

# The State of Distributor Customer Experience: **What Customers Want**

By Dean Mueller



*What does it mean to offer an excellent customer experience?*

*When customers are happy, they will shop with you long-term and promote your business to their peers. An excellent customer experience drives loyalty and profitability.*

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Creating an outstanding experience requires going beyond customers' basic needs. Unfortunately, it can be challenging to determine what buyers want and which services they consider most important.

We have surveyed more than 17,000 B2B end-users across segments about their shopping and buying experiences and what they want from distributors. Although their answers may be surprising or even disheartening at times, without this data, you could easily miss the mark.

(However, remember that mileage will vary, and your buyers' preferences may differ from others'. While the data we're presenting in this report may be generally applicable, take steps to understand your own customers and avoid using broad assumptions about B2B buyers to define the customer experience you should build.)

In this report, we:

- share data on end-user preferences from our research
- explore what it means to offer an excellent customer experience
- provide guidance on how to determine what your customers want
- outline the steps you should take to create a profitable value proposition that aligns with those demands

## How to Ascertain What Your Customers Want

Determining what your customers want is the foundation for an extraordinary customer experience. If you know which products and services buyers find most valuable – and those they could do without – you can adjust your core capabilities, align your resources to deliver them, and position yourself as their top distributor.

Take these five steps to determine what your customers want:

### **1. Conduct qualitative research – both internally and externally.**

Determining what customers want should begin with internal and external qualitative research. One of the best ways to get a pulse on what is happening within your organization and find opportunities for improvement is by spending time with salespeople. They interact with your customers every day and will better understand where you're succeeding and where you need to make improvements.

Customer interviews and focus groups can also be powerful tools. Talk directly with customers and prospects to see how they perceive your company. What are their initial impressions? What would they change if they had the chance? If multiple customers have the same feedback, it may be time to take a deeper look at your organization and make adjustments.

### **2. Identify the core capabilities and services your customers value with quantitative surveys.**

Quantitative research is data-driven and typically includes customer surveys and performance analytics.

If you want to know how your customers feel about your services, ask them in a survey. We also recommend integrating Net Promoter Score (NPS) into your ongoing feedback mechanisms, a macro performance indicator. Some distributors track satisfaction with a quick NPS survey each month, while others only survey once per year.

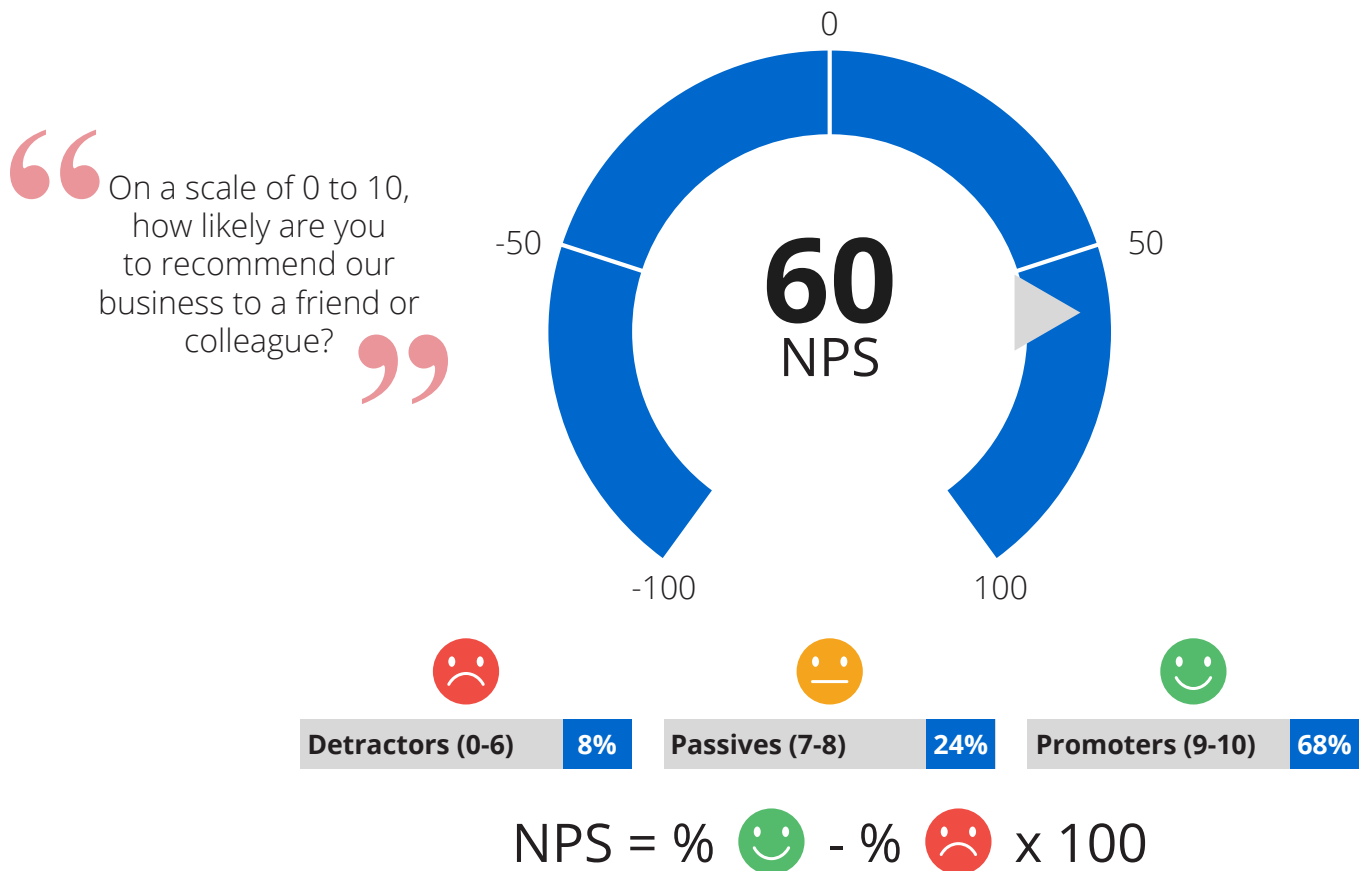
Here is some more information on both:

### Net Promoter Score

Your Net Promoter Score is based on how many people would actively recommend your business to their friends and colleagues. The simple survey asks: "On a scale of 0 to 10, how likely are you to recommend us?" Those who respond with 0-6 are detractors and will likely go elsewhere if they find better offers. Those who respond with 7-8 are passives and generally have a take-it-or-leave-it attitude. Customers who respond at the higher end of this scale, at 9-10, are considered promoters and are generally the most loyal and profitable customers.

The higher the NPS, the more engaged customers are with your brand. The more engaged buyers are, the more opportunities you have to grow wallet share and profitability.

## Chart 1: Net Promoter Score



## Surveys

When sending a survey to customers, remember to set a clear objective first, ask tough questions, segment respondents, and keep surveys short. Customers should not have to spend more than eight to 10 minutes completing your survey. Be sure to ask about the importance of your services to your customers and how well you perform them, both micro-performance indicators. Identifying which services and capabilities are most important to customers and comparing those answers with how well you are performing in each category will give you an idea of how well you are meeting customer expectations.

In our survey of 17,000 end-users, the three most important capabilities for customers were:

- Competitive pricing
- Prompt and reliable delivery
- Product availability

You must be competitive in these three categories to retain customers. These are the must-haves and won't differentiate you from the competition.

The following six core capabilities you should also ask your customers about include:

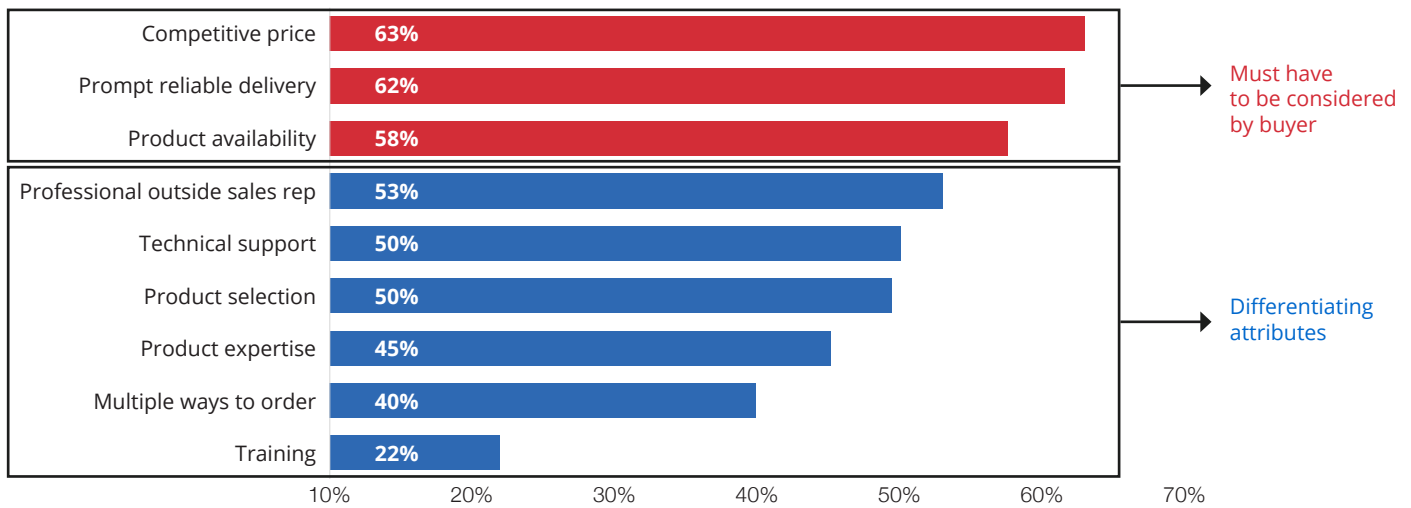
- Professional outside sales reps
- Technical support
- Product selection
- Product expertise
- Multiple ways to order
- Training

In your survey, ask customers which of these capabilities are most important to them and how well you perform in each. If you serve multiple segments – for example, higher education, utilities and manufacturing – look closely at whether there are differences in what each values. Chances are, they will vary.

For example, in our survey of end-users, 30% of construction customers considered training incredibly important, whereas only 16% of manufacturing customers found this service useful. Similarly, 65% of customers in the retail trade selected product availability as “very important,” while only 51% of those in manufacturing said the same.

## Chart 2: Top Core Capabilities – Aggregate Survey Results

Percent represents respondents that rated that capability as Very Important.



## Chart 3: Example: Identifying Importance vs. Performance Gaps

Data in this graphic is for example purposes only to show how you can identify where you have room for improvement and where to prioritize for your customers.

Attribute*	Importance	Performance	Delta
<b>Competitive price</b>	9.8	5.8	4.0
<b>Inventory availability</b> – having the products in stock when they are needed	9.4	8.2	1.2
<b>Technical expertise</b>	9.1	6.3	2.8
<b>Product assortment</b> – wide selection of products I need	8.3	5.2	3.2
<b>Customer experience excellence</b> – easy returns and ordering, 24-hr emergency service, etc.	8.1	6.3	1.8
<b>Proximity</b> – close to supplier	8.0	6.8	1.2
<b>Delivery, will call, counter assistance</b>	7.6	6.0	1.6
<b>Easy-to-use website</b>	7.2	3.9	3.3
<b>Professional sales reps</b>	6.8	7.4	- 0.6
<b>Training</b>	4.6	3.7	0.9

- Diagnostic tool to see how micro and macro items are related
- Recommend completion of quantitative survey to gain data for your customers
- Do same analysis with Promoters and use regression to determine what attributes really drives promoters

- In this example, professional sales reps are performing higher than what is important
- Provides input for value mapping

\*Sorted by Importance

### 3. Determine how often and through what channels your customers want to hear from you.

Most distributors find that their customers want to hear from them more often than they expect digitally – and less often in person. Customers tend to be more engaged and prefer more frequent communication from distributors that excel at providing relevant, helpful information, whether that's online or off.

Among DSG end-user survey respondents, we found that customers prefer the following mediums and frequency:

- Email – Weekly
- Print Flyer – Monthly
- Print Catalog – Annually
- Video Call – Quarterly
- Phone Call – Monthly
- Sales Rep Visit – Monthly

According to our research, 22.2% of end-users never want a sales rep to visit, while 19.7% only want to see a sales rep once a year. Print is still alive, although a customer's desire for print can be highly variable depending on the segment and distributor customer base. Nearly two-thirds want a print catalog either quarterly or annually. And 58% of respondents wanted monthly or weekly email alerts.

The ideal communication frequency depends on your audience. We found that customers in retail are the most likely to want email communications, and manufacturing and services end-markets are the least likely to want a sales rep to visit. But that may not apply to you if you provide highly technical products that require more consultation; in that case, your customers may want a sales rep or a technical expert onsite more often.

### 4. Profile your customers.

Another way to understand what your customers want is to profile them and then segment them accordingly. Customer profiles, or personas, combine the customer's attributes, such as what kind of buyer they are, how big they are, purchasing patterns, the segment they're in, and so on.

We can use the customer profiling process to understand how different types of customers behave and what they value most.

Here are a few methods:

**Recency Frequency Monetary (RFM) Lifecycle:** One aspect to consider when designing customer profiles is a customer's RFM. This metric involves how recently they purchased from you, how many times they bought something and their purchases' monetary value.

For example, if you look at your customer base, 15%-25% are likely one-time buyers. Others may have bought from you two or more times within the past month, while your core customers will buy from you more frequently.

**Segmentation:** Deciles is one way to segment your customers. For example, when segmenting your customers, look at the top 10% most profitable accounts. Understanding the differences between your most profitable customers and those in the bottom percentile will help you identify opportunities to find more of the former.

For instance, say you have a customer base of 1,400 customers. The top decile is the top 140 customers, representing \$16 million of your total sales of \$25 million. That's about 64% of your revenue.

These top customers may have a smaller gross margin than other deciles because they have more oversized orders and are generally easier to do business with. Looking at the NPS of your first, second and third deciles, you can compare their behaviors and personas to find ways to grow your revenue among less profitable accounts.

Another way to segment is by firmographic variables. Even something as simple as Year of Founding may affect customer behavior. You may also look at size and NAICS/SIC segments.

**Sweet Spot Specification:** Identify who your best customers are – and then profile them. What makes them your best customers? Look at purchasing behavior over time, patterns, transaction volume, what they purchase and others. Then, look at patterns among customers. Your best customers are your sweet spot, and this will become a critical component of your prospect targeting.

## 5. Map your value.

You have probably heard the old saying, "Jack of all trades, master of none," but how often do you apply it to your business? Trying to



be everything to everyone makes it difficult to do anything very well. Instead of outperforming competitors on every core offering, take the time to determine what is most important to your customers.

There are three parts to a value proposition:

- Differentiated Attributes: What does the company do that differentiates it from its competitors?
- Important Attributes: What is important to customers and the market?
- Unclaimed Attributes: Which attributes are largely unclaimed by your competitors?

The ideal position is the center of these three attributes (Chart 4), where you have differentiated products and services that are important to customers and unclaimed by competitors.

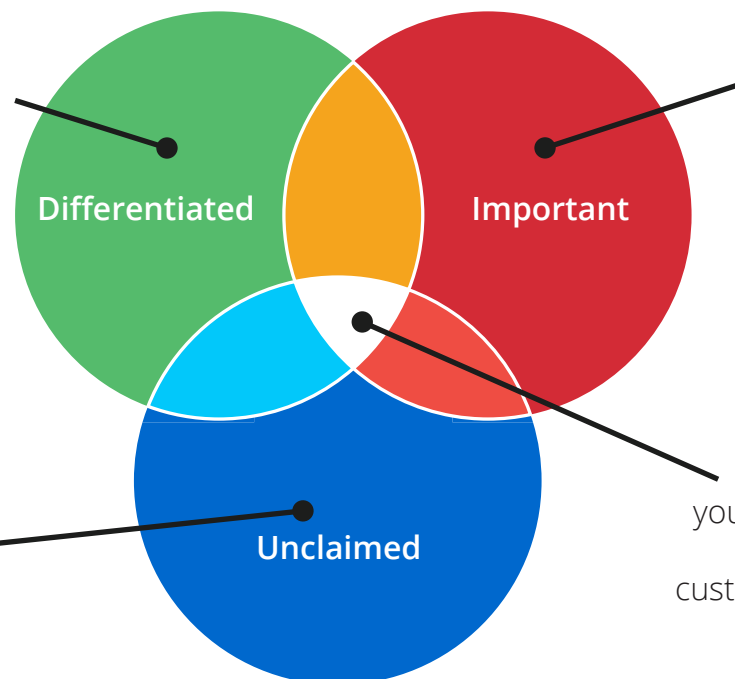
What do you do with this information? Update your value proposition to align with what your customers actual value. This is more than just a pretty mission statement or empty promise.

## Chart 4: Value Mapping

Attributes for which your company is **differentiated** relative to your competitors

Attributes that are **important** to your customers and the market

Attributes that are **unclaimed** by your competitors



Ideal position where you have differentiation, it is important to the customer, and unclaimed by competitors

A value proposition tells customers and prospects who you are and why they should do business with you. It also tells employees what is important within the company and how they should contribute and stay on track with company objectives.

Your value proposition should be on all customer-facing materials and touchpoints, such as marketing materials, sales materials, packing slips and your website.

A well-defined value proposition increases the efficiency and effectiveness of the entire business by enabling you to pinpoint and focus on the right customers and activities.

Understanding what your customers value most and molding your value proposition around that will help you differentiate yourself while providing a top-notch customer experience. You will be able to attract and focus on the right segments and customers while placing a higher priority on the activities customers care about.

Note that creating a compelling value proposition that focuses on cost is challenging because most of your biggest competitors have already done so. Instead, look for services that not only set you apart but will keep customers coming back month after month.

## The Importance of Omnichannel Capabilities in the Customer Experience

B2B customers want more flexibility in their interactions. For example, some customers may want to shop digitally but speak to a sales rep before purchasing online. Alternatively, another customer may use your website to browse and then buy from a counter sales rep. McKinsey found that B2B buyers use up to 10 channels to interact with vendors, and 94% of users say omnichannel methods are as or more effective than pre-COVID. Having omnichannel capabilities has never been more vital.

Creating an omnichannel infrastructure means your customer's experience is consistent, no matter how they interact with you. It means the entire shopping, sales and service process is linked, and every interaction along that path, and how your company responded, is immediately accessible to any front-line employee. And the status of an order placed with a sales rep can be checked online.

To ensure this consistency and provide the best customer experience, customer-facing personnel need access to unified data – regardless of touchpoints or channels. When your channels are connected, outside sales reps will be able to see what their accounts purchased online, while customer service reps will have the opportunity to pitch products with data gathered from inside sales histories. Unified data leads to more productive personnel and higher sales.

## The Bottom Line

Knowing what your customers want allows you to build an exceptional customer experience. What should you take away from this report?

- You need detailed knowledge of what your customers want.
- Your customers want to hear from you more than you think.
- You must take into account the differences between sectors, companies and customers.

To determine what you do best and where there are opportunities for growth, conduct qualitative and quantitative research, create profiles and use data-driven insights to build a competitive value proposition. This will provide you with a roadmap for your business on what to focus on going forward to meet your customers' needs.

Don't rely on broad assumptions. By taking the time to simply ask your customers and supplement that with other research, you can ensure your team, services and technology reflect the core values your customers want and need. That's invaluable in today's market.

# DISTRIBUTION STRATEGY **GROUP**

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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
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- Customer analytics
- Sales channel strategy

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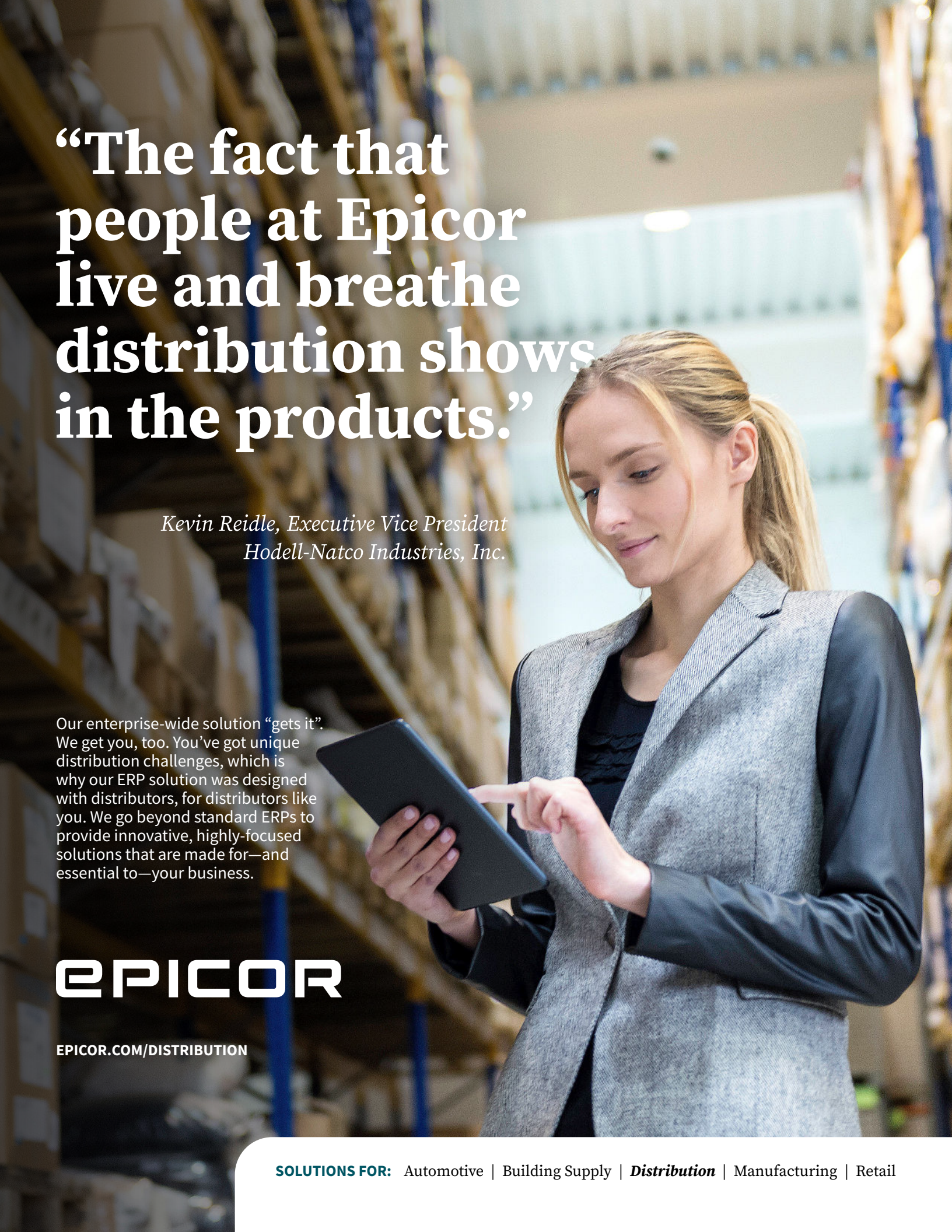


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A woman with blonde hair in a ponytail, wearing a grey blazer over a black top, is looking down at a tablet computer she is holding. She is standing in a warehouse or industrial setting with metal shelving units in the background. The lighting is bright and even.

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