2024 State of eCommerce in Distribution

By Jonathan Bein, Ph.D.

DISTRIBUTION STRATEGY GROUP

Each year, Distribution Strategy Group surveys distributors on their use of ecommerce, a leading benchmark for adoption and drivers of ecommerce in the wholesale distribution industry.

In our survey, ecommerce is defined as transactions that go through the website, mobile or an app; our data excludes EDI, punchout and email/fax. This year's survey showed a big jump in ecommerce as a percentage of revenue among distributors. While increases have been steady over the years, distributors have gained traction.

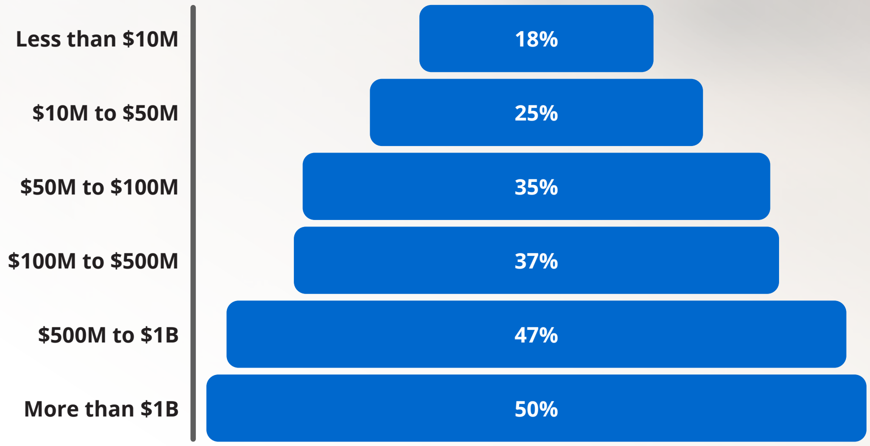
- 13% increase from 2022 to 2023
- 14% increase from 2023 to 2024
- 25% increase from 2022 to 2024

Overall, ecommerce adoption is slowing, particularly for distributors with more than $50 million in annual sales. About 35% of companies between $50 million and $100 million in revenue offer ecommerce, while half of those with more than $1 billion do.

Adoption continues to increase among smaller distributors. In this report, adoption means that a company offers ecommerce – meaning they can accept a transaction from a shopping cart. Adoption is not a measure of individual company success with ecommerce.

We compiled this data from nearly 4,000 company websites. When we ran this analysis a few years ago, the companies that had leveraged ecommerce for longer were more successful. That's no longer the case. Today it's easier to get up and running. The technology is much better — new platforms are leapfrogging older platforms in capabilities. User experience and the quality of product data have improved tremendously, even as the costs to deploy ecommerce decline.

Percent of B2B Companies That Have eCommerce



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We've found that a distributor's adoption of ecommerce is directly related to product and logistic complexity. A company that has a simple and wide product assortment with an easy-to-use website will reap a high value in adopting ecommerce in terms of shopping-cart sales. 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. However, customers are increasingly using more channels to research product information before purchase, whatever the level of complexity. Distributors with product and logistic complexity are realizing the importance of an ecommerce channel for the initial point of contact in the sales cycle.

By sector, jan-san and electronics have seen the highest adoption rates and maturity levels. These sectors have less product and transactional complexity than sectors such as building materials/construction, which lags at 20% adoption. Building materials tend to be more complex and customized, making ecommerce more challenging to do well. Electrical distributors have one of the highest adoption rates in distribution, even as maturity levels lag. They've spent more than 10 years working on their product data.

Companies that don't make a continued investment and effort typically don't gain traction and remain in the Nascent, or under 5% of total sales, maturity stage of ecommerce. Gaining traction requires continued resources and effort. Ideally, you only stay in the Nascent stage for a short time.

Maturity Stage	Definition
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%

The good news is that over a four-year period, we've seen a steady and significant increase in distributors in the Leader and Mature stages of ecommerce. For example, about 12% of plumbing, safety and industrial distributors report above 30% in revenues from ecommerce. (Note that this survey's data is only relevant for those distributors that offer ecommerce.)

We know what isn't driving ecommerce revenue. Ineffective marketing and poor product or customer data negatively affect shopping-cart sales. Offline discounts will also drive transactions away from your ecommerce site.

We also know that customers are less likely to change engrained buying habits. Companies can no longer go live or grow with ecommerce without first under-

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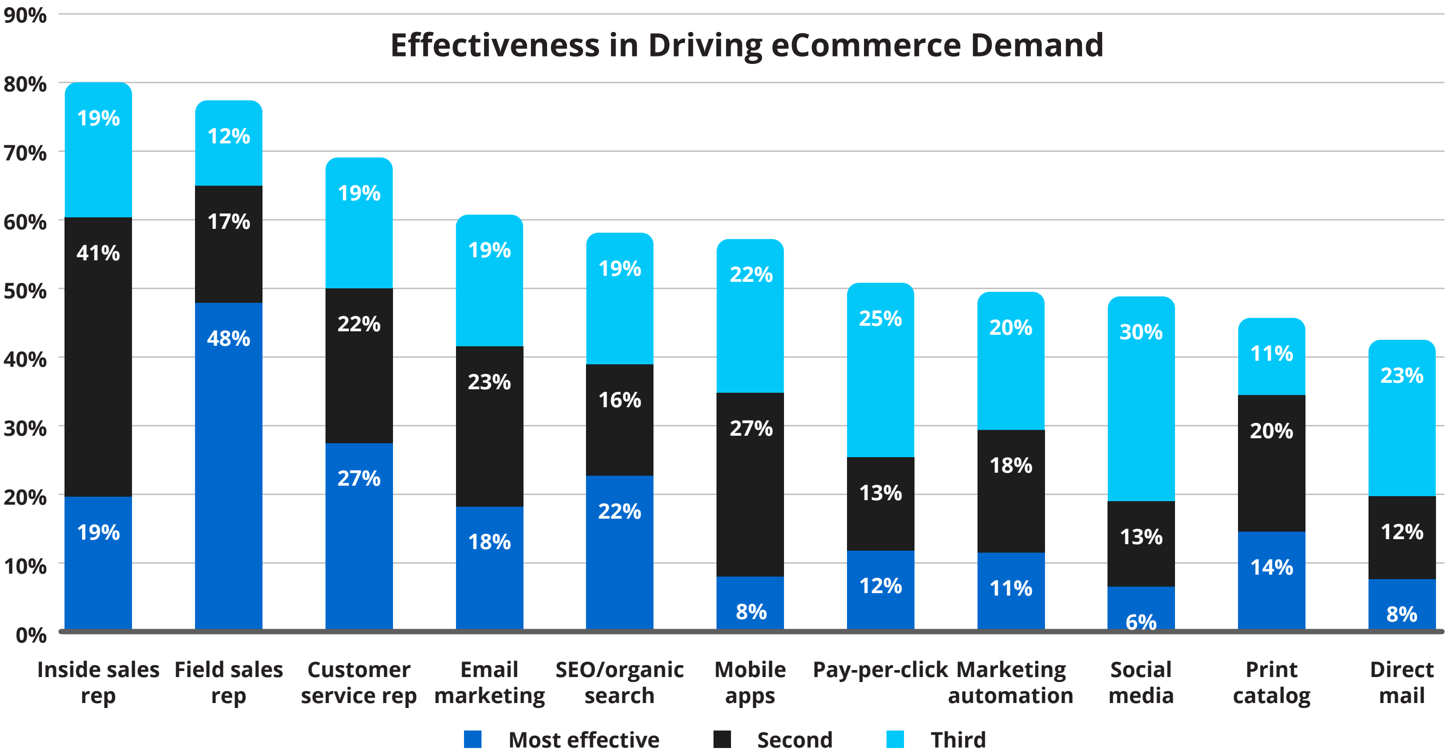
standing how their customers like to buy — there's too much competition to not understand the customer's wants, needs and priorities.

For example, if your customers commonly buy via a procurement function, they are less likely to change that and move their order into a shopping cart. It's also harder for distributors to take orders online if they sell complex products. Complexity kills the cart.

But distributors do have control over how they market. Once again, our survey has found that the top driver of ecommerce revenue is human-driven. Field sales, customer service reps and outbound telesales have the biggest impact on driving ecommerce demand.

In the past two years, the gap between the role of people and the role of digital has narrowed.



COVID forced us to rapidly improve our digital marketing initiatives. SEO, at 22%, is now rated in the top three "most effective" methods for driving ecommerce demand. Email marketing has also improved over the last year in reported effectiveness, with 18% saying it is most effective, and 16% saying it is second.

Less effective methods include print, whether it's a catalog or direct mail, and social media, according to respondents.

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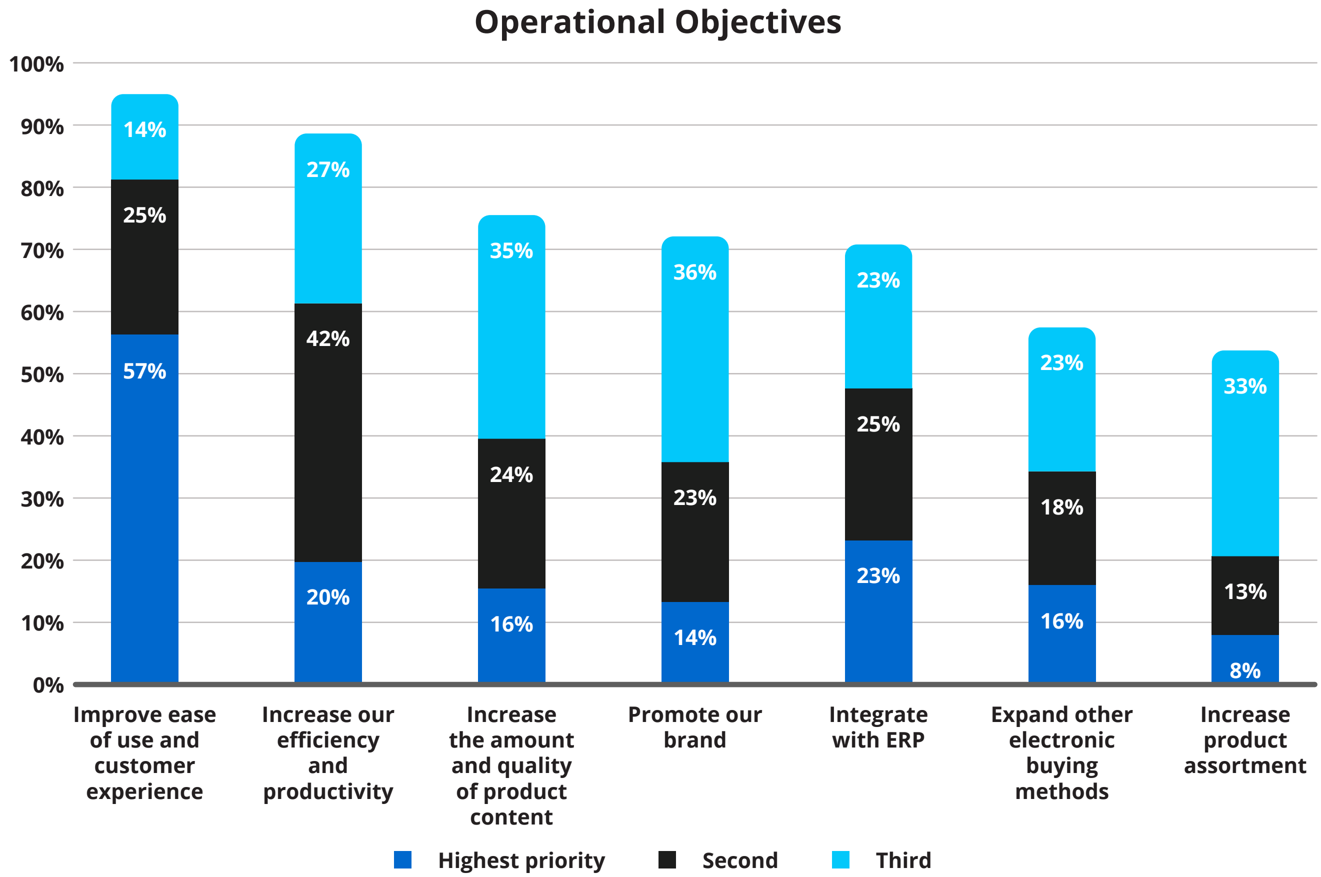
Distributors' eCommerce Objectives

In 2024, the primary operational objective for distributors in our survey continues to be improving ease of use and the customer experience.

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. There's a big gap between the experience companies think they provide – and how customers view that experience. It's critical to survey your customers to understand what defines a great customer experience for them.



Generally, a good customer experience includes speed (support, search and self-service); transparency (product and pricing information); personalization (recommendations, pricing and browsing); and consistency across channels.

Although the ranking of their operational objectives remains similar to last year, there's a noticeable increase in the intensity with which companies focus on these areas, particularly in driving internal efficiencies and productivity and prioritizing ERP integration. The value of both comes from reducing manual work, improving order accuracy, lowering the cost of field sales, and improving the experience for existing customers online.

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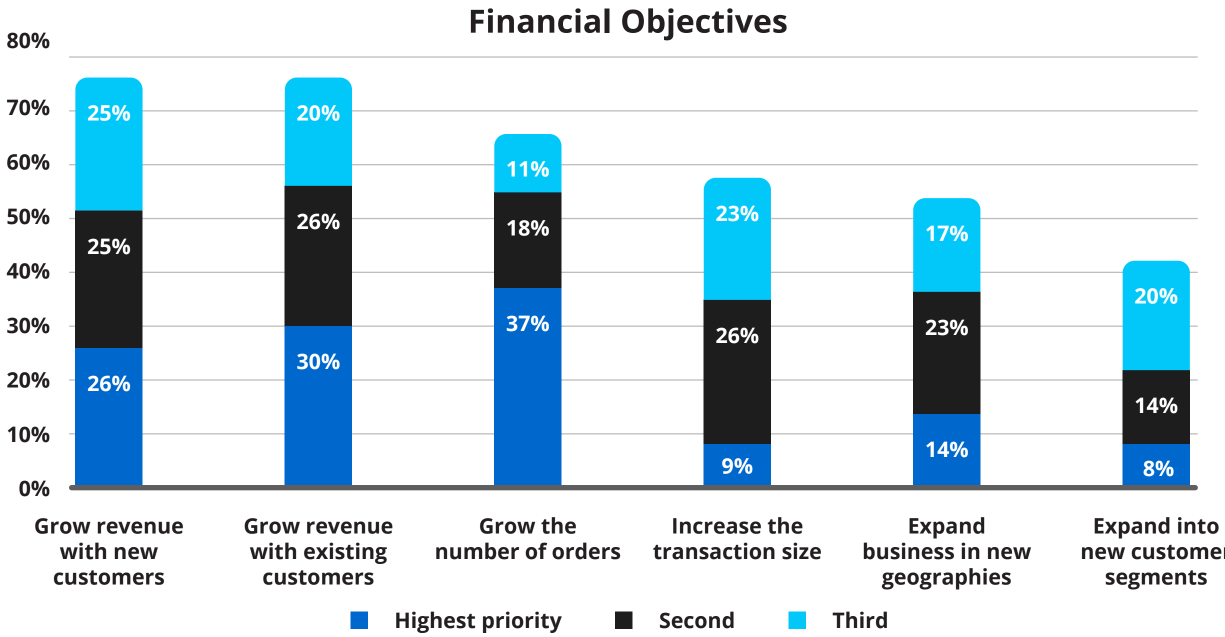
On the financial front, distributors want to grow revenue with new customers in existing geographies.



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This data marks a change from previous years, where the focus was more on increasing revenue with existing customers. Now, companies are exploring tactics such as pay-per-click advertising, SEO and marketing automation to attract prospects in established markets. We're seeing less appetite for expanding into new geographies or customer segments.

eCommerce Satisfaction

Roughly one-quarter of distributors in our survey are extremely or very satisfied with their ecommerce ROI, up from 17% last year. The most satisfied distributors have some commonalities. For example, they have higher ecommerce sales as a percent of total revenues and a strong focus on growing in existing markets. They are also ERP-integrated and focused on improving the customer experience.

That said, distributors shouldn't measure ecommerce success solely by the volume of orders placed directly through the shopping cart. An ecommerce site often plays a crucial role in generating orders that go through other channels.

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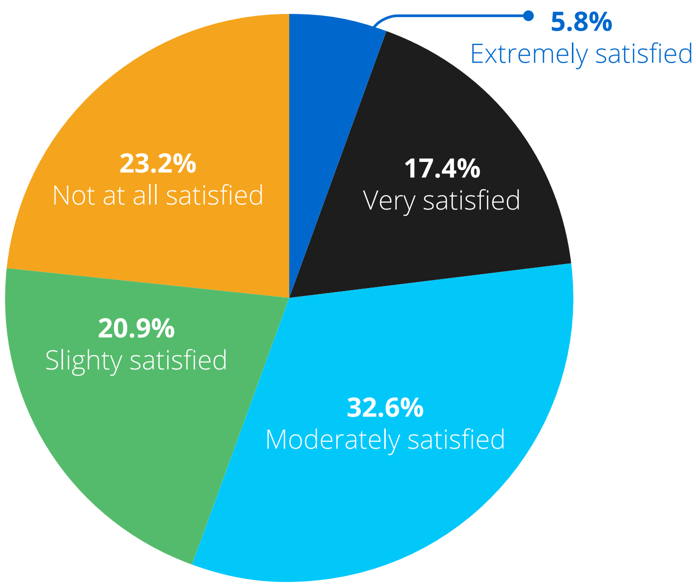
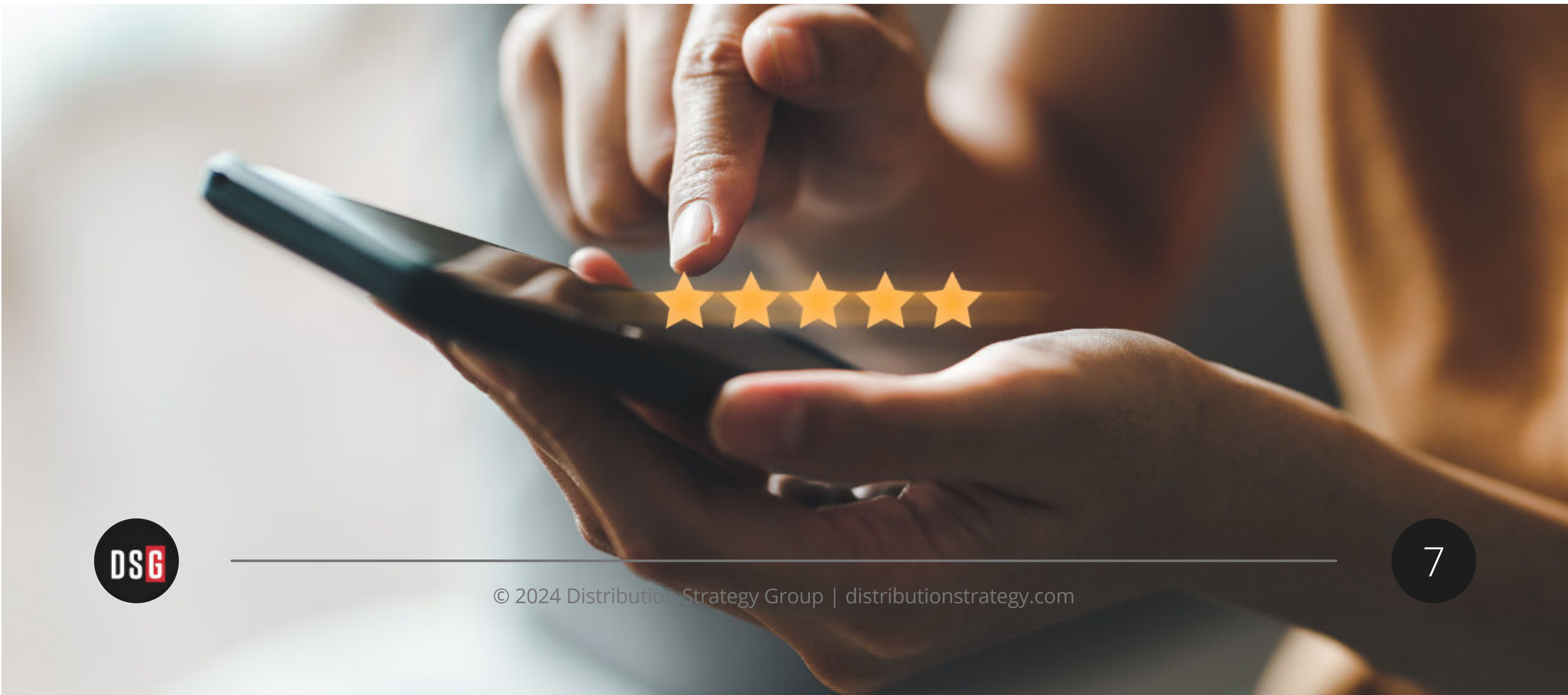
Satisfaction with eCommerce ROI



Think of it like a point guard in basketball: Some players, like Steph Curry, take more shots, while others, like Chris Paul, are just as likely to pass the ball to assist a score. Both contribute to winning the game. Similarly, your website should not only facilitate purchases directly but also assist customers in shopping and buying through their preferred channels.

If you only measure your website's ROI by shopping-cart revenues, you're underestimating its true impact. For many B2B companies, offline sales — driven by online shopping behavior — are a significant part of the equation.

As you plan, focus on improving the customer experience across all touchpoints and integrate digital capabilities that facilitate shopping, whether or not the order is placed online. This holistic approach will drive greater success.



Simple eCommerce Assist ROI Calculation

	$500,000,000	Top 3 deciles total revenue accounting for 95% of total visits
-	$5,000,000	Top 3 deciles total web revenue
=	$495,000,000	Top 3 deciles non-web revenue
	5%	Assist (Top 3 deciles non-web revenue)
+	$24,750,000	Total web assisted revenue
+	$5,000,000	Top 3 deciles total web revenue
=	$29,750,000	Total web “credit”
-	$22,312,500	Web credit revenue COGS (assumes 25% gross margin)
	$7,437,500	**Total Example Numerator**
=	$250,000	eCommerce platform capital expenditures
	$425,000	Development/implementation fees
+	$50,000	Additional technoogy expenses
+	$250,000	eCommerce labor, fees, etc.
=	$250,000	Addtional marketing expenses (PPC, etc.)
-	**$1,225,000**	**Total Example Denominator**

607% ROI

- Example only uses top 3 deciles and 5% revenue for assist.
- Only 1% shopping cart revenue.
- The dollars used for expenses in the denominator are very high and likely would be significantly less for most distributors of this size.
- Breakeven in this example is zero assists.
- Just a 5% assist yields >600% ROI.

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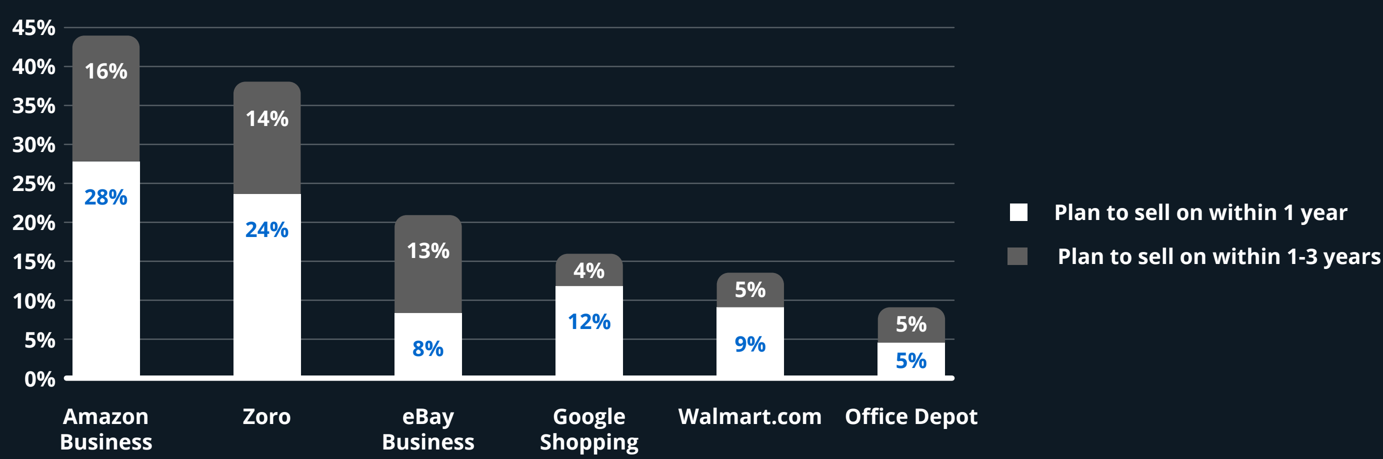
Manufacturer eCommerce & Marketplace Adoption

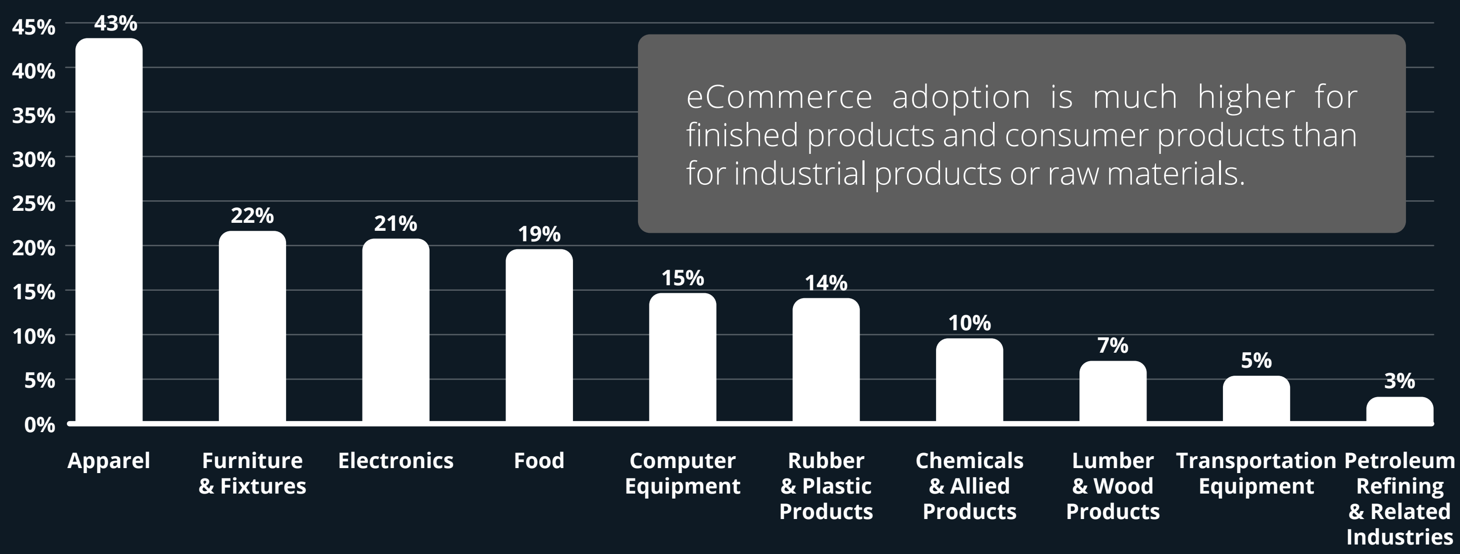
In past years, manufacturers have told us that they plan to shift resources away from distribution channels and into marketplaces and ecommerce. In our 2024 survey, manufacturers have reversed course; the gap has closed significantly. Instead of 10% of revenues moving away from distributors, that number has fallen to 3%. Whether a manufacturer is leveraging ecommerce or marketplaces depends in part on their sector. If finished goods are shelf-ready, it's easier for manufacturers to pull and ship. Manufacturing ecommerce adoption is higher in these cases.

For products that are more complex, it's harder for manufacturers to sell direct. That's good news for distributors. Manufacturers need the value-added services distributors offer. In this case, distributors will see less direct competition online from their own suppliers.

Manufacturers and Marketplaces



Manufacturers and eCommerce Adoption



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Next Steps

Thinking of ecommerce in B2C terms and focusing only on revenues that come through shopping carts has led some distributors to build the wrong sites, convinced them their investments have failed and, worse, discouraged future spending on digital capabilities. That continues to widen the gap between traditional distributors and pure digital players.

While we saw a lot of improvements around adoption and maturity in 2024, many distributors still have a long way to go to make ecommerce work as part of a broader omnichannel strategy.

It's more difficult for distributors to differentiate with ecommerce than it was five years ago. What's more, it's now table stakes for many customers. Whether you've already implemented ecommerce, or have plans to start, take a step back and:

- Conduct research to know how you can add value to your customers with digital tools.
- Based on your research, build a site your customers will love and use.
- Design your site to drive sales through all your channels, not just through the shopping cart.
- Stop using a retail method to measure ROI; replace it with a better model.

Distributors need robust shopping and account management capabilities at minimum, even if shopping-cart revenue is low. They need a great customer experience whether they are in a high-maturity sector or not, complemented by other channels, such as EDI, email and punchout.

Investing in an efficient and effective shopping and buying experience and the broader marketing tools and organizational alignment to drive maturity will pay off: Studies show digitally engaged customers buy more online and offline than less-frequent website visitors.

About This Research

We surveyed 401 distributors and manufacturers in industrial, electrical, safety, HVACR, plumbing, building materials, chemical and plastics and more in August and September 2024. Eighty-six percent were distributors; 14% were manufacturers. The audience was primarily executive or general management. Nearly 50% were in the less than $50 million revenue bracket, 32% had revenues of $50 million to $500 million, and 13% were over $500 million. More than half were in the 46-65 age bracket. For the survey, we defined ecommerce as transactional, including website, mobile and application-based, excluding EDI, punchout, email and fax.

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About the Author

Jonathan Bein, Ph.D. has worked with over 100 distributors to apply advanced analytics and AI to improve customer experience, define value proposition, estimate sales potential and create digital strategy. Before Distribution Strategy Group, Bein successfully led and was part of executive management for software product and services companies in information technology, healthcare and communications. Bein earned his Ph.D. in Computer Science at the University of Colorado with a focus in Artificial Intelligence and a BA in Computer Science at Indiana University.

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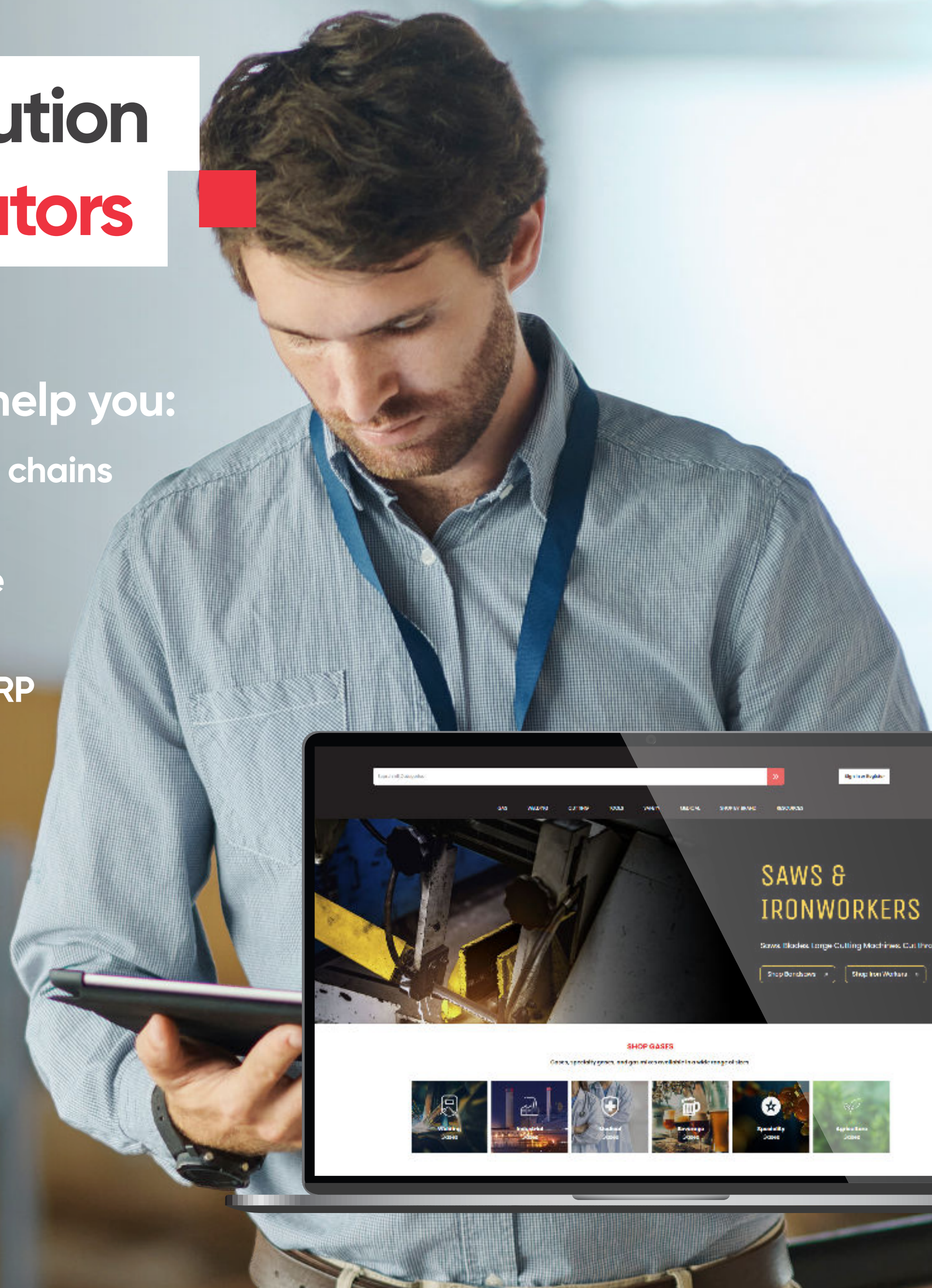

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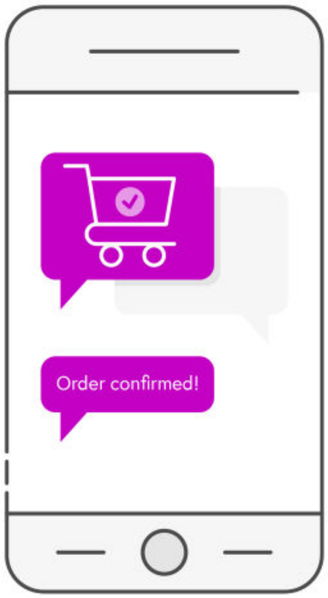

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