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10 BEST PRACTICES

FOR MANUFACTURERS AND WHOLESALE DISTRIBUTORS CONSIDERING AN ECOMMERCE WEBSITE

Proven steps manufacturers and wholesale distributors should take to ensure their ecommerce website becomes a revenue channel.

August 2013

SUMMARY

With the tremendous recent growth of business-to-business (B2B) ecommerce, manufacturers and wholesale distributors are considering adding an ecommerce store to their business strategy to create a new revenue stream.

CONSIDER THIS:

40% of B2B markerters will be dedicated to ecommerce for sales and marketing by 2014 (Predicted by B2B Magazine)

$559 billion in B2B ecommerce transactions compared to $229 billion for B2C websites in 2013 (Predicted by Forrester)

$1 trillion in expansion transaction volume by 2020 for each of these verticals (Predicted by Gartner)

132.2% in sales growth at Lafayette 148, a vertically structured apparel manufacturer, since since launching its ecommerce site; moving from $12 million to $27.9 million

The writing is on the wall: if you haven't already begun thinking about taking your business online, you run the risk of getting left behind and losing market share (if you're a competitor of Lafayette you might have already). Each manufacturing and distribution business has unique ecommerce requirements. It is imperative that you select the right technology to support your ecommerce goals, starting with the platform itself.

The best practices outlined in this paper are based on our company's extensive experience in the ecommerce industry and our knowledge of how manufacturing and wholesale distribution companies can leverage ecommerce opportunities.

[1] Internet Retailer Magazine, June 2012

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BEST PRACTICE #1

CHOOSE A CUSTOMIZABLE ECOMMERCE PLATFORM DESIGNED FOR YOUR BUSINESS

These platforms are highly flexible and scalable, and provide you with control over every aspect of the customer experience.

Your manufacturing or wholesale distribution business has very specific requirements for an ecommerce website and how it will function with your business. On top of that, your site must deliver on customer experience standards set in the business-to-consumer (B2C) arena. It's not easy. It's imperative for you to have the right ecommerce platform. While there are a wide range of ecommerce platforms available, they generally fall into two basic categories: SaaS/hosted and distributed/downloaded.

SaaS/hosted platforms (e.g. ProStores, Amazon Webstores, PinnacleCart) are relatively easy to deploy and manage, but are limiting in terms of customization and scaling. These web stores often look and feel generic because the online storeowners don't have the ability to effectively brand them or customize the user experience.

Znode platforms are

100%

customizable and fast to deploy.
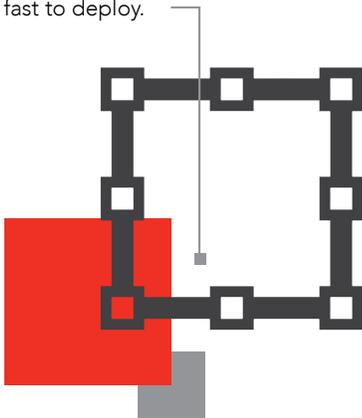
Large distributed platforms (e.g. Oracle ATS, IBM Websphere, Znode) on the other hand, are customizable. According to Gartner, approximately 45% of the Internet Retailer Top 500 in North America are running custom-built sites. In the extreme they can be heavy and complex, requiring highly skilled developers, long deployment times, and deep pockets. Enterprise businesses sometimes choose this type of platform because they believe that it is the only type that offers complete branding and customization, the inclusion of complex business rules, and integration with back office systems. However, there are huge differences between distributed platforms.

For mid- to large-size manufacturers and wholesale distributors, it's important to select an ecommerce platform that offers the best of both worlds without the drawbacks of either. For most that necessitates the ability for you to fully customize aspects of the site at a reasonable cost and with reasonable speed. These platforms are highly flexible and scalable, and provide you with control over every aspect of the customer experience. They also enable you to incorporate complex business rules and are capable of handling extremely heavy traffic loads. Since deployment time is minimal, the return on investment (ROI) on ecommerce platforms tends to be higher and much quicker than other types of ecommerce solutions. Critically, customizable code that is open to developers enables them to integrate easily with your ERP and other back-office systems. This ensures that you maximize the information from your other systems and that your ecommerce channel doesn't operate in a silo.

BEST PRACTICE #2

ENSURE THAT YOUR ECOMMERCE PLATFORM WILL DELIVER RAPID ROI AND LOW TCO

Platforms that include access to customizable code as well as proven templates offer much more flexibility, and are easier to deploy and integrate.

Znode customers typically see ROI in

90-120 days

As you would with any business system, look for an ecommerce platform with the proven ability to deliver a quick return on your company's investment. There's a lot riding on your choice of platform. With the typical implementation of enterprise ecommerce systems taking 12-18 months, it could be a very long time before you recoup that investment.

Platforms that include access to customizable code as well as proven templates offer much more flexibility, and are easier to deploy and integrate. In fact, they can often be implemented in 90-120 days.

Depending on your individual case, predicting potential ROI might be difficult. However, for evaluation purposes, calculating your Total Cost of Ownership (TCO) is much more straightforward.

CONSIDER THESE LINE ITEMS:

- Initial licensing cost
- Yearly maintenance fees
- Initial hardware costs (servers, network upgrades, etc.)
- Additional network costs (bandwidth)
- Implementation and integration costs (internal and outside resources)
- Additional staff costs (IT, marketing, etc.)
- Site graphic design and creative costs

In any event, if a software company can't demonstrate and quantify the value and time frame for their ecommerce platform to produce, then it's not worth considering.

BEST PRACTICE #3

HAVE MARKETING FULLY MANAGE YOUR ONLINE STORES

A non-managerial staff member from your marketing department should be able to create and fully manage the store without any assistance from IT.

Many organizations use IT staff or contractors to manage their online stores and channels. Often this is because their ecommerce platform requires very specific technical skills to use. This makes it difficult for marketing departments that are actually running the stores and dramatically slows the time to market. In addition, it cuts into profitability by using costly IT resources to manage a web store and draws IT talent and focus away from other more strategic corporate projects.

When you are considering opening an online store for your manufacturing/distribution business, look for an ecommerce platform that is built specifically for non-technical staff to manage. A non-managerial staff member from your marketing department should be able to create and fully manage the store without any assistance from IT.

AT A MINIMUM, THAT REQUIRES THE ABILITY TO ADDRESS THE FOLLOWING:

- Fully-brand the online store
- Manage the product catalog
- Set up promotions, marketing campaigns, and customer profiles
- View customer analytics and reports, etc.
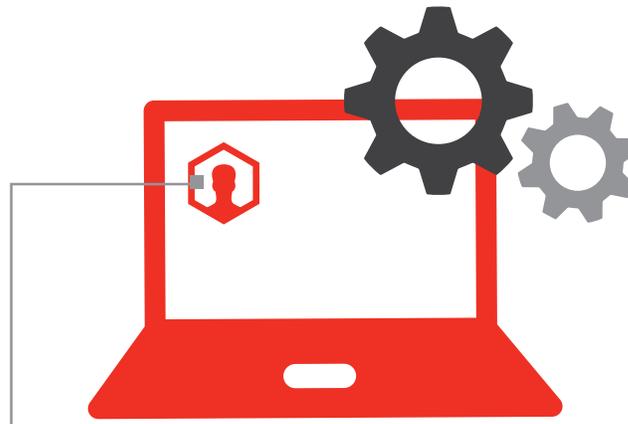
Manage multiple ecommerce stores from a **single, user-friendly admin interface.**

BEST PRACTICE #4

PERSONALIZE THE ENTIRE ONLINE CUSTOMER EXPERIENCE

Complex or not, if expectations aren't met, potential customers won't hesitate to click elsewhere.

In 2009, website personalization was predicted to be a trend in ecommerce[2]. Today that prediction is a reality. In fact, for a while, big online retailers like Amazon.com have been feeding customers relevant product suggestions while they shop—causing today's online shoppers to expect this type of personalized experience at every web store they visit. To meet these expectations, all website owners—including B2B—need to start delivering relevant customized experiences to visitors.

Meeting those expectations is not simplified by the complex nature of the B2B environment. From products to relationships to workflows to purchasing, the entire process in B2B is full of complexity that must be addressed. Multi-channel capability isn't a luxury, but a necessity. Complex or not, if expectations aren't met, potential customers won't hesitate to click elsewhere.

Recent advances in personalization technologies make it possible for ecommerce website owners of all sizes to customize numerous aspects of the customer experience and address the complexities of B2B transactions. For a manufacturer or wholesale distributor, this could mean recognizing customers the minute they enter your site. With the knowledge of what they bought from you in the past, how much they typically spend, what they are approved to spend, how long it's been since their last visit, if they left any items in the shopping cart, and many other data points. You can customize product suggestions, messaging, and offers specific to the customer. And it's all captured through integrated reporting and analytics. All of this leads to a more satisfying shopping experience for the customer, and increased conversions for your ecommerce business, and information to drive your business forward.

*Users are more likely to purchase if they receive a **personalized, relevant onsite experience.***

[2] http://www.deloitte.com/assets/DcomUnitedStates/Local%20Assets/Documents/RetailDistribution/us_retail_Mobile-Influence-Factor_062712.pdf, April 13, 2009.
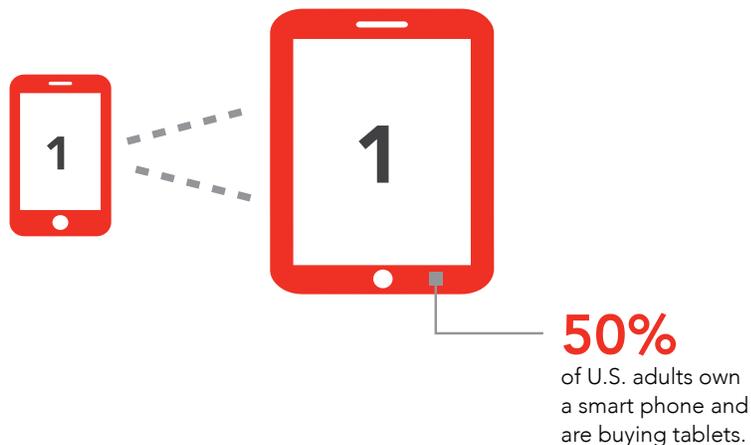
BEST PRACTICE #5

ENSURE ONLINE STORE COMPATIBILITY WITH MOBILE DEVICES

As a website owner, the best thing to do is look for an ecommerce website platform that enables your online store to be mobile-compatible.

Today, customers rely on mobile devices 24-7 to stay plugged in to work, home, and the world at large. Currently, roughly 50% of U.S. adults—over 100 million people—own a smartphone[3] and use them for everything from talking, texting, and sharing content, to shopping online for products for work and home. According to Forrester, in 2012 the number of U.S. online adults owning a tablet doubled to 19%[4] - and continues to increase. And again according to a Forrester report, "B2B industrial products distributor W.W. Grainger reported recently that nearly 50% of its mobile customers said they 'feel comfortable enough to start placing orders' on a mobile device."

To take advantage of this growing number of mobile customers your online store must be mobile-compatible. If customers access your store from a smartphone or tablet and your website isn't optimized for mobile, they'll have little reason to stay and browse. It's important to be sensitive to the limitations and nuances of how customers experience your site from a mobile device. As a website owner, the best thing to do is look for an ecommerce website platform that enables your online store to be mobile-compatible.

50%
of U.S. adults own
a smart phone and
are buying tablets.

[3]"State of Consumers and Technology Benchmark 2012, U.S.," Forrester Research, Jan. 2013.
[4]"The State Of Consumers And Technology: Benchmark 2012, US," Forrester, Jan. 2013.

BEST PRACTICE #6

LAUNCH YOUR ECOMMERCE WEBSITE WITH SOCIAL CAPABILITIES

"Customers are clamoring for new and easy ways to interact with the organizations they deal with…"[5]

By 2015,

50%
of web sales will come from a company's social presence and mobile platforms.

Manufacturers, wholesale distributors, and many other B2B companies have been slow to adopt social media, dismissing outlets such as Facebook, Twitter, YouTube, and even the business-oriented LinkedIn as having minimal relevance to their business. Gartner disagrees, stating "Customers are clamoring for new and easy ways to interact with the organizations they deal with, and no company should think itself immune to this new business dynamic." They [gartner] predict that by 2015, companies will generate 50% of their web sales through their social presence and mobile applications[5].

Knowing that, your company should have a presence on the major social media outlets, and your online store should contain the recognized branded icons that link your store to your company's pages. This creates a valuable fan-base for your marketing and public relations efforts. New customers that come to your ecommerce site through a fan recommendation deliver an average of 16% more value than customers obtained through traditional marketing[6].

The social capabilities of your ecommerce website should go beyond having links to your social media pages. Customers look for product reviews (also called social reviews and peer reviews) from other customers to help make their purchase decisions. One study found that 90% of customers trust reviews from people they know, and 70% trust online reviews from people they don't know[7]. Offering online customers the ability to write reviews on their purchases creates opportunities for the seller as well. First, asking for a product review gives you a reason to reach out to customers post-purchase. Second, social reviews provide you with a platform to correct misperceptions publicly and mitigate any problems quickly. For these reasons, it's important to ensure that your ecommerce website platform offers out-of-the-box social media integration.

[5] http://www.gartner.com/newsroom/id/1826814, Oct. 19, 2011.
[6] http://socialcommercetoday.com/how-to-calculate-fan-value-fan-economics-101, Nov. 1, 2011.
[7] http://www.deloitte.com/assets/DcomUnitedStates/Local%20Assets/Documents/RetailDistribution/us_retail_Mobile-Influence-Factor_062712.pdf, April 1, 2013.

BEST PRACTICE #7

INCLUDE DYNAMIC SITE SEARCH ON YOUR ECOMMERCE SITE

71% of online shoppers say that keyword searches help shape their online purchase decisions[9]

Today's online customers are savvy about search. After all, they've been using Internet search engines for nearly two decades. They expect to be able to find what they're looking for quickly and easily. In fact, when they go to an ecommerce website, 43% of them head directly to the search box rather than using the site's navigation[8] to find what they want. In addition, 71% of online shoppers say that keyword searches help shape their online purchase decisions[9]. If your ecommerce site doesn't offer high-quality dynamic site search functionality, you are disappointing customers and losing sales.

To offer customers the search experiences they expect, and for your ecommerce site to deliver the conversions you need, your ecommerce platform must have expected search features. Type-ahead technology (also referred to as suggested search) is one such feature. With a few keystrokes in the search box, relevant product names and keyword phrases are automatically displayed. This expedites the search, eliminates misspellings, and provides relevant search suggestions—moving customers more quickly down the purchase path.

Another important search functionality is the ability to search on full product descriptions. Without it, a customer searching with an incorrect product name or SKU will receive a false, frustrating "no results found" error. Your online store should also allow you to customize the search results page and manage rankings of the results. Being able to set search filtering options to favor specific products and attributes allows you to boost rankings of items targeted for inventory reduction.

A final search function that customers expect is faceted navigation – the ability to drill down through a product category based on product attributes, such as price, size, color, and so on. All of these search technologies are very accessible today. When combined, they enable you to deliver high quality, relevant customer experiences that lead to sales.

43%
of customers head directly to a search box.

SEARCH

[8] "New Study Results: Online Shopping Isn't Entertainment," Marketing Sherpa, 2007.
[9] "The Multi-Channel Shopping Transformation Study," eTailing Group, 2006.

BEST PRACTICE #8

BE ABLE TO SERVE GLOBAL AND ACT LOCAL

Customers everywhere expect your site to provide a culturally-correct customer experience.

One of the greatest challenges of serving global ecommerce customers is ensuring that they feel at home on your online store. Customers everywhere expect your site to speak their language, accept their currency, ship their purchases without hassle or delay, and provide a culturally-correct customer experience.

When you evaluate ecommerce platforms for your manufacturing/distribution ecommerce website, be sure to ask about localization/globalization capabilities. If your customer base includes international markets, your website should accommodate these shoppers by allowing them to select their native language. And it is critical that the site accepts their currency and apply appropriate taxes and shipping options during checkout.

A sophisticated ecommerce website, one that delivers the customer experience visitors expect, goes beyond these basics, and presents a culturally correct customer-centric shopping experience. Based on the customer's profile, it provides imagery and messages that are tailored to the customer's locale. It ensures that videos, product guides, and downloads from the site are localized. And it is sensitive to cultural preferences. When your ecommerce site delivers this type of personalized, relevant shopping experience, customers everywhere feel comfortable shopping and spending money at your store.

Customers expect you to **speak their language, accept their currency, and ship their purchases** without any hassles or delays.

BEST PRACTICE #9

SEGMENT CUSTOMERS AND RUN TARGETED PROMOTIONS

Increase sales and conversion opportunities by matching customers with relevant product and service suggestions, messages and promotions.

According to Pew Internet, the foremost authority on online consumer behavior, more than 58% of Americans research products and services online before they buy[10]. It is critical to know as much about them as you can before they land on your ecommerce site. Once they are there, you must continue to learn more about them and how they interact with the site. This allows you to dissect activity and build customer profiles. Armed with that information, you can anticipate activity and match customers with relevant product and service suggestions, messages and promotions.

All customers are multi-dimensional. To segment them effectively, you need to consider their attributes multi-dimensionally.

SOME ATTRIBUTE CATEGORIES YOU SHOULD CONSIDER ARE:

- Demographics – Age, gender, household income
- Geographics– Location of residence and place of work
- Psychographics – Roles in life, interests, attitudes, preferences
- Behavioral – Purchase history, online behavior and habits (e.g. purchase amounts, purchase frequency, cart abandons, etc.)

WHEN TARGETING BUSINESSES AND BUSINESS BUYERS, CONSIDER THE FOLLOWING:

- Type of business
- Size of business
- Location of operational facilities
- Company's relationship and purchase history
- Business partners you have in common

58%
of Americans research products and services online before they buy.

Segmenting customers in this way enables you to target them with specific messages, promotions and offers, and deliver relevant customer experiences— increasing the likelihood of conversion.

[10] Jansen, Jim. Online Product Research, Pew Internet, Sept. 29, 2010.

BEST PRACTICE #10

COLLECT AND ANALYZE ECOMMERCE BUSINESS INTELLIGENCE

The better you know your customers, the better you can serve them.

The better you know your customers, the better you can serve them; the better you serve them, the more they will reward you with initial purchases, repeat purchases, and referrals. This holds true for your ecommerce sales channel as much as your traditional sales channels.

Collecting and analyzing data from your ecommerce website can help you understand online customers' product preferences, buying habits, click paths, shopping cart behavior, price sensitivity, affinity for promotions, and much more. Utilizing the intelligence gathered by your website enables you to deliver more relevant experiences to every customer that enters your store. You can also fine-tune your marketing and search engine optimization (SEO) efforts and drive more traffic to your site.

Consider this example: a customer re-enters the online store of a light industrial manufacturer. The website recognizes him because he's been on the site before. During his last visit, he left a $3,000 air compressor in his shopping cart. With this knowledge the site presents a message about the item still in his cart and prompts him to complete the sale. If the customer fails to move to checkout, the site presents him with a promotion offering him 5% savings on his next order if he purchases today. If the customer still fails to move to checkout, or removes the item from his cart, the site presents him with product suggestions relevant to the product he abandoned. From these suggestions, the customer clicks on a $1,500 refurbished air compressor. After reviewing the product specs and peer reviews on the site, he moves to checkout and successfully completes the sales transaction.

Without data analytics, this could never have taken place—and the likelihood of conversion would be much lower.

Znode platforms offer **real-time, high-performance data analytics and reporting.**

RECAP

Below is a quick reference of the 10 best practices discussed in this paper. Keep it handy for when you are evaluating ecommerce platforms.

10 BEST PRACTICES FOR MANUFACTURERS AND WHOLESALE DISTRIBUTORS CONSIDERING AN ECOMMERCE WEBSITE:

1. Choose a platform designed for your business.
2. Ensure your ecommerce platform will deliver rapid value.
3. Select a platform that Marketing can manage without IT assistance.
4. Personalize the online customer experience.
5. Be compatible with mobile devices – it's critical.
6. Incorporate social capabilities.
7. Include dynamic site search.
8. Be able to serve global and act local.
9. Segment customers and run targeted promotions.
10. Learn from your site by collecting and analyzing data.

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Znode®, a Columbus, Ohio-based company has established itself as an industry leading ecommerce solution. Our highly flexible ecommerce platform enables businesses to easily build and manage rich, multi-store and multi-device ecommerce websites with a significantly higher ROI.

Znode is trusted by leading global brands including LoJack, Waste Management, Wawa, Channellock, Arbor Day Foundation, Sonos, Fechheimer (Berkshire Hathaway), and other B2B and B2C companies worldwide.

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