2018 Report:

The State of B2B Distribution and E-commerce

How the B2B distribution model is evolving across industries given disruptive forces.

In an article published in Digitalist Magazine, Brian Beck begins, "2018 is the year to deploy B2B e-commerce before it's too late."[1] Not surprisingly, Beck leads the e-commerce and omnichannel strategy group for Guidance, an ecommerce technology solutions provider.

The problem with such a statement is that "B2B" describes a massive universe of companies from different industries, regions and company sizes; what's more, each one struggles with different levels of technology maturity, regulation, capitalization levels, group purchasing and distributor contract terms, and business goals.

This report aims to present first a high-level look at how B2B companies use distributors to reach and sell to customers--and how this model is evolving across most industries given disruptive forces.

This report does not contain final answers, but rather is a guide to begin asking the right questions.

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Overview of B2B distributor model and its evolution

Advances in technology, changing buyer demographics, and evolving buyer expectations are all putting tremendous pressure on traditional B2B sales models, including distributor channels. Some industries are threatened (and evolving) at a faster pace than others, but overall, the dynamics are much the same.

Traditional B2B Distribution Model

- Many manufacturers serve many buyers; distributors are critical aggregators, representing a sizeable share of overall B2B sales volume
- The most successful distributors achieve exclusive geographic rights or exclusive/selective access to products
- Single-channel distributors common
- Manufacturers have little visibility into their customers via distributor channels, posing a serious challenge to understanding those customers' needs or capturing them via new e-commerce channels
- Price-shopping is a challenge for B2B buyers due to lack of pricing transparency, as well as limits on buying options put in place by company or purchasing group
- Face-to-face interactions common, particularly for larger or more complex purchases
- Marketing tools include: call centers, in-person sales, branch locations, and printed catalogues/mailers.

[1] Digitalist Magazine: "2018 is the Year to Deploy B2B E-Commerce Before It's Too Late." [LINK]

Disruption Pressures

- Advances in and proliferation of new technology offers greater price transparency to buyers, personalization, mobile options, and supply chain integration/efficiency.
- B2B customers increasingly expect B2C experience (e.g. personalization, live online support, price optimization, mobile interfaces, real time product tracking)
- Growing share of Millennials in the workplace with wholly different buying expectations
- Well-capitalized e-commerce giants (e.g. Amazon, Alibaba) elbowing into key markets, exerting price pressure in the markets in which they compete
- Vertical integration/consolidation in key industries
- Old-school marketing tools no longer relevant to many buyers
- Longer horizon but still relevant: disruptive threats from 3D printing and the Internet of Things (threat stronger in some industries more than others)

New Approaches & Considerations

- Manufacturers using differentiated sales approaches for distinct product line segments (e.g. deploying e-commerce platform for low-cost, commoditized products; distributor model and/or sales team for ‘high-touch’ products that require more service and support).
- Integrating the supply chain. This trend is particularly strong in healthcare. For example, manufacturers purchasing multiple segments of supply chain to control risk, quality, cost. Hospitals purchasing distributors or launching group purchasing organizations. Insurers and pharmacies acquiring partners along the supply chain to bring down cost and exert more influence.
- e-Commerce or ‘Digitalization’? For some manufacturers, e-commerce is not the next stop. Many manufacturers are looking more broadly at digitalization, and all that it comprises--from bundling products and technology, to digitizing internal processes and procedures. Leveraging digital sales channels is just one aspect of this broader push.
- The ‘Amazon Effect’ not fully played out. Distributors that are economically viable today may still be in danger from e-commerce competitors outside their industries. Companies must evaluate the degree of threat based on product line competition (today and near future) as well as evolving customer buying preferences.

By the Numbers: Top Insights and Trends

In 2017, UPS sponsored a large study of industrial buyers (sample size = 1,500) who purchase industrial parts, products or supplies across 16 industries. Among its key findings:

Distributors still make up the largest share of sales for industrial buyers ... [2]

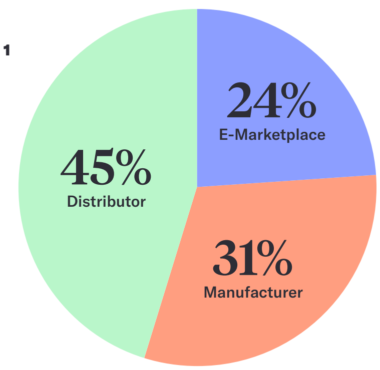
45% of respondents say they have purchased from distributors, nearly double that of e-commerce.

Demand/Channel Shift: Rapid Growth in Buyers Who Have Purchased from Non-Traditional Suppliers

Although distributors are credited with getting the largest share of buyer purchases (Figure 1), Figure 2 shows that the percentage of buyers who purchased through manufacturers and e-marketplaces has significantly increased since the 2015 study was released.

SOURCE: UPS Industrial Buyers Dynamics Study: Buyers Raise the Bar for Suppliers

FIGURE 1



... Yet a rebalancing is underway.

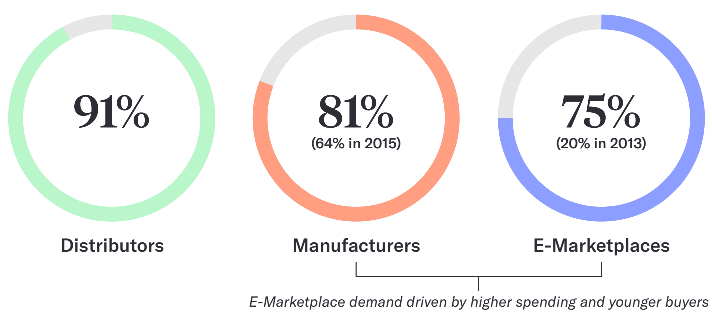
In 2013, just 20% of industrial buyers had purchased through e-commerce channels; by 2017, 75% did so. The study doesn't tell us how much these buyers purchase via e-commerce, but it does show a key shift underway.

Percent of industrial buyers who have purchased through these supplier types

Q: What percent of your total purchases in a year are with the following types of suppliers? (2017); In the 2013 study, buyers were asked if they purchased from a third-party website such as Amazon Supply or Google Shopping

SOURCE: UPS Industrial Buyers Dynamics Study: Buyers Raise the Bar for Suppliers

FIGURE 2



Research from Forrester finds much the same thing. The research firm has been following the uptake of e-commerce in B2B for many years; in 2015 it famously predicted "One million US B2B salespeople will lose their jobs to self-service e-commerce By 2020."[3]

[2] UPS Industrial Buyers Dynamics Study: Buyers Raise the Bar for Suppliers [LINK]
[3] Death of a B2B Salesman. [LINK]

In 2017, Forrester issued a new round of predictions. It projects US B2B e-commerce sales will reach $1.2 trillion by 2021 (from $889 billion in 2017). And US B2B e-commerce sales will account for 13.1% of all B2B sales by 2021.[4]

What is driving this shift? There are multiple factors, summarized below.

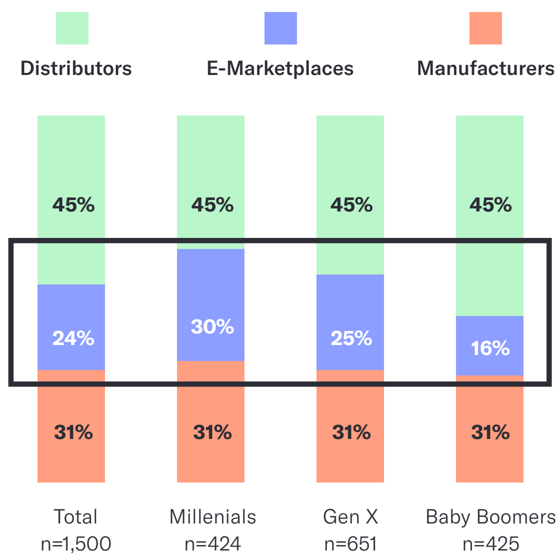
Millennials' buying preferences a big driver of change.

The UPS study shows that Millennials (those age 21 to 34) are purchasing via e-commerce at much higher rates than older generations. They not only prefer, but expect, the price transparency, speed, and flexibility of shopping online.

Supplier Share

Base: Total respondents and by Generation

Q: What percent of your total purchases of industrial supplies/ products, in a year, are with the following types of suppliers?

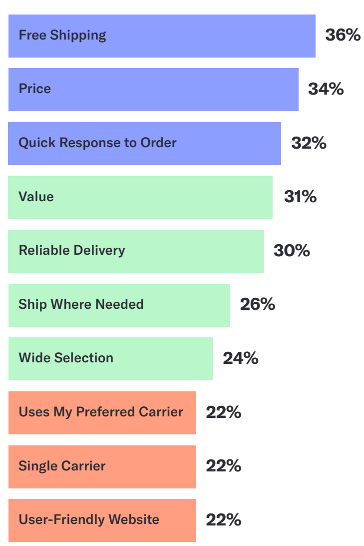


SOURCE: UPS Industrial Buyers Dynamics Study: Buyers Raise the Bar for Suppliers

Buyers expect and prefer experiences similar to B2C standards

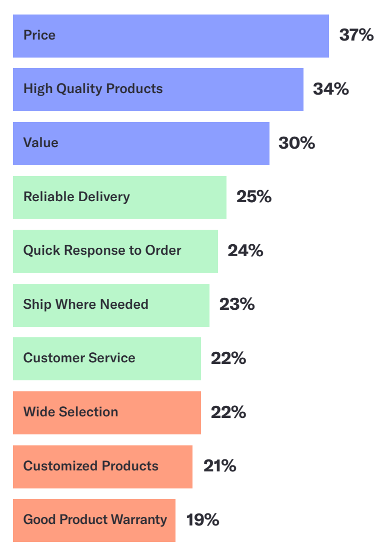
And all buyers--regardless of age--increasingly expect the types of experiences they encounter as consumers.

Reasons for Selecting E-Marketplaces



Free shipping is the reason more buyers say they select e-marketplaces. With ***price*** and ***quick response*** in the second and third spots, it's fair to assume that these buyers prefer a B2B experience that is closer to a consumer's.

Reasons for Selecting Manufacturers



Price, high-quality products and value dominate as the top reasons for purchasing from a manufacturer, followed by a rather steep drop in the number of buyers who chose other reasons. It is not surprising that fewer buyers chose wide selection as a reason they purchase from manufacturers. Most can only sell the brands they manufacture or brand.

SOURCE: UPS Industrial Buyers Dynamics Study: Buyers Raise the Bar for Suppliers

[4] Forrester: The B2B eCommerce Playbook [LINK]

All this makes intuitive sense given the normalization of online shopping in the B2C space. Consider this excerpt from an article in Forbes:

> *Current retail trends show that 51% of Americans prefer online shopping, with ecommerce growing 23% year-over-year. Ecommerce is expected to change at an even faster rate as brands embrace the power of voice search and omni-platform/omni-device options. Voice assistants are already being used to make purchases by 40% of millennials, with that number expected to exceed 50% by 2020. This transformation of the digital retail landscape will only continue to grow as more consumers integrate digital devices into their shopping habits.*[5]

The people who prefer online shopping and who are adopting voice technology in B2C are also B2B buyers. It stands to reason that shopping preferences in B2C will bleed to B2B over time.

A study by McKinsey of B2B buyer preferences found 46% of buyers would willingly buy from a supplier's website if the option were available and the service efficient--though just 10% say they currently make online B2B purchases today.[6]

Of course this demand for e-commerce options has been discussed for years. Why the urgency now? What's changed in 2018 that makes the e-commerce option critical? What will tip B2B buyers from "willing to buy online" (where they stand today), to "able to buy online"? The presence of well-capitalized e-commerce disruptors like Amazon.

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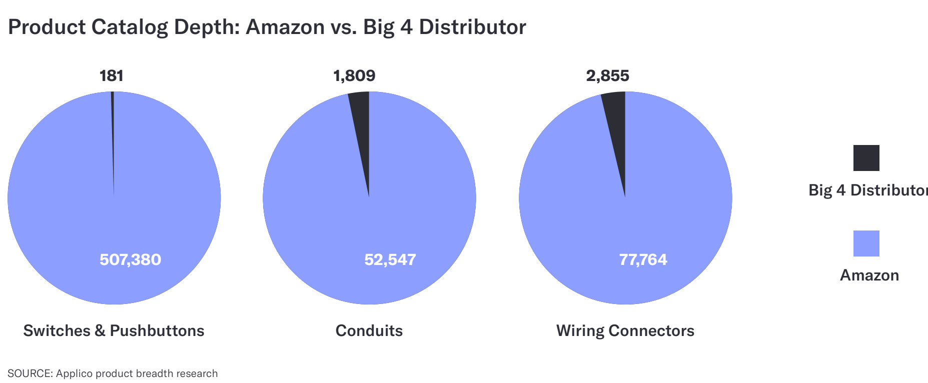
Amazon and the New Disruptors

Amazon officially launched Amazon Business in 2015, focusing first on business supplies; in its first full year (2016), Amazon Business earned a billion dollars in revenue for the e-commerce giant. In its early years, Amazon Business focused primarily on low-hanging fruit in B2B sales--products like office supplies and janitorial supplies. Yet it quickly expanded into more specialized products.

In the electrical supplies industry, for example, a study by Applico showed Amazon's product breadth exceeded that of top electrical suppliers by 50x and much more.[7] And perhaps even more surprising, of the 120 distributors it tracked, 96 of them were selling through Amazon. And not only were they selling through their biggest competitor, but also publishing content to Amazon channels, such as introduction videos and links to social media accounts.



[5] Forbes: ECommerce in 2018 [LINK]
[6] McKinsey: "When B2B buyers want to go digital—and when they don't." [LINK]
[7] Applico product breadth research. [LINK]

The Applico research also found that Amazon's "sweet spot" was in serving mid-size and smaller accounts--where price is a bigger driver and where distributors are less likely to offer deep quantity discounts. Applico recounts that an internal audit by industrial supplies and equipment supplier, Grainger, forced the company to cut online prices by 15-25% in a single year to remain competitive.

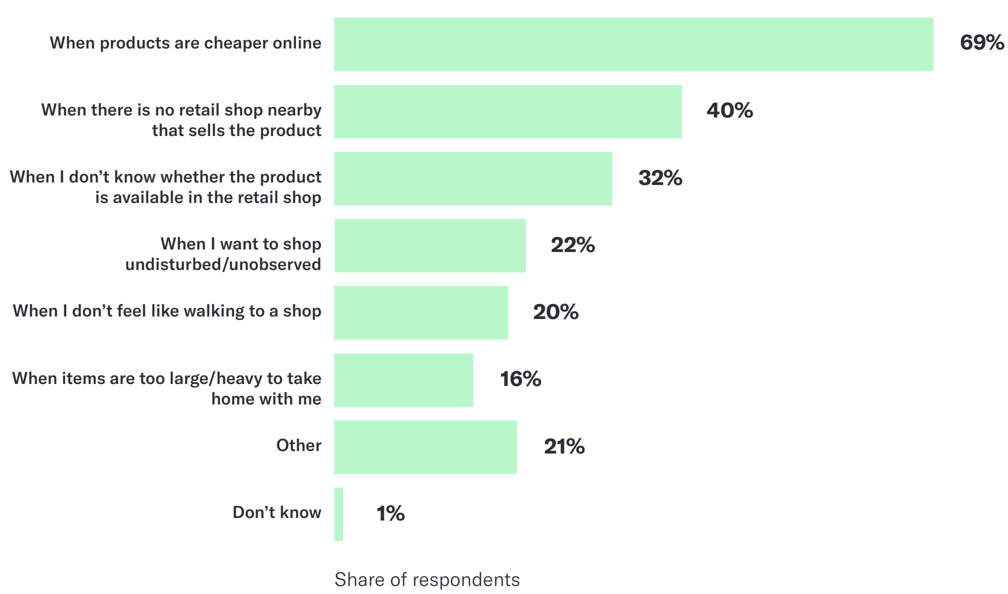
The study continues:

> ***Even if Amazon Business only commoditizes a handful of small, high-margin items, it can severely impact distributors' net profit margins even as their overall revenues stay high. [...]***
>
> ***The news will likely only get worse for distributors as Amazon wades deeper into the B2B sector. Per leaked court documents, Amazon has identified custom pricing as a key factor in the success of Amazon Business.***
>
> ***So while distributors' custom pricing on large contracts may be defensible today, it likely won't be an inimitable advantage for long. Amazon Business will ultimately put margin and price pressure on those large contracts, just as it does with smaller orders and spot buys today.***

And Amazon is not only competing with distributors on price. It also competes on experience. The ease with which you can locate products--particularly through its recommendation engine--and place orders is a key part of the site's success.

While building up e-commerce options is critical, it's important for both manufacturers and distributors to understand how online shopping differs from traditional shopping. For example, consider consumer shopping behavior research from Statista, below.8 Consumers prefer to buy products online when they find a cheaper alternative. While e-commerce may be an inevitability for manufacturers and distributors, it's important to understand the motivations of those who choose that channel versus more traditional channels.[8]

In which cases do you prefer to buy products online?



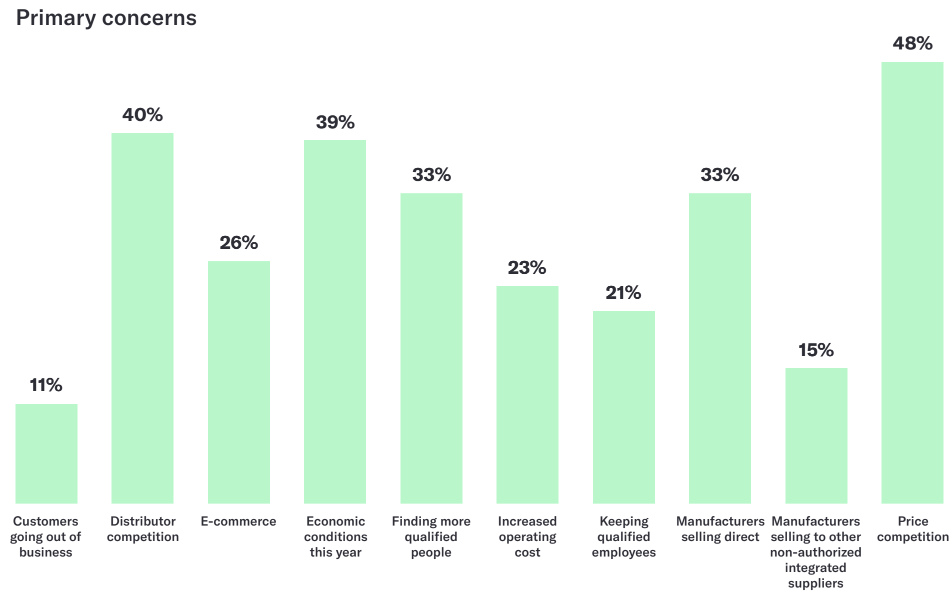
SOURCE: Statista: Preferences for Online Shopping

[8] Statista: Preferences for Online Shopping [LINK]

The Distributor Perspective: Slow but steady change.

The relationship between B2B manufacturers and their distributors is complex, and the move to adopt e-commerce--whether by the manufacturer or the distributor--can strain fruitful relationships. When manufacturers build out e-commerce options, they may be directly or indirectly in conflict with their distributor base. And when distributors sell their wares online, they invite price scrutiny from buyers and competitors where previously that information was not fully accessible/transparent.

Let's look more closely at the distributor perspective. The 70th annual Survey of Distributor Operations (a study that includes many who identify as having leadership positions in management and sales) found distributors are most concerned with price competition.[9]



SOURCE: Industrial Distribution 70th Annual Survey Of Distributor Operations

More than half (57%) currently generate web-based revenue.[10] Keep in mind, this is an average across many industries and product types. It also does not capture what share of a distributor's revenues come from e-commerce. For example, a distributor that sells 5% of its products online would be counted in the 57%, above.

Nearly half (49%) say selling more online is a top priority, but other initiatives are ranked as more important, most notably "adding product lines." 52.5% chose that option, up 13 points from last year . To keep competitive threats at bay and sustain pricing, industrial distributors are also focusing on value-added services (where Amazon can't compete).

Note the extent to which distributor's focus on service is rising:

- Respondents who say services make up at least 11% of total revenue: 41% (up 8% in 12mo)
- Respondents who say services make up at least 21% of total revenue: 21% (up 14% since 2014)

Q: Why do customers do business with you?
Relationships (83%)
Product availability (73%)
Delivery time (61%)
Technical support (64%) down 5% from last year
Price (48%) down 3% from last year
24/7 support (34%) up 5% from last year
[Source: 70th annual Survey of Distributor Operations]

[9] 70th annual Survey of Distributor Operations, part 1. [LINK]
[10] Annual distributor operations survey, part 2. [LINK]

The survey also asked distributors to explain why they think customers do business with them. The responses show distributors are realistic that price isn't the key driver; relationships is most important. While distributors in some industries and verticals may be able to sustain this for some time, others where cost-cutting is paramount, will find the approach is not sustainable.

Distributors are sometimes referred to as tech laggards, Karen Lynch, VP of global wholesale distribution industry business unit at SAP, believes times are changing:

> ***"They want to become more innovative, and they do want to embrace technology … and that's really a change in the past 24 months or so that I've seen within the industry."***[11]

INDUSTRY-SPECIFIC VARIABLES

Healthcare & Medical Devices

The healthcare distributor model is unique in the number of stakeholders involved in the buying process. Hospitals and hospital networks, manufacturers and distributors, group purchasing organizations (GPOs[12]), insurers, government, pharmacies.

> **Wall Street Journal:**
> Fees and administration, marketing and shipping costs account for an estimated 20% to 30% of healthcare supply costs, according to a November research report by Citigroup Global Markets Inc. " There's a lot of people with fingers in the pie ," said Rob Austin, an associate director with Navigant Consulting Inc. and former hospital supply-chain executive. " There is a huge opportunity ."[13]

Add to that, industry headwinds include: a high degree of government regulation, price pressures from government and health insurers, and tight budgets particularly from public hospital buyers (though the expansion of insurance coverage in the US has been a boon as it sweeps in many more 'customers').

The demand for disposable medical supplies in the U.S. is projected to grow 4.2% annually to $54.1 billion in 2020, according to a study from ReportLinker.

All of these factors, among others, are forcing transformation in the industry.

In B2B healthcare sales, manufacturers and distributors face:

> **A growing adoption of a highly segmented, differentiated sales model.**
>
> In the medical device industry, it's clear there is no one-size-fits-all sales model, but rather a highly segmented sales model based on the complexity of the product being sold, the competitors it faces in that field, and whether a "just good enough" version can win out on price (these "good enough" products are most likely to be sold via e-commerce). [LINK]
>
> McKinsey research reinforces this idea: "The past few years have seen a rise in "value" customers—those who gravitate to products that are good enough and competitively priced."[14]

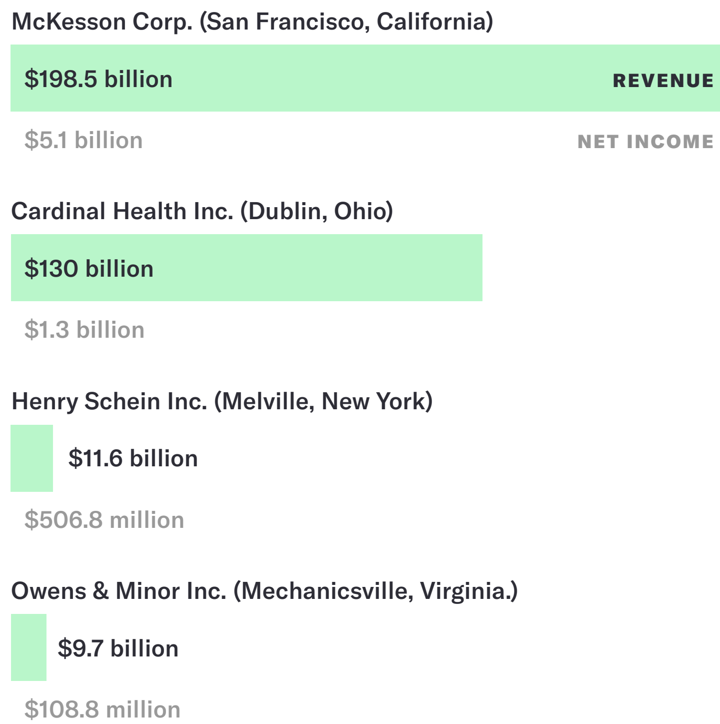
[11] Quote from Digitalist Magazine [LINK]
[12] GPOs help hospitals gain large group purchasing advantage by aggregating groups of hospital buyers.
[13] WSJ: Amazon's latest ambition. [LINK]
[14] "Capturing the new 'value' segment in medical devices." [LINK]

Hospitals looking to integrate the supply chain, putting pressure on distributors
The biggest hospital systems are moving toward integrating a greater portion of the supply chain—cutting out distributors by dealing directly with manufacturers. In its annual ranking of leaders in the healthcare supply chain, Gartner explains in a press release: “Gartner expects leading supply chains to move forward decisively and seek out willing partners, leverage digital technology, and obsess over their customers to find new ways to make their supply chains an essential part of the future of healthcare.”[15]

As part of this push by hospitals to streamline--and ultimately provide better service to patients and fewer obstacles to clinicians, “hospital systems are ditching the distributor and contracting directly with manufacturers, while using their own storage and distribution channels. Doing so, these systems takes on the financial risk, but also the gains,” says journalist Deborah Amos Kaplan in Supply Chain Dive . She continues, “What’s driving much of this move to self-distribution? Hospital system consolidation from mergers and acquisitions (M&A). With an increased volume of supply purchasing, hospital systems have greater bargaining power.”[16]

The Supply Side’s Economics

Health-care distribution companies* could face growing competition from Amazon Business.



**Revenue and net income for the most-recent fiscal year publicly available*
Source: WSJ analysis of Securities and Exchange Commission filings

Consolidation occurring in other areas of the healthcare supply chain
Distributors also feel pressure from other supply chain integrations and consolidations. “The [healthcare] supply chain is complex and fragmented. In many cases there are multiple handoffs before a product reaches a patient – this adds complexity and cost and prevents end-to-end supply chain management. Digital has a key role to play in this simplification and as the supply chain starts to consolidate (eg CVS deal announced today with Aetna) it will begin to change rapidly as distributors/pharmacies become redundant.” - Tania Seary, founding chairman, Procurious.[17]

[15] Gartner Announces Rankings of Its 2017 Healthcare Supply Chain Top 25 [LINK]
[16] “2 ways hospitals are taking control of their supply chain” [LINK]
[17] “How can healthcare supply chains improve? Experts weigh in.” [LINK]

Amazon poised to deliver biggest disruption of all in medical "disposables" market

While talk of Amazon's potential disruptive role in healthcare has been on the horizon for years, recent red flags show the company is moving beyond low-hanging fruit of B2C medical supplies, and now piloting B2B solutions. The Wall Street Journal reported earlier this year: "Amazon has invited hospital executives to its Seattle headquarters on several occasions, most recently in late January [2018], to sound out ideas for expanding its business-to-business marketplace, Amazon Business, into one where hospitals could shop to stock outpatient locations, operating suites and emergency rooms, according to hospital executives who attended the meetings."[18]

"If you are a pure distributor I would be really worried. But as a healthcare system, we want competition and innovators and costs to come down. All it will do is make traditional distributors better, which is what we're looking for—something to light a fire."

Amazon has also recently received approval from a handful of state pharmaceutical boards to become a wholesale distributor (a requirement to sell medical equipment to licensed professionals, according to the Wall Street Journal).

Yet it appears the behemoth may experience resistance from hospitals, which aren't comfortable ceding control to the e-commerce giant. "So far, some hospitals have been reluctant to buy supplies from Amazon Business, for reasons including lack of options and lack of control over purchases and shipping, which hospitals closely safeguard to ensure prompt arrival of goods."[19]

'We can't be without supplies,' said Phyllis McCready, chief procurement officer for Northwell Health in New Hyde Park, N.Y., one of the hospital executives who attended the Seattle meetings with Amazon."[20]

Analysts predict Amazon will likely begin by concentrating on commoditized items (e.g. disposables), and distributors will face significant margin pressure on those items.[21] More complex or high-end products--those that require training or more 'high-touch' service, such as cardiology devices--won't be sold on Amazon Business in the near future.

"It could be terrific," said Gene Kirtser, CEO of ROi, a supply chain management company that has more than 100 group purchasing organization members and serves more than 250 hospitals in the U.S. including its founder and owner Mercy, a 44-hospital system. "If you are a pure distributor I would be really worried. But as a healthcare system, we want competition and innovators and costs to come down. All it will do is make traditional distributors better, which is what we're looking for—something to light a fire."[22]

[18] WSJ: "Amazon's Latest Ambition: To be a major hospital supplier." [LINK]
[19] WSJ: "Amazon's Latest Ambition: To be a major hospital supplier." [LINK]
[20] WSJ: "Amazon's Latest Ambition: To be a major hospital supplier." [LINK]
[21] Investor's Business Daily: "Amazon Could Enter Hospital Supply Chain — Why Medtech Shouldn't Worry." [LINK]
[22] Modern Healthcare: "Amazon poised to deliver disruption in medical supply industry" [LINK]

Distributors still have some leverage ... but time may be running short, particularly for low-cost segments

"Amazon may find out that the healthcare industry is a 'tough nut to crack,'" adds Gene Kirtser. He explains that since hospitals enter into contracts that bundle low-cost and high-cost items together, taking advantage of Amazon's lower prices isn't straightforward; when hospitals remove low-cost supplies from contracts, distributors may opt to increase prices on the higher cost products. "This industry in a way almost insulates itself," Kirtser said. "It is such a complex ecosystem to navigate. It has a lot to do with relationships. Where Amazon plays, decisions are made more black and white. Healthcare is so gray and convoluted."[23]

The lesson: distributors without a breadth of offerings--including those higher-cost products that are difficult/impossible to source from new market entrants--may be at highest risk of losing significant market share.

The less talked-about disruptor: Google Search

As more products are sold online, access to pricing transparency via online search will continue to dampen margins for distributors (currently a product's unit price depends on the nature of a contract and so can differ significantly from one contract to the next). "Middlemen don't currently play one of the major roles in the industry as a financier, diagnoser or deliverer of care, that's why they are getting squeezed," said Gurpreet Singh, a health services sector partner at PricewaterhouseCoopers.[24]

Chemicals

Researching the healthcare industry--and in particular how e-commerce is affecting B2B buyers--is much more straightforward as the industry is awash in research, analyst reports, and feature articles from major news companies.

There is far less information available about the chemicals industry.

As in healthcare, the chemicals industry is adjusting to a rash of mergers. "Many executives lie awake pondering how to quickly integrate acquisitions to release promised synergies and onboard new revenue sources; how to reduce complexity, integrate across silos, and streamline workflows across the entire global value chain; how to resist commoditization by embedding themselves more intimately within customers' innovation and operations cycles; how to rapidly enter, differentiate, and win in new markets."[25]

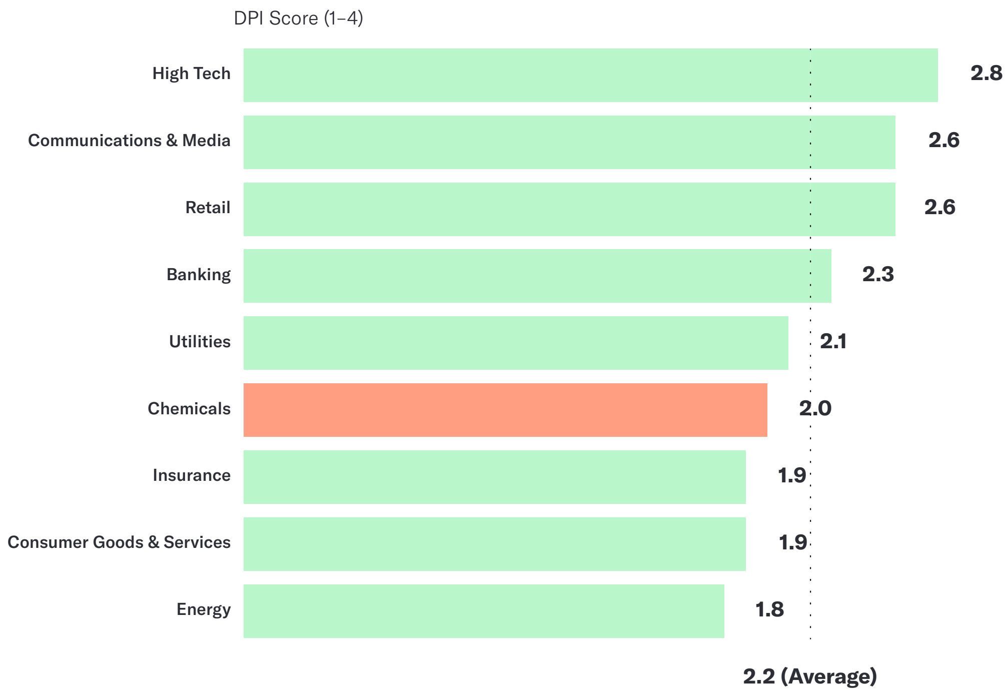
Original research or even analysis about e-commerce in the B2B chemicals industry is very hard to come by. Most relates more broadly to "digitalization" which includes e-commerce, as well as a host of other strategic initiatives and investments.

Accenture uses what it calls a Digital Performance Index, which assesses companies and industries based on four dimensions: How companies are planning to respond to technology-driven change; how they design and create portfolios of digital products & services; how they use digital channels to sell, market and personalize products and services; and how they manage the digitalization of internal processes and procedures. The chemicals industry is considered a laggard on the DPI, scoring a 2.0.

[23] Modern Healthcare: "Amazon poised to deliver disruption in medical supply industry" [LINK]
[24] Modern Healthcare: "Medical supply distribution poised for e-commerce migration." [LINK]
[25] Innovation in the Chemical Industry [LINK]

The lack of research and reporting in the chemical industry may be due to what Accenture says is an industry protected from the strongest headwinds facing other industries. One of it's analysts explains, "Accenture has conducted research into the drivers and directions of disruption across industries, and the findings suggest that the chemical industry has so far avoided the kind of upheaval that has become familiar in other industries. But that research also indicates that chemical companies' increased use of digital technology and technology-driven business models will accelerate change for chemical companies, and create volatility in the industry."[26]

Cross-industry Digital Performance Index (DPI) Scores



Source: Accenture Research, DPI analysis of approximately 400 companies across industries.

Food & Beverage

As with the chemicals industry, there is less information available about the B2B food and beverage industry. The industry appears to be highly fragmented with many small players working regional markets, as well as national and global brands. According to Forbes[27]:

> ***Sysco and US Foods are the two largest players in the food-service distribution industry (together they represent almost one quarter of the market), although there are thousands of smaller companies that compete for business. It estimates that both Sysco and US Foods each derive at least 30 percent of revenue serving the independent restaurant category.***

[26] https://www.accenture.com/us-en/blogs/blogs-gauging-digital-performance-chemical-industry
[27] Forbes: "Shares of foodservice distributors fall" [LINK]

> ***Performance Food Group, meantime, controls about 5 percent of the food service distribution market and it serves corporate-owned and franchisee locations of large chains such as Burger King, Subway and Church's and others.***

B2B distributors in food and bev face many of the same pressures visible in other industries, including an expectation among buyers that the experience more closely matches what they expect in the B2C realm. And Amazon presents a formidable opponent to even the biggest operators. JPMorgan analyst John Ivankoe explained in a research note, " The risk has increased that AMZN becomes a disruptor to food service distribution models." The news isn't surprising, particularly given Amazon's acquisition of Whole Foods last year.

JP Morgan counseled in the same report, "We think Amazon will pivot their focus on the at-home consumer and include independent restaurants in their customer set. They buy larger pack sizes, demand larger sizes and are highly repetitive in terms of what they buy as menu inertia is true for most independent restaurants."

"To find success, distributors will need to balance smart technology investments with maintaining a human touch through meaningful and consultative customer partnerships."

Technomic, one of the leading research firms in the industry, reports in its last industry report devoted to distributors:

> ***"As new sources of competition arise and regulatory issues and industry saturation continue to weigh heavily on distributors, we expect the marketplace to remain a challenging environment in the near-term," writes David Henkes, senior principal at Technomic. "To find success, distributors will need to balance smart technology investments with maintaining a human touch through meaningful and consultative customer partnerships."***
> ***[Report available for purchase only.]***

The industry is feeling unique pressure from B2C players, which have set up robust e-commerce channels and home delivery networks. From big players like Walmart and Amazon Fresh, to e-commerce only companies such as mySupermarket, Freshology, Instacart, and Netgrocer--the leap to move from B2C to B2B is not large for these companies, putting even greater pressure on existing food and bev distributors.

B2B Manufacturers: Developing a Plan

Manufacturers questioning how to evolve their sales models and the effect of an e-commerce option should consider the following steps:

Hypothesize: When considering adopting e-commerce, document ...

- **How are different customer segments affected differently by the trends discussed here?**
- **What portions of our product line are most imminently threatened by the trends discussed here?**
- **How will e-commerce affect our distributor relationships?**
- **Is e-commerce are end goal, or digitalization more broadly?**

Research: What do our customers say—both those who buy direct and through distributors?

- **How do they prefer to buy?**
- **What are their top considerations for the products they buy?**
- **What parts of the buying experience do they value most?**

Research: What do our distributors say?

- **What are their top concerns?**
- **What can manufacturers do to support high-value distributors? What questions can we help them answer?**

Building the Roadmap: How to build a graduated plan?

- **Given the choices we face, should we adopt a segmented/differentiated approach to e-commerce sales?**
- **What business goals will e-commerce support? How will we track these?**
- **How will our decisions affect our stakeholders, and have we accounted for those effects?**
- **What requirements will we need to undertake?**
- **Which vendors will we partner with?**
- **How can we plan an approach that can adapt to evolving market conditions? (e.g. “aim, fire, aim”) What are some early wins that can set us in the right direction?**
- **What long-term goals should we keep our eyes on (even if those change)?**

amg