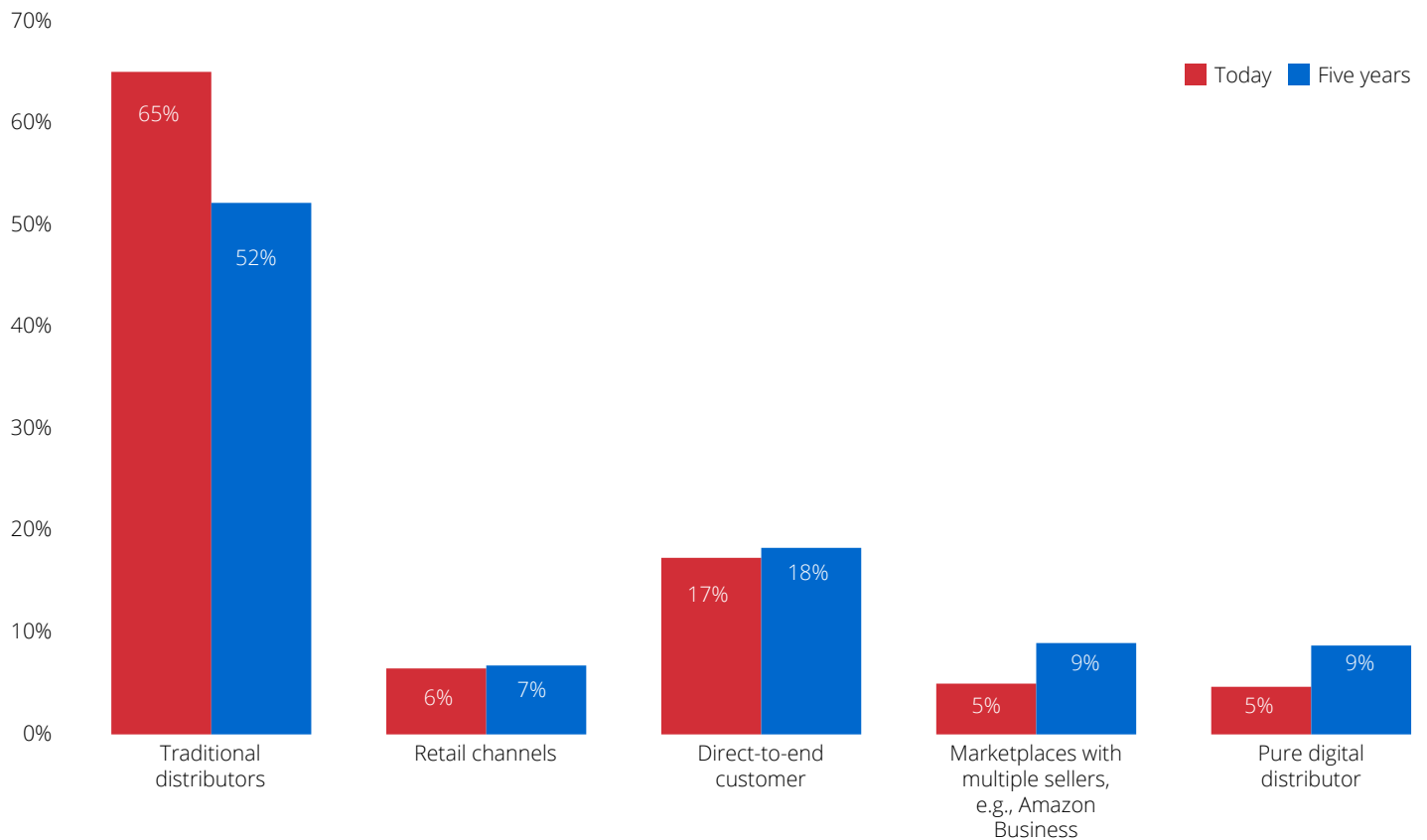


Chart 2: How Manufacturers Expect Sales Through Each of These Channels to Change Over the Next Five Years

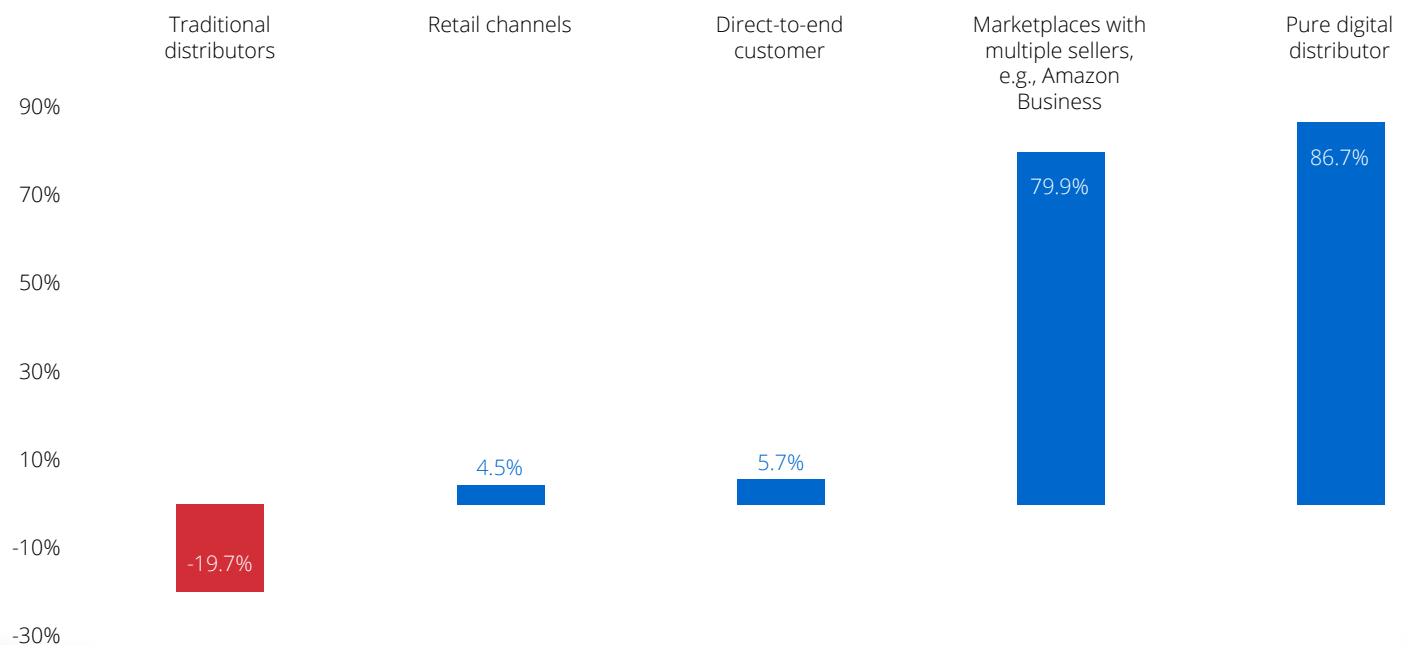
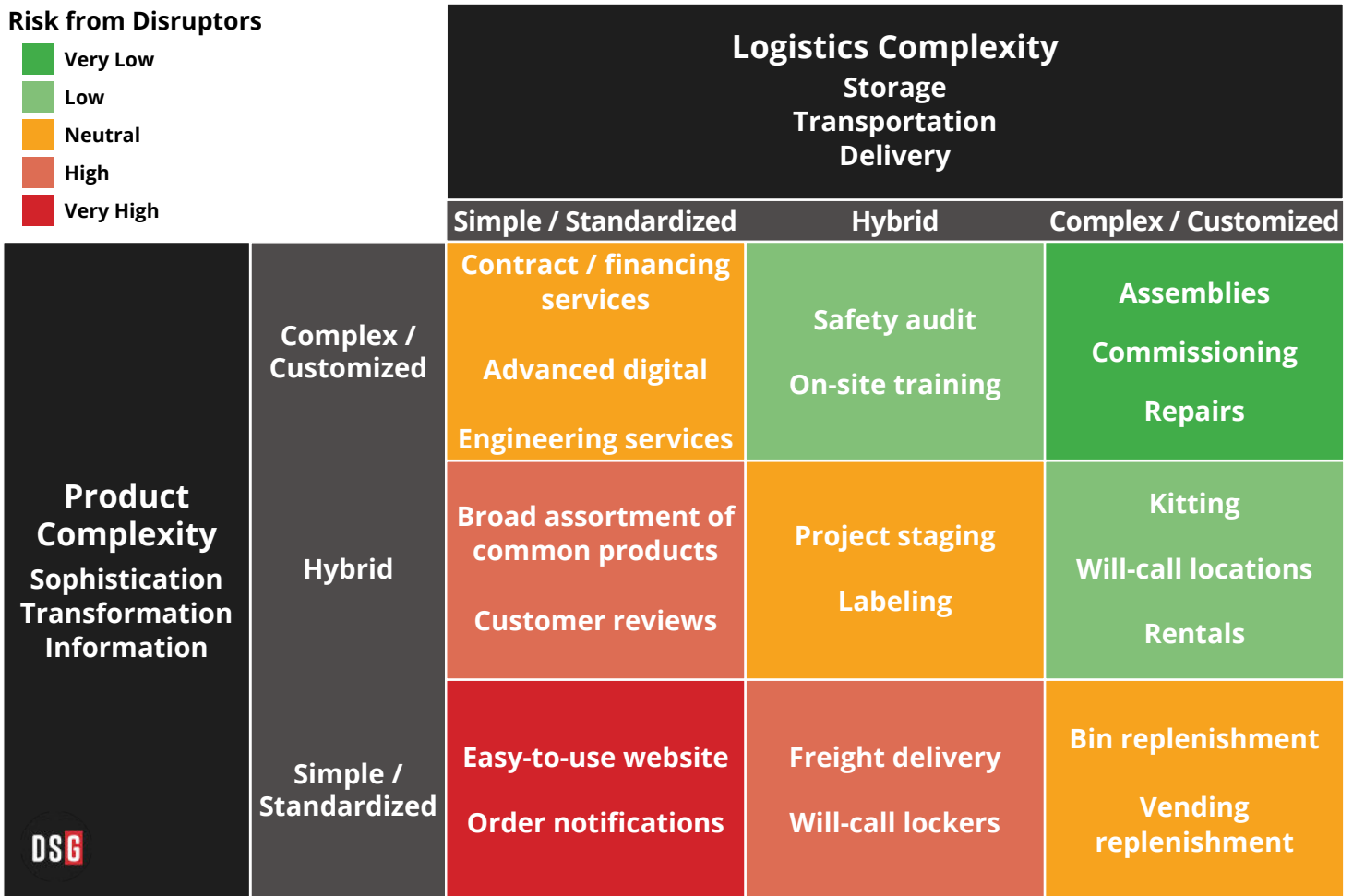


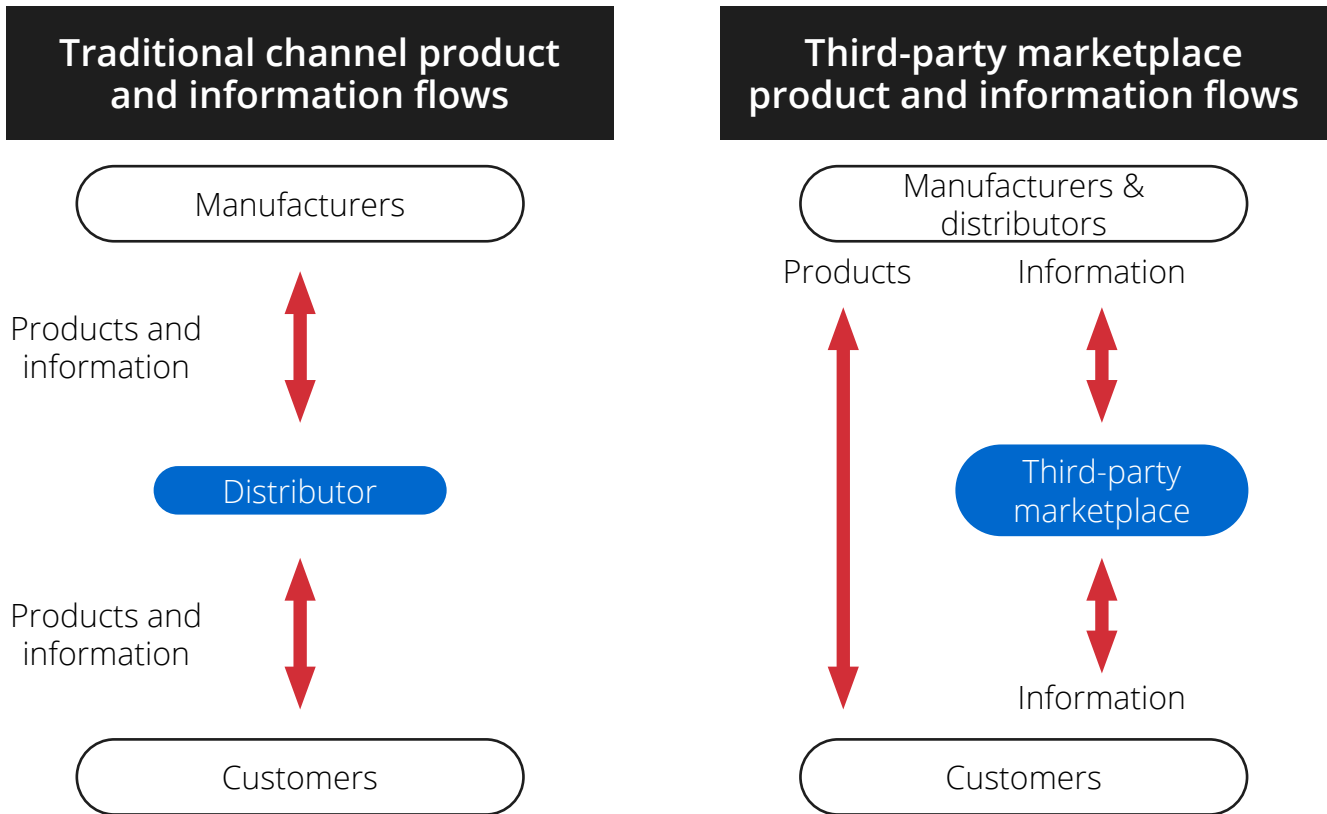
Chart 3: The Distributor Relative Value Model



Simple vs. Complex Transactions: The Competitive Landscape

Transactions conducted via ecommerce vary significantly based on the type of products and services required to support them. Simple transactions are largely going to digital channels. The Distributor Relative Value Model above (Chart 3) shows simple transactions (think MRO and JanSan products that do not require much support or configuration assistance). The lower left indicates products that are relatively simple and shipped easily with virtually no logistic complexity. As you move to the upper right, distributors add value through services, technical knowledge, support and logistic expertise. The farther to the upper right a distributor is,

Chart 4: Product and Information Flows



the more protected they are due to service, logistic expertise and value.

A discussion of simple transactions would not be complete without mentioning the rise and importance of marketplaces. Below are just a few of the more widely known marketplaces operating in the B2B space. They operate in the bottom-left corner of the model outlined on page 5.

- Digi-Key Marketplace
- Zoro
- GoDirect Trade
- Google Shopping
- GHX
- Amazon Business
- Alibaba.com
- Walmart.com
- Verical, an Arrow Company

Also consider how products and information flow through tradi-

tional distribution compared with third-party marketplaces (Chart 4), making competing at the lower left of the model even more difficult as marketplaces become a bigger player. Marketplaces scale with low or no variable costs because they separate the products from information flows in all sales. In traditional channel structures, manufacturers send products to distributors, who sell them to customers. Information is shared along the way. For marketplaces, however, products are sold from a third-party seller, separating the product (which has costs) from the information. The diagram on page 8 exhibits this.

How B2B buyers will buy: across all channels

We're seeing changes in shopping and buying behavior by B2B buyers, and that will continue. A more detailed discussion can be found in our recent [2021 State of Shopping and Buying in Distribution](#) report. Consumers, or B2C, usually use the same channel for both shopping and buying. For example, if they shop online, they will most likely buy online. B2B buyers are often different. Many B2B buyers start their shopping journey online but may email a PO for the transaction. This difference is an important factor when a business considers how to invest in their website. Some sectors need a robust shopping website, but most transactions occur in a different channel. If these businesses solely consider the ROI using revenue achieved through the website, they will not serve their customers' needs and will not achieve the growth needed to survive and thrive.

B2B businesses need to view the website's role as assisting the sale. Let's use a basketball analogy. The job of a point guard is points created. Let's consider two NBA stars, Chris Paul and Steph Curry. For definition, points created = (assists x 2) + points scored.

Over their career, there is only a 0.1 per game difference in what is scored. No doubt Steph Curry is thought of as the major superstar among the two. But Chris Paul has more assists.

Chris Paul			Steph Curry		
Points	18.3	Assists	Points	24.2	Assists
Assists x 2	18.8	9.4	Assists x 2	13	6.5
Total	37.10		Total	37.20	

Career Diff	.10	Per Game
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Let's go back to the job of ecommerce, which is to create sales. Using the calculation sales created = (ecommerce assist x average order value) + shopping-cart sales, we get a more holistic view of the ecommerce value. In this example, distributors should consider an ecommerce assist when someone shops on the ecommerce site, then buys from:

- CSR/ISR/FSR
- Branch
- EDI
- Punchout
- Email order automation

Because of this, distributors need to include holistic tools in their tech stack, including CRM, marketing automation and so on, to support omnichannel shopping and buying. That visibility is critical. You must be where the customer wants to shop and buy, and provide an awesome and consistent experience.

An interesting example of a consistent customer experience across channels comes from Zoro. I had purchased a specialty Loctite lubricant. Several weeks later I received a postcard that showed the product purchased on a smartphone. The back of



the postcard again shows the product and even includes a QR code to quickly get to the product. That is a great example of how future marketing may work – using a print vehicle to drive digital transactions.

Artificial intelligence (AI) will support your goal to provide a better customer experience by using data across channels (and not just online) so that, for example, recommendations delivered online or by an inside sales rep are equally relevant to the buyer.

Product Data Changes: A Shift to Customer-Centric

Industry experts say that product data is expected to go through dramatic changes, both in how it's used and how it's structured. These changes will have a profound and positive effect on the overall customer experience. Another way to describe this is a shift from traditional product data, or “discovery data,” to a contextual product experience, or “conversion information,” as stated by Jason Hein, the B2B lead at Bloomreach and long-time product-data consultant to distributors and manufacturers.

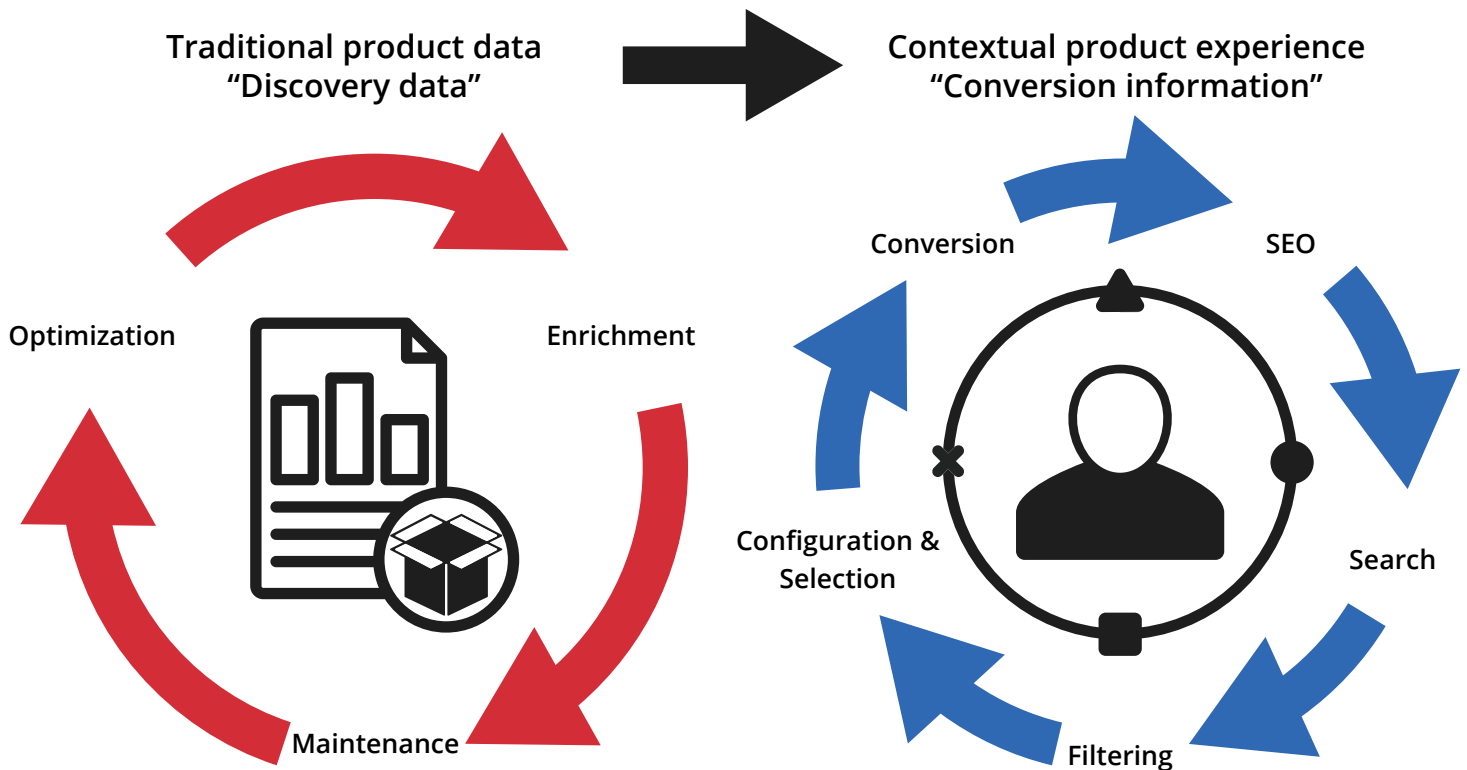
The left diagram in Chart 5 shows “discovery data.” The center of that diagram is the product itself and its related data. Discovery data is used by search engines and the internal site search to help users find the product. Discovery data has become more available and prevalent, in part thanks to buying groups. Buying groups band distributors together to gather and manage product data, making it more accessible and cost-effective.

Still, while product data has seen major improvements in the past five to 10 years, a massive opportunity remains for the next five years. This opportunity is about making product data more usable, or consumable, for B2B buyers.

What does that mean? For this, we turn to the right diagram in Chart 5 on page 10. The center of this image is a customer. That means the needs and shopping requirements of the customer are most important.

Many companies have a good amount of product data on their website. However, how it is organized and presented often falls

Chart 5: Product data shifts to product experience

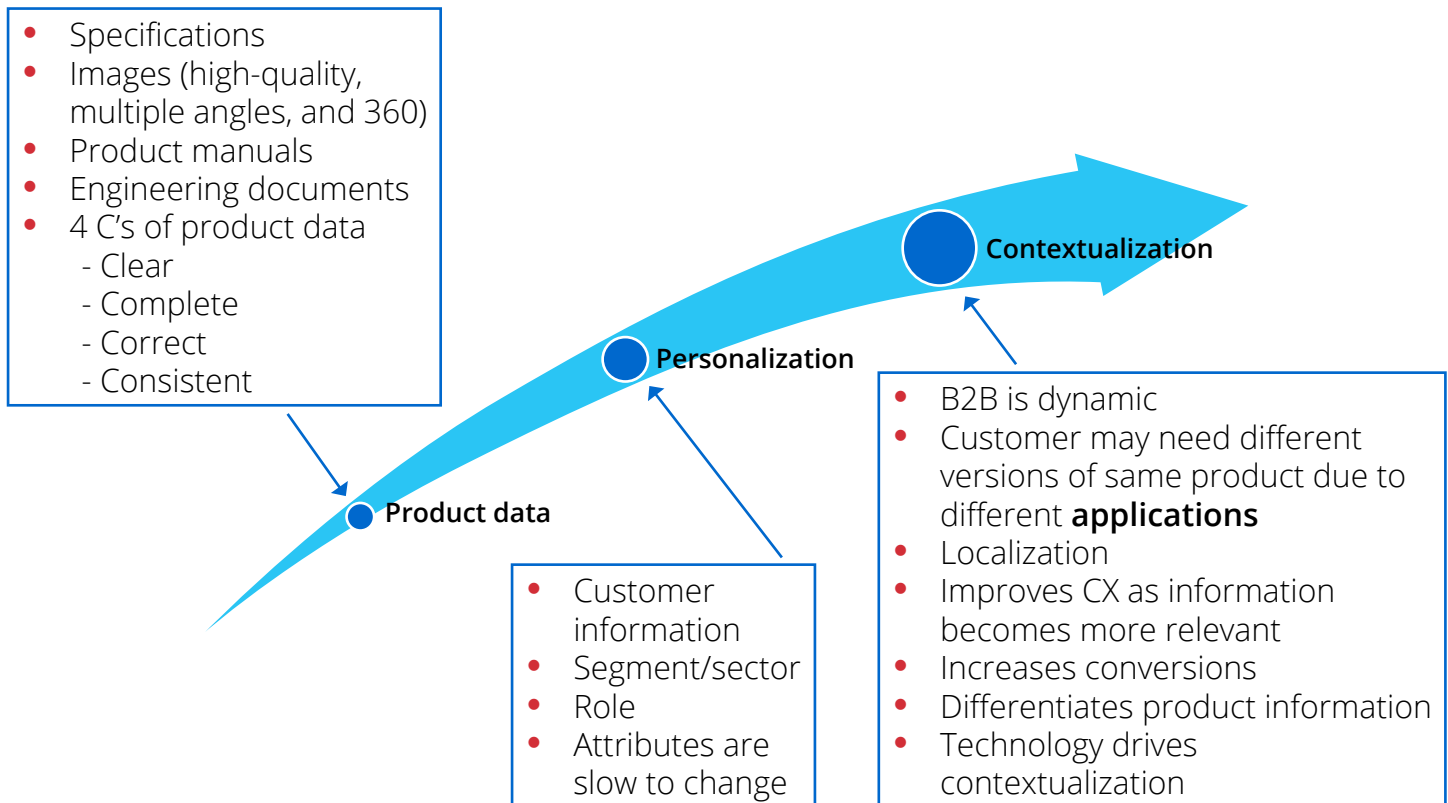


far short of meeting customer needs, and the products aren't discoverable. First, to be discoverable, the data must be optimized for search engines, as this is where a majority of B2B buyers begin their journey. Appropriate keywords need to be aggressively employed. Failing here usually means a buyer does not take the next step to shop and buy from a distributor's site.

Next, understanding how the customer searches is paramount. How will they ask the question to find what they need? Does the product data alone address what they need? In many cases, the answer is no. Assuming the buyer has made it to a distributor website, they need to be able to find the product. Assuming the buyer knows the SKU number, it may be simple to find. Of course, if a SKU number is known, that also makes it easier for a buyer to purchase from another pure-digital seller, such as a marketplace.

Often a shopper goes to a distributor website, enters a search term, and is presented with page after page of product options. That isn't helpful. The quicker and easier it is for the customer to filter and find what they need, the better the customer experience.

Chart 6: Data evolution – make it about your customer



rience. So, how can the customer experience improve? For this, proper product taxonomy and filtering is important.

A new era of product information is contextual. Contextual information can be described as marketing information and/or conversion information as it can significantly increase revenue by improving the customer experience. We'll discuss contextual information more below.

Additionally, if a buyer doesn't know the name or SKU of the product and needs assistance in configuration and/or selection, having appropriate and useful product selectors and configurators enhances the customer experience. This is a capability we see rapidly increasing in importance in the future.

Companies that can provide these tools, whether it is manufacturer or distributor provided, make it easier for customers to find what they need and keep the business.

After all this, what about conversion? The result everyone wants is a transaction, regardless of the method or channel that takes the order. Keeping the customer at the center is key to providing the information a customer needs to find a product, then transact. Websites will always play a role in assisting in the order process, as discussed above, which helps justify the digital channel.

So how should distributors approach product data to increase the chances a shopping experience will lead to a transaction? Let's take a look at where product data is going.

Looking at the image on page 11, we start with product data, which if done right is what is already available today – basic information. It is critical to ensure the 4 Cs of product data (thanks to Hein for the framework) are met:

- Clear
- Complete
- Correct
- Consistent

One major area of opportunity for improvement in product data is in personalization. Personalization uses customer information to assist in presenting the right information based on a buyer's role or segment/sector they are in, attributes that are usually slow to change. Personalization is already important in the B2C world as our basic preferences don't change much over time, and data can help predict what we like and need.

Companies that will grow the quickest in the future are those that embrace contextualization. A B2B buyer's behavior is generally dynamic in that they could be working on one project in the morning and another in the afternoon. That means the context of what they do is changing, so they require different products and solutions.

Localization is also important to both personalization and contextualization. We've worked with distributors where customers call a part one thing in one part of the country and something else in another part of the country. Having that context is key when a customer searches. This is also information a distributor is uniquely qualified to provide as a manufacturer is not likely to refer to a part by multiple regional names.

A marketing department can also be a resource for and provide contextual and conversion-related information that is solution- or locally oriented to differentiate product data.

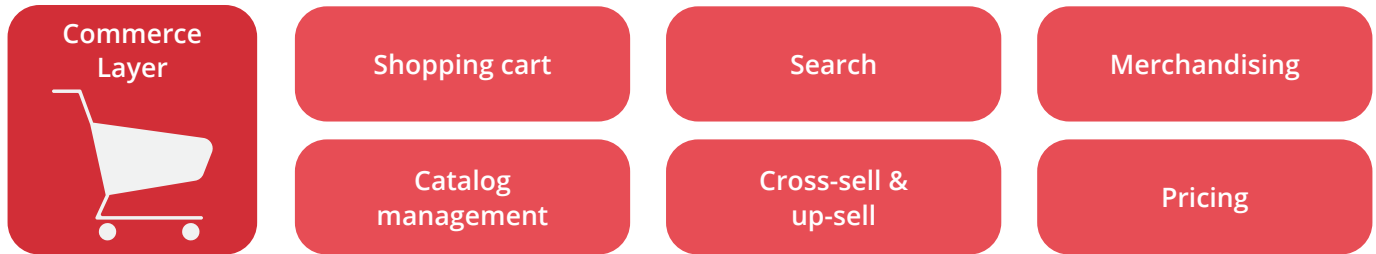
Such differentiation is crucial if you want to show up in Google and other search engines. If I search in Google and over 100 distributors have the same product data, how does Google know which to show first? Sure, Google applies algorithms based on the device used, location and Core Web Vitals scores.

Outside of that, Google will generally use the site with the highest domain authority. For example, if the product is available on Amazon, that usually appears high in the search engine results page due to Amazon's massive domain authority.

Relevant contextual information helps a distributor differentiate products and leads to higher conversions.

Here's what to expect with product data in the future:

- A move away from synchronous emails and Excel files for updates. The new process will be automated, streamlined and more agile – such as syndication of data with manufacturers. Automated data feeds fix the problem of stagnant data that comes from updating data through an emailed Excel sheet, outdated by the time you receive it.
- More detailed data. This includes a move from 20 fields of attributes to hundreds.
- More data normalization (such as consistent measurements across manufacturers).
- Distributors will use all data available from manufacturer, not just a subset. More will use services to analyze and bridge the gap between available and used data to make the data more useful to the customer. Data service providers will become a strategic partner.
- The cost of data acquisition will fall over time.



How Commerce Technology Will Evolve

What does technology look like in the future? Here, we'll focus on the commerce layer and discuss the following components that fall under it:

- Shopping cart
- Search
- Merchandising
- Catalog management
- Cross-sell & upsell
- Pricing

Generally, the commerce layer will evolve so that it connects to everything, even to relevant smart devices. We expect to see easier and more numerous API connections available so more data can be used, not just what is in the ecommerce platform. Another trend is for major players to extend their capability with a robust app store platform so that best-of-breed and targeted technology can be available. This trend also makes it easier for a platform provider to focus on core capabilities and not be everything to everybody out of the box, as capabilities can be extended.

Here's what to expect in each of these technologies and what you'll need to leverage them:

Shopping Cart

Today, an ecommerce platform is expected to do everything, from the shopping to the end transaction. The rise of intelligent headless technology means your shopping cart only has to be a shopping cart in the future; it just has to transact. What is headless?

Rather than having to manually integrate multiple pieces of software if you want them to work together (which is what many do

now), headless technology is modular technology. It allows you to plug and play the best of each kind of technology, linked by APIs (electronic mapping) to communicate and work with each other. What this means for you is that your technology stack will be much more agile, minimizing the need to change platforms entirely every time you change and scale your business.

Instead, you can just decouple, or unplug, your solution (such as an ecommerce platform) and bring in another that can do what you need it to do – but better. Headless commerce also allows you to connect smart devices such as vending machines or scanners for specialized technology such as automated replenishment. The future of the shopping cart is that buyers will be able to easily transact anywhere with their preferred method, supporting any order type and configuration such as products, services and repair products.

Search: Search Engine and Site Search

Every year, more B2B buyers start their product research through a search engine. That trend will continue in the near future. What will also become critically important is having a search functionality on your own website (site search) that makes it easy for your customers to find what they need; customers' standards will continue to rise, and their patience will run thin if they can't find what they need quickly.

Websites used to be seen as the great equalizer, but we're now going into an environment where it's a lot easier for big guys to win. A lot of that has to do with product data and how that drives ease of use for the customer online. Intelligent technologies backed by machine learning will predict what a user needs based on their account history, role, location and more, which will make the lifting on a robust site search much lighter for a distributor. This type of technology works best with a large number of searches and data points, meaning that larger distributors have a greater opportunity to leverage these technologies. But AI has enabled smaller distributors to now punch above their weight class, providing visibility into buying trends across channels so that reps can offer highly relevant recommendations to their customers.

Doing search right includes both third-party search engines like Google and site search. To meet the needs of customers using both, you need to have appropriate data indexed and adhere to Google Core Web Vitals requirements. Here's how to succeed:

- Product and contextual information is key both in search engines and in your own site's search. Start small by adding context and depth to your most important products to better compete with the larger distributors.
- Visual search requires high-quality images with different views (360-degree view, in use/installed, different angles) Even for simpler products, one generic product image won't cut it in three to five years.
- Offer filtering and parametric search, so that users can quickly and easily filter results by category. That means instead of 998 results for a product search, for example, they'd have seven relevant results. In other words, it's not just a matter of having data; it's about having it organized in a fashion that is logical for the user.
- Voice search is increasingly important over the next three to five years.

Merchandising

Like with other categories, merchandising is all about the customer and what they're looking for. AI will continue to drive this for distributors over the next three to five years, driving digital merchandising programmatically based on rules and data. Better merchandising will have a trickle-down effect, improving both forecasting and replenishment for your business.

Catalog Management

More and more data will go into catalog management. That means that if you don't have a PIM (product information management) tool, you need that. You will also need a DAM, which is a digital asset management tool for images, video, engineering documents, CAD drawings, instruction manuals, 360-degree image spins and so on.

We expect more of a convergence between PIM functionality and DAM functionality to drive customer experience improvements. We also expect more syndicated feeds from the supplier to the distributor comprising many more attribute fields – from dozens to hundreds as the need for more robust capabilities emerges. As mentioned earlier, third-party data services providers will grow more critical in the syndication, normalization and gap analysis.

Cross-Selling and Upselling

Having the right product data along with contextual informa-

tion has a massive impact on cross-sell and upsell opportunities both online and in person. Expect bigger upsells and cross-sells involving multiple touches from multiple channels. In particular, you'll see growth in cross-selling due to distributors' leveraging AI-based technology for MRO purchases, which identifies patterns across customers, products and reps. As AI models get smarter, offers and recommendations increase in relevance and revenues grow. Manufacturers are also increasingly taking advantage of the opportunity to promote their products at a fee with distributors' customers through digital platforms.

Pricing Changes

Expect more real-time price changes based on the customer. The key is that distributors need 100% visibility across the organization, regardless of channel (i.e., we have to stop the “wink, wink, I'll give you a better deal if you buy with me instead of online” practice). It's about a consistent experience for the customer no matter where they buy.

Key Takeaways

- Simple transactions are and will continue to shift to digital channels.
- Expect more direct-to-end-user sales by manufacturers. The pie available to distributors is shrinking, but you can keep yours and even grow it by building the right omnichannel customer experience.
- Headless commerce technology will offer efficiency and agility, as well as the ability to transact with integrated smart devices more easily.
- Product data should be considered a fundamental strategic asset if you want to compete now and in the future. That means you have to start investing in it now and assign the right resources to recognize it as a strategic asset, even as important as inventory. You'll have more data over the next several years beyond just good data on your A and B items. And the process to get that data will become more efficient, more accurate, more complete and more current. Expect a product-data arms race.
- Product data will evolve beyond the 4 Cs to information that is customer context-related, which will increase conversions for distributors that use it effectively.

Where should you start?

A major manufacturer put it this way: Distributors need to create a business strategy for a digital world, and not just a digital strategy for your business.

It's no longer sufficient to just have ecommerce as a response to your customers' needs. We are too far down the road in terms of deployment, which was accelerated by COVID. Now and in the next three to five years, eBusiness in B2B will be all about delivering a better customer experience. Center your strategy around that. Customers are loyal to the experience. So, if you're not giving them a great experience, they'll find another experience to be loyal to. Make your shopping and buying experience simple, even if your products and services aren't. Let them buy how, when and where they want.

To put this report together, we talked to industry leaders and technology experts. Thanks to everyone who contributed their two cents on where eBusiness is going.

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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

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