



Can your brand survive the Amazon tsunami?

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Amazon brings smiles to more than two million consumers and businesses hourly. That's a lot of grins. But it's not necessarily happiness to B2B brands and distributors like those that sell electrical products, plumbing supplies, tools, jan/san goods, medical supply items—the list goes (and grows) on. Amazon challenges the brand/channel/user dynamic with a focus and intensity that can be intimidating and worrisome, if not completely overwhelming.

Why the anxiety?

- **SELECTION:** While Amazon may be more oriented to transactional business than distributors are, its offerings typically are heavy on the fast-moving “A” items, so-called “spot buys,” that build constant traffic.
- **PRICE:** Amazon's pricing on many of these popular items is often lower than what distributors charge.
- **APPEAL:** Currently, Amazon attracts the distributor's smaller customer, the one who sometimes gets overlooked, and the one who is most price sensitive.
- **EFFICIENCY:** Buying on Amazon is easy and fast.
- **FAMILIARITY:** Who hasn't bought something on Amazon, or at least been on the site? Business buyers likely have plenty of experience with Amazon.

This is yet another shift in an environment that has been evolving since the early 1990s when consolidation began altering the construct of the marketplace, and the dealings between brands/manufacturers and the channel began to change. Fortunately, we have been front-line observers and participants throughout, having worked with a variety of players in the space, especially construction and industrial.

Many ask what we think about Amazon's ubiquitous and at times aggressive presence and how it might be addressed. They wonder if Amazon is a viable channel for an industrial brand? And, where it fits in the channel mix? Or, is it possible for brands and distributors to partner successfully using Amazon?



Our response is not cut and dried, rather it's flavored by our connections, which include not only clients, but distributors, reps, editors, consultants and others. Because of this, we have opted to provide you with our views of a very dynamic landscape, from more than one angle. We hope this approach will give you some food for thought, if not action.

Mega-trends could reroute the road to revenue.

We like to start out our thinking with context—a look at the larger forces that affect the world around us and the people in it. Often the brands we work with in the construction and industrial space have a rather narrow outlook on the industry. We hear: “This is industrial marketing, not consumer marketing. The businesses and people we sell to aren't consumers. They're different.”

We wouldn't argue that point. In fact, we've worked in a “dirt-under-the-fingernails” world for more than 20 years. We understand the trade professional's environment. Yet we're all consumers, even when we're in our offices or on jobsites. We're used to researching products and services online and experiencing a wider world of options. That bigger world we all live in shapes our behaviors, including how we think about things and buy them.



Example: If I asked a group of people to visualize a welding helmet, what would it look like? What could be more “industrial” and “B2B” than welding equipment? Yet, look at the photo on the left. You guessed it—a welding helmet. When a welder puts on that helmet, he (or she) is all business, but when they’re buying it, they’re very much consumers expressing personal preferences.

“Echo Chambers” and opening closed minds.

As a subscriber to [Mintel](#), a research and trends firm, we access deep data about a variety of topics and industries. Mintel also feeds us trend data developed from larger and powerful currents. We look at it as a backdrop, as context for the more specific environments we deal with.

One such backdrop is what Mintel calls “Echo Chambers.” Here’s what Mintel says about them:

*“The personalization of everything, from products to information, has brought the polarization of attitudes and knowledge to new heights. Whether they are aware or not, **many consumers find themselves in a perpetual cycle of being exposed only to ideas, beliefs, opinions and services with which they already identify.** In the coming year, these figurative echo chambers will place a greater distance between people—and between consumers and brands—leaving the latter with complex challenges.*

*“As life is lived more and more in the digital world, people will be even less organically exposed to others’ viewpoints and stories. Already, more than half (52 percent) of U.S. consumers say that technology has made it more difficult to connect with people in person. Consumers naturally tend to select the products and services in which they are interested and appreciate assistance in thinning their pool of options. However, **these commercial echo chambers limit the human experience to some extent.**”*

“While personalized recommendations remain crucial, brands should ensure complete transparency to allow customers to make educated decisions and have the option to explore new territories. Human interaction could prove effective because advice from real people has the benefit of being more trustworthy.”

An example is Pandora, the digital music streaming service. Pandora is cool. Tell it what artist you like and it creates the playlist. However, that playlist can repeat, get old and wear down the ears to that sound. Where’s the “new sound” that I might like?

Echo chambers apply to the world in which brands, distributors and customers exist, too. One common characteristic of that world is what we call the Six Dirty Words of Marketing: “*We’ve always done it this way.*” It’s a default to what is familiar and habitual that often blocks adoption of new and innovative products or systems.

Plus, we know how important peer-to-peer is in the B2B world, and that can certainly contribute to community isolation. Call it intellectual insulation, call it informational incest, call it what you will, it all suggests that inside the echo chambers, customer experiences lack diversity and the kind of stimuli that drive creative thinking and change.

One way to penetrate these echo chambers is by **calculated disruption and innovation**. Could Amazon be any more so? For contractors or other industrial buyers who want something different or to hear different voices, Amazon is a siren’s song.

Does that mean the brand/distributor partnership dies off, swept over by this digital tsunami? Not if that partnership can leverage its intimacy with customers and find ways to tell them something they didn’t already know, or surprise them with a product they never thought they’d need, or amp up the value of the combined brand/distributor knowledge and experience and help customers simplify their daily operations. Why not find ways to do this digitally, even with push tactics?

Industrial trends support the Amazon model.

Even though many industrial categories may be relatively slow to change in terms of trying new and “unproven” innovations in the workspace, users have shown a tendency to try newer technologies to help them get their work done more productively. In a survey we conducted a few years ago among contractors, the use of smart phones on jobsites increased 35 percent in just one year. In a 2016 study fielded by the National Association of Electrical Distributors (NAED), the use of smartphones among contractors was more than 90 percent, with desktop and tablet usage pushing 60 percent.

The technology edge here cuts both ways, but affects brands regardless. In this echo chamber environment, consumers will want “access to new.” Amazon offers trade and industrial consumers “new,” a new way of buying that’s fast, convenient and, technologically, a way to make educated buying decisions.

Almost 100 percent of electrical contractors use search engines like Google to find information about products and suppliers, yet per the research only a bit more than half use electrical distributor websites.

What’s more, as buyers and users have become accustomed to the online environment, they have adopted online resources to help them manage their businesses, get work done, access safety and training materials, and search products and product data. The fact that Amazon can function as a search engine aligns with this trend.

Insight from [Channel Marketing Group](#), a consultancy that develops strategies and solutions for brands and distributors and their relationships, points to a growing preference among website users for broader content material. Channel Marketing’s principal, David Gordon, reports that his firm’s recent research indicates significant improvements in distributor websites, with visitors preferring non-buying data to pure purchasing functions. Of course, in an Amazon environment, contractors can



Online Resources Electrical Contractors Find Useful (2016)

- 81%** Search online catalog for products
- 81%** Look at pictures of products
- 78%** Download application and installation guides
- 72%** Download product spec sheets or technical drawings
- 50%** Research products or applications
- 44%** Check prices or request a quote
- 41%** Look for complementary products
- 38%** Download MSDS information
- 38%** Schedule, track or verify receipt of shipments
- 31%** Request technical support
- 28%** Find the nearest branch with materials in stock
- 28%** Check order status, follow orders or manage jobs
- 28%** Review and pay invoices
- 22%** Document ship damage, request return

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find a variety of content, but brands and distributors once again have an opportunity to leverage their industry intimacy.

Who ya gonna call? Or see?

We said the technology edge cuts two ways. In the opposite way, Amazon lacks the human element that customers may crave. But what if Amazon found a way to humanize its online experience?

Applications using automated chat bots are trending now. Could Amazon use them as surrogates for human interaction?



Amazon's Alexa voice platform may well be a precursor for voice-enabled commerce. Imagine a demolition project where a contractor, realizing that cutting is tougher on saw blades than anticipated, grabs his smartphone and, never speaking to a human, voice-orders a box of *Sawzall*® replacements right from the jobsite. Clearly the question isn't "Will this happen," rather it's "Who ya gonna call?"

Here's a startling stat: per Mintel, 61% of U.S. consumers would pay more for personalized help from an agent when purchasing insurance. What would the Geico gecko say to that? Well, he said it already: Geico is opening local offices with agents available to help customers personally.

Speaking of local offices, Moody's, the financial research and rating firm, has

chided Amazon for ceding most of retail sales to brick and mortar sellers. Charles O'Shea, a senior analyst at Moody's, said in a *MarketWatch* article that many brick and mortar retailers going online are growing faster than Amazon. However, now with Whole Foods under Amazon's belt and its real, live book stores opening, is there any doubt that the Big A wants to innovate brick and mortar retailing?

This reinforces the need for stronger marketing partnerships between brands and distributors. Brands can build on technology and innovation in the product and services arena, while distributors provide that all-important human connection. But questions remain: will they do it and, if so, can they do it at the speed of Amazon? Do brands care which channel wins, or do they care only that the products are sold?

Digital platforms stretch the landscape right to Amazon's doorstep.

Digital platforms are prevalent in the industrial environment and especially in construction. They're being used more and more as basic tools.

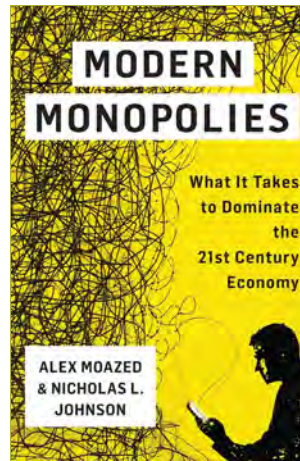
Communications platforms connect people across organizations and geographies, enabling better, more efficient and more accurate interaction. Collaboration platforms enable document exchanges between stakeholders, contractors, distributors, architects and specialists.

Some have described a platform as a business model that creates value through facilitation and aggregation. It aggregates products or services that a large group of people/consumers/businesses want and need, and it facilitates connections and exchanges between those who provide the products or services and the people who want to buy them.

The key here again is *connection*. The platform's value is in the connection, not necessarily in the products or brands.

Amazon is a platform. So are Facebook, Uber and Airbnb.

Applico is a platform innovation company that provides advisory and implementation services to build, execute and scale platform businesses. Two of Applico's leaders wrote "Modern Monopolies: What It Takes to Dominate the 21st Century Economy." The book and other Applico publications look at platforms from a variety of perspectives. One is as a marketplace, a la Quincy Market in Boston or a bazaar in Morocco.



Someone owns the physical marketplace and rents stalls to individual merchants. A customer goes to the market, a single location, to see and buy many things, much like Amazon. And, much like Amazon, couldn't a brand or a distributor create such a platform not only for products in inventory, but also other goods and services that customers use, like project management and bid estimating software, rental equipment, communications and office supplies, delivery services, and complementary, noncompetitive products?

What if distributors acted more like Amazon?

Some argue that Amazon can't hold a candle to traditional distribution for quality of goods, selection and, in some cases, pricing. However, they would lose the argument.

As Applico points out, in the electrical connectors category, Amazon has more than 70,000 listings, compared to just under 3,000 listings for the top four electrical distributors. These top four sell products from some 120 different manufacturers, but 94 of them already sell direct on Amazon. Often you can find the exact same product sold by a top-four distributor on Amazon, priced considerably less.

In the spirit of echo chambers, and a trend toward building new, innovative and disruptive communities, what would happen if a buying group of independent distributors, for instance IMARK in the electrical category, created its own "Amazon Business" clone among its members, offering scale on the e-commerce side but continuing to deliver value through individualized personal service? Indeed, what would happen if the idea moved

up the scale, and the National Association of Electrical Distributors (NAED) or distributor organizations in other trade categories did it first?

As the largest distributors (think Grainger, Sonepar, CED, etc.) consider ways to beat Amazon, why not beat it at its own game? While Ferguson sells on Amazon through its Build.com entity and Johnstone posts some product there, why couldn't one of these mega-distributors create a storefront/marketplace on Amazon with its family of locations occupying "stalls"? Or create an Amazon clone for all its e-marketing/e-commerce? And having done so, why not invite other distributors outside its family to join the combine?

What if manufacturers/brands acted more like Amazon?

Today, brands use Amazon as a channel. But consider putting the shoe on the other foot. What if they used Amazon as a model and created an Amazon clone, inviting distributor partners (and maybe even other noncompetitive product manufacturers) to join the selling network?

Imagine the brand power one could generate and the completeness of the service offering. The manufacturer could still leverage the value of the human connection through its distributor partners while having more control over the channel instead of the other way around.

Yes, there are possibilities.

As we look toward the horizon, the appeal of Amazon in particular and platforms in general, along with how trends are influencing customer behaviors, indicate that Amazon has the potential to grow in strength—if it wants to. Amazon may be all smiles dominating the spot buy, pack-and-ship business. Or it may elect to advance its current platform. On the other side, there may be ways brands and distributors can leverage the Amazon model to their advantage. However, it won't be easy and it's not happening tomorrow.

Is it a “wait and see” situation? Is it realistic to think that any business can afford to sit and wait?

Well, as things sort out, either by design or by themselves, the best way to put a line in the sand that's indelible to the Amazon tsunami is to evolve relationships between distributors, brands and customers. The relationship gap between the former two players seems evergreen and was recently confirmed by [NAED's 2017 State of the Industry](#) report, which highlighted this quote: **“Loyalty between manufacturers and distributors has degraded.”** If continual friction remains, not only do distributors and brands feel the heat, so does the customer. Consequently, why wouldn't he or she opt for a source where everything seems to work well together? Like Amazon.

Instead, with a heightened sense of shared customer centricity and collaboration between distributors and brands, being known for the value you deliver, not the products you sell gives customers ample reasons to call you or visit your website first.

Our approach to reconstructing relationships is embodied in [EMA's Brand as Friend®](#) (BAF) philosophy. BAF is a transformational driver that focuses on building affection, relevance and trust between brands, customers and channel partners.

Think for a minute about your “best friends.” Think about the qualities that brought you together and imagine what business relationships with those qualities would be like. Imagine doing business with someone you really liked, with someone having shared interests and values, with someone you could trust implicitly. That's the state we work our clients toward by strategic and creative solutions focused on developing affection, relevance and trust and their nine drivers. We have witnessed remarkable results.

BRAND AS FRIEND®

The 9 drivers that fuel the heart of every great brand relationship.

affection

- CARING
- LISTENING
- SURPRISE

relevance

- STORY
- STYLE
- CONNECTING

trust

- HONESTY
- ADVISING
- LOYALTY

Transforming the customer/channel/brand dynamic, we believe, is the answer to creating competitive advantage against Amazon, or any other online threat. Moving the emphasis from selling to service and doing it in highly personalized ways will reveal more possibilities for relationships that endure.