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Manufacturers Shifting Gears in Race to Channel Diversification

Over the last century, driving changed considerably as the task of shifting gears gave way to the comfort of sitting back and allowing the car to make those decisions for you. Most cars sold today are equipped with automatic transmissions to react to the changes in road and traffic conditions. An opposite situation exists today with the changing conditions within the manufacturing community, especially as it relates to business-to-business (B2B) distribution channels. [Where selling solely through distributors was once an automatic decision, manufacturers now find themselves facing market dynamics that are forcing them to shift gears.](#) Manufacturers must navigate the new terrain of changing customer demands, online marketplaces, desires for greater customer intimacy and increased competition from new online-only entrants. The response to these challenges just may determine which manufacturers maintain momentum and which ones stall.

For years, the relationship between manufacturers and distributors has been consistent and predictable. Manufacturers rely on distributors for their vast network of branches, salespeople and logistics services to drive sales growth and to get their products in the hands of customers. Distributors rely on innovative products, technical expertise and marketing support provided by manufacturers, especially well established national brands. Together, manufacturers and distributors have created numerous dependencies on one another that have benefited both customers and their own organizations. However, a shift is occurring and some dependencies are lessening as new capabilities are being made available to manufacturers. [Manufacturers realize that operating their own websites, engaging customers through social media and addressing a new generation of buyers through marketplaces are all contributing to less dependency on distributors for product and brand exposure.](#)

If you get your partners involved you can avoid conflicts and turn the relationship into a win-win for both parties.

[Changing Business Models: The Shift to B2B2C and D2C Sales](#), Sana, 2019

New perspectives were on display at a recent B2B conference where sessions included topics that had been absent in previous years. Beyond discussing how to better operate within traditional business models, sessions were focused on alternative models and prompted manufacturers to become more inquisitive. Although a manufacturer's relationship with their distributors was clearly strong and still warranted, there was a bit of concern and confusion amongst the manufacturers about how to best move forward in a world now influenced by Amazon, emerging technologies, big data needs and social media.

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A Changing Environment

Manufacturers are concerned about not having the information needed to make informed decisions regarding the rapidly changing landscape. Additionally, emotional conflict exists as manufacturers are uncomfortable discussing solutions that although additive to their traditional distribution channels, might be perceived as a threat to distributors. After decades building beneficial relationships with distributors, manufacturers want to explore new opportunities while maintaining positive relationships with their distribution partners.

This paper will address four primary themes that evolved through research and manufacturer discussions in the months that followed the B2B conference.

Sales growth is a concern. Small manufacturers struggle to build a distribution network while large manufacturers shift to protect market share from new, online-only competitors. Nearly all seek full product line exposure through their distributors or other channels.

Channel mix is changing. Manufacturers are participating in direct channels. Many sell via their own site and/or Amazon.

Customer intimacy is missing. Manufacturers lack customer knowledge and behavioral information they desire. Big data demands are driving the need for more information.

Distributors continue to be important. Service oriented distributors are critical. Manufacturers want to further leverage distributor relationships.

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The Process

Personal interviews were the primary source of the material provided in this paper. Interviews were conducted with professionals in various roles from manufacturers serving numerous industries. Manufacturer roles were primarily sales & marketing, business development and CEOs. The primary line of questioning was related to the manufacturer and distributor relationship and how direct selling channels may be influencing those relationships. The interviews were conducted in-person and via telephone or video conference; no written surveys were utilized as the necessity to understand the reasoning behind the positions being taken was critical and thus required a conversation.

The feedback is broken down into the top trends and perceptions referenced by the participants. Overall, interviewees acknowledged change was rapidly occurring across the supply chain. The decision to lead change, be an early adopter of change or wait until the impact of change has been validated before joining that change may not be revealed as the right decision until the years ahead. [The question remains, "When is change right for my organization?"](#)

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Observations

Sales growth is a concern. Small manufacturers struggle to build a distribution network while large manufacturers shift to protect market share from new, online-only competitors. Nearly all seek full product line exposure through their distributors or other channels.

In the 1970s, the thrill of having your song announced as number one on the charts by Casey Kasem must have been extraordinary. In those days, artists were dependent on a record label to promote them and radio stations to play their songs. At that time, nobody could have imagined a world where talented artists were able to self-promote via video-sharing sites where fans could help create “overnight” sensations. In an industry once controlled by the sales and distribution arms of the music supply chain, the artists (manufacturers) of the song (product) now have the ability to control their own destiny. Sure, record labels are still important and necessary, but their leverage and role within the industry has changed. Alternative ways to market have broadened customer access and opened the doors to new entrants.

There is a similar scenario playing out today within the manufacturing community. Advances in technology provide manufacturers the ability to introduce their products directly to the customer. *As attractive as it might be to explore new channels, large manufacturers that are fully entrenched with distributors are reluctant to disrupt their current relationships.* They see distribution as the channel that helped them to build their business and fear that exploring alternatives to reach their market might result in negative impacts as distributors react to support “distribution-committed” manufacturers. Manufacturers also see the influx of online-only direct-to-consumer manufacturers as another threat to their business. Once a difficult task when distributors were required to facilitate the sale, manufacturers can now have a website up in weeks or sell through any number of marketplaces and be competing against veterans of the industry. Manufacturers continue to face tough decisions as opinions within any manufacturer tend to still be quite varied; indecision is leading to a lack of action in many cases.

Small manufacturers, in particular new manufacturers, focus on gaining market share. To do so, they rely on building relationships with distributors that can help them to quickly reach large segments through a proven business model. The primary challenge with this as the sole approach is the reliance on distributors; those that cannot find their way into a distributor find themselves on the outside of many selling opportunities. Perhaps even more challenging is the fact that most distributors do not offer one hundred percent of any manufacturers’ product line. For new manufacturers, this is especially restrictive as the distributor often offers the only channel to expose their products to customers.

Manufacturers of all sizes are concerned about the omission of their full product line from a distributor’s sales and marketing efforts. The figures vary widely with manufacturers claiming as little as 5% and as much as 100% of their product line being represented by any one distributor. Typically, manufacturers have about 50% of their products represented with any one distributor with most distributors offering about half of those products via manufacturer drop-ship only. Drop-ship is a growing expectation on manufacturers as distributors seek to represent a greater product mix without the inventory commitment. Some manufacturers express reluctance to support drop-shipping due to fears about low average order sizes that could make drop-shipping less profitable. Most are willing to drop-ship products where adding distribution to the supply chain makes the cost prohibitive for the customer, increases the odds that damages occur

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when reshipped and/or involves product customization/configuration. [Nearly all manufacturers see drop-ship as a necessity to ensure they have greater product exposure and increased sales opportunities.](#)

For many manufacturers, reaching the market requires creating their own direct selling channels so they can increase market access and ensure full product line exposure. To support direct selling as a means to drive revenue, a growing trend is the use of third-party logistics providers (3PLs) to manage the pick, pack and ship functions for the manufacturer. The use of 3PLs is expanding the capabilities of manufacturers by giving them the ability to more effectively support their own ecommerce efforts as well as drop-ship.

Channel mix is changing. Manufacturers are participating in direct channels. Many sell via their own site and/or Amazon.

For many years, the best way to plan a vacation was through your local travel agent. Travel agencies have great relationships with everything from airlines to resorts and were historically the best way to pull off a great vacation in a single, packaged offering. For those today seeking similar information, a few keystrokes on a site or two can provide the same results. Direct access to the airlines, hotels and service providers has never been easier. The past ten years has seen significant changes in the way organizations make their offerings known and most now sell via direct channels as well as through marketplaces that represent many providers. Whether it's going to hilton.com or expedia.com, the options are evolving.

Among several predictions Forrester makes in that report, it notes that buyers “will begin to prefer marketplace buying” for a wide range of products ranging from equipment used for maintenance, repair and operations, to networking equipment and scientific supplies. “Modern buyers will make price transparency/low cost a must-have versus a nice-to-have,” Forrester says.

[2020 B2B Predictions: A Fresh Take on Marketplaces and Innovation](#), Digital Commerce 360, 2019

The decision to sell directly can be daunting. On one side is the lure of increased market share, margin gains and a direct relationship with the customers. On the other side is the reality of fulfilling orders, supporting customer inquiries and managing the response from existing channels. This topic, above all others during the manufacturer interviews, elicited the most energetic, angst driven and cautious discussions. The emotions around this topic, however, are not solely related to the anticipated distributor response, but also to the single entity that is now getting the attention of every manufacturer and distributor alike, Amazon. Although only one model in Amazon's offering is truly direct for the manufacturers, both models will be covered here as many perceive Amazon to be different than traditional distribution.

Amazon...Friend or Foe?

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For clarification, Amazon offers two models for sellers. One, referred to as First Party Seller, is similar to traditional distribution in that Amazon provides purchase orders to sellers that are able to sell under this model by invitation only. Products are then shipped to Amazon so they can be sold to customers at a price established by Amazon. Once sold, Amazon fulfills the orders via their own distribution network. In short, First Party Seller is a traditional distribution model. The second, referred to as Third Party Seller, allows sellers to utilize Amazon's marketplace to display their products and to sell at a price established by the seller. Fulfillment can be done in a number of ways, including directly from the seller, utilizing a 3PL or using Amazon's third party fulfillment capabilities known as Fulfillment by Amazon (FBA). Third Party Seller is closer to a direct model.

For some manufacturers, [Amazon is the first step towards selling directly to the customer](#). Interestingly, some manufacturers interviewed are selling through Amazon, but not Amazon Business. The reasoning is either a lack of knowledge that Amazon Business exists or there is not a clear understanding of the difference between Amazon and Amazon Business. The difference, in short, is that Amazon remains primarily consumer focused while Amazon Business is targeted to businesses. Amazon Business offers numerous business-friendly solutions while also providing additional tools for sellers, although the membership fee can be a deterrent for some buyers. As most manufacturers see little [differentiation between Amazon and Amazon Business](#), references to Amazon throughout this paper will represent both unless otherwise stated.

This past year has seen an upswing in price wars, indicating that winning the Buy Box has become even more competitive than before.

[The Amazon Buy Box: How It Works for Sellers and Why It's So Important](#), BigCommerce, 2019

Although not every manufacturer is selling on Amazon, all are having discussions about the impact of Amazon. In particular, concerns exist about the potential to see market prices driven down by the influx of import sellers, unauthorized sellers of their brands and competition for the [Buy Box](#). Under First Party Seller, expectations are that Amazon will drive prices down, even to a point lower than minimum advertised price (MAP) or current distributor pricing. Most voice concerns from their distributors that Amazon is creating margin pressures within their own businesses and unauthorised sellers and counterfeits are making it difficult to know where to set pricing.

When determining whether to sell via Amazon's First or Third Party Seller models, the decision is difficult as the advantages of one come with a set of disadvantages as well. Some already selling via First Party Seller are considering a switch to Third Party Seller in an effort to better manage pricing. However, concerns are evident as manufacturers believe they will see a decrease in sales volume as a result of the switch. The primary reasoning is a belief that their products will be viewed less often as Amazon prioritizes products sold via First Party Seller. Amazon provides additional benefits to sellers of Prime products; getting that designation requires products to be sold via First Party Seller or to a handful of qualified Third Party Sellers. Whether it's placement in the Buy Box, appearing first in search results or showing up as a related product, First Party Seller products are typically given priority.

Manufacturers are also concerned about the impact of [paid ads](#) on product placement. On one side, those not participating in paid ads realize their products are limited in exposure. On the other side, manufacturers are troubled by the lack of

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understanding of exactly how their paid search efforts within Amazon impact their product placement and sales opportunities. For many, ad placements seem to be a bit of a black hole with an expectation of improved performance, but a lack of assurance on how that performance will materialize. In fairness, some of the confusion is related to a lack of expertise within the manufacturer as few have prioritized digital savviness as a key skill set within their marketing organizations. Manufacturers are quite open about their desire to enhance their knowledge and capabilities related to digital efforts and recognize the impact some notable manufacturers are having by focusing on digital marketing talent.

Manufacturers noted a few examples of specific challenges they face with Amazon; most commonly referenced is an [incident in 2019](#) where First Party Sellers did not receive any purchase orders for a period of time. All manufacturers that referenced this incident are frustrated with the lack of an appropriate response from Amazon. Others claim to have received notices from Amazon threatening removal as a First Party Seller if certain sales thresholds were not maintained. Although only one manufacturer claims action was taken by Amazon, the notice clearly aggravated manufacturers. One manufacturer sees the notices to be no different than communications from existing distributors and describes it as “just business”. In the case where the manufacturer was dropped, Amazon represented eighty percent of that manufacturer’s sales volume, a clear risk for manufacturers attempting to build their business through Amazon alone.

Another concern is rising as sellers are beginning to understand what Amazon is doing with Amazon private label lines, including AmazonBasics. Simply put, manufacturers see how Amazon can utilize the sellers’ activities to Amazon’s advantage to select which products to private label, best estimate potential sales and determine optimal selling prices. Yes, manufacturers are also concerned about distributors’ private label brands for similar reasons, but Amazon’s aggressiveness in this area is of primary concern to the manufacturers. One manufacturer was unaware that searching on Amazon for his brand’s name brought back results where the product in the top position was an Amazon private label equivalent of his own product. Not only did Amazon become a competitor to his brand, they took the top spot in the search results. Regardless of the reasoning behind these examples, [it is clear that manufacturers are torn between the sales opportunities provided by Amazon and the challenges they face selling through Amazon.](#)

Not unlike the offline world, Amazon leads to concerns about what is perceived to be the misrepresentation of branded products, either via counterfeits or by unauthorized sellers. In both cases, manufacturers are challenged to monitor what is being sold on Amazon and most believe they are being negatively impacted. In response to similar complaints from other sellers, Amazon recently announced additional [brand management tools](#) that are provided to help manufacturers better protect their brands. Manufacturers desire greater brand control and see Amazon’s broadening marketplace to be a bigger challenge than ever to improving perceived brand performance.

Manufacturers also express challenges with determining the additional costs they will incur by selling via Amazon, especially as a Third Party Seller. The question is often posed as to how the additional sales volume from Amazon might be offset by the additional costs associated with price management, inventory management, shipping and other activities typically handled by the distributor. Sure, they realize the control they gain can create advantages for them, but they are unsure about the financials in some cases.

However, much like many B2C sellers have aligned with Amazon’s online selling platform, more B2B distributors may follow a similar path in the near future. One of the biggest changes

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that distributors will have to adapt to will be recognizing that they no longer 'own' the end customer - Amazon does.

Bridget McCrea, [6 Important B2B Distribution Trends to Watch](#), tED Magazine, 2019

When it comes down to who owns the customer relationship, it is quite clear in distribution that the distributor owns the customer relationship. From marketing to sales to after-sales support, the distributor has full access to the customer and responds to most inquiries related to the products they provide. Selling as a First Party Seller is no different and the expectations from manufacturers are quite similar. However, selling as a Third Party Seller on Amazon creates some concern for manufacturers as Amazon still owns the customer relationship. For example, sellers may know the address of the customer as they could be fulfilling the order themselves, but specific customer information and the ability to target those customers directly with email marketing are not made available to the seller. Amazon even [forbids sellers from contacting buyers via phone](#) and instead forces them to use the Buyer-Seller Messaging tool provided by Amazon. In essence, Amazon still owns the customer and all associated data about that customer and their behavior.

Nearly half of businesses expect to increase marketplace purchasing in the next one-to-three years.

[UPS Pulse of the Online Shopper](#), 2019

Believe it or not, there is a world outside Amazon, although feedback about selling direct is dominated by the growing giant. Manufacturers that produce consumer goods also have thoughts about Walmart and their efforts to challenge Amazon in the marketplace game. The concerns and benefits roughly mirror those about Amazon, with the most frequent reference being related to unauthorized sellers. Beyond Amazon and a few comments on Walmart, there is little feedback related to marketplaces. Manufacturers respond that their indifference to other marketplaces, or even the concept itself, is the result of an unfamiliarity and very limited knowledge about marketplace options and how they are being utilized today. This may have been the most surprising feedback as marketplaces are proliferating and becoming a primary source for many purchasers.

Do-It-Yourself Approach

Creating less angst than Amazon, but just as much discussion, is the topic of selling directly via the manufacturers' own sites. The feedback in this area is consolidated to a handful of topics and the camps seem to be split on the path they should take. The two camps consist of those that vow never to sell directly via their website and those that either are selling via their own website today or have plans to do so in the near future. One position is held by both camps; regardless of whether transactions are supported through their site, all believe there is a necessity to have a site with outstanding content to create benefits beyond direct sales for the manufacturer.

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Consider the impact of channel conflict and devise ways to reduce it. Communicate your goals and D2C strategy with existing distribution partners ahead of time. It's a courtesy and opens the door to working together in new ways, from reimagining channel management strategies to creating new partnerships.

Eric Marotta, [How to Go Direct-to-Consumer: 5 Things for Manufacturers](#), Salesforce, 2019

For those vowing to refrain from selling directly, distributor relationships, customer needs and profitability are three factors that play a key role in that decision. First, they value their relationship with distributors and wish not to disrupt that relationship. The expectation is that selling directly will jeopardize their influence with the distributor and the additional revenue and/or margin they would generate by selling directly will not offset the lost sales that could result from less distributor support. Second, there is a presumption that buyers will not be willing to visit manufacturer sites with the intent to purchase since they often wish to buy across multiple manufacturers on a single order. Third, for those that believe they can drive sales via their own site, they are concerned that the average order size will be insufficient to make the transactions more profitable than fulfillment through distribution. Manufacturers in this camp still see the benefits in having a site full of rich content and believe a non-transactional site can help them with content marketing, customer acquisition, brand management and customer analytics.

The manufacturers either selling via their own site today or actively working towards it in the near future are primarily seeking market penetration and are looking beyond the transaction to other benefits as well. Beyond any other reason to sell via a direct channel, manufacturers need to gain market exposure. As stated earlier, manufacturers that are challenged to find adequate distributor support find themselves struggling to acquire customers. For this reason alone, [manufacturers are seeking alternatives to reach customers and often find that direct channels are the path of least resistance](#). Additionally, manufacturers that have not yet established a strong network of distributors have fewer concerns about the potential response by distributors, making the decision to move forward with direct channels easier. Plus, the use of 3PLs is addressing fulfillment capability concerns and lessening one of the previous challenges faced by manufacturers wishing to sell directly.

Marketing and Business Development leaders are most likely to be advocates for selling direct while Sales leaders are most often the detractors. Senior Executives are roughly split in their perspectives on direct channels with quite a few in the "wait-and-see" mode at this time. Executives are quite clear that no matter the position taken within their organization, the discussions regarding direct channels are happening and will continue. Regardless of role, small manufacturers are more willing to move forward with direct channels as they seek the market access already achieved by large manufacturers with entrenched distributor relationships.

Only 52% of distributors actively promote new products during the products' introduction.

Mike Ulanski, [Transforming the Manufacturer-Distributor Relationship](#), WTW Media, 2018

Even within large manufacturers that have established and successful distributor relationships, a key reason for considering

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direct channels is new product introduction. After months to years of product development, manufacturers are seeking quicker paths to get new products into the market. Some are challenged to get their newest products exposed to customers as distributors must often sell through existing inventory before introducing new products. The options provided to manufacturers are either delay entry into the market or agree to take back inventory for the prior product, so the replacement product can be placed into stock. New product introduction is understandably a challenge for distributors as new products do not have proven sales histories so the distributor is reluctant to make the initial inventory commitment. Responses varied in this area as some legacy products retain great value due to large install bases while other products are seen as nearly obsolete once the new model is released.

Customer intimacy is missing. Manufacturers lack customer knowledge and behavioral information they desire. Big data demands are driving the need for more information.

Ten years ago, restaurants wanting to understand how customers perceived their food would rely on comments made by patrons during their visits. Sure, sales volume was the primary indicator that pointed to whether folks liked the food and service, but the reasoning behind those sales figures was not always clear. The rarely submitted comment card or chat with a manager might occasionally help, but those data points were typically not enough to warn of an issue at hand. Often, sales would decline and restaurants would be out of business before they even knew what happened. Fast forward ten years and no restaurant should be surprised by why sales are either good or bad. With the addition of social media sites like Facebook and Yelp, nearly all restaurants are aware of customer opinions, both good and bad. Plus, with people often “checking in” to locations, owners can get a feel for how their best customers are interacting with them. The new level of customer intimacy, including the ability to respond to commenters, has put a different face on customer interactions and the ability to gather critical information.

Of course, manufacturers and distributors both know that data, specifically customer data, is at the heart of conflict between manufacturers and distributor partnerships. Distributors want to protect customer data as their final defense for preventing disintermediation. Manufacturers jealously guard their own data about sales and especially margins, because they believe distributors will use that information to lobby for better prices to improve their own bottom line. But none of this matters. Digital tools enable disruption. If one set of manufacturer and distributor partners does not figure out a new way to collaborate around data, another will.

Mark Dancer, [Why Data Sharing Leads to Better Value for Customers - Distributors in the Digital Era #6](#), NAW, 2017

Within the manufacturing community, there is a growing desire for access to the customer and the associated information about the customers' behaviors. Manufacturers voice frustration with the limited amount of data they received from their distributors. Typical distributor-provided data is limited to reports on units sold by high level customer segments and/or

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regions. Manufacturers are asking for more information and want to better understand details about units/sales to all customer segments, segment sizes, channels used, items typically sold together, behaviors related to searching online, how customers are reaching the distributors' offerings, pricing impacts on customer demand, customer satisfaction with their products and many other specific data points. As big data is considered to help drive better product development, resource planning, demand forecasting, attrition analysis and any number of insights, manufacturers continue to expect more information from their distributors.

Manufacturers' desire to have greater customer knowledge extends to customer feedback as well. Some manufacturers are pleased with the level of customer feedback and engagement as they have distributors that proactively connect them to customers, often through joint sales calls, branch events and trade shows. However, even these manufacturers desire more analytical data points to support their planning, marketing and operations efforts. Manufacturers reference product satisfaction scores, product ratings & reviews, returned product reasons and chat details as some of the additional customer feedback they'd like to receive.

[Distributors hold close the customer information that would allow manufacturers to market directly to the customer.](#)

Whether it's a street address or an email address, manufacturers are interested in marketing to "their" customers through their own programs. Manufacturers concede that the customer is owned by the distributor, but that fact does not deter manufacturers from wanting customer data that will allow them to have a direct connection with the customer. Warranty cards are one way that manufacturers collect customer information and social media has opened additional doors to customers, but it is not enough. Even in the case where manufacturers are not selling directly, they see the value of staying top-of-mind with customers and building a relationship through branded email campaigns and other marketing channels to create loyalty.

Distributors continue to be important. Service oriented distributors are valuable. Manufacturers want to further leverage distributor relationships.

The stock market is a complex entity and navigating it once required a specialist for most investors. Everyone had their "stock person" that would provide evaluations and opinions about potential investments and was often necessary to execute a stock transaction. As online trading tools like Robinhood and E*TRADE have become available, the routine trade component has largely shifted to the individual and the "stock person" has refined his/her offering to financial services, providing advice, managing complex transactions and handling anything that is beyond the limits of the average investor.

A similar shift is occurring within distribution as a greater percent of transactions are done online as both digital solutions and the customers' desire to self-serve are evolving. The transactional component is moving online while interactions around specialized services, technical products and large projects continue to best be served through distribution. The shift in recent years can be seen at Amazon Business where growth continues to be substantial for many commoditized products like office products and janitorial supplies.

This combination of factors – explosive growth of delivery and distribution capabilities, the

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proliferation of SKUs available from marketplaces, plus new technologies – means that distributors can't just count on assortment and availability as a means of generating sales and income much longer.

Ian Heller, [Distributors are About to Get Commoditized](#), MDM, 2019

Nearly all manufacturers see distribution as a critical piece of their channel strategy; in some cases the only channel. Often, distribution provides capabilities that they as the manufacturer do not want to address within their own organizations. The list of things they desire and often demand from their distributors is largely centered on value-added services that require proximity to the customer, project management skills, cross-category expertise, financing, national account management, solutions integration and specialized delivery and inventory management capabilities. These additional services are seen as the keys to distributors developing and maintaining relationships with customers. In the best cases, manufacturers see their distribution partners as an extension of their own team.

Manufacturers of products that require customization, fabrication, assembly, kitting and other specialized services are especially dependent on distributors that can add value to the manufacturers, especially in cases where the added services must often be provided closer to the customer. Manufacturers understand that distributors with exceptional service capabilities are better equipped to win large bids and thus pull them into the bid response. For this reason, manufacturers are increasingly demanding distributors to expand their service offering so manufacturers increase their odds of having an opportunity to participate in large projects. The quality of the service is also important as manufacturers are often associated with the distributors; poor service by the distributor reflects negatively on the manufacturer.

Although some manufacturers cautiously enter into the world of selling directly to the customer, they see new channel opportunities as additive to their distributor relationships, not as a replacement. Those manufacturers with the most comprehensive strategic approach see new channels as a means by which they can assist distribution in a number of ways. First, a manufacturer's ability to market directly, including to additional end-markets, creates greater exposure and ultimately increased demand for their products. This increased demand often finds its way back to the distributor as well. Second, [as manufacturers often expose their entire product selection via direct channels, these channels serve as a way to measure customer demand on new products or products not widely offered through their distributors](#). Direct channels therefore serve as a place to uncover market demand for products that can then be introduced to distributors with a higher level of certainty about market response. This approach can help distributors to expand their offering and to reduce the risks of taking new products into inventory. Third, manufacturers can use the information gathered via their own direct relationship with customers to develop better marketing and support programs. Marketing successes can be used to improve distributor marketing programs by providing guidance on the content and segments that drive the most success. Distributor support teams benefit from manufacturer relationships with customers as manufacturers use customer interactions to uncover product issues that might create demands on the distributor support teams. Addressing these issues before introducing products to distributors ultimately reduces distributor support costs. [In the end, all parties win as manufacturers develop customer intimacy](#).

Product information and content management are more than organizational tools. When used

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properly they can provide a competitive advantage by ensuring suppliers and retail recipients have complete, verified and accurate information that ensures consistency and develops consumer trust throughout the consumer goods ecosystem.

[Managing & Distributing Product Content: A Supplier Checklist](#), Syndigo, 2019

Customer intimacy starts with customer engagement and at the heart of engagement lies product data. It is no surprise that manufacturers seek better solutions to manage product data with their distributors. Supporting distributor marketing programs with content is unresolved for most manufacturers, but it's the big jump in product data demands that create the most challenges for manufacturers. Product data syndicators like [Syndigo](#) and others have recently seen increases in requests from manufacturers to assist in the process of normalizing and syndicating product data to their distributors. The days of sharing spreadsheets, although still part of most manufacturers' process, may soon be a thing of the past. The desire from manufacturers to utilize such data syndication tools is often directly correlated to the number of products and/or the number of distributors requesting product data. However, even small manufacturers with more sophisticated processes are migrating to such systems to help automate many activities. In some cases, they are not taking the step to partner with a data syndicator, but are at least deploying more advanced product information management (PIM) systems internally that allow them to provide higher quality data to their distributors with less effort. This change will take time; the majority of manufacturers are still using spreadsheets for product data sharing and few have a true PIM solution where all marketing and Global Data Synchronization Network (GDSN) data can be managed.

Manufacturers feel the need to enhance their product data capabilities, in large part due to the increase in distributor demands for product data. When it comes to distributor data requests, manufacturers are somewhat skeptical that everything being requested is being utilized to the fullest extent. For example, manufacturers are being asked to provide multiple attributes associated with each category of product to help with search, navigation and especially product filtering, but few manufacturers believe this data is finding its way to the distributors' sites. All are in agreement that the data is important, but some question whether they are asked for the data before it can be used effectively. Additionally, the uptick in data requests also results in a regular flow of change requests; new fields, new category mappings, additional formatting needs and other requests require manufacturers to change their approach, sometimes with a different process for every distributor. [The ability to effectively manage and utilize product data is a key service manufacturers desire from their distributors and realize distributors that can best provide powerful data-driven capabilities for the customer will win in the long run.](#)

The manufacturer and distributor relationship is strong and will continue to strengthen as both parties find ways to better support one another. Manufacturers seek deeper relationships with distributors that are willing to explore new ideas and ones that understand changing market dynamics require change to occur now. Manufacturers are not unaware of the need for their own organizations to be just as open to change, something that is difficult when decades of norms are being shifted so quickly.

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Plan for Change

Manufacturers must ask themselves questions to reach the right conclusions for their organizations; there is no one-size-fits-all solution. Their success will, in part, will rely on their ability to not only better understand the landscape, but also to prioritize transparency and action over fear and indecision. Growth, whether it be in sales, customers, products, selling channels, talent or any other area, must be an output from strategic decisions if the growth is to be sustained.

Digital represents a significant opportunity for many B2B companies, but also risk. Failure to act enables competitors and new entrants, while action risks retaliation from existing partners. To break this stalemate, leadership should align on the imperative to act, acknowledge the risks of action, and identify the right strategy with which to move ahead. Your long-term partners are more likely to stand by you if they see your direct-to-consumer move not as an act of aggression but as a plan for growth.

N. Calder, S. Parvarandeh, M. Brady, [Building a Direct-to-Consumer Strategy Without Alienating Your Distributors](#), Harvard Business Review, 2018

Manufacturers are poised to take advantage of new channels and many are already aggressively pursuing new ways to reach the market. Their actions are helping some to reach new sales heights and greater customer intimacy, all while maintaining positive distributor relationships. When deciding to sell directly through their own sites, manufacturers benefit from open discussions with their distributors.

Beyond Amazon, marketplaces are here to stay and continue to offer alternatives to manufacturers. With many upsides and challenges combined, manufacturers are approaching marketplaces with everything from blind exuberance to cautious confusion. Ultimately, it will be the manufacturers that challenge themselves to best understand their options and potential outcomes that will be positioned for success.

As a relatively new phenomenon, how marketplaces will evolve—and their impact and implications—remains to be seen. What purchasing executives need to understand now is their potential effect on the procurement function and the role of the CPO—and, more broadly, on the supply chain and spot markets. In this early stage, leaders may have fewer answers to guide them, but knowing which questions to ask can help better prepare them to capture maximum strategic advantage.

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McKinsey & Company, [How B2B Marketplaces Could Transform Indirect Procurement](#), 2019

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Epilogue

As this white paper was being readied for publication, the manufacturing and distribution world was hit with the challenges created by COVID-19. As everyone is thoughtfully taking the necessary steps to protect their associates and business partners, the disruption has created some new realities for many organizations. More than ever, the importance of having alternative channels to facilitate activities within the supply chain has never been clearer.

They are searching out sourcing options previously not considered – online marketplaces, machinery repair and refurbishing houses and used equipment dealers.

Debra Yorkman, [COVID-19 and the MRO Supply Chain](#), Supply Chain Management Review, 2020

Already, manufacturers and distributors alike are ramping up their efforts to respond to the need for new channels and more capable solutions to enable them to capture sales, support customers and operate from a distance. The response is remarkable and commendable, but the months ahead will continue to be challenging as all organizations rethink their strategies and shift investments in both people and technology to ensure they are prepared for potential future disruptions and the new norm of customer expectations.

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