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A Distributor's Guide to Ecommerce Success and Competing with Amazon Business

Introduction

Distributors have a huge opportunity to capture their share of the B2B ecommerce market that will surpass $1.1 trillion by 2021. While only 62% of distributors have a B2B ecommerce site today, 35% of those who don't are planning to launch one in the next six months and 26% expect to be online within the next year.

Successfully selling online, however, isn't as easy as simply launching an ecommerce site. While it's an essential first step, distributors face numerous challenges. From creating the type of online shopping experience B2B buyers expect to competing with Amazon Business and other rivals, winning at digital commerce isn't easy.

In this white paper, you'll learn:

- How ecommerce and changing buyer expectations have disrupted the distribution industry and how to respond
- How to assess the opportunities and threats from Amazon Business to build your strategy
- Which ecommerce capabilities you need to satisfy B2B buyers and drive revenue
- How leading distributors have built world-class ecommerce sites with features you can replicate

Let's dive in.

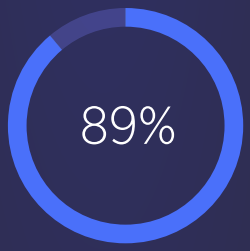
Changing the Game: How Ecommerce is Impacting Distribution

Ecommerce, combined with a rise of millenials to a buyer positions, is significantly impacting the distribution industry. Research shows that millennials now perform nearly half of all B2B research. Their expectations for the buying process demand a shift in distributors' selling strategies.

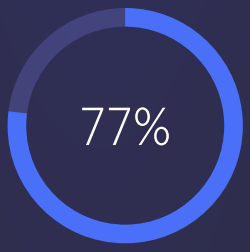
1. **Modern buyers want to self-serve:** Most buyers expect to have the ability to do independent product research without the assistance of the sales representative. Before deciding to buy a product for their business, 89% of B2B buyers perform research online. Having an optimized ecommerce site that ranks highly in search engine results is also crucial, especially when you consider that 77% of industrial buyers find products by searching on Google.

2. **It's all about the customer experience:** Efficient, intuitive, and enjoyable B2C customer experiences have led B2B buyers to expect the same online shopping experiences from their suppliers. If you can create a smooth, customized, and memorable online purchasing experience for B2B customers, you can increase average order size, revenues, and loyalty. On the other hand, if your ecommerce site is confusing to navigate, doesn't provide helpful information, is out-of-date, or simply doesn't look professional, many potential B2B buyers will go to

How B2B customers research and make purchases



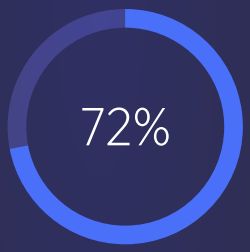
of B2B buyers perform research online



of industrial buyers find product by searching on Google

your competitor. Seventy-two percent of industrial buyers say a new supplier's website is the most important source for helping them decide whether to become a partner.

3. **B2B ecommerce is going mobile:** B2B ecommerce is increasingly occurring on mobile devices. According to research conducted by The Boston Consulting Group, 60% of B2B buyers say mobile plays a significant role in purchases. Other research reveals that 85% expect content on B2B sites to be optimized for mobile devices. In addition to building a mobile-responsive ecommerce site, you can use apps to handle merchandising, sales, order management, and customer service—making mobile shopping convenient for customers while saving yourself precious time and resources.
4. **B2B buyers shop in many different channels:** Distributors need to enable B2B customers to shop seamlessly across multiple channels—anytime and anywhere. Sixty percent of B2B buyers spend more when they interact with multiple channels, and they're more likely buy more products, buy more frequently, and be more loyal than single-channel offline buyers.



say a new supplier's website is important for helping them decide whether to be a partner

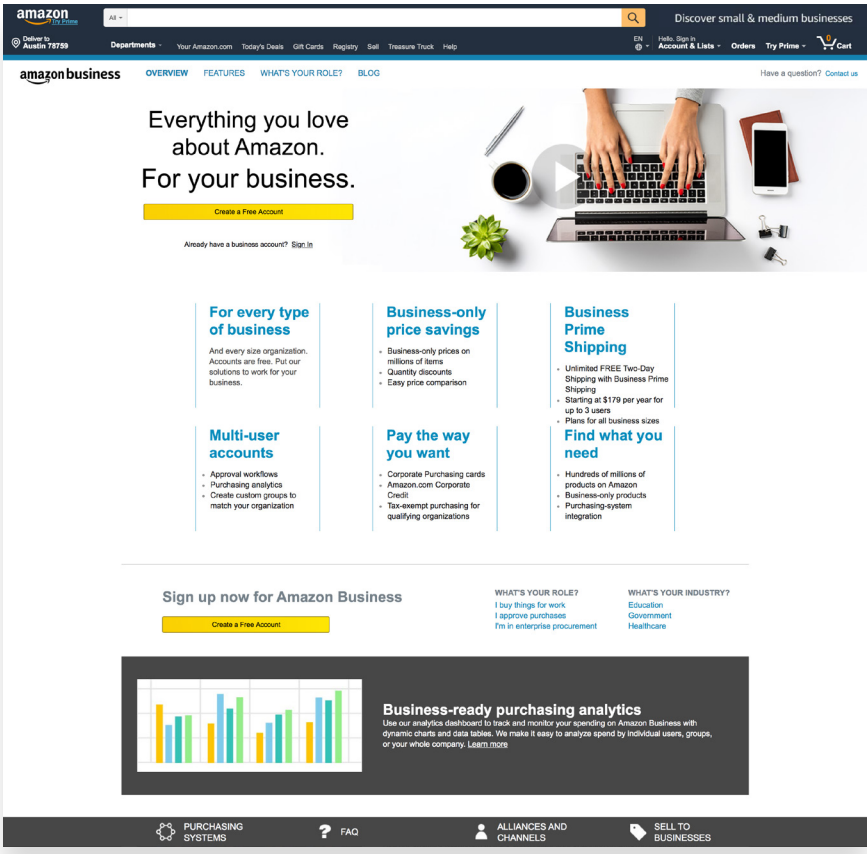
Even though corporate buyers are increasingly relying on digital channels for research, their need for salespeople is far from obsolete. Research by McKinsey & Company found that 76% of B2B buyers still find it helpful to speak to a salesperson when they are researching a new product of service. If distributors do not align the information provided via ecommerce channels and sales, this experience can be disruptive. However, ecommerce can also serve to empower the sales team, from checking product availability and pricing to placing an order and accepting online payments. The ability to access real-time information anywhere and at any time maximizes efficiency for both salespeople and customers.

The demands and expectations of the B2B buyer has shifted to align with their online retail buying expectations. Distributors who respond to these expectations and empower their sales team as a part of this buying experience will be more prepared to weather this market shift.

Amazon Business:
Potential Partner or Existential Threat?

As ecommerce transforms the way distributors do business in today's digital world, the titan of ecommerce—Amazon—has become a major force to be reckoned with in the industry. While known primarily for its online retail dominance, Amazon has become a B2B powerhouse in recent years as well. With the development of Amazon Business, the company threatens the very existence of some distributors, while others have seen great growth as a result of partnering with the ecommerce giant.

Before exploring whether Amazon Business is a threat to your business and, if so, what you can do to compete with the company, it's helpful to understand how Amazon Business began and its position in the marketplace.



A Brief History

The history of Amazon Business goes back to 2005 when Amazon acquired SmallParts.com, an appliance parts website. Amazon created its first B2B marketplace on the SmallParts.com platform and, in 2012, rebranded as AmazonSupply.

In 2015, the company launched Amazon Business to replace AmazonSupply, and remains focused on four main verticals: government, education, healthcare, and commercial. About half of the products listed on Amazon Business are sold from small- and medium-sized B2B brands.

Explosive Growth

Just like the retail side of the company, Amazon Business has expanded rapidly. Amazon Business generated more than $1 billion in sales in 2015—its first year of operation—and is on track to top $10 billion in sales this year. That would rank Amazon Business among the top twenty distributors in all of B2B ecommerce—in the span of just three years.

Amazon Business now serves more than one million business customers in the U.S., operates in six countries (U.S., United Kingdom, Germany, France, Japan, and India), offers B2B pricing on millions of products, and provides access to more than 85,000 business sellers.

As a distributor, you're probably wondering whether it's smart to sell on Amazon Business' marketplace or whether you should view Amazon Business as a threat to your company's survival. There isn't a definitive answer, so let's examine both the opportunity and the threat of Amazon Business for distributors.

The Opportunity

The Amazon Business marketplace gives distributors access to Amazon's immense customer base of over one million B2B buyers in the U.S., which is a key factor for many businesses. A recent survey by MDM found that more than a quarter of distributors sell, or would be willing to sell, all of their products on Amazon Business.

> ***more than 25%***
>
> *of distributors sell, or would be willing to sell, all of their products on Amazon Business.*

Distributors who partner with Amazon Business know that the company has cutting-edge technology and virtually unmatched supply chain capabilities. Plus, the marketplace is familiar to people with regular Amazon accounts, so it's easy to teach employees to use as well as train B2B buyers how to make purchases.

The emergence of Amazon Business has been good for some distributors as it has created an opportunity for growth. Some see it as a way to increase sales by expanding into markets and customers they wouldn't normally be able to reach through their traditional channels. Others note that selling on Amazon Business is a good way to unload excess inventory at a higher price and with less effort than selling to contractors.

Benefits of partnering with Amazon:

1. Expanding into new markets
2. Unloading excess inventory
3. Providing a familiar buying experience for Amazon customers

At least in the short-term, it's easy to see why some distributors would want to partner with Amazon Business. It's particularly attractive to minority and women-owned businesses because Amazon is not either of these and relies on qualified partners to meet the needs of customers—especially in the public-sector—who are required to make a certain percentage of their purchases with these types of suppliers.

Amazon Business is primarily focused on selling commoditized products—especially those that are easy to pack and ship. The company also tends to avoid selling more complex products that are common for many B2B businesses, so distributors who have the capabilities to sell specialized products have an opportunity to fulfill a need for Amazon Business.

According to Prentis Wilson, the VP of Amazon Business, the company has "a huge opportunity to apply technology to help simplify and reinvent the buying process and supplier discovery process that really can be done in a way that benefits everyone. I think we can really help accelerate suppliers in their ability to find and discover customers, and it can really reduce a lot of the cost inherent in trying to do that. We can make things easier for everyone, and I think there's just a lot of opportunity to apply technology in novel and unique ways that really help simplify that process."

Every distributor will have to make its own assessment, but it's undeniable that Amazon is an innovator. Each has to decide whether Amazon Business is a partner or a rival.

The Threat

For many distributors—especially those in industries with a large number of commoditized product sales—the Amazon threat is very real. In fact, MDM's recent survey discovered that over two-thirds of distributors view Amazon Business as a threat. Their top four concerns are Amazon Business' pricing (70%), fast order fulfillment (63%), exceptional user experience (59%), and wide variety of products (58%).

Top 4 Amazon Business features distributors see as a threat:

1. Pricing
2. Fast order fulfillment
3. Exceptional user experience
4. Wide variety of products

There are many risks to partnering with Amazon Business. Listing your products on the marketplace exposes a massive amount of detail about your transaction history that Amazon can analyze and leverage to one day start selling directly to your customers. The more success you have selling through Amazon, the more information you give the company about your product sales history, customers, service levels, and more.

If Amazon Business invites you to sell on its marketplace, you have to trust that Amazon won't someday use your transaction data to source your products directly from manufacturers. You're essentially betting on the goodwill of a distributor that is a division of the world's most cutthroat competitor.

Furthermore, Amazon Business owns the relationship with its end customers, so you are unable to market to or otherwise communicate with customers acquired through the Amazon Business marketplace. Losing the valuable direct relationship with customers can be deadly for your company, since customer relationships are the lifeblood of the distribution business.

Most large distributors have cost structures that make accepting Amazon's expensive fees difficult to swallow. When you couple that with the fact that you lose valuable customer data to a company that either competes with you today or could decide to compete with you in the future, partnering with Amazon Business can seem like a very bad strategy for your business in the both short- and long-term.

If you aren't sure whether Amazon Business poses a threat to your company, consider the following:

- **Compare products and pricing:** Is Amazon Business selling your products? Compare your product catalog with Amazon Business. How many of your products does the company sell? How does your pricing compare? How many sellers are there for each product? Are these comparisons changing over time? You can assess how hard Amazon is going after your industry and your products by tracking seller growth.
- **See if you're being watched:** You need to know what Amazon is up to, but you also need to know if the company is watching you as well. Monitor your website activity to see if Amazon or other competitors are scraping (indexing your product listings) your site and, if they are, have your IT team implement defensive measures to prevent it.
- **Check geographic coverage:** Many B2B industries are regional and, while Amazon Business is active throughout the U.S., its coverage isn't equally distributed. See how much overlap exists between your company's geographic coverage and Amazon's B2B presence in your area.

These factors will give your business insight into the likelihood that Amazon is currently—or may be planning on—targeting your products.

While we've examined the benefits of partnering with Amazon Business, it's also clear that the company poses a serious threat to distributors as well. Now let's explore how you can compete.

How to Compete with Amazon Business

If you want to compete with Amazon Business, you have to be proactive, aggressive, and focused on providing your customers with a shopping experience even Amazon can't replicate.

The first step is to have a clear understanding of your customer base. Whether it's communicating with them in person, over the phone, or through online surveys, you need to know everything about your customers. What are their needs and desires? What do they expect from you? What motivates them? What keeps them up at night? How could you improve your products? How could you improve your online shopping capabilities? How could you help them be more productive and profitable?

Once you thoroughly understand your customers, you can craft a strategy to meet their needs and expectations in ways that Amazon can't. After all, while competing with a customer-obsessed ecommerce company like Amazon isn't easy, many distributors have competitive differentiators they can leverage.

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Since Amazon is (mostly) a pure-play online seller, it can't match the capabilities of most distributors. For example, distributors with physical branch locations can enable customers to pick up products immediately. Other value-added services distributors provide include:

- Strong customer relationships built over years of personalized service
- Emergency delivery
- Exceptional phone support
- Product and industry experts to provide technical support
- A dedicated delivery fleet
- Customer-specific and private label products
- Training
- Renting equipment
- Engineering, fabrication, and configuration services
- Design services
- Repairs
- Long-term financing
- Consulting services

Ideally, you want to have a combination of highly effective online capabilities that drive sales along with offline capabilities that help you maintain strong relationships and provide value for customers. A business model that's difficult to digitize helps prevent your company from being vulnerable to ecommerce pure-plays like Amazon.

As you develop your online selling strategy and ecommerce capabilities, make sure you clearly understand what the shopping and buying process is like from your customers' perspective. Pretend you're a customer and shop from your own website. Document your ecommerce experience, including any purchase or delivery confirmation emails you receive. Then shop on Amazon Business and other competitors to see how your business compares.

There are a few specific actions you can take to be competitive in this quickly-evolving era of ecommerce distribution where Amazon Business continues to increase market share:

- **Identify your competitive differentiators:** Evaluate your products and services to identify which ones Amazon Business can't easily replicate, such as customer-specific products, products that require technical expertise, products that are difficult to deliver with a common carrier, products sold through consignment, fabrication and customization services, training, etc. Identifying your strengths and weaknesses will help you understand where it makes the most sense to invest resources and which capabilities you need to develop.
- **Perform in-depth customer research:** Comprehensive customer research can help you understand how your customers' needs and perceptions have changed or will likely change in the future. You're closer than Amazon Business is to your customers, so you can leverage your relationships to receive regular feedback on everything from their view of your differentiated services to the online shopping capabilities they value. Use the insights you gain to improve your products, services, and online capabilities, and then closely monitor any resulting changes to sales and revenue.
- **Build your online capabilities:** You need cutting-edge B2B ecommerce capabilities that are on par with Amazon Business and meet your customers' online shopping expectations. We will explore these capabilities in detail in the next section but, generally speaking, you need to use ecommerce technologies to more effectively market your business, sell your products, fulfill orders, and provide customer service online.

While you can't out-Amazon Amazon, you can make it difficult for Amazon Business to be a better distributor than you. The keys to success are aggressively developing your own B2B ecommerce capabilities and expanding the offline services you offer that are difficult for Amazon Business to digitize.

Now What?

Methodically evaluate the pros and cons of selling on Amazon Business to determine whether it makes more sense for your business to be a partner or a competitor. Remember that the short-term sales gains you may make on Amazon Business may not be worth exposing your valuable customer and transaction data that Amazon Business could one day use to sell direct to customers. Whatever you do, be as customer-obsessed as Amazon is so you can strengthen relationships, build loyalty, and ultimately increase revenues.

Now let's review the ecommerce capabilities you need to meet the online shopping expectations of B2B buyers.

B2B Ecommerce Capabilities

From different pricing tiers to special payment terms to custom quotes, business buyers have unique needs. Your ecommerce platform should empower your customers with tools and information to make shopping and buying from your business quick and easy. Make sure your ecommerce platform enables the following features and functionality.

Integrations

Integrating your ecommerce platform with your existing back-office systems—such as your ERP, PIM, CRM, OMS, and POS—is critical. In fact, 57% of B2B executives report that these integrations are a top technology need. Integrating systems enable you to automatically sync inventory, customers, orders, pricing, and other essential information so you can make your business more streamlined, efficient, and profitable.

Omnichannel sales

B2B buyers shop across numerous channels, so your ecommerce platform needs to enable you to sell everywhere while managing sales from a single hub. Integrating key tools allows you to sell on multiple channels and then automatically sync information back to a single inventory.

Mobile sales

Your online customers shop across different devices. They might research a product on their smartphone and then complete their purchase on a desktop later. As the mobile channel continues to see massive growth with B2B buyers, you want to ensure that your mobile shopping experience is just as enjoyable as your desktop experience. Your ecommerce platform should use responsive design to properly adjust to multiple devices and deliver a seamless customer experience across all touchpoints.

SEO

With 89% of B2B buyers using the internet during the research process, optimizing your ecommerce site to perform well in search results is extremely important for attracting prospects performing non-branded product searches at the beginning stage of their customer journey. Optimize everything from your homepage to product pages to resource content with key phrases that appeal to both the search engines and your customers. Your ecommerce platform should include SEO features and customization options that help you rank highly in search engines, such as using an optimized page structure, microdata, optimized URLs, 301 redirects, canonical elements, and site-wide HTTPS.

Advanced search capabilities

Many distributors have huge catalogs, so having tools that enable B2B buyers to quickly find products is essential to making their shopping experience more convenient. Faceted search enables shoppers to refine their search by selecting filters that return specific results based on everything from size to brand to color. Another key search capability is predictive search, which produces product suggestions based on shoppers entering the first few characters of a product in the search bar.

Restricted access

Based on your industry and business, you may want to allow only pre-registered customers to see certain content, products, and pricing, so your ecommerce platform should have built-in functionality that requires customers to register with a username and password before being able to access your entire site or certain areas of your site.

Customer-specific pricing

Personalizing pricing for different customers is important for all distributors. Your ecommerce platform should enable price lists that allow you to set different prices for any product in your catalog and let you assign them to specific customer groups. B2B customers expect customized pricing and will likely take their business elsewhere if they don't get it.

Bulk pricing

Since B2B buyers typically purchase products in bulk, you will likely want to offer discounts based on the total quantity they order. Your ecommerce platform should include a way to accommodate quantity thresholds that allow you to offer bulk pricing discounts.

Segmentation with customer groups

Distributors need to be able to classify customers into groups to be able to show them group-specific content, pricing, order requirements, payment options, promotions, shipping options, and more. Your ecommerce platform should enable you to customize your customers' shopping experience according to their profile selections.

Custom quotes

B2B buyers expect to be able to request a price quote for bulk orders, so your ecommerce platform should include a quoting tool that allows customers to initiate orders online after receiving your custom quote.

Reordering products

Many B2B buyers purchase the same products month after month, so providing them with a fast and easy reordering experience is critical. Your ecommerce platform should display your customers' recent orders and include an option to start a new order with the same products with one-click.

Payment options

B2B buyers purchase differently than B2C consumers, so it's important to offer a variety of online and offline payment methods to meet your customers' payment needs. Consider providing options like corporate accounts, purchase orders, credit cards, checks, net payment terms, and mobile wallets.

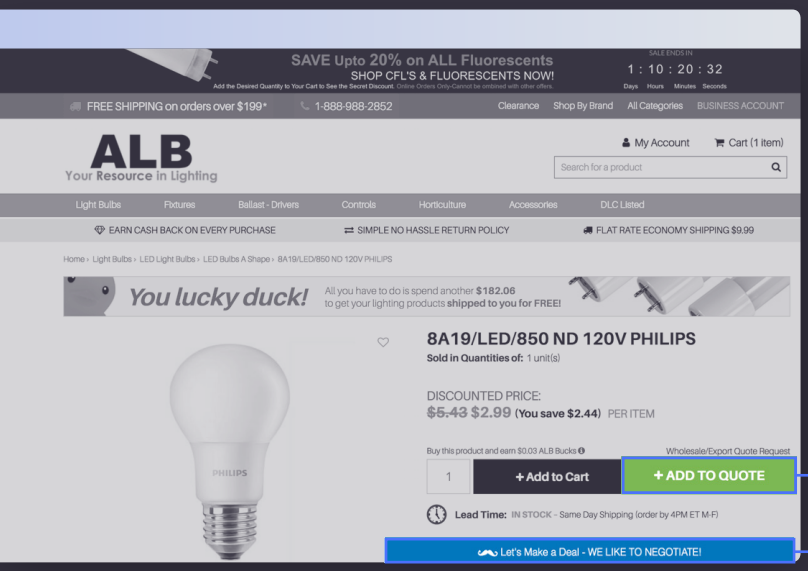
Purchasing approvals

Many businesses require multiple decision-makers to be involved in B2B purchases. Each person will have a different role in the company and may even live in different countries, so your ecommerce platform needs to be able to manage a complex digitized approval workflow to streamline the process of approving orders.

How Top Distributors Use B2B Ecommerce Features

Now that we've explored some important B2B ecommerce capabilities, let's highlight a few distributors that are leveraging these features on their website to improve the customer experience.

Atlanta Light Bulbs

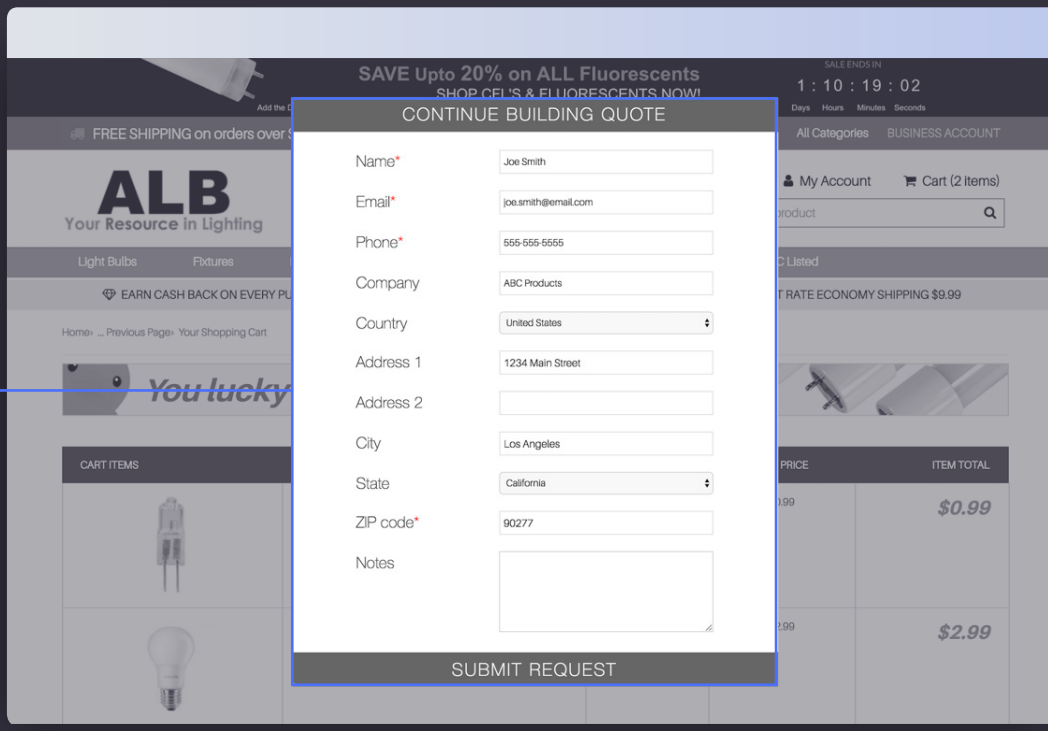


Atlanta Light Bulbs is a distributor of lighting products and has been selling online to commercial and industrial customers since 1999. The company enables B2B buyers to receive a detailed quote on its website or via a mobile app and provides an emailed checkout link to complete their purchase through the distributor's online shopping cart.

Quoting feature on product page.

Tool to negotiate pricing.

Enter contact information to receive a quote for any product.



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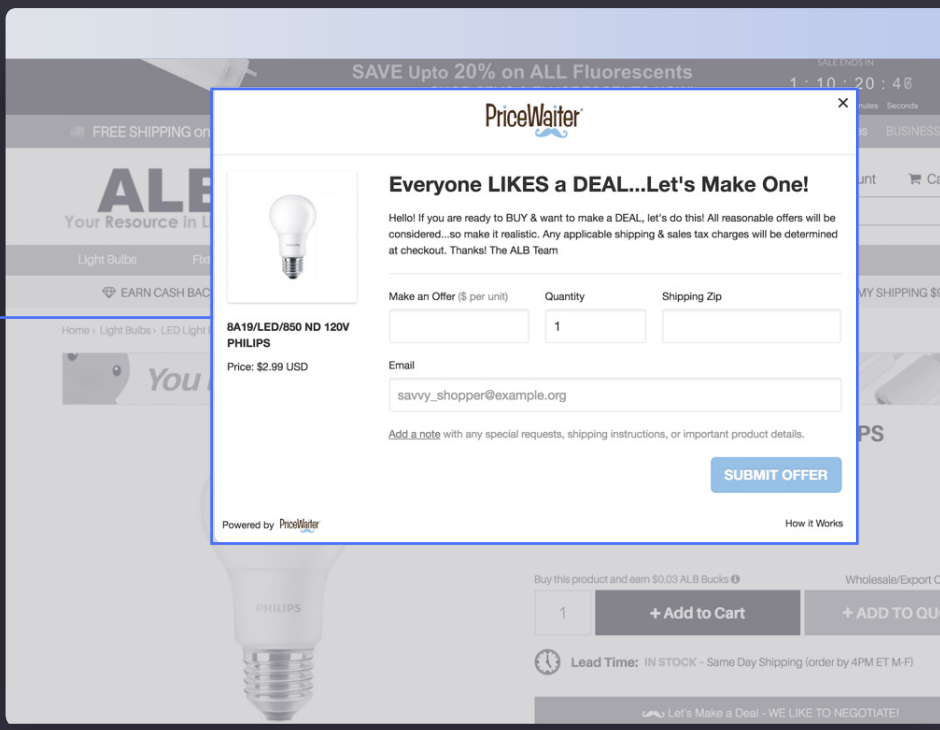
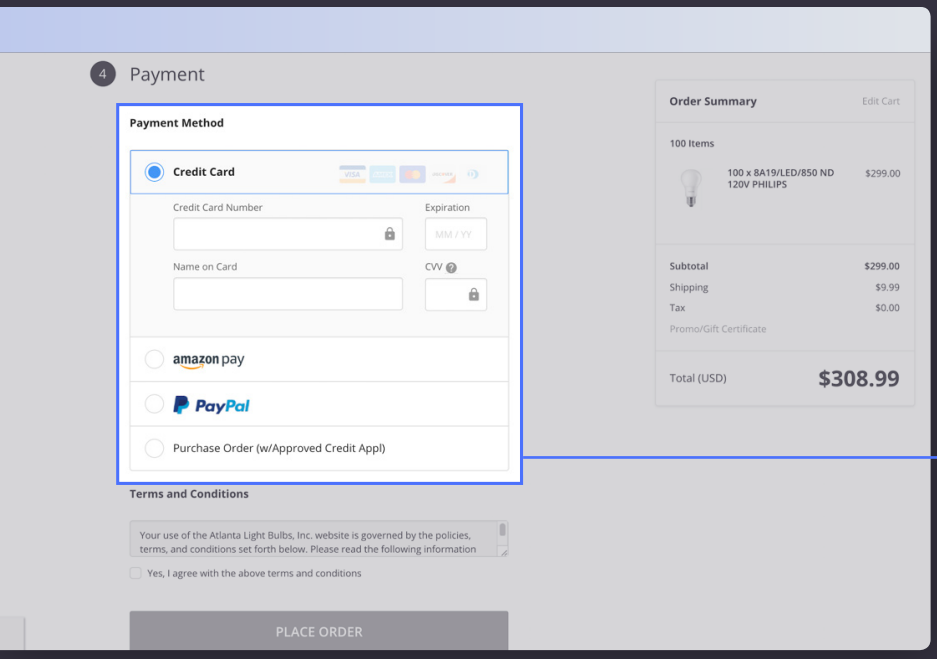
Atlanta Light Bulbs' ecommerce site also includes a tool that lets buyers negotiate with the company by calculating their order and submitting a price they are willing to pay.

Make an offer on a product.



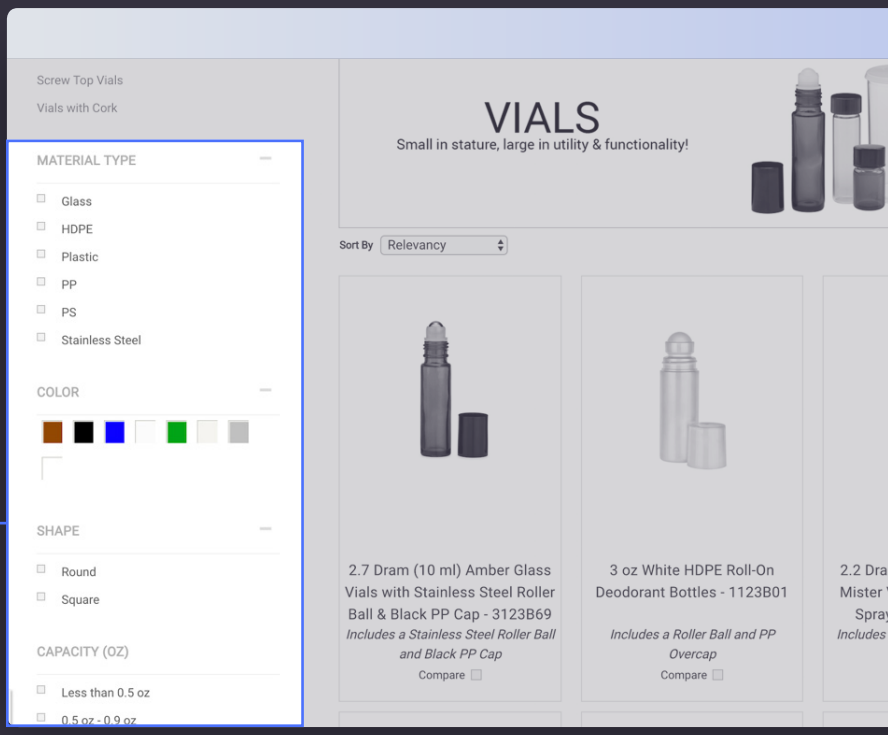


Atlanta Light Bulbs also gives B2B buyers several different payment options when they're ready to check out, including paying by credit card, Amazon Pay, PayPal, and purchase order.

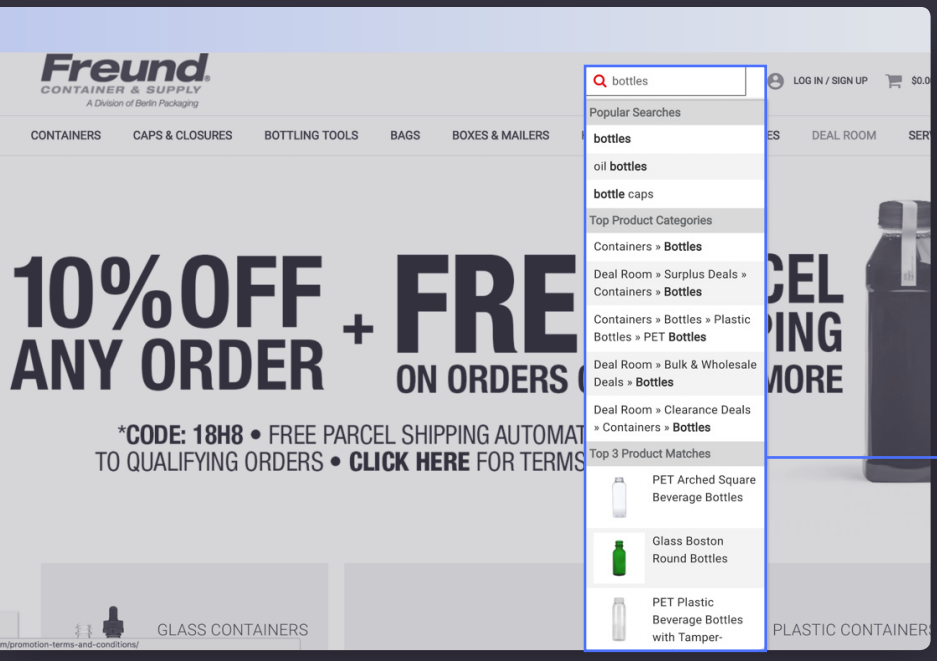
B2B buyers can choose from several different payment options.

Freund Container & Supply

Freund Container & Supply is one of the largest suppliers of containers and industrial supplies in the U.S. The company has a huge catalog but B2B buyers can quickly find products by using the site's faceted search and predictive search features.



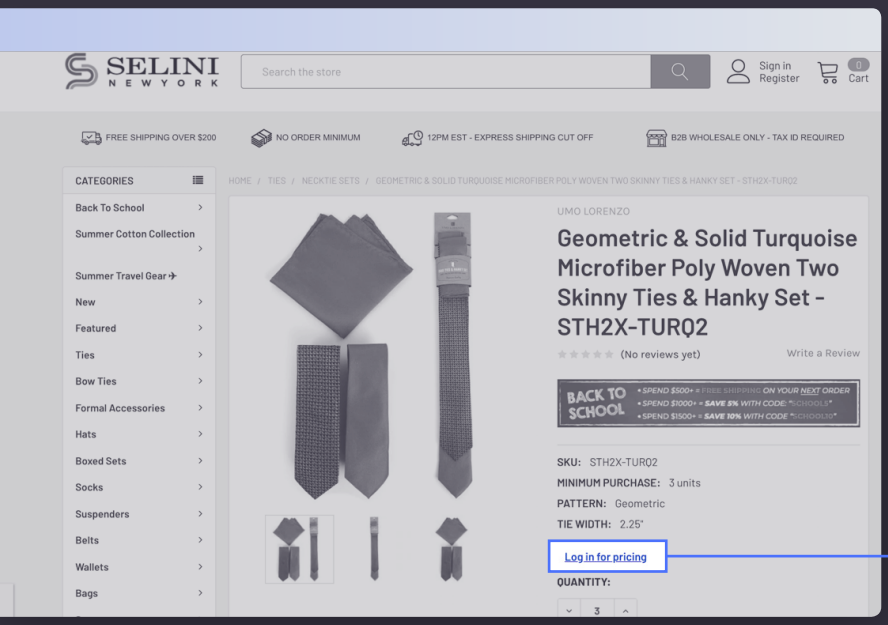
Use faceted search to filter results by material type, color, shape, and opacity.



A predictive search query provides suggestions based on popular searches, top categories, and the top 3 product matches.

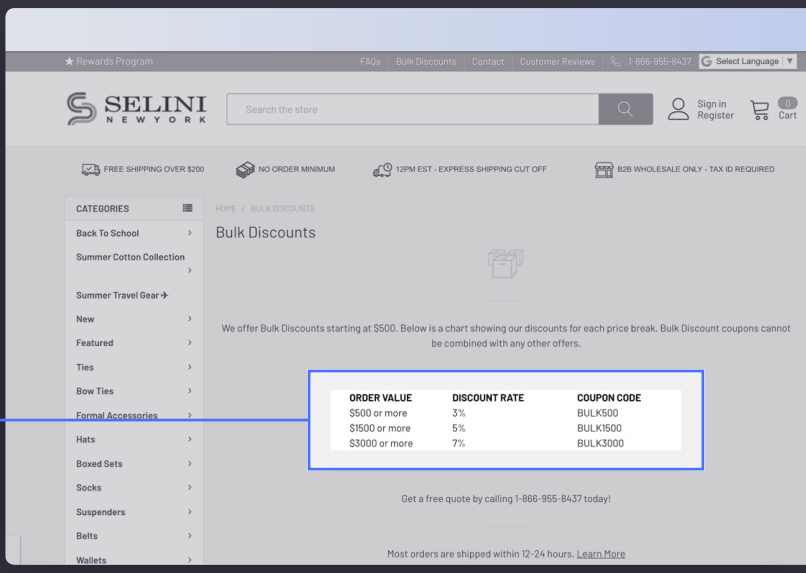
Selini New York

Selini New York is a B2B wholesaler that specializes in menswear and accessories. The company wants to show its full catalog to shoppers but doesn't want to show pricing to competitors, so customers have to log in to view pricing details.



Customers need to log in to view pricing.

Selini New York's ecommerce site enables bulk discounts for customers starting at $500, and includes a resource page that explains how bulk discounts work along with rates and coupon codes.



Bulk discount details.

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Final Thoughts

As a distributor, you need to analyze the Amazon Business threat and see whether you should consider partnering with Amazon or take the company head-on by utilizing your key competitive differentiators.

There isn't a one-size-fits-all answer, but we hope you got enough information in this white paper to help you decide whether it makes more sense to partner with Amazon or start providing B2B online shoppers with the type of experience they need to make your business the easier, faster, more convenient way to buy your products online.

Learn how your business can start selling more online with BigCommerce by **watching a B2B Product Tour** to see how you can enable the ecommerce features your customers want so you can increase their sales, keep them coming back, and boost revenue.