



DISTRIBUTION

# ECOMMERCE AND DISTRIBUTION:

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MAKING ONLINE SALES RELEVANT  
FOR WHOLESALE DISTRIBUTORS





## INTRODUCTION

For many, ecommerce or selling online means retail and consumer sales. But retail sales are only a small part of the potential of ecommerce.

That's why we wrote this book.

Forrester Research predicts that by 2013, businesses alone, not consumers, will purchase more than \$559 billion in goods and services online. That's more than double the spending by consumers. More than 85% of respondents in the distribution industry said they plan to improve their websites over the next 12 months. If you are among that group, do you have plans for ecommerce?

If you are still questioning the value of ecommerce for wholesale distribution, here's one statistic that should help clarify things:

As general consumers make online shopping and buying their default experience, consumers of wholesale distributors will do the same. That's a good thing for distributors: You have both consumers and businesses as your potential customers—both B2B and B2C.

With that in mind, your customers will expect retail-grade shopping experiences. Are you prepared to offer them that?

Ecommerce is no longer optional for distributors. It's an absolute requirement. If you fail to offer superior ecommerce options or fall behind, you're at risk of becoming irrelevant to your vendors and customers. If you take the lead, you have an opportunity to build highly relevant, targeted online solutions for your existing customers, and a significant opportunity to open up new channels and sell to new prospects and new markets.

In the next six chapters, we'll lay out the issues, the opportunities, and the approaches that distributors can use to build successful online sales while controlling costs and increasing customer and vendor engagement.

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## CHAPTER 1: THE DISTRIBUTOR ECOMMERCE DILEMMA: CAN WE SELL ONLINE? WHAT'S AT RISK IF WE DON'T?

For many, ecommerce means retail.

What you need to know is that's far from the whole picture of selling products online. Consumer buying is driving billions of dollars in retail sales. Business buying and procurement is also reaching new levels and are likely to surpass a half of a billion dollars in 2013.

Then why are distributors so hesitant about selling online?

The hesitancy may come because there are dangerous waters to navigate, such as channel conflict. These issues however are not absolute barriers. In fact, many vendors are beginning to require ecommerce options, or are switching to distributors who can provide sophisticated ecommerce services. Even distributors are getting into ecommerce. Are you waiting on the sidelines, watching distributors go direct to your vendors or customers?

Another reason you might be hesitant is because you need to figure out how you will actually implement an online sales strategy. Ecommerce software is not a one-size-fits-all solution—virtually any ecommerce software product can provide you with a shopping cart and supply the basic needs for retail sales. But, do those same basic features make sense for distributors? Is a shopping cart enough to meet the very different requirements of distributor direct sales? Are general market retail ecommerce solutions relevant to the needs of distributors?

It's very clear that the answer to all of these questions is NO.

Distributors are seeing an increased demand for making their products available for sale online. You need to remember, there is more to ecommerce than just setting up a storefront.

Some challenges placed  
before distributors include:

- Direct sales
- Vendor sales
- Private-label sales
- B2B sales



### **What are customers looking for from distribution ecommerce?**

Almost everyone is doing some degree of personal shopping and buying online. That experience is shaping how business buyers and procurement professionals want to shop and buy for their businesses. Consumers expect a fast, convenient, visually pleasing experience. What they don't necessarily need is a shopping cart.

For example, your distribution customers may be looking for ecommerce offerings that provide:

Custom stores and pricing just for them, offering their desired product mix, and their negotiated pricing and order quantities.

Hassle-free buying/checkout. You know your customers and you already have an existing relationship with them. Make the buying process as close to "one-click" for replenishment orders and you'll lock in customers.

Deep history, making it easy for your buyers to easily review their past purchases and quickly place that same or easily modified order. Put their typical orders front-and-center, and you make it even easier for them to buy.

The ability to skip the payment. Consumer/retail ecommerce is based on credit card or some other form of instant payment, but distribution ecommerce doesn't necessarily need or want this. If you have established a clear billing relationship, why make your buyer jump through hoops online? Conventional ecommerce systems may have no way of doing this. You need an ecommerce system that's relevant to your needs and the needs of your customers.



It's a mistake to imagine that retailers don't want their distributors to engage in ecommerce. It's true that they don't want competition from their distributors, but they are beginning to DEMAND integrated ecommerce solutions from their distribution partners.

Integrated ecommerce between retailers and distributors allows retailers to reduce their inventory carrying costs and allows fast access to the products that their customers want. In this way, retailers can increase their offerings AND profits while distributors see increased orders and more exclusive links to their customers.

The best ecommerce systems let your buyer find what they want so they can order it quickly. If you can help your customers to do that, you'll be more likely to hang onto them as the competitive marketplace tightens.

#### **Do retail ecommerce solutions work for distributors?**

Most enterprise-class ecommerce systems are designed with a very specific situation in mind—retail sales. It makes sense. There's plenty of money to be made in retail, and retail has traditionally led the way in ecommerce. Consumers have been driving more and more online sales. Consumers like the convenience and the ability to get the best value simply and easily.

Remember this: You aren't just selling to businesses! It's likely that you'll want to sell to consumers, too. Their expectations for shopping online are very high. You won't be able to get by with a simple order form.

The expectations of consumers and businesses require that any business that wants to sell online needs to have a sophisticated and professionally executed online "experience." The experience must include the ability to seamlessly search, compare, learn about, see, and buy your products.

A shopping cart is only the start. These basic ecommerce systems are designed for direct consumer sales. When you add in the complexities of needing to sell through multiple channels, to multiple buyers, and with multiple buying/sales and payment strategies, conventional solutions fall short.

Retail shopping carts only address a fraction of the needs of distributors, which tend to be more complex and varied.



## CONVENTIONAL ECOMMERCE SOLUTIONS

Shopping carts  
Simple, single-thread order processing  
Credit card  
Retail-style store front presentation  
Single presence

VS

## WHAT DISTRIBUTORS REALLY NEED

Everything that retailers need, plus:  
Detailed parts lists  
Vendor-specific offerings  
Complex order processing  
Credit card, purchase order, and alternate payment methods  
Retail storefronts/catalog presentations  
Vendor Managed Ecommerce™  
Distributed agent ecommerce  
... and much more

It's not just that distributors need a different feature set for their ecommerce solutions. From the feature list above, it may appear that distributors need several different and separate ecommerce solutions and strategies. While conventional systems may be designed to run massive online stores for periods of high-demand, they typically do not offer the ability to build and operate the different types of online sales strategies that distributors need from their ecommerce solutions.

The ideal distributor ecommerce solution should:

- Make it simple and inexpensive to scale and add new custom stores for new customers.
- Push the "order taking" function online and allow your staff to spend their time and resources bringing in new customers and increasing sales to existing ones.
- Allow for the creation of distributor-direct online consumer sales.
- Provide a separate and secure online buying experience for vendors.
- Allow for "private labeled" online distributor storefronts.
- Allow vendors and buyers direct access to the distributor's catalog inside their own ecommerce solution.
- Create and operate dozens (or hundreds) of local/regional/country or product category/brand/solution stores.
- Allow for Vendor Managed Ecommerce™ (VME) in which a distributor owns and operates online stores for their current and new vendors.
- Most important: Ecommerce solutions for distributors need to be easy to integrate into existing ERP systems and complement, not necessarily replace, existing embedded EDI solutions.



### **Benefiting from ecommerce with distributors.**

The benefits of ecommerce will not only come from your sales side. You will also have significant opportunities in linking your systems directly with your distributors. The same benefits that you will be offering to your customers should flow to you as a customer of your distributors.

In fact, a unique opportunity falls to distributors with powerful and flexible ecommerce capabilities: You may be able to provide ecommerce services to distributors who have not yet invested in systems for themselves. If you have the right solution in place, you can increase your distribution footprint by building private-label online stores for these distributors.

There are legal and logistical issues to be considered, but they're fairly well defined. The opportunities that arise when a distributor has the right ecommerce solution to offer to manufactures are difficult to pass up.

### **B2B distribution.**

Selling directly to businesses for their own use (not for resale) is becoming increasingly like consumer sales. While you may not wish to build an online store that is open to the general public; you may find significant benefits in building custom and private (requiring a login) online stores for your B2B customers.

What really makes this interesting and builds an opportunity for new levels of sales and profits is the shift from ordering to shopping. When your B2B buyer uses their private online store they become susceptible to the same mind-set as the consumer shopper, including bargain hunting and impulse buys. This is a new and very real opportunity for distributors, but it is different and will require more than just opening an online store. A retail-style online sale provides new opportunities for marketing and merchandising products.

Here's something to consider: The average wholesale distributor spends just half of what retailers do to promote their online sales. While you may not be trying to attract consumers, you will need to explore exactly what it will take to promote and encourage buying from your new online buyers AND to attract new customers.



### **Linking distribution ERP to ecommerce.**

Conventional, retail-oriented ecommerce typically requires extensive implementation, customization, and integration. Retailers already have the better part of two decades of experience with ecommerce and are accustomed to the costs and challenges of this type of ecommerce. This is a new area for distributors—many might see these costs as surprisingly high and many lack the experience to know what types of systems will best meet their needs.

At a minimum, the majority of distributors have been through the experience of implementing an ERP system and know the costs and headaches of a major IT initiative. It is understandable that many are reluctant to step into ecommerce. Most distributors have implemented and managed Electronic Data Interchange (EDI) for years. Ecommerce is a blend of conventional distributor sales and retail marketing; it requires a different set of skills.

This can be a complex undertaking for companies just getting into online sales, which is why one of the key qualities that distributors need to look for in an ecommerce system is the ease of integrating these systems with their existing ERP frameworks. Reducing the integration complexities greatly reduces implementation costs, time frames, shortens the learning curve, and increases speed to market.

### **What keeps you up at night?**

Distributors have been selling successfully for years, but ecommerce can appear to be both a threat and a mystery. It's also an incredible opportunity.

The unknowns are what keep most distributors up at night. It's what has kept many on the sidelines of ecommerce until now. Currently, ecommerce is more than unavoidable; it's a business requirement.

Rest easy! Implementing an enterprise ecommerce system doesn't have to be expensive or difficult. Not if you choose the right solution. On the other hand, it can get very expensive, very quickly if you try to shoehorn a strictly retail solution into your distribution systems.

Software is only part of the cost and time equation. How many of your resources will you have to tie up getting your ecommerce system customized and your online stores open? Many enterprise-class ecommerce systems can take up to 18 months to implement, even with experienced developers putting it in place.

**“If you ask those companies what keeps them up at night, they’ll give you a very simple answer. They’ll say we just want to ‘get it right.’ What they mean by ‘get it right’ is that ecommerce is an effective channel for them to sell a product through. It’s stable, there’s good up time, there’s a good customer experience, and the transactions are secure. And it doesn’t take undue amount of internal resources that they may or may not have.”**

Chris Fletcher, Gartner Analyst





Far too many ecommerce platforms appear to be a “build your own solution!” Why should you build your own? You’re not an expert in ecommerce. You need a solution that comes from someone who clearly understands the needs of distributors and already has the proper capabilities built in.

If you expect to get any sleep, you need a solution that is relatively inexpensive, easy to implement, that demonstrates the capabilities that distributors need, and comes from a trusted source.

Many ecommerce systems can take up to 18 months—and a stable of experienced developers—to get up and running.

#### **The distributor’s ecommerce checklist.**

Distributors don’t have to settle for a generic, one-size-fits-all ecommerce solution. In fact, they should demand a solution that is tailored to their needs, and not let someone else set the agenda.

Distributors need to be clear about what’s needed from an ecommerce solution. Here’s a checklist to review:

### DISTRIBUTOR’S ECOMMERCE CHECKLIST

- |                                                                  |                                                                       |                                                                  |
|------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Relevant to distributor requirements    | <input type="checkbox"/> Private-label branding options               | <input type="checkbox"/> Implementation support available        |
| <input type="checkbox"/> Easy to implement                       | <input type="checkbox"/> Vendor-managed features                      | <input type="checkbox"/> Secure                                  |
| <input type="checkbox"/> Affordable                              | <input type="checkbox"/> Fast time to market spin-up                  | <input type="checkbox"/> From trusted, experienced source        |
| <input type="checkbox"/> Allows for multiple, custom storefronts | <input type="checkbox"/> Easy to integrate with ERP and other systems | <input type="checkbox"/> Customer managed ecommerce capabilities |

#### **Up Next In [Chapter 2: Pricing And Channel Conflict: Unique Challenges For Distributor Ecommerce And Online Sales.](#)**

Are worries about channel conflict holding you back from moving strongly into online sales? In Chapter 2, we’ll review the issues and lay out a path that will help you avoid conflict and strengthen your existing vendor relationships.



## CHAPTER 2 PRICING AND CHANNEL CONFLICT: UNIQUE CHALLENGES FOR DISTRIBUTOR ECOMMERCE AND ONLINE SALES.

One of the biggest and most troubling topics that keep distributors from moving into or expanding their ecommerce efforts is channel conflict.

As a distributor, you have (and may wish to keep) established sales channels. Your vendors and manufacturers are comfortable with these channels and cautious of anything that might appear disruptive. Vendors face their own competitive issues, and the last thing they want it to do is to add their distributors to their list of competitors.

Channel conflict is a consideration for any distributor-based ecommerce initiative, but it doesn't necessarily have to be a limiting factor. Distributors can succeed with online sales if they approach the opportunity carefully and creatively. You just need to be equipped with the right tools to help you achieve your goals as well as manage channel stresses.

### **What's the worst that could happen?**

If you go into competition with your vendors and you don't have a lock on a product line that they can only get from you, they may drop you—that's the fear. There is always the fear that branded distributors will cut you out and go direct to retailers and customers on their own.

If you open an online store without consideration for channel conflict, you may be setting yourself up for some difficult meetings and conversations at best.

Why go into competition with your customers? You can create online sales opportunities without directly competing with your established and successful sales channels. Channel conflict isn't inevitable when distributors enter online sales, but it can be damaging if ignored or disregarded.

Five years ago, online sales accounted for about 9% of revenue at Allied Electronics, a distributor of electronic components. Today it's up to 41%!

- Internet Retailer Magazine, March 2012



**“We can’t do online sales! Our customers would drop us!”**

That’s the threat, the sword hanging over your head, isn’t it? Channel conflict doesn’t have to be the sole limiting factor that keeps a distributor out of the incredible potential of opening new channels online.

That’s the key: Online is not a single channel. Ecommerce is simply another medium. It’s like saying, “I can’t accept orders via fax.” While you may not be able to open a big store with your brand name directly across the street from an existing customer without endangering your relationship, you might be able to reach potential new customers in other ways. There are ways that don’t overly anger your current customer base.

If you approach ecommerce as a single, all-or-nothing approach and just open an online outlet, you need to be aware of the potential friction it may cause with your existing customers.

An online store is only one option for distributors.

**One more conflict: The invisible channel.**

Many distributors tiptoe into ecommerce and start by setting up a separate online sales system and organization. Many consider this to be the “safe” approach. But what these distributors quickly find out is that their success at online sales often comes into direct conflict with their existing internal sales efforts. That creates a “squeeze” with your sales team and a potential level of discontent and heel-dragging that can slow your overall efforts.

Having a separate online sales effort is rarely as productive as approaching online sales as an integrated, essential part of your sales and service. If you make your sales team a part of your online sales systems, you are more likely to benefit from the synergy of removing tedious tasks from your salespeople and allow them to do what they do best: Focus on the customer relationships and expand your overall sales.



An online store is only one option for distributors.





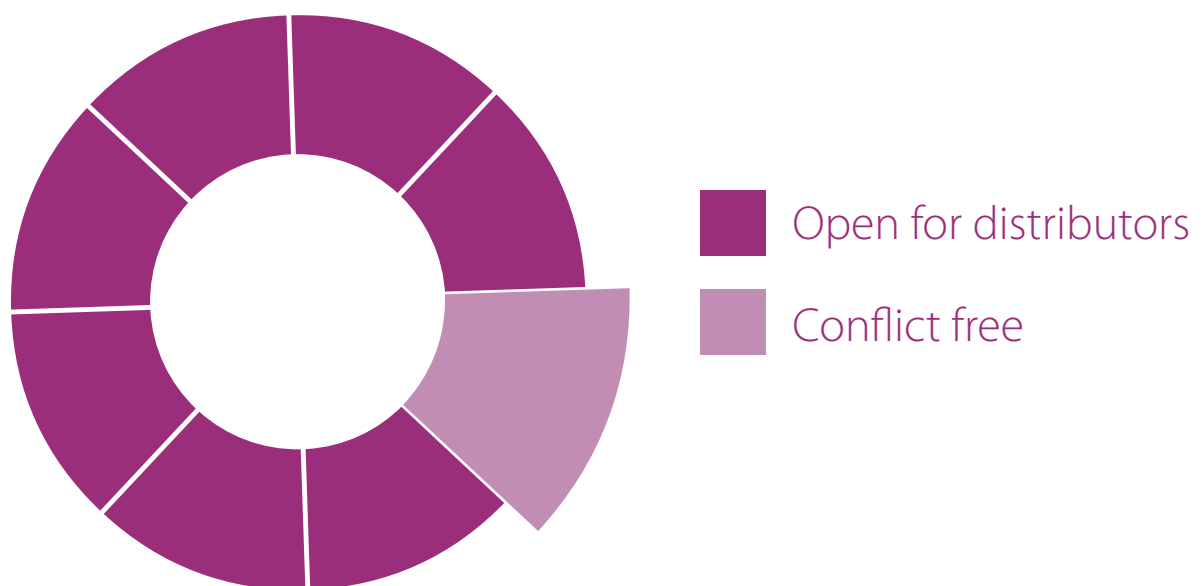
### Are there online sales options for distributors?

Many different options and potential channels for distributors exist to explore online. They include:

- Create specialized online stores with password access direct to vendors. Think of them as online catalogs, but customized for specific vendor purchases.
- Create several new brands with a focused product selection and sell it direct online.
- Create private-label stores for new vendors. For example, specialized online stores for organizations to sell to within their own community—such as universities selling to students and alumni.
- Open regional stores where you're not represented by vendors, including new countries.
- Vendor Managed Ecommerce™—Create sites that emulate the customer's online stores where you maintain the same look and feel while lessening the customer burden of maintenance and management of products.
- Implement Online Franchising Ecommerce.
- Roll-out Distributed Agent Ecommerce.

Any of the above types of stores can circumvent the problems of channel conflict. Savvy distributors are doing a combination of the above, or even ALL of the above as the most effective approaches. It doesn't all have to be initiated all at once, but can be built out over time with the right strategic approach.

It's complex enough for most organizations to build and manage a single online offering. Distributors need simple and inexpensive solutions that allow them to create and manage many different channels.



**An ecommerce solution for distributors.**

If an ecommerce solution is difficult to implement and results in a single online store, it's not going to meet your needs as a distributor. You need an ecommerce framework designed with distributors in mind—one that allows the building of more than just a single online store. You need a solution that can help you to build new channels and entire new marketplaces.

You need a solution that allows you to easily customize an online store—one that allows you to work directly with your vendors and distributors and integrate more closely into their systems. Along with that, you need an ecommerce system that can be implemented quickly and affordably.

**Up Next In [Chapter 3: Ignore The Sticker Price: Calculating The True Costs of Enterprise-Level Ecommerce.](#)**

Return On Investment (ROI) is easy to calculate in hindsight, but almost impossible to accurately predict for a completely new venture. What you can calculate is the Total Cost of Ownership (TCO) and that number will reveal the true costs and opportunities of implementing ecommerce.



## CHAPTER 3: IGNORE THE STICKER PRICE: CALCULATING THE TRUE COSTS OF ENTERPRISE-LEVEL ECOMMERCE.

You've probably heard the phrase, "It's not how much you spend—it's how much you can make." Someone who wanted you to spend a LOT of money probably said that.

An enterprise IT project, like ecommerce, can become expensive without a strategy. You might find yourself in a lot of discussions about Return On Investment (ROI). For distributors, especially those who have not had broad experience in online selling, the ROI question is really more of a guess.

It does matter how much you spend. Even with very good margins, you might never break even if you spend too much money and too much time implementing a costly system. With the typical implementation time of enterprise ecommerce systems being 12 to 18 months, you might have to wait a very long time before even thinking about your return on that investment.

For the most part, you can only calculate ROI in hindsight. A better calculation, a more revealing one, is a focus on the Total Cost of Ownership (TCO) of a new ecommerce system and effort. Those are numbers that can be known. A careful look shines a revealing spotlight on the costs and opportunities of ecommerce implementation.

### **The elements of ecommerce TCO.**

TCO isn't just about the cost of licensing and maintenance for ecommerce software.

Below are recommended line items to help calculate your TCO:

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



### **What your TCO means.**

This calculation will get you close to the cost of one online store. For distributors, the calculation is more complex. You will need to multiply the total by the number of online sales channels required (direct, private-label, vendor-support, etc). You may find some reduction in cost as you learn how to design and open stores, but the additional software licensing costs alone may make this single calculation representative of your marginal cost per new online store.

For many, the time to implement enterprise-grade ecommerce solutions is somewhere between 9 and 18 months. That means your costs need to be calculated over the total implementation time frame before you go live and start making the first sale.

A year and a half, frankly, is an unreasonably long time to implement an ecommerce system. The length of the implementation alone makes it very difficult to even achieve a full return on your initial investment. The sheer length of the implementation virtually assures delays and additional costs. It's not unusual for IT projects of this length to never be completed at all.

Your TCO for following years can be less, but plan on additional costs to upgrade software (minor) every year with major upgrades or replacement costs every 3 to 5 years.

If you make this calculation for the available ecommerce options, you might see some unexpectedly high numbers.

Don't worry; it's not how much you spend. Right?

**Recommended:**  
Look for an ecommerce solution that can be implemented in less than 120 days to reduce TCO.



### **Reducing TCO for implementation.**

There are two proven ways to reduce the TCO for ecommerce implementations: Reduce the acquisition costs for the software AND reduce the implementation costs and time frames.

The ideal solutions are highly relevant to the industry, low cost, simple, and fast to implement. They have low additional costs for multiple store implementations as well. These ideal systems also have a better TCO calculation, both by keeping the investment part of the equation low AND by being able to move rapidly into use. A short implementation time improves the chances of achieving 100% ROI long before other systems could be fully implemented.

Do it right and you'll be reaping returns while others are still "investing!"

### **How can "free" actually cost more?**

The acquisition cost for ecommerce software is only part of the TCO calculation. That's why you have to question the true cost of "free" solutions.

If a vendor is telling you that their software is free, look closely at the implementation costs and additional charges. Many free solutions do not include the features that distributors require and call them "add-ons," which can carry additional costs.

A "free" solution can quickly become a very expensive one.

Here's something to keep in mind:

- Systems that are both very expensive to acquire and that take a long time period to implement using costly resources have a very high TCO.
- Systems that have low or zero acquisition costs but have long and expensive implementation costs, still have a high TCO.
- Systems that only supply a bare-bones system and require significant costs for "add-ons" can have a high TCO.

**Recommended:**  
Select an ecommerce solution that has a lower acquisition cost, lower implementation costs, and, perhaps most important, rapid implementation capabilities.





### **The other side of the equation: Revenue opportunities for distributor ecommerce.**

An accurate TCO calculation is critical, but it's equally important to estimate the opportunities and revenue that creating a strong ecommerce presence for your organization can generate. A calculation of the opportunity benefit may be more useful than a guess at ROI, especially when you've already calculated TCO. One way to improve the accuracy is to meet with your current customers, and create custom ecommerce solutions with them. You can gauge their projected purchases, perhaps even displacing your competition by creating closer ties and greater economies of scale for your buyers. These projections can be used to balance the expense of creating your online sales systems.

To calculate your opportunities, you'll need to consider:

- **Revenue:** What are the potential sales that could result from a strong ecommerce offering?
- **Awareness and marketing:** What would the wider awareness of your organization do for your sales in other channels? Broader awareness means higher brand value.
- **Partner strengthening:** You have costs associated with maintaining your partner and vendor relationships. With a strong ecommerce offering you could both reduce those costs and potentially increase sales to those partners. What is the value of that?
- **Future positioning:** Distributors are also unseen, invisible to the consumer. By taking an active role online, you may be able to position your organization and your brands for stronger future sales and opportunities.

Online sales mean a more public, visible role for distributors. This opportunity alone may offset the costs of your initial ecommerce implementation.

### **Why distributor ecommerce TCO is different from retail TCO.**

Retailers have nearly two decades of ecommerce experience. Ecommerce software companies, for the most part, have experience selling ecommerce solutions to retailers. That creates a cozy, well-understood marketplace for retailers.

This does not address the needs of distributors very well.

Retailers will often calculate their TCO based on their previous ecommerce implementation experiences. They know where they can directly reduce costs and speed up implementation times. Most retailers have highly experienced ecommerce departments. Distributors, for the most part, have very limited expertise in large-scale ecommerce implementation. Here's the key factor that makes the TCO calculation different for retailers: They typically only need a single online store. They have only one way of selling—direct to consumers.



Distributors need multiple online sales channels. Each channel requires at least one store, and some channels will require multiple stores. Does this mean that costs for distributors will be higher than costs for retail ecommerce? Not at all. It simply means that distributors need to carefully select solutions that do not dramatically multiply costs for each additional channel needed.

Distributors need solutions that can be acquired for lower costs.

**The bottom line.**

Distributors need solutions that can be acquired for lower costs, are relatively easy to implement, can be implemented very quickly, and offer the ability to create and maintain multiple, custom online options, designed for separate channel needs.



**Up Next In Chapter 4: Rapid Speed To Market: The Crucial Competitive Advantage for Distributors.**

Enterprise-grade ecommerce systems can be very complex. Many organizations plan on a 9 to 18 months schedule to roll out a new ecommerce offering. That adds to the costs and means missed opportunities in the market.

If you can implement faster (much faster) and at a lower cost, you can dramatically increase your returns and take advantage of opportunities that others have to pass up.



## CHAPTER 4: RAPID SPEED TO MARKET: THE CRUCIAL COMPETITIVE ADVANTAGE FOR DISTRIBUTORS.

Enterprise-level ecommerce systems can be complex and difficult to implement, but the opportunities that ecommerce offers to distributors is NOW.

So here's the real question: How fast can you implement the right online solution? When any organization makes the decision to enter the world of ecommerce, they typically do so with one stark realization:

**We should have done this a long time ago.**

The typical enterprise-level ecommerce implementation can take up to 18 months—a full year and a half. That is a long and expensive process before you can make your first sale. In today's rapid-paced marketplace, that means many missed opportunities before you even "open the doors" to your online sales channels. Yes, you want it yesterday, but what is a realistic time frame for distribution ecommerce implementation?

Let's ask that another way: What can you gain by speeding up implementation and getting to market faster?

### **The clock is ticking and time is money.**

Restaurateurs accept the fact they begin losing money the moment ground is broken until they open for business. With every tick of the clock, money is being spent, resources are being burned, and no income is taken in. Time is literally money.

It's a useful way of thinking about ecommerce implementation, too. Restaurants have to complete the setup the and get everything right, but every delay adds to the costs and makes your chances of earning back what you've spent more and more unlikely. That's why restaurants choose to spend more to speed their launch, to get the doors open. This same concept works for online stores and sales. A long, expensive implementation effort is a period of spending money and taking nothing in. You must remember this: The longer the implementation, the higher the costs and the greater the likelihood of project failure.

The faster your ecommerce system is up and running, the faster you'll start making money.  
**So speed is essential.**



### **Are you missing out on big opportunities?**

As a distributor, you have some significant opportunities in front of you that could benefit if you had strong ecommerce capabilities today. That's why you have to ask yourself:

1. Will these opportunities still be here tomorrow?
2. What revenue are you foregoing because you don't have the right ecommerce capabilities?

The bigger questions include: Where are your competitors in the decision process? How long before they begin erecting significant competitive barriers to you and others who don't yet have significant ecommerce capabilities? And it's not just these opportunities. Are your competitors waiting or delaying?

Your opportunities could include:

- Enable vendors to sell online in ways they currently can't
- Direct-to-consumer sales
- Outlet sales (refurb, seconds, and discounted stock)
- Vendor lock-in strategies with "Vendor Managed Inventory (VME)"
- Specialized online catalogs for vendors and B2B opportunities
- New trend identification and capitalization
- Seasonal sales
- ...and many more

### **How long does it typically take to implement ecommerce?**

If you ask the software vendors, you'll get one set of numbers of how long it takes. If you ask the industry analysts and the actual organizations who implemented these systems, you'll get a much more accurate set of numbers.

Here's what they'll tell you: Large scale, enterprise ecommerce can take up to 18 months to implement with professional outside assistance.



Why does it take so long to implement those systems? For the most part, the excessive time is due to the difficulty of integrating complex ecommerce systems with ERP and other systems; and to build and design the online store and workflow. Most enterprise-grade systems are not really systems at all. What they really are is a collection of tools and frameworks that an organization can use to BUILD their own ecommerce system.

That means it's big, complex, and not that easy to get up and running quickly. These solutions can result in robust ecommerce systems, but they do so at a very high cost and a very long implementation window.

### **Can it be done faster?**

Yes it can. In order to implement faster, you'll need to select an ecommerce platform that has done most of the heavy lifting for you. You'll need something that's more than just a toolkit and framework. You'll need something that your non-technical marketing staff can easily administer on their own after a short technical implementation period.

Most importantly, you'll need an ecommerce system that is relevant to the needs of distributors—one that can help you build and operate many separate online strategies. The ecommerce platform you need should be up and running in 90 to 120 days—a significant improvement over the typical 18-month window. Selecting a system that can be rapidly implemented improves your ability to shift from investing and spending to making sales and collecting profits.

Most enterprise ecommerce systems are really a set of complex tools that force companies to build their own systems. Distributors should seek turnkey systems that enable them to get up and running quickly.

### **What are the benefits of speed to market?**

A rapid ecommerce implementation does not necessarily mean that you are cutting corners or giving up on crucial capabilities. Rapid speed to market can reduce the risks associated with a long and drawn out implementation, including management and market changes that can happen in 18 months.

Rapid speed to market allows you to:

- The ability to experiment, learn, and re-implement. You could be on the third round of improvements in less time than it takes others to get the first version completed.
- Build alternatives. All-or-nothing is not a strong ecommerce strategy.
- More partnerships. Your vendors will be more willing to join into your ecommerce offerings if they can do so quickly and easily. Few are interested in waiting until "sometime late next year."
- More maneuverability over competitors. When you can enter a market or channel faster than your competitors, you'll gain the first mover advantage and possibly be able to erect barriers against their entry.
- And most critical—an overall lowering of implementation costs.



Fast is not just a good thing online—it's expected. The rapid pace of change in the online world has trained consumers to expect and require fast changes. They want days, not weeks and months. If they need something that you can't provide until a year from now, you may be out of luck.

Your buyers are also consumers themselves. They no longer want to wait for months for you to enter markets. They want solutions and access NOW. Their consumer mind-set carries over into their business buying and they want the same experience. Fast, nimble, and responsive ecommerce is virtually a requirement for distributors.

If you want to control your costs, assure your success with your ecommerce implementation, and give yourself a significant competitive advantage, look for an ecommerce solution that is both relevant to your needs as a distributor AND can be implemented swiftly.

Slow and steady is over. It's fast and RIGHT that wins today.

**Up Next In Chapter 5: Locking In Vendors With Superior Ecommerce Capabilities For Distributors.**

Distributors have a set of unique opportunities in implementing ecommerce. Instead of a simple online store to sell direct to consumers, distributors can also implement ecommerce options that help them to support their vendors and channel partners and tie them into closer, longer-lasting relationships. Learn how Vendor Managed Ecommerce™ (VME) can become your most effective channel partner tool.



## CHAPTER 5: LOCKING IN VENDORS WITH SUPERIOR ECOMMERCE CAPABILITIES FOR DISTRIBUTORS.

Distributors have a set of unique opportunities when it comes to implementing ecommerce. The standard online store does create an opportunity to sell direct, but that may be least of the opportunities open to distributors (and the one with the most headaches, including angering vendors and creating channel conflict).

The online store may be the only thing that retailers and consumers think of as ecommerce—there are a myriad of other ways distributors can approach ecommerce to both increase unit sales and tie a vendor base closer to you.

You just have to think beyond the store.

### **An online store does nothing for your vendors.**

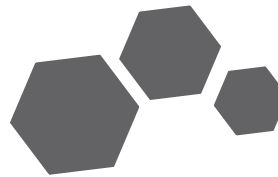
A simple online store, one that is designed to sell direct to consumers, does nothing for your vendors. In fact, it's a threat to them. It creates competition and some may react badly to the perceived channel conflict.

But an online store is the obvious ecommerce path, isn't it?

Not necessarily. Ecommerce means exactly what it says: Doing business electronically. The goal of ecommerce isn't to replace your vendors. The goal should be how to do business better with your vendors and to, perhaps, open up new sales channels and opportunities.

The very term, ecommerce, was coined in the early days of Electronic Data Interchange (EDI) and was originally conceived to tie together business trading partner relationships together electronically.

There was no concept of actually selling to consumers. The challenge for distributors now is determining how to take advantage of the possibilities of ecommerce and to make their relationships with their vendors closer, not strained.



The challenge for distributors is to take advantage of the possibilities of ecommerce and to make their relationships with their vendors closer.





### **Ecatalogs and beyond.**

The conventional, traditional way for distributors to sell into their vendors has been through catalogs. The print catalog has a long history in distribution sales and is still widely used. Many have made a half-step measure of going digital by supplying their catalogs as PDFs or even in spreadsheet form.

Sending your buyers spreadsheets is cumbersome and difficult to navigate. Your buyers are looking for something that's closer to their experience as consumers shopping online. Ecommerce offers a completely new set of capabilities for bringing catalog-style sales online. Consider these possibilities:

**CUSTOMIZED, VENDOR SPECIFIC ONLINE STORES:** If your ecommerce software is flexible enough, you could create a specialized online store for each vendor, providing only the product selection that they are interested in and with specialized pricing. Take it to the next level by helping your buyers order goods in the exact quantities that they want and taking advantage of the negotiated pricing levels that you've both established. Your buyers don't typically want "Quantity 1" of anything. Your ecommerce solution should recognize this and allow them to select not only the right quantities, but also with direct delivery to multiple warehouses and locations.

**DEALS AND PROMOTIONS:** Everyone is looking for deals. You could create a "Deals and Promotions" site, allowing buyers to preview seasonal and special promotions and prompt them to purchase in larger or Economic Order Quantities (EOQ) with special price breaks and bonuses.

**VENDOR MANAGED ECOMMERCE:** Create a store for your vendor that they manage. By using an approach that we call Vendor Managed Ecommerce™ (VME), you can create sites that emulate the customer's site, letting you maintain the same look and feel while lessening the customer burden of maintenance and management of products.

Here's the goal: Make it easier for your vendors to do business with you. Support their goals of increasing sales and maintaining profitable margins. Provide your vendors with ecommerce options—not a single online, retail-like presence. The possibilities are endless.





### **Going beyond the competition.**

One of the significant benefits of building a set of flexible ecommerce capabilities is the possibility of either exceeding what competitors offer or doing what they simply can't do.

As a distributor, one of the great risks to your business is for other distributors to undercut your pricing or to offer other services to your vendors and retailers. Many vendors will either select the low-priced option or use that as a weapon against you to try to force you to lower your prices and margins. You will want to do everything you can to maintain the highest competitive advantage over other distributors.

The aggressive and creative distributor can create custom-fitted online offerings designed to offer precisely what an individual vendor needs. That's a weapon that you can use to your benefit.

This custom approach can be very successful, but using an ecommerce solution that is designed for retail also makes this approach difficult and expensive. To successfully build dozens or hundreds of custom online vendor stores, a distributor will need a very flexible and affordable solution that makes it simple to build and manage these custom offerings.

Here's the possible result: You could build an online store or catalog for a vendor that will live inside their buying systems. This will make it both simple and profitable for them to use your system. It will help create vendor loyalty, and lock out the competition.

There are infinite possibilities; you just need the systems that are capable of delivering on your goals and the imagination to put them in place.

One of the significant benefits to a distributor building an ecommerce site is the possibility of either exceeding what competitors offer, or are even capable of.



### **Create your vendor ecommerce menu.**

While vendors often react badly when they hear that one of their distributors is getting into ecommerce, you can use your entry or expansion into online sales as a powerful opportunity to strengthen your relationships. Rather than force fit a standard ecommerce solution, why not present your retail vendors with a menu of tailored options that they can choose from?

Giving your vendors options is always a strong approach that lets them tell you how to do business with them, and ultimately, to do more business with them. Having a selection of ecommerce options for your vendors is a demonstration that you're not only forward thinking, but that you value their relationship and input.

#### **SELECT FROM OUR ECOMMERCE OPTIONS:**

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- Use our online store and ordering system, especially customized for you!
- Link our product catalog directly into your systems!
- Let us create an online store for your customers with your branding!
- Expand your offerings with our new refurbished and close-outs. Or have us build the perfect online system for your internal or external use.



If you approach ecommerce as an opportunity to build closer vendor relationships rather than a risky venture that may damage them, it is likely that you will find that your vendors will be excited and supportive of your efforts, even if part of your plans includes consumer direct sales. By supporting their business goals as you further your own, you'll demonstrate that you're a valuable, forward-thinking partner.

Strengthening these relationships may result in your first online profits.

**Up Next In [Chapter 6: How To Drive Distributor Sales Through Ecommerce.](#)**

Ecommerce is about more than just shopping carts. Distributors need new marketing and promotional approaches to help make their online sales strategies drive new sales opportunities. But these approaches may be different from what retailers use. We'll show you how you can you make ecommerce a vital component of your overall sales success.



## CHAPTER 6: HOW TO DRIVE DISTRIBUTOR SALES THROUGH ECOMMERCE.

There are three main factors that make an ecommerce effort a success: The right software, rapid implementation, and driving people to your store. You do need to make the best software selection for your industry and your specific needs, but software alone and fast implementation won't make you suddenly profitable or successful online. Distributors in particular need to prepare for what it takes to promote and sell on the Internet.

The movie "Field of Dreams" claims, "If you build it, they will come." But that only works for Iowa cornfield baseball. It clearly does not work for distributor online sales. If you want to succeed online, you're going to have to do more than just launch an online store, you also have to promote it.

### **What causes distributors to succeed or fail at ecommerce?**

It sometimes seems as if the latest big hit on the Internet comes out of nowhere to instant and lasting success. The truth is, that's a myth, a fairy tale. There are a lot of empty cornfield baseball diamonds on the Internet. For the most part, online sales success comes the same way it does offline in the bricks-and-mortar real world—with careful planning and hard work.

Far too many businesses approach online sales with exactly this misconception. They think that it will be cheap and easy. Set up a store and the business will flow in. These same people know full well that if you go downtown, build a store, stock the shelves, and open the doors that there's still a lot more to do to get customers through the front doors.

For some reason this basic business understanding falters when you add the word "online" in front of "store."

Here are the main reasons that distributors fail at online sales:

- Their online stores are poorly designed and crudely executed.
- They don't present a strong value proposition over other sales channels.
- They enter the market far too late.
- They don't promote their stores.
- They have no ongoing search engine optimization, advertising, social media plans, or any connection with potential shoppers.

Distributors have to work hard to succeed at online sales. Organizations that fall short typically make bad software choices and fail to execute a marketing plan.



### The challenges for distributor online sales.

In a very real sense, consumer retailers have it easier—they have a single clear customer: The direct consumer. Distributors, on the other hand, have to make choices. Who exactly are your customers?

Potential distribution customer types:

- Existing vendors
- New vendors
- Wholesale distributors and specialty distributors
- New regional markets (with vendors and distributors)
- Consumers
- End-user businesses (B2B sales)
- ...and more



Identify your customer first,  
then find out how they want  
to shop online.



Opening an online store without deciding who your customers are is futile. You don't know what type of store to build until you know who your potential customers are and how they want and need to buy. Without knowing who your customers are, you don't know how to reach them.

Identify your customer first and then find out how they want to shop online. That's the type of ecommerce solution you should build. Establishing any type of online sales system is meaningless without a strong prospect profile. Your customer profile will need to be updated frequently, as your buyers' needs and preferences change.

### Ecommerce success in four easy steps.

Ecommerce isn't necessarily difficult, but it does require planning and real work. Let's say that you've made your ecommerce software platform decision and now have a powerful, flexible way to quickly build online stores. There's still work ahead.

**STEP #1:** Identify the customer. Distributors need a clear picture of who their customers are. In most cases, distributors have more than one type of customer and will need a clear profile of each customer type and their specific needs.

**STEP #2:** Decide the best way to connect with each customer type. This includes the online resources and ways to attract the customer to this resource.

**STEP #3:** Design and build the online resources needed for each customer type and make them easy to find and use.

**STEP #4:** Continually experiment and test to determine better ways to stay connected with these customers and to attract more.



### **Ecommerce success in five more not so easy steps.**

The first four steps are the easy part. Here are some of the things that other ecommerce software companies won't tell you:

- 1.** You are never done marketing. You will have to do marketing and promotion to make your online sales successful, even if you have a captive base of customers. This process will never stop.
- 2.** Your first designs are only the start: To succeed, you'll need to carefully monitor how customers use your new online stores and change them based upon feedback.
- 3.** Change is your friend—plan on refreshing your design frequently. Even the best online stores need to be regularly refreshed and updated. The most successful sites are updated no less frequently than every three years.
- 4.** Search engines like Google prefer new, fresh content and information vs. static sites (and updating products and SKUs isn't enough). Your search rankings are heavily influenced by how recently your site content was updated, and how strategic you are about keywords and search engine optimization (SEO).
- 5.** You are never done marketing.

There really are two sides to ecommerce success. While ecommerce isn't as easy as some make it out to be, it can be made much simpler.

First, select an ecommerce software platform that supports your business requirements. As a distributor, you will likely need more than just a single online store. Ideally you'll need an affordable solution that will allow you to quickly and easily build multiple online stores and ecommerce offerings. Next, plan on marketing and promoting your new ecommerce efforts. If you don't market and promote well and continuously, your customers won't find you (or they'll forget about you).

Success is found in two fundamental areas: First, choosing the right software vendor, and second, having an ongoing plan for proactive marketing and promotion.



If you follow the suggestions outlined in this ebook, you'll be well on your way to ecommerce success, and a dramatic expansion of your sales and business. Selling online isn't an option any longer—it's expected. And it's not the future—it's the current way of doing business.

**Here's the bottom line:**

Get online or get left behind. And when you do get online, get serious about it. Plan for success.



Znode is the software platform for creating relevant ecommerce. From a single, user-friendly administrative control panel, Znode empowers distributors to create and roll out an unlimited number of fully customized, segmented online stores in just a couple of months, not the ages that other system implementations require.

You can use Znode's flexible ecommerce platform to completely replace your legacy systems or to augment and enhance your existing ecommerce infrastructure.

This results in the delivery of highly relevant, segmented and targeted stores in record time—driving higher online sales and increased conversion rates. Znode helps you connect with customers on their terms.

Want to learn more? Contact us today to talk to an industry expert about your ecommerce needs.

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