Leveraging E-Commerce for Growth

Distributor Strategies for Scaling Quickly While Meeting Customer Demands

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Since its beginning in the 1990s, e-commerce has grown rapidly across the consumer market (B2C). While its adoption in the business-to-business (B2B) segment has been slower, data from research firm Forrester shows that online B2B sales grew from $559 billion in 2013 to $780 billion in 2015 — almost 40 percent growth in two years. That figure is expected to grow another 40 percent by 2020, surpassing $1.1 trillion, or about four times current B2C spending.

Sixty-five percent of respondents in Industrial Distribution magazine’s 2015 Survey of Distributor Operations said they generate web-based revenues — a figure seven points higher than the year before. That still leaves more than one-third of distributors outside of the online game, and shows that e-commerce has become a critical factor in a distributor’s success.

The numbers show that distributors would be wise to make e-commerce a priority. In UPS’s June 2015 Industrial Buying Dynamics study, ‘distributor websites’ was the top channel used by industrial products buyers — 66 percent — for making industrial products purchases, up from 57 percent 2 years earlier. Thirty-two percent chose ‘third-party websites’ as their most-used channel (Ex. Amazon, Alibaba).

Considerations for offline-only sellers

Distributors not yet selling online have likely already felt the pain of shrinking revenues and profits. However, reason for optimism still exists. Technology companies can provide affordable and relatively turn-key solutions for companies who lack the time or expertise to build a user-friendly website.

For example, the UPS Ready® program provides customers with access to proven technology companies offering solutions for e-commerce, order and shipping management, finance and accounting, transportation and tech integration.

“We work with customers to understand their goals and constraints,” says Simon Bhadra, Senior Manager, UPS Industrial Distribution customer segment. “That give-and-take helps customers better understand the capabilities they need based on their products and their customers and industry.” He adds, “This is not an exercise in selling products but finding and implementing the right solutions.”
Bhadra adds that those preferring to build their own systems may also consider partnerships as a way to supplement capabilities in certain areas, such as cross-platform integration or application interfaces for shipping or inventory management.

Whether e-commerce capabilities are built organically, purchased or both, Bhadra urges distributors to consider the options. He says, “The time is now for those looking to retain customers and find new ones. The window of opportunity is closing quickly.”

**Considerations for current online sellers**

For those already selling online, the primary goal should be to do it better. While there is no single answer about what “better” means, one universal truth exists. Delivering on customer expectations regarding purchase and service — across multiple channels — is paramount.

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However, figuring out important customer needs and then delivering on them has perhaps never been so confusing. Distributors must find ways to satisfy an increasing appetite for digital interaction while delivering the brand of personal service distributors have been rewarded for over decades.

Some sellers are doing it well. Clearly, industrial products buyers know they have alternatives to their current suppliers when 72 percent say they would shift spending to a distributor with a more user-friendly website. Another UPS study among industrial maintenance, repair and operations buyers showed that their annual spending is increasing the fastest through online marketplaces.\(^4\) Traditional distributors and consumer retailers, like The Home Depot and Lowe’s, tied for second.
UPS’s Bhadra adds, “Distributors who are selling online are realizing that simply offering a way for customers to buy online is no longer enough. Today’s distributors should deliver the level of ease and convenience their customers have come to expect when buying as a consumer at home. They want to know if it’s really in stock and whether it’s the right size before they click ‘submit’.”

**Technology designed to serve customers and create operational efficiency**

No matter how similar consumer and business buying behavior becomes, some important differences endure. Take for example the unique needs of B2B buyers such as negotiated prices, volume discounts, credit terms and the need to interface with corporate procurement systems. Also consider the matters of invoicing and receivables management, as well as the need for business rules controlling shipping mode, delivery speed and choice in provider.

When taken together, the decision that companies originally thought was an e-commerce investment has become much more complicated.

“Investing in technology can understandably be overwhelming. “For midsize and smaller companies especially, their resources go into managing the core business. They literally cannot afford to choose the wrong solutions.”

Bhadra says that distributors need flexible and integrated technology solutions that operate at a high level today but can also scale up as needed. “Very often distributors need to respond quickly to change, whether it’s adding SKUs for a customer or counteracting a competitive threat of some kind. But UPS offers technology that can help.”
Some of the solutions Bhadra refers to are highlighted below.

**UPS Shipping API Developer Kit**
For those already selling online, the UPS Shipping Application Programming Interface (API) enables the integration of UPS shipping functionality into websites or enterprise systems. That level of integration reduces the need for manual processes and more seamlessly manages shipping processes across multiple platforms.

**UPS Marketplace Shipping**
Increased use of online marketplaces has created both competition and a potential new revenue stream for distributors. For those choosing to accelerate their e-commerce capabilities through marketplaces, UPS Marketplace Shipping integrates seamlessly with major online marketplaces, and provides customers with access to a shipping provider they know and trust.

**UPS Ready**
UPS Ready is a portfolio of software and business application providers identified and researched as potential solutions providers for UPS customers. Including both plug-and-play and more customizable solutions, UPS Ready enables UPS to match customer need with the right provider(s) of e-commerce, ERP, customer relationship management (CRM) and warehouse management technologies, among others. Provider software and applications are integrated with UPS technologies to help streamline operations from online order entry to delivery.

**UPS WorldShip**
The proprietary UPS WorldShip application enables the fast and efficient management of shipments in any mode across the global UPS network. Besides helping to manage customs documentation, UPS WorldShip can be customized with business rules that guide shipment characteristics such as modes and delivery times, making it easier to manage transportation expenses throughout an entire operation. UPS WorldShip is available in 20 languages and more than 140 countries.

**UPS Capital**
Merchant Services provides a cost-effective way to accept multiple forms of electronic and mobile payments, including all major credit cards, debit cards, recurring billing, gift cards, e-checks and loyalty programs.

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**CASE STUDY: Why Pro Marine called on UPS to help them grow**

**Company:** Pro Marine USA, a distributor of OEM and aftermarket parts for inboard and outboard marine engines.

**Challenge:** To meet intense competition, Pro Marine needed to speed-up its inventory, ordering and shipping processes to deliver parts faster to its customers.

**Solution:** Pro Marine integrated UPS Worldship® and UPS API's into its website and inventory systems.

**Results:** Enhanced integration between systems streamlined processes for Pro Marine from order through delivery. Now, they can take orders as late as 5:30 and still ship them the same day, and they’re shipping 400 packages per eight-hour day when it used to take nine.
Distributors — don’t face technology alone

Research shows that the message buyers are sending is clear: They need an easy and convenient online buying experience or they’ll go somewhere else — whether to another distributor, a marketplace seller or even direct-to-manufacturer.

Distributors must not only sell online; they must continually raise the bar to meet or exceed increasing customer expectations. But help is available from UPS.

To learn more about UPS technology services and solutions, click here.

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3 UPS Industrial Buying Dynamics Study – Evolution of the distributor value proposition. (June 2015)

4 UPS, Growing MRO business: Closing the gaps. (January 2016)
About This Report

The information in this report was researched and produced by *Industrial Distribution* in conjunction with UPS. Statistical data was researched and compiled by Advantage Business Media in July 2016.

About UPS

UPS is a global leader in logistics, offering a broad range of solutions including transporting packages and freight; facilitating international trade, and deploying advanced technology to more efficiently manage the world of business. Headquartered in Atlanta, UPS serves more than 220 countries and territories worldwide. Find UPS on the web at ups.com.