NATIONAL ASSOCIATION OF ELECTRICAL DISTRIBUTORS

NAED

Executive Guide

#3

"Strategically Managing Your Company's E-Commerce Capability"

Key Questions for Effective E-Commerce Capability

Every day more and more customers are creating purchasing process efficiencies by using the Internet as a primary source of information. Customers also are placing an increasing number of orders online. Even though customer expectations may still be evolving, electrical distributors must have an effective online presence and offer e-commerce capability---enable customers to conduct business over the Internet.

Since the supply chain is only as strong as its weakest link, NAED's Strategic Technology Task Force created the *Executive's Guide to Strategically Managing Your Company's E-Commerce Capability* to assist distributor executives in understanding the key, strategic questions to ask ("What to do") in order to create an effective e-commerce website that reinforces their companies' strategic priorities as well as increases sales, improves efficiencies, and cuts operations costs.

E-Commerce: Business transacted over the Internet.

An effective e-commerce website can provide the same information and capabilities to customers as the sales force, however, it is available 24/7/365, allowing customers to access information and make purchases when it is most convenient for them. Furthermore, rather than replacing the sales force, an effective e-commerce website is a tool to help your company serve customers better.

The foundation of an effective e-commerce website is an online presence that allows Business-to-Business (B2B) customers to find your website, locate products on your website, and overcome fears of purchasing products online. The white paper, "*Executive Guide #1: Strategically Managing Your Company's Online Presence,*" addressed these concepts. Once an effective online presence is achieved, electrical distributors are ready to transact business over the Internet. This white paper outlines how to wait on B2B customers online and save customers time by providing account information and transaction history online.

E-commerce helps customers create efficiencies throughout the purchasing process.

Waiting on B2B Customers

With business moving to the Internet at an ever increasing pace, electrical distributors must offer customers a way to create efficiencies throughout the purchasing process. This includes allowing customers to request quotations, check product availability and pricing, place and pay for orders, and track orders online 24/7/365. Furthermore, the digital business information obtained from online activities must be protected against theft and misuse and comply with Payment Card Industry (PCI) standards.

Key questions for distributor executives to consider:

- How can we link our website to our business system?
- How can we ensure the security of the data on our website?
- How can we equip customers to request quotes online?
- How can we enable online ordering?
- What methods of online payments should we support?
- How can we comply with Payment Card Industry standards?
- How can we furnish online order tracking?

Linking our Website and Business System

Customers want product availability and pricing information available 24/7/365. Keeping product availability and pricing information updated on the website can be a manual, labor-intensive process, prone to error. The most effective way to provide up-to-date product availability and pricing information online is to integrate one's website with one's business system. This linkage minimizes out-of-stock situations due to outdated inventory information, speeds up order fulfillment by eliminating manual reentry into the business system, reduces errors on invoices, and also allows accurate customer-specific pricing to be displayed. Moreover, the quicker information is updated online---daily, hourly, or minute-by-minute---real time order tracking can be enabled for customers, resulting in fewer stock checks and calls asking "Where is my order?"

E-commerce websites MUST be integrated with business systems.

Safeguarding Cyber Security

In addition to the cyber-security measures necessary for an effective online presence, an e-commerce website must also provide SSL Certificates to let customers know that communications between their browser and the website are secure when they make a purchase. Websites that use SSL technology are indicated by "https" and a padlock icon in the address bars of most web browsers. It should be noted that SSL Certificates do not prevent or detect malicious attacks or intrusions on a secure web server, nor react to any electronic incursions.

SSL Certificates or Secure Sockets Layer Certificates establish the identity of a website and verify the authenticity of a website.

Electronic incursions can be minimized through multiple levels of 24/7 electronic security, including the judicious use of firewalls, spam filters, etc. Additional safety precautions such as numerous network providers, restricted access, real-time camera surveillance, etc. add to cyber security. If such safety precautions are not available at your company, consider outsourcing your web servers to a data center.

Cyber-Security: Protection of digital business information against theft and misuse.
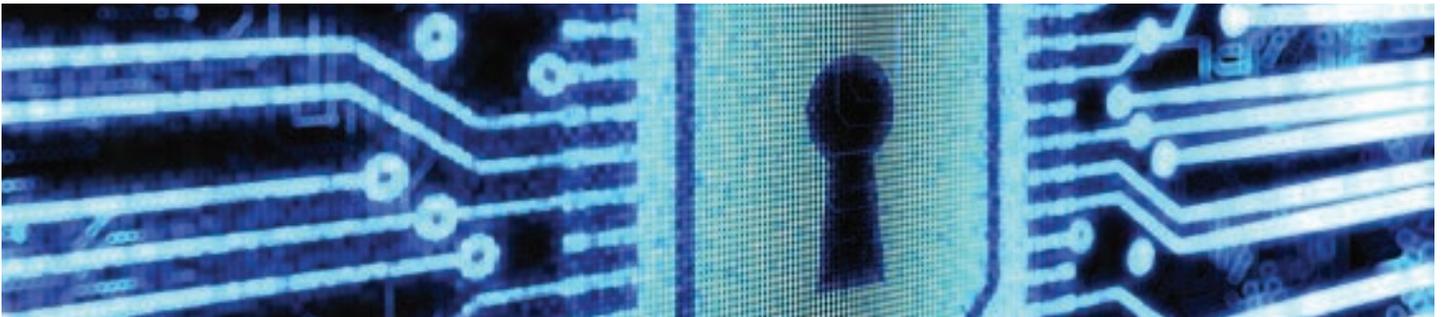
Requesting Quotes Online

As more and more companies turn to the web to transact business, the days of searching the Yellow Pages®, Thomas Registers®, or rifling through stacks of business cards to source items are rapidly becoming memories. Even Fax machines are being replaced by email and Smartphones. Everything's online today---the Yellow Pages® get skinnier every year and Thomas Publishing LLC printed its last big green book in 2006. Customers want to find businesses online, request quotes online, view quotes online, request special pricing online, upload bills of materials for quotes online, and convert online quotes into orders 24/7/365. Give serious consideration to how your company can provide solutions to these customer needs.

Customers want to find businesses online, request quotes online, view quotes online, request special pricing online, upload bills of materials for quotes online, and modify quotes into orders.

Enabling Online Ordering

Amazon.com has set the standard for years worldwide for ease of online ordering by consumers. It's Industrial and Scientific Category now offers more than 10,576 circuit protection devices online. Grainger received 24.7% of its total sales online in 2011---more than $2 Billion. In addition, Fastenal, a rapidly growing fastener distributor, is also gaining a foothold in the electrical industry by offering 14 categories ---over 16,000 individual items—of electrical products online.

To remain the channel of choice for customers and manufacturers, electrical distributors must enable online ordering, too. Customers want the ability to "Add to Cart," and change, edit, and / or update their electronic orders from every page of a website. Beyond online ordering, customers want to have a choice of shipment methods; be able to request special shipping instructions; and receive estimates of shipping costs, delivery dates, and sales taxes.

Online ordering will continue to grow in popularity as customers insist on online ordering capabilities.

Online Payment Methods

Today, the majority of electrical distributors' customers issue purchase orders and charge items to their account. However, most e-commerce websites offer various methods of payment---bill to account; credit or debit cards; virtual wallets such as PayPal™, Google Checkout®, Authorize.Net®, etc.; even paper checks through electronic check processing, and Automated Clearing House (ACH) bank transfers.

While the decision about acceptable methods of payments is a strategic decision for each electrical distributor, it is a good idea to have an online credit application, or at least a Adobe Acrobat®.pdf version that can be completed and emailed.

PCI Compliance is required of <u>ALL</u> businesses accepting payment with credit or debit cards--whether online or offline.

## Complying with Payment Card Industry Standards

PCI Compliance, or **Payment Card Industry Compliance** is adherence to a set of requirements that must be followed by all companies accepting payment through credit or debit cards. The goal of PCI Compliance is to ensure companies, regardless of size, provide the maximum security---including prevention, detection, and appropriate reaction to security incidents---when accepting, processing, transmitting, and storing customer data, including credit and debit card information. For more information, visit *https://www.pcisecuritystandards.org/*.

<p style="text-align:center; color:gray; font-size:large;">PCI Compliance protects customer data.</p>

Tracking Orders Online

One of the biggest benefits of e-commerce is the ability to track orders online. Rather than calling to find out "Where's my order?," customers can be automatically alerted and kept up-to-date 24/7/365. Likewise, to meet customer desires and expectations, electrical distributors must send order acknowledgements within seconds of order entry, send notification when an order ships, and offer customers the ability to track order status online. Besides providing higher service levels to customers, online order tracking also will allow inside and outside sales personnel to spend more time selling instead of handling calls pertaining to open orders.

<p style="text-align:center; color:gray; font-size:large;">Online order tracking minimizes calls asking, "Where is my order?"</p>

Save Customers Time

E-commerce helps customers create efficiencies throughout the purchasing process. Repeat customers place a high level of value on the ease of the reordering process as well as access to account information and order history. Customers must be able to log-in to your website, access data about their account, view their account history online, and have multiple personnel manage their account. E-commerce also helps electrical distributors increase sales, improve efficiencies, and cut operations costs. In order to gauge the effectiveness of an e-commerce website, goals must be set and online customer activity must be evaluated.

Key questions for distributor executives to consider:

- How can our customers log-in to our website?
- How can we facilitate access to customer account data?
- How can we furnish transaction history online?
- What account management tools can we offer online?
- What metrics should we use to gauge the effectiveness of our e-commerce website?

Providing Customer Log-in Capability

E-commerce websites must provide log-in capability for customers---regardless of whether the customer creates their online account or it is created for them. If your company makes the strategic decision to set-up online accounts for customers, at the very least, provide guest checkout with debit or credit cards. Other strategic decisions regarding customer log-in capability include the possibility of linking multiple log-in IDs to one customer account, how to handle credit limits, and setting limits of authority on adding/changing/deleting users on an account by the customer. Customer log-ins provide the opportunity for an individual's account access to be limited to specific functions; customer-specific pricing; customized default search results; access to specific, "customer-preferred" products; "personal" lists of products this individual typically orders; special offers for loyal customers; and/or a "reorder pad" to make reordering easier.

Provide Log-in capability and offer Guest Check-Out.

Facilitating Access to Customer Account Data

Additional customer efficiencies are created when access to customer account data, including price files, is available. Offering the capability to print account data in Adobe Acrobat®.pdf, email account data, export account data to Excel® or XML, etc. makes it easier for customers to do business with a company. However, while downloading customer account information directly into estimating software and accounting software may seem attractive, this integration would be very challenging and prone to risk. Extreme care should be taken to ensure that no viruses are introduced into a customer's business system.

Furnishing Transaction History Online

Online retailers and electronic bankers continue to set the standards for the availability and transparency of transaction history. Once experienced, the convenience of accessing online transaction history from anywhere we have Internet access often becomes a necessity. Customers of electrical distributors want the same convenience. They want to be able to view their online order history by company and user/log-in; compare online orders to orders entered through branches; and sort orders various ways, including "Bill to" address, "Ship to" address, by project, etc.

The ideal time for a web page to load in 2012 is 2 seconds.
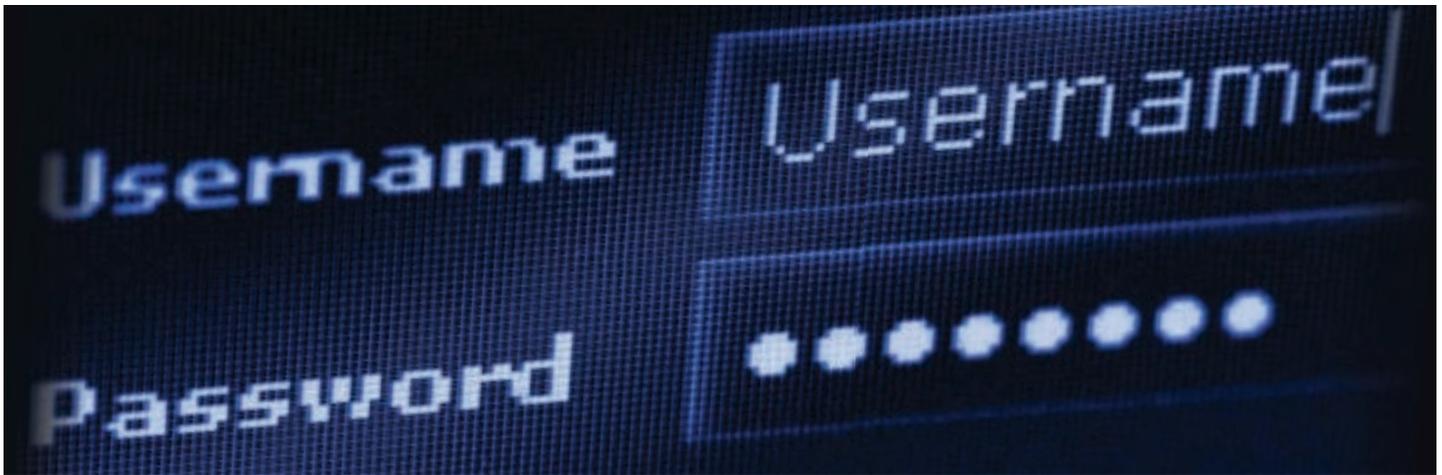
Offering Online Account Management

The efficiencies of e-commerce can cascade to the customer's accounting department if account history, recent orders, payment history, outstanding and paid invoices, and statements are available online for viewing, printing, and perhaps even downloading.

Analyzing E-Commerce Metrics

An effective e-commerce website can increase sales, improve efficiencies, and cut operations costs for an electrical distributor. However, metrics for success must be defined in advance. Is the goal of your e-commerce website to reduce the number of calls to inside sales by 15%? Increase the number of non-EDI orders entered by 20%? Obtain 25% of your orders online by 2014? Knowing what you want to achieve with your e-commerce website will help determine what to measure. At a minimum, electrical distributors should measure web orders as a percent of sales by dollars and line items; the number of customer log-ins; and overall website usage.

STRATEGICALLY MANAGING YOUR COMPANY'S E-COMMERCE CAPABILITY

What You Can Do

Don't be left behind! E-commerce is transforming the way business is done. Besides fulfilling customer needs for purchasing process efficiencies, e-commerce websites can help electrical distributors increase sales, improve efficiencies, and cut operations costs.

Electrical distributors must use Internet technology as a competitive weapon to cement the viability of the channel into the future. Think about e-commerce in terms of how it can help your company generate more cash and grow sales. Maintain visibility into your company's e-commerce capabilities. Use the answers to the questions in this white paper to better understand your company's e-commerce challenges and opportunities. Then add e-commerce to your Information Technology (IT) strategic plan or technology roadmap.

Be on the look-out for additional tools from NAED's Strategic Technology Task Force, including Executive's Guide #4: Checklist for an Effective E-Commerce Website, and a recommended industry vocabulary that will attempt to explain computer-speak and tech talk. Both are scheduled for release 3rd Quarter 2012 and will be available for download on *www.naed.org/strategictechnology*.

Please help us leverage the collective knowledge of the industry by giving us your feedback! Share your insight and input with the task force by calling NAED Member Services at toll free at 1.888.791.2512 or emailing *memberservices@naed.org*.

To view other tools NAED's Strategic Technology Task has created for distributor executives, visit *www.naed.org/strategictechnology*