The 2017 State of E-Commerce in Distribution

A survey of e-commerce objectives & challenges facing wholesale distribution companies
Executive Summary

According to the 2017 State of E-Commerce in Distribution survey, distributors as a whole made a slight improvement in their e-commerce efforts last year. More customer demand for an omnichannel shopping and buying experience may be driving more adoption in distribution.

The 2017 State of E-Commerce in Distribution survey was sponsored by Insite Software in partnership with Modern Distribution Management and Real Results Marketing.

New this year is a breakout of responses from both distributor and manufacturers about various e-commerce issues.

The survey found that while companies are making strides toward richer e-commerce offerings, they are slow in implementing them. Highlights of this year’s survey include:

- More than a third (35 percent) of distributors said that 5 percent or more of their total sales came from e-commerce in 2016, up from 27 percent the year before. Nearly half (47 percent) of distributors said that less than 5 percent of their total sales came from e-commerce, down from 50 percent. And just 12 percent said they had no e-commerce sales, down from 19 percent in 2015.

- Among the manufacturer respondents, 61 percent said that 5 percent or more of their total sales came from e-commerce in 2016, up from 53 percent the year before. Twenty percent of manufacturers said that less than 5 percent of their total sales came from e-commerce, down from 24 percent. And just 14 percent said they had no e-commerce sales, down from 20 percent in 2015.

- Distributors and manufacturers expect to grow their e-commerce performance in 2017. Almost half (47 percent) of distributors expect to have more than 5 percent of revenue from e-commerce. While more than half (56 percent) of manufacturers expect to have more than 5 percent of revenue from e-commerce.
Methodology

The survey results in this whitepaper are the result of an online survey of readers from Modern Distribution Management (www.mdm.com), Real Results Marketing (realresultsmarketing.com) and Insite Software (www.insitesoft.com) in January and February 2017.

Insite Software is a leading provider of B2B e-commerce architected for enterprise organizations in manufacturing and distribution.

Modern Distribution Management is the premier source of research on the wholesale distribution industry and offers news, blogs and premium newsletters to executives in wholesale distribution businesses or that sell through or to wholesale distribution businesses.

Data collected for this whitepaper was analyzed by Real Results Marketing, a marketing strategy and execution firm focused exclusively on the distribution industry.

More than 500 respondents in wholesale distribution and manufacturing responded to the survey, with most (60 percent) identifying as wholesaler-distributors. In this year’s survey, distributor and manufacturer responses have been broken out and both are being presented. While these industries work as channel partners and often share digital capabilities, they have differing views on the usage, effective and satisfaction of e-commerce.

Two-thirds (66 percent) identified as a manager or above in their companies, with 51 percent being in executive management. Size distribution of respondents was diverse with 11 percent of respondents with less than $10 million in annual revenues; 25 percent with $10 million to $50 million; 15 percent with $50 million to $100 million; 24 percent with $100 million to $500 million; 6 percent with $500 million to $1 billion; and 11 percent over $1 billion.

Sector representation also was diverse, with Industrial the largest with 63 percent of respondents. Other sectors represented by respondents include Safety (33 percent); Electrical (30 percent); HVACR/Plumbing Products (22 percent); Hardware (19 percent); Oil and Gas Products (19 percent); Building Materials & Construction Products (18.8 percent); Power Transmission/Bearing (18 percent); and Jan-San (17 percent). Others included Electronics, Chemicals and Plastics, Pulp and Paper, Pharmaceutical and Grocery/Foodservice. Respondents could name more than one sector, so totals will not equal 100 percent.
Distributor E-Commerce: Performance

According to this year’s survey, nearly half (47 percent) of distributor respondents reported less than 5 percent of their total sales in 2016 were from e-commerce, while 17 percent reported sales of 5-10 percent from e-commerce and 15 percent had no sales from e-commerce. Only 19 percent of distributors said more than 10 percent of revenue derived from e-commerce in 2016.
Manufacturer E-Commerce: Performance

Manufacturers generate slightly more e-commerce sales, on average, than distributors. According to the survey, 20 percent of manufacturers reported less than 5 percent of their total sales in 2016 were from e-commerce, while 13 percent reported sales of 5-10 percent from e-commerce and 14 percent had no sales from e-commerce. Almost half (49 percent) of manufacturers said more than 10 percent of revenue derived from e-commerce in 2016.
Distributor E-Commerce: Expectations

Distributors expect to slowly move into more e-commerce sales in 2017. Only 45 percent expect to have less than 5 percent of revenue from e-commerce this year, while 47 percent expect to have more than 5 percent of revenue from e-commerce. Among that group, 20 percent expect to have 5-10 percent of their total sales in 2017 from e-commerce. Only 4 percent don’t expect any revenue from e-commerce this year.
Manufacturer E-Commerce: Expectations

Only 24 percent of manufacturers expect to have less than 5 percent of their sales from e-commerce this year, while 56 percent expect to have more than 5 percent of revenue from e-commerce. Among that group, 15 percent expect to have 5-10 percent of their total sales in 2017 from e-commerce and another 15 percent expect e-commerce revenue of 10-20 percent. Thirteen percent don’t expect any revenue from e-commerce this year.
A vast majority of distributors (89.9 percent) rely on their manufacturer partners to get product data, followed by buying groups (43.6 percent) and product content services (29.6 percent).

Distributors have a variety of priorities for their e-commerce strategy, with the top three being to improve ease of use and increase customer satisfaction by end users; increase new customers and orders acquired through website traffic and search-engine marketing; and increase frequency of website use and e-commerce transactions by regular customers.
Close to half (43.7 percent) of manufacturers use e-commerce through distribution, with another 21.5 percent using e-commerce “mostly through distribution, with some direct to end user.”

The highest priority for manufacturers with their e-commerce capabilities is to “increase the amount and quality of product content available to partners and end customers,” followed closely by “increase new customers and orders acquired through website traffic and search-engine marketing.”

Manufacturer E-Commerce: Usage & Priorities

- Increase new customers & orders
- Promote our brand
- Improve customer experience
- Increase efficiency & operational cost savings
- Increase frequency of use & transactions
- Improve productivity
- Increase product content
- Increase transaction size
Distributor respondents’ satisfaction with various website capabilities ranged greatly, with 32 percent being “moderately satisfied,” followed by 21 percent “slightly satisfied” and 20 percent “not at all satisfied.”
Manufacturer Website Capabilities: Satisfaction

Manufacturer respondents said they have a similar satisfaction rate for various website capabilities as distributors. Almost a third (29 percent) said they were “moderately satisfied” while 23 percent said they were “slightly satisfied” but only 13 percent said they were “not at all satisfied.”
Field sales was the most effective way that distributors drove demand for their e-commerce channel, followed by SEO/organic search and email marketing.

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Manufacturer Website Capabilities: Effectiveness

Like distributors, field sales was the most effective way that manufacturers drove demand for their e-commerce channel, followed by inside sales rep and SEO/organic search.

- Inside sales rep
- Field sales rep
- SEO/organic search
- Inside sales rep
- Pay-per-click
- Print catalog
- Marketing automation
- Social media
- Webinars
- Mass marketing & advertising
- Direct mail
- Videos
- Mobile apps
About Insite Software – Built for B2B™

Insite Software is a leading commerce platform for manufacturers and distributors that unifies e-commerce, sales channels, content and data to power superior commerce experiences across the enterprise. Insite’s revolutionary technology integrates with leading ERP, PIM and other popular solutions common in the B2B industry. Flexible deployment can occur on premise and within public or private clouds. For more information, visit Insite Software at insitesoft.com.

What We Do For You
For more than 12 years, we have focused our energy on addressing the complexities of B2B manufacturers and distributors. We understand that B2B is complex, and encompasses a many to many relationship between people, products and channels. Our goal is to help unify core business systems, and drive better user experiences. Our solutions solve challenges across the organization, and deliver results. Companies everywhere are transforming their businesses with Insite.

Our Approach
We’re only successful if our customers are successful, is an important value in our organization. We understand that transformation is challenging for many B2B companies, and making the right decisions help pave the way for the future. We believe that this is a journey, not a destination, and every organization has unique business challenges to solve for. Our goal is to be your trusted advisor to help answer questions, and address concerns along the way. We are all in this together.

http://www.insitesoft.com/

This survey was conducted in partnership with Real Results Marketing. Learn more information at www.realresultsmarketing.com.