

The State of E-Commerce in Distribution in 2014

A Survey of E-Commerce Objectives and Challenges
Facing Wholesale Distribution Companies



Executive Summary

E-commerce as a sales and marketing channel in distribution remains relatively immature, but distributors recognize the necessity of investing in the channel to succeed in today's marketplace. While few distributor respondents to the 2014 Distribution E-Commerce Survey have achieved the benchmark of 10 percent of revenue from e-commerce – a relative measure of maturity, the percentage of companies with 10 to 20 percent of revenue from e-commerce is expected to double in the next year.

The 2014 Distribution E-Commerce Survey was sponsored by NetSuite in partnership with Modern Distribution Management and Real Results Marketing.

Distributors are looking to e-commerce to help drive greater online customer engagement and transactions by making their websites more engaging and providing functionality needed for their customers to do their jobs. They also see it as an opportunity to acquire new customers they might not be reaching through traditional sales and marketing channels.

Satisfaction with e-commerce related implementations, however, was mixed. Basic features, such as company information and basic search functions, were generally satisfactory, but for even slightly more complex features, such as providing stock level information or the inclusion of technical information, the satisfaction dropped – another signal that the level of technology adoption is far from mature.

Survey respondents recognize areas where they can grow. Respondents plan to invest in upgrading a variety of capabilities within their e-commerce system, with a particular focus on personalizing the customer experience, within the next 12 months. Respondents also reported room for improvement in support for mobile devices and in app development.

This report provides an overview of the objectives and challenges distribution companies say they face around e-commerce today.



Methodology

The survey results presented in this whitepaper are the result of an online survey conducted by Modern Distribution Management (www.mdm.com) in January and February 2014. Data collected was analyzed by Real Results Marketing.

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

More than 450 respondents in wholesale distribution and manufacturing participated in the survey, with 68 percent identifying as wholesaler-distributors. Nearly 60 percent identified as executive management in their companies.

Size distribution of respondents was diverse with 15 percent of respondents having less than \$10 million in annual revenues; 27 percent with \$10 million to \$50 million; 16 percent with \$50 million to \$100 million; 14 percent from \$100 million to \$500 million; 7 percent with \$500 million to \$1 billion; and 13 percent over \$1 billion in annual revenues. The remaining 8 percent did not disclose revenue size.

By employee count, about 24 percent had 1 to 49 employees; 15 percent had 50 to 99 employees; 40 percent had 100 to 999 employees; and 17 percent had more than 1,000 employees. Four percent preferred not to answer.

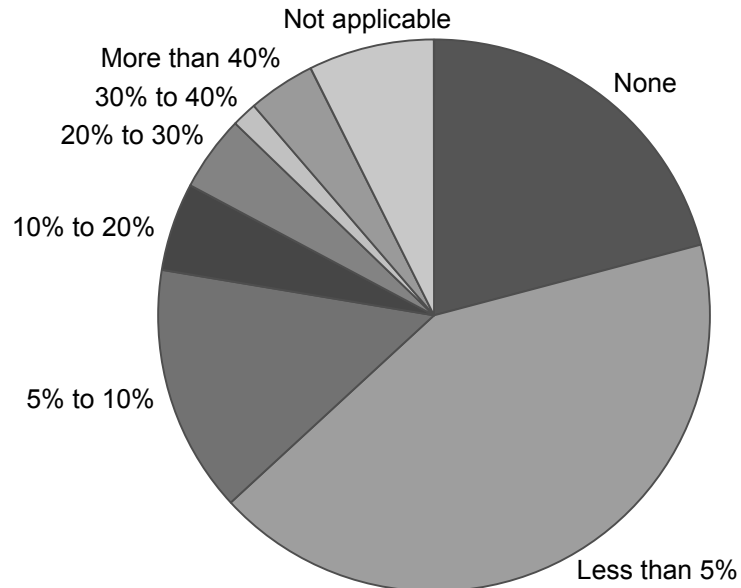
Sector representation was also diverse, with 65 percent of respondents in Industrial. Respondents could select more than one sector, so the total exceeds 100 percent. Other sectors represented include Safety Products (34 percent); Electrical (29 percent); Hardware (25 percent); Building Materials & Construction Products (23 percent); Chemicals and Plastics (18 percent); and HVACR/Plumbing Products (18 percent). Others included Pulp and Paper, Janitorial/Sanitation, Grocery and Foodservice, Oil and Gas Products, Pharmaceutical, Electronics and Power Transmission/Bearing.



E-Commerce Conditions and Expectations

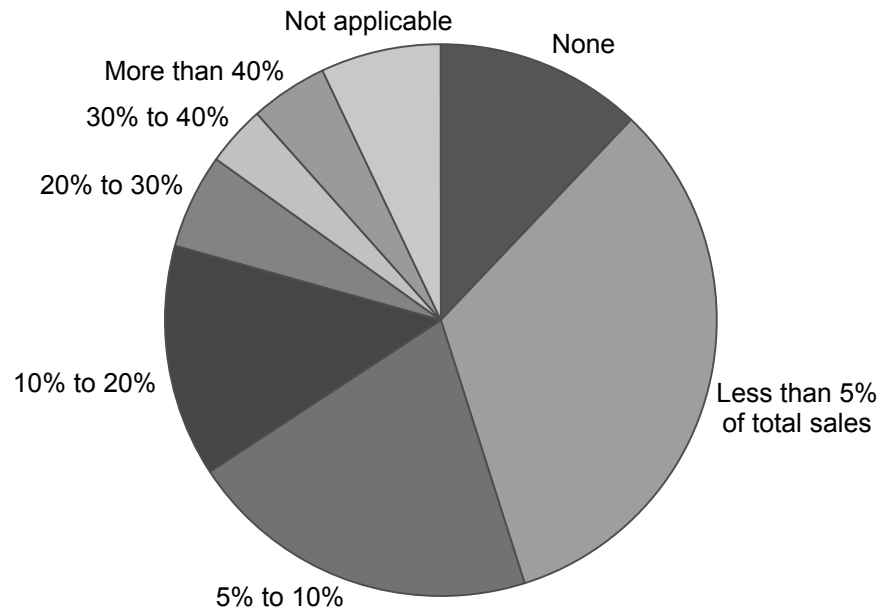
2013 E-Commerce, as Percentage of Total Sales

Fourteen percent of respondents reported 5 percent to 10 percent of their total sales in 2013 were from e-commerce. Forty-two percent of respondents reported that e-commerce sales comprised less than 5 percent of their total sales.



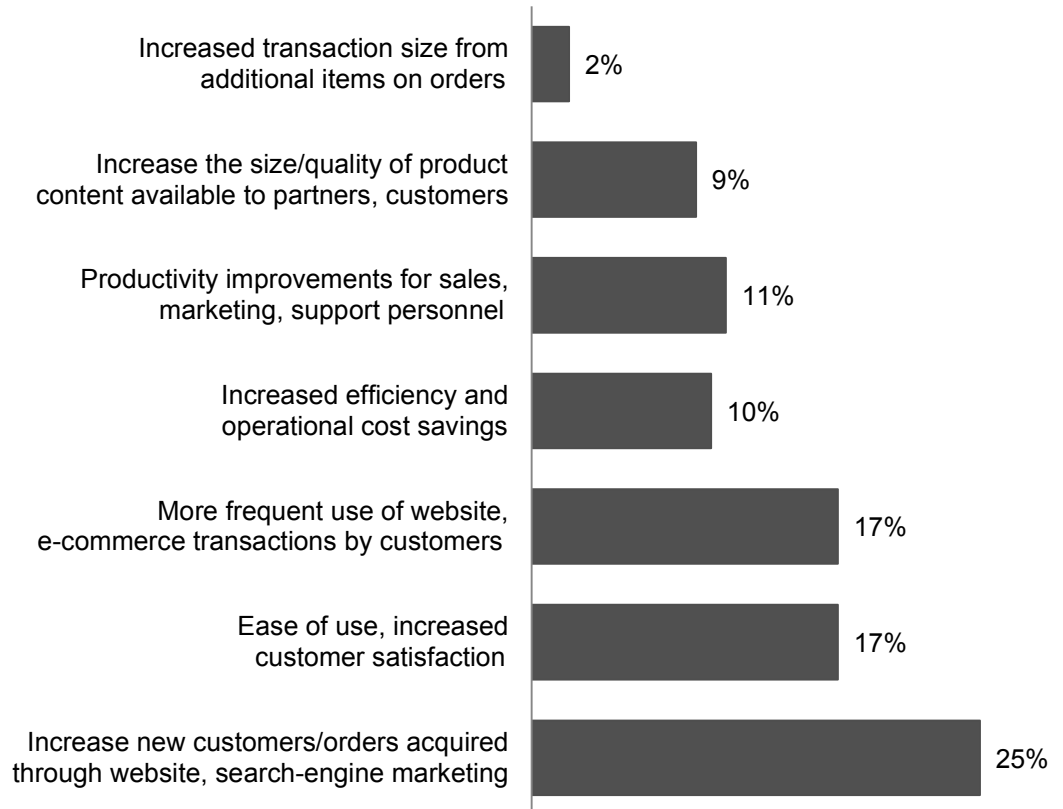
Expectations for 2014

Respondents expect their sales to increasingly move online in 2014, with 20 percent of respondents expecting e-commerce sales to comprise 5 percent to 10 percent of sales in 2014 and 13 percent expecting it to make up 10 percent to 20 percent of total sales.



Top Priorities in E-Commerce

For respondents, the top priorities for their e-commerce business are:



Nine percent of respondents had no current or future e-commerce plans.

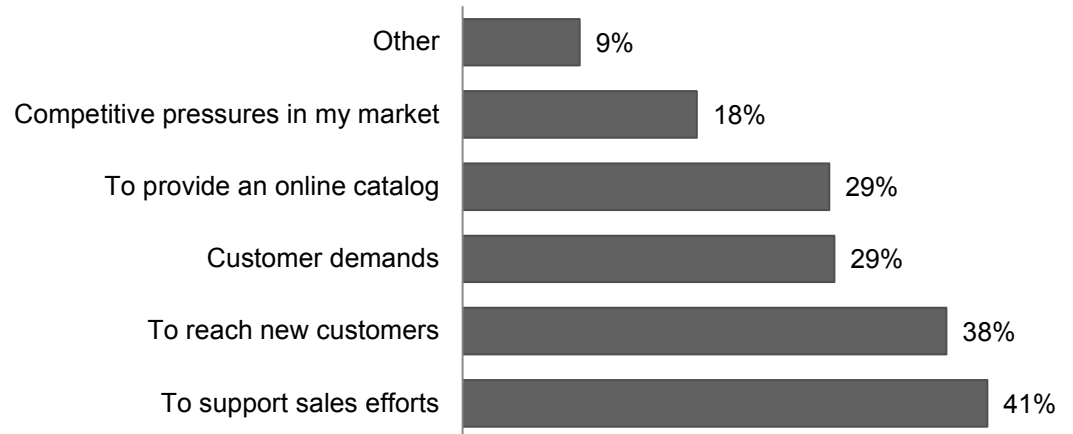
Second and Third Priorities

Respondents were more or less evenly split on what their second most important e-commerce priorities were; productivity improvements, increasing new customers/orders, ease of use/increased customer satisfaction, more frequent use of website/e-commerce transactions and increased efficiency were all comparably ranked.

More frequent use of website/e-commerce transactions was the third highest priority (20 percent), with all other categories evenly split around 10 percent.

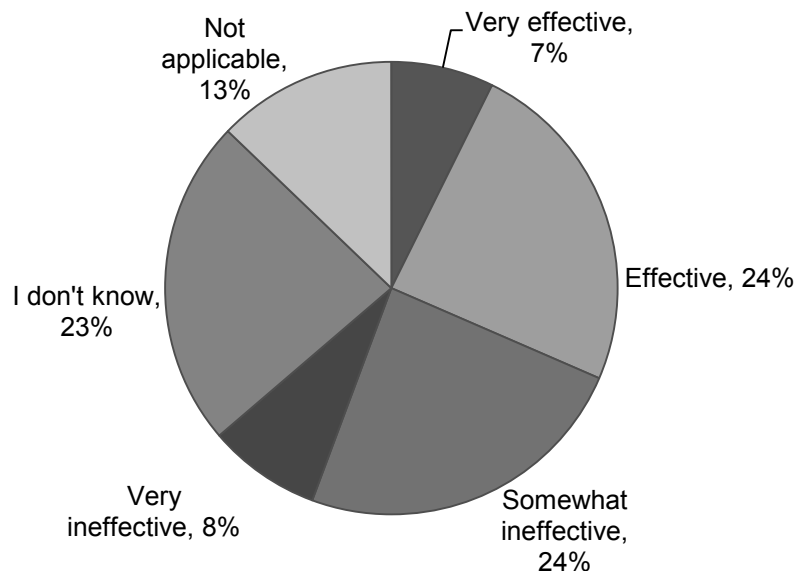
Reasons for Adding E-Commerce as a Channel

More than 40 percent of respondents cited sales effort support as the reason for adding an e-commerce channel. Thirty-eight percent added e-commerce as a way to reach new customers, and 29 percent cited customer demands. Another 29 percent cited providing an online catalog.



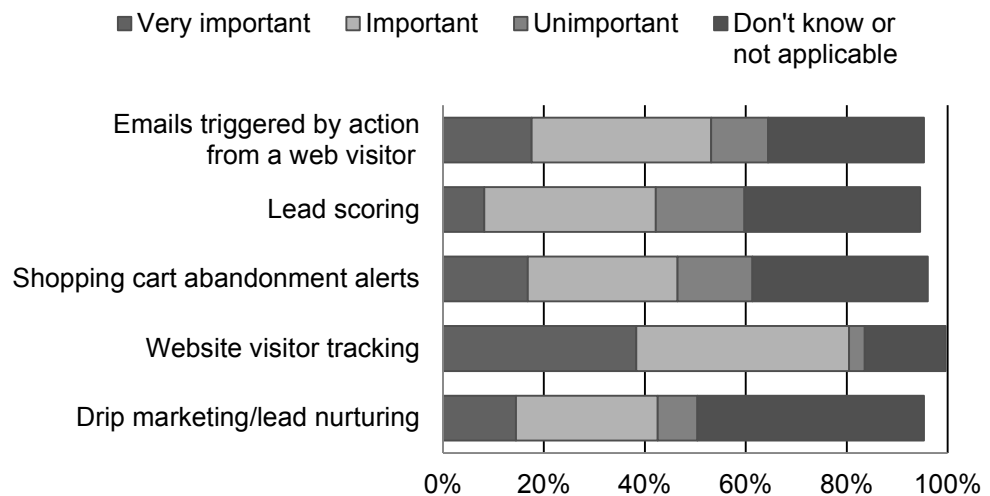
Effectiveness of Search Marketing

Respondents were divided about the effectiveness of search marketing; 24 percent said it was effective and 24 percent said it was somewhat ineffective. Eight percent found search marketing to be very effective, while another 8 percent found it to be very ineffective. Twenty-three percent of respondents weren't sure how effective their search marketing is.



Importance of Marketing Automation and e-Mail Marketing for E-Commerce Business

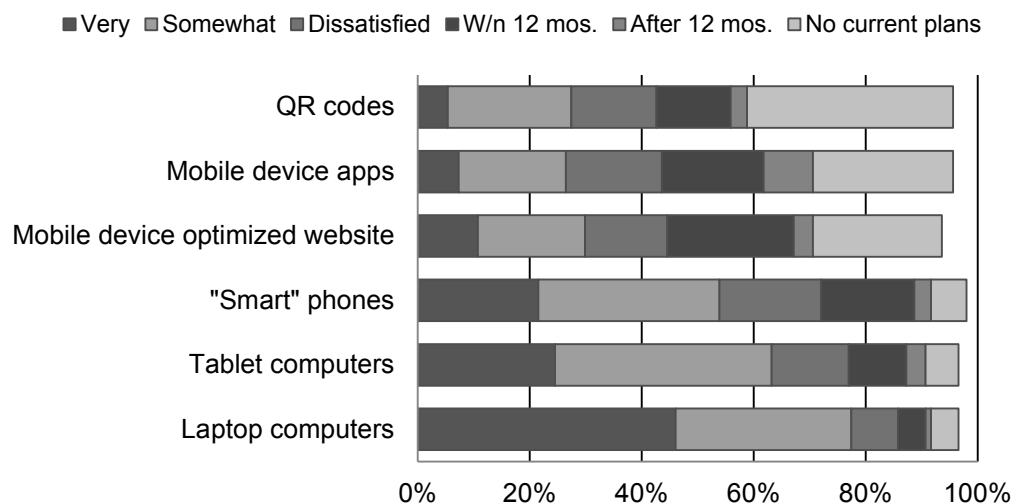
Regarding the importance of marketing automation and e-mail marketing, 38 percent of respondents declared website visitor tracking to be very important. Eighteen percent of respondents marked lead scoring as unimportant, with 15 percent marking shopping cart abandonment alerts as unimportant.



Mobile Technology Capabilities

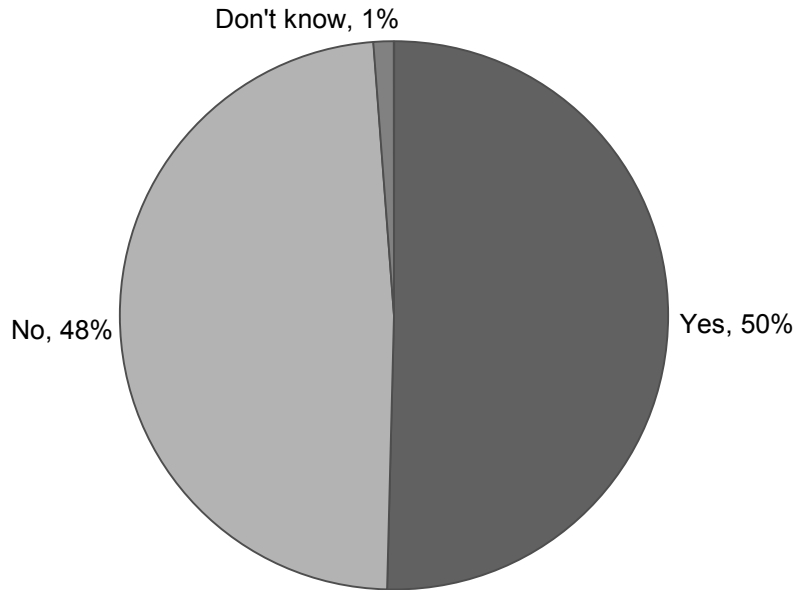
Respondents were most satisfied with their laptop technology capabilities, with tablet and smart phone capabilities being closely tied for second. Respondents were least satisfied with their QR codes, mobile device apps and mobile device-optimized websites. Respondents have prioritized developing mobile-optimized websites, mobile device apps and smart phone capabilities.

How Satisfied Are You With Your Mobile Technology Capabilities?

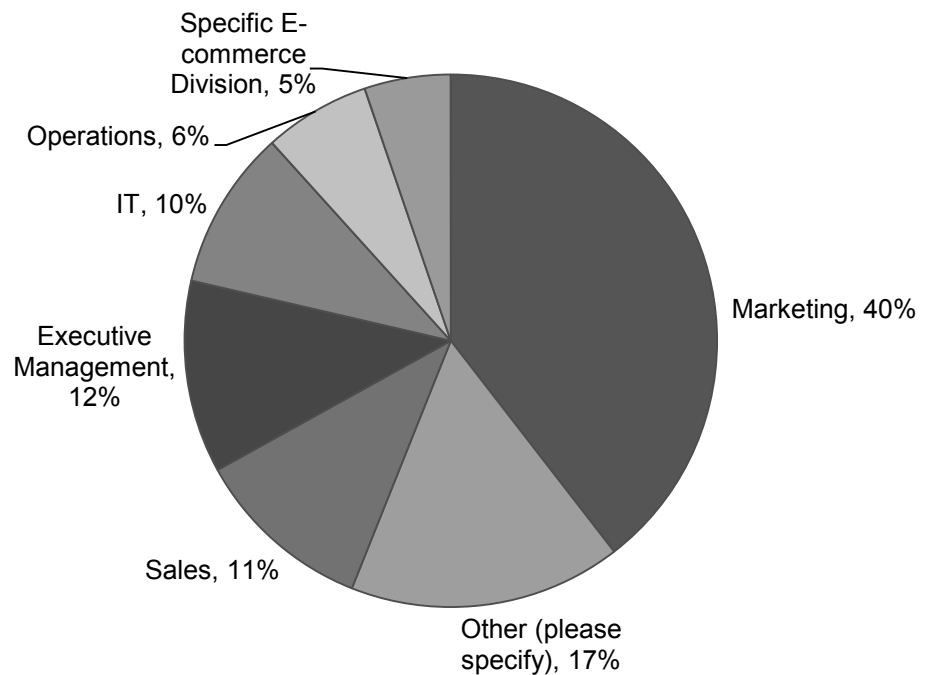


Dedicated E-Commerce Team

Half of respondents said they had a dedicated person or group leading their e-commerce initiatives, while 48 percent did not.

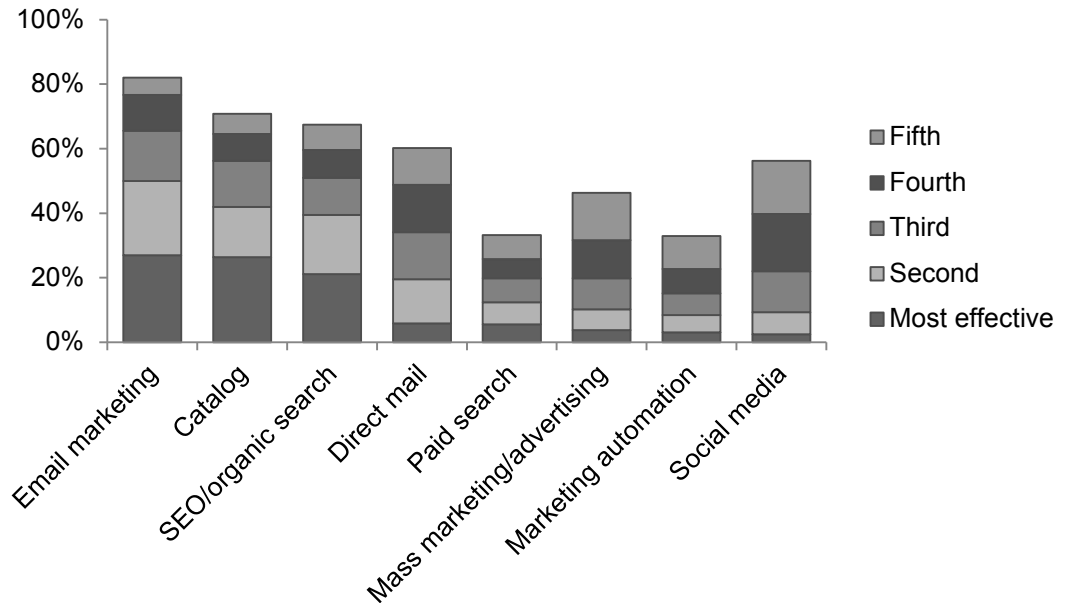


For those respondents with a dedicated e-commerce person or group, 40 percent said that person or group was in the marketing department. Only 5 percent of respondents with dedicated e-commerce personnel had a specific e-commerce division.



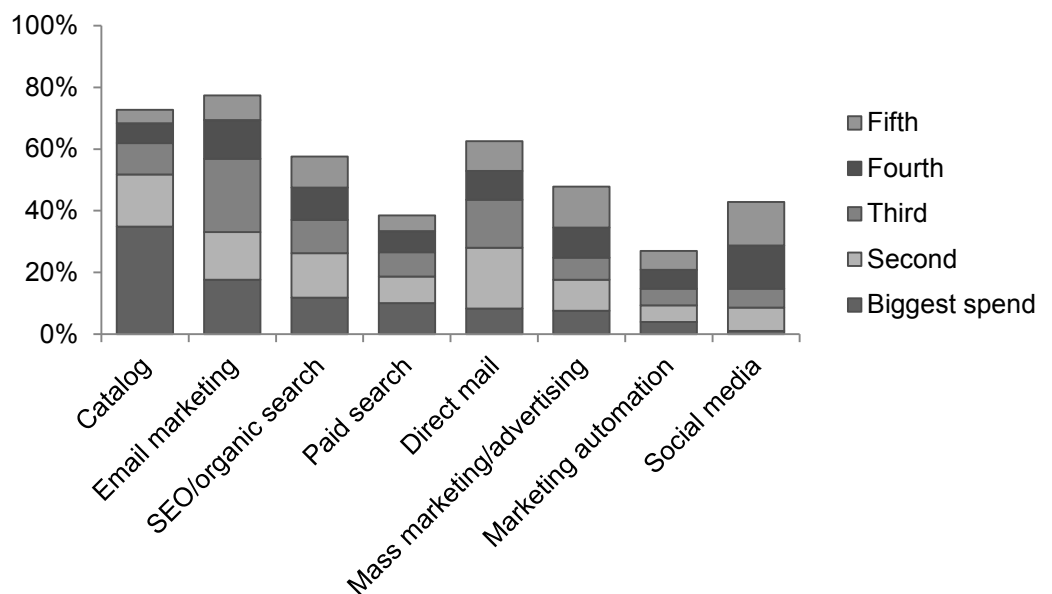
Effectiveness of Marketing Vehicles

Respondents cited email marketing as the most effective marketing vehicle for driving demand to e-commerce channels, with catalogs close behind. SEO/organic search also ranked highly as a marketing vehicle. Mass marketing/advertising, marketing automation and social media were considered the least effective marketing vehicles.



Marketing Vehicle Spending

Respondents cited catalogs as their biggest spend for marketing vehicles related to e-commerce, with email marketing, SEO/organic search and paid search all closely tied for second. Social media had the lowest spend, with marketing automation ranked second-to-last.

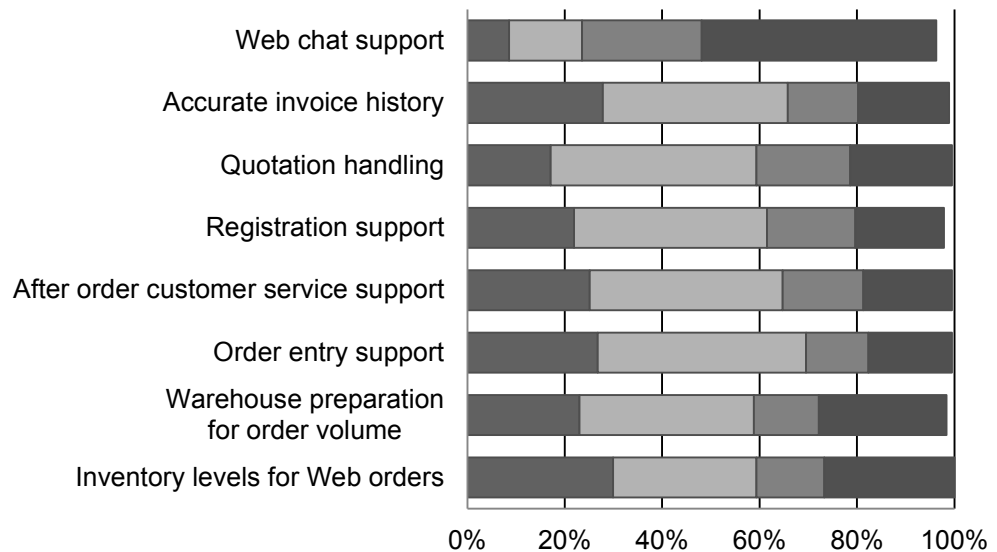


Website Support

Respondents were least satisfied with their Web chat support. Respondents were most satisfied with their accurate invoice history and inventory levels for Web orders.

How Satisfied Are You With Your Website Support Functions?

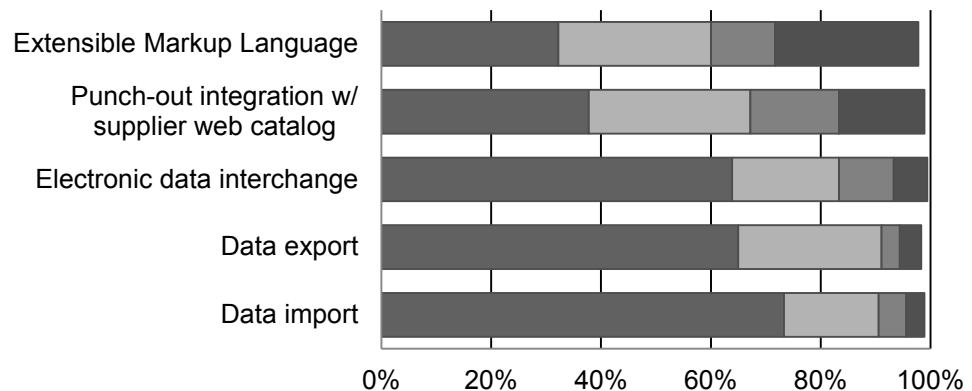
■ Very satisfied ■ Satisfied ■ Unsatisfied ■ Not applicable



Importance of Website Integration Capabilities

Respondents cited data import, data export and electronic data interchange as the most important website integration capabilities. Extensible markup language and punch-out integration with a suppliers' Web catalog were considered relatively unimportant.

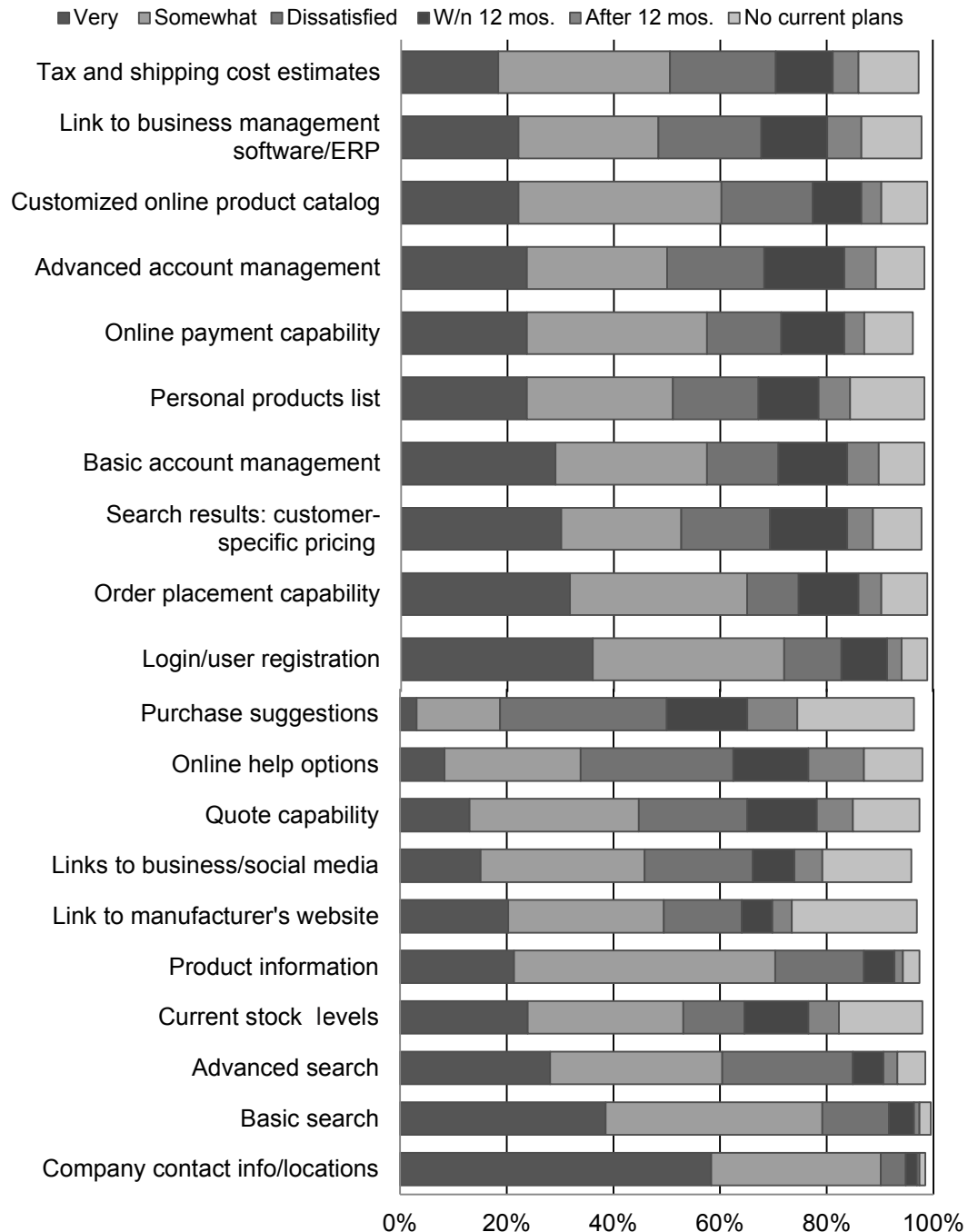
■ Very Important ■ Somewhat Important ■ Unimportant ■ Do Not Know



Website Capabilities

Respondents were most satisfied with their websites' company contact information/locations capabilities, with login/registration and basic search functionality coming in second. Respondents were most dissatisfied with their online help options and advanced search capabilities. Plans for improvement focus on personalizing the customer experience.

How Satisfied Are You With Your Website Capabilities?



About the Survey Sponsor

NetSuite gives your company customer-facing sales force automation and B2B e-commerce, as well as marketing and customer service capabilities that link seamlessly with back-office inventory management, fulfillment and accounting. In delivering NetSuite for Wholesale Distributors, NetSuite has leveraged experience and lessons learned from thousands of wholesale distribution customers, complemented with a best practice professional services implementation methodology and customization services.

NetSuite's single, flexible business application enables you to grow your wholesale distribution business and provide new services while increasing customer service and reducing costs.

The NetSuite Wholesale Distribution Edition

The NetSuite Wholesale Distribution Edition is the only cloud-based integrated business suite designed expressly for wholesale distribution. It gives WD businesses a complete, Web-based suite that allows them to:

- Get complete information by monitoring and managing their businesses with the ultimate customizable business dashboard, featuring built-in best practices for wholesale distribution.
- Convert leads to orders, orders to shipments and shipments to revenue with NetSuite's advanced warehouse, inventory management and order fulfillment capabilities.
- Gain a real-time, 360-degree view of customers and provide better customer service through NetSuite's seamless integration of CRM with financials and other back-office systems.
- Grow revenues, enter new markets and improve channel partner engagement with tools for partner relationship management (PRM) to expand their sales presence.
- Create fast and engaging online stores that deliver great shopping experiences optimized for any device and are integrated with accounting, order and inventory management, CRM and financials.
- Leverage demand planning to optimally manage inventory seamlessly.



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