Internet Sales Channel Primer

Manufacturers and publishers need to take a holistic approach to the web and integrate all channels as part of an integrated plan

In the pantheon of business blunders, relying on your retail or business partners to represent you online a BIG ONE.

Since the dawn of ecommerce in the 1990s, online sales and distribution strategies have been a work in progress for most organizations. Rapidly changing technologies, sales channels, and consumer behavior continue to open up new options for selling products online – but keep you guessing as to where you should throw your resources.

Let's face it: taking advantage of a new sales channel requires an investment of time and resources. Combine this with the fact that the "next big thing" on the internet often fades faster than the Cubs' World Series hopes, and it's understandable that most companies move slowly with internet sales initiatives.

Unfortunately, many manufacturers and publishers sidestep the issue altogether, relying on their traditional downstream channel to sort it all out. In the pantheon of business blunders, this is a big one. If you rely solely on partners, you won't just dilute your pricing and brand; chances are good that you'll miss out on a huge chunk of sales opportunities entirely. Ironically, these missed opportunities are ones that the internet should make it easier for you to find – if you're paying attention.

It's time to rethink your online presence

As the internet has matured, the rate of change has slowed dramatically. This gives you an opportunity to catch your breath and reassess your online distribution strategy. Doing so will help you regain control over your online presence, which in turn will help you connect more meaningfully with customers, make more online sales, and extract more value from each transaction.

Let's take a look at how to accomplish all that.

Internet or Splinter-net?

It helps to realize that "The Internet" is not a single entity. It is a series of channels, each of which has its own unique collection of partners and resellers. And while there are literally hundreds of thousands of different online sales methods, partners, systems, and sites for original manufacturers and publishers, there *is* order in all that chaos. Because all of these hundreds of thousands of options fall into seven distinct categories:
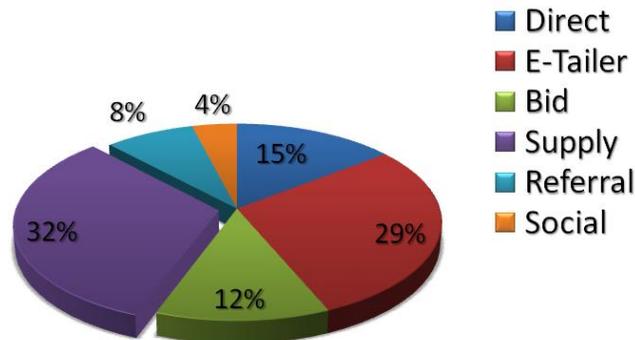
The Seven Internet Sales Channels

Think you don't need to look at *every* channel? We can think of $575 *Billion* reasons why you should.

And it's worth looking at every channel. Trust us, US total internet revenue topped $800 billion in 2014, and that figure doesn't include ad and app sales. The actual breakdown of sales may surprise you:

2011 Internet Sales by Channel

Source: Yeoman study of US Dept. of Commerce, IDC, and Gartner Group stats for product sales. Does NOT include advertising related revenue.

So which channels are right for you? It pays to look at every channel to assess whether your business (or one of your partners) should have a presence in it.

The following sections provide an overview of each channel so you can assess which ones are the right fit for your products.

Channel Review

E-tailers/ecommerce

Internet ecommerce was the fastest growing segment of the retail industry again in 2012, up almost 16% from 2011 while total retail sales only inched up by 4.2% over the same period. Ecommerce sales are on track to outpace traditional retail in 2013 as well, rounding out a full decade of explosive growth compared to traditional retail.[1]

There are thousands of players in this space, with the most notable being Amazon.com, Walmart.com, and Overstock.com, as well as traditional retailers who have expanded online. The marketplace model is also coming into the fore, with players like Sears.com, Buy.com and Etsy.com scooping up sales.

In the past, "pure internet" companies did not carry inventory, instead opting to integrate with manufacturers, distributors, and general resellers. However, that has changed in recent years as the 300 pound gorilla, Amazon.com, has invested billions of dollars in warehouses and systems to do its own order fulfillment

Most companies assume this channel is purely for consumer products. However, the ease and flexibility of ecommerce systems has created a dramatic rise in corporate, healthcare and government purchasing using E-tailers.

Connectivity with other channels

Fair – most major players have extended product listings to include searching by Google and other engines. The industry also has a major connection to price comparison engines that extrapolate catalog prices. Over 50 comparison engines exist including Google, Yahoo, Shopzilla, and Pronto. Each of these engines requires a customized feed to properly represent your products.

However, these sites do not have any cross-connectivity with competitive sites and even actively block banner ads that may be competitive.
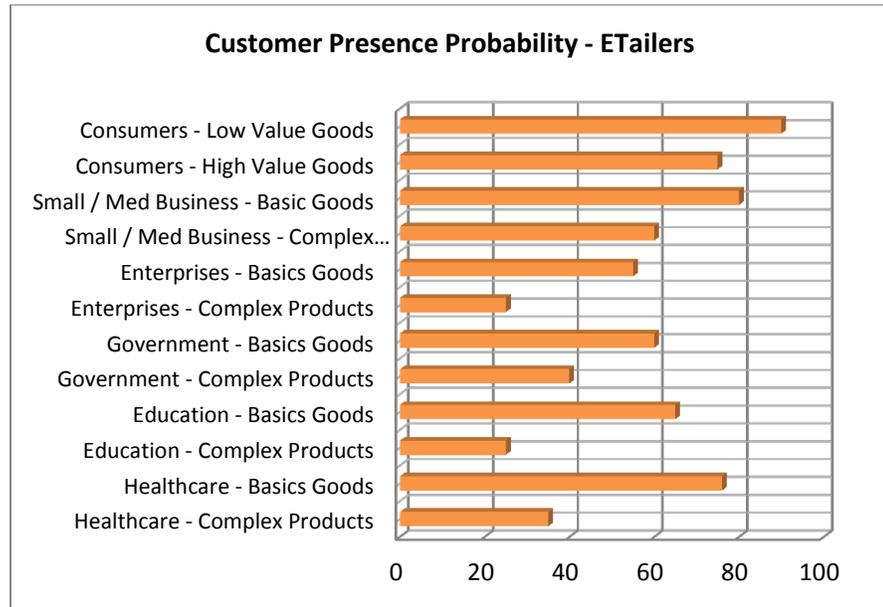
If you're not tapping into an available sales channel, your resellers–or your competition–will.

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[1] US Department of Commerce; visit http://www.yeomantechnologies.com/profiles/blogs/us-retail-e-commerce-sales-jump-18-in-q2-2013-10-year-trend for a more in-depth look at the growth of ecommerce over the last decade

Should I be in this channel?

Bottom line – Yes. The following graph shows customer presence rankings for different types of customers.

Customer Presence Probability - ETailers

Category	Value
Consumers - Low Value Goods	~90
Consumers - High Value Goods	~76
Small / Med Business - Basic Goods	~80
Small / Med Business - Complex…	~61
Enterprises - Basics Goods	~56
Enterprises - Complex Products	~26
Government - Basics Goods	~61
Government - Complex Products	~40
Education - Basics Goods	~66
Education - Complex Products	~26
Healthcare - Basics Goods	~77
Healthcare - Complex Products	~36

You can see that customers looking to purchase low-value consumer goods have a high probability of searching on E-tail sites (90% rating), while education customers purchasing a complex product (such as technology) have a lower probability rating (25%). Knowing your customer plus knowing your available sales channels is key to getting this right.

Missed opportunity study

Amazon has long been considered a consumer retailer, so it came as a major surprise to a medical device manufacturer when it discovered its own products being sold on the site. The products had been put into the system by a reseller who had become aware that Amazon is one of the fastest-growing sellers of medical and other testing equipment in the US.

To cut out the middleman, the device manufacturer needs to establish a distribution relationship with Amazon and any other E-tailer that sells directly to its end users.

Supply Chain Systems

These systems differ from E-tailers in that they are specifically designed for business or government agencies as part of an integrated procurement system. Twenty major systems exist, including Ariba, Emptoris, and Global eProcure.

Supply chain sites typically have strict access rules and limit visibility into EPS or products available without prior authorization. EPSs using these systems tie in via manual or automated integration systems.

This market has over $250 billion in sales for the US alone and is a major avenue for enterprises of all sizes as well as a growing base of state and federal purchasers.

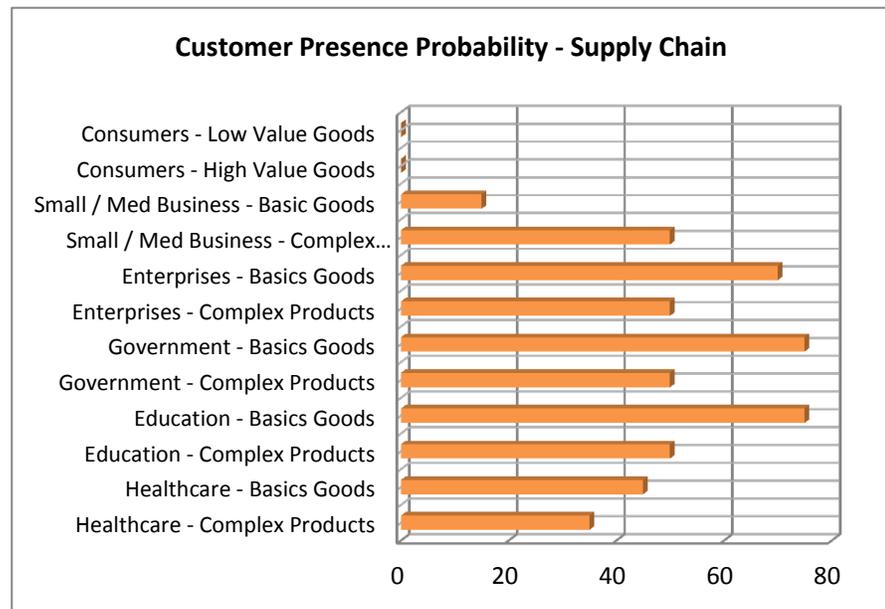### Connectivity with other channels

Poor – by design, systems have no search or link connectivity to other systems, to search engines, or between sites.

Should I be in this channel?

Again, the answer is highly dependent on your products and prospects, but if you sell (or want to sell) to government, education, or enterprise, the answer is probably "yes."

Your lack of presence in one or more channels gives your competitors the opening they need to walk away with your potential customers.

Customer Presence Probability - Supply Chain

Category	Value
Consumers - Low Value Goods	0
Consumers - High Value Goods	0
Small / Med Business - Basic Goods	15
Small / Med Business - Complex…	50
Enterprises - Basics Goods	71
Enterprises - Complex Products	50
Government - Basics Goods	76
Government - Complex Products	50
Education - Basics Goods	76
Education - Complex Products	50
Healthcare - Basics Goods	46
Healthcare - Complex Products	36

Missed opportunity study

Sonicwall (now owned by Dell) is a large manufacturer of firewalls and other security appliances. The company had actively been trying to move out of the small business market and target larger enterprises.

In 2014, a buyer attempted to purchase 250 Sonicwall units on the Ariba supply chain system. When a product doesn't exist on the system, it generates a bid notice to all relevant Ariba suppliers. Even though the buyer had already decided on Sonicwall, it was presented with competing Cisco and Fortinet quotes.

As part of its strategy to reach larger markets, Sonicwall needed to establish a relationship with all major supply chain systems that sell to enterprise customers.

Referral-Based

These systems are primarily focused on linking complementary products and services. Thousands of systems exist, with the most popular systems specifically designed for certain markets. Yeoman feels that this segment is a separate channel from traditional E-tailers, since their primary focus is to aggregate sales from multiple ecommerce sites. This group also includes pay per click systems, which represent a signficant approach to driving direct revenue models.

For products, Shop.com is a good example. They have over a half million unique shopping visitors per month, referring all to partner retailers. For services or complex products, HomeAdvisor.com (formerly ServiceMagic.com) is another example. It averages around 4 million unique visitors per month looking for custom services. Both get their revenue via fees, either pay-per-click or a percent of sales.

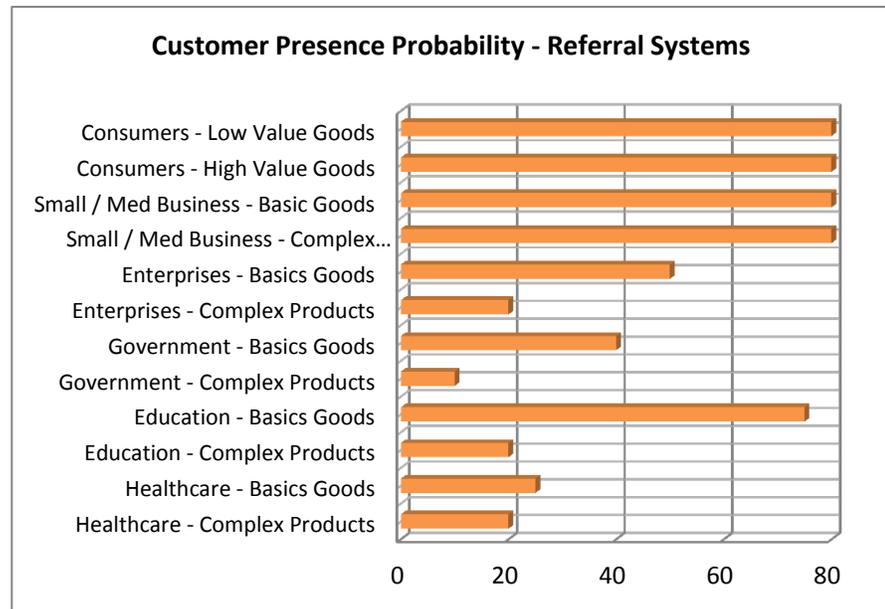### Connectivity with other channels

Good – all link back to general search systems, but not to other channels.

Should I be in this channel?

According to our study, this is a good channel for almost all manufacturers and publishers, unless you are focusing on the education, government, or healthcare markets.

Referral systems put you one click away from millions of potential customers.

Customer Presence Probability - Referral Systems

| Category	Value
Consumers - Low Value Goods	80
Consumers - High Value Goods	80
Small / Med Business - Basic Goods	80
Small / Med Business - Complex...	80
Enterprises - Basics Goods	50
Enterprises - Complex Products	20
Government - Basics Goods	40
Government - Complex Products	10
Education - Basics Goods	75
Education - Complex Products	20
Healthcare - Basics Goods	25
Healthcare - Complex Products	20

Missed opportunity study

Gibson is a world-renowned manufacturer of guitars. The company has an extremely tight network of retailers and keeps strict control over internet-based sales. Its limited set of E-tailers each has its own site and planning strategy. The problem? This small group is missing from 10 of the 20 major referral systems on the web. The result – Gibson's brand is underrepresented in major portions of the internet, despite having nationally recognized retailer partners. Referral systems aren't a requirement for ecommerce, but this separate channel shouldn't be left untapped for long.

Knowledge-Based

Content is king. Even now, in the height of social media hype, internet users only spend a fraction more time on social networking than on reading content.

Content is King. It's good to be (in the company of) the King.
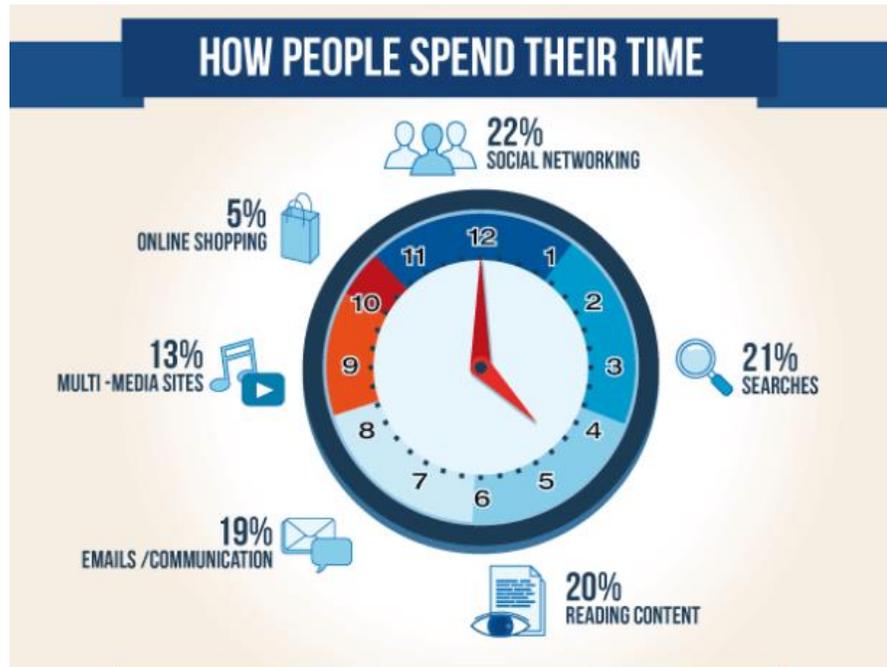
Source: http://www.mediabistro.com/alltwitter/online-time_b22186

The modern knowledge site is more than just a simple newsletter or blog. These systems represent the evolution of the traditional chat room or blog site and provide extended information about a product, service, or technology.

Knowledge systems are different from social networking sites in that the owner of the site controls the information flow, including posts. In contrast, social media sites such as Facebook are peer-based, with no control over information posted.
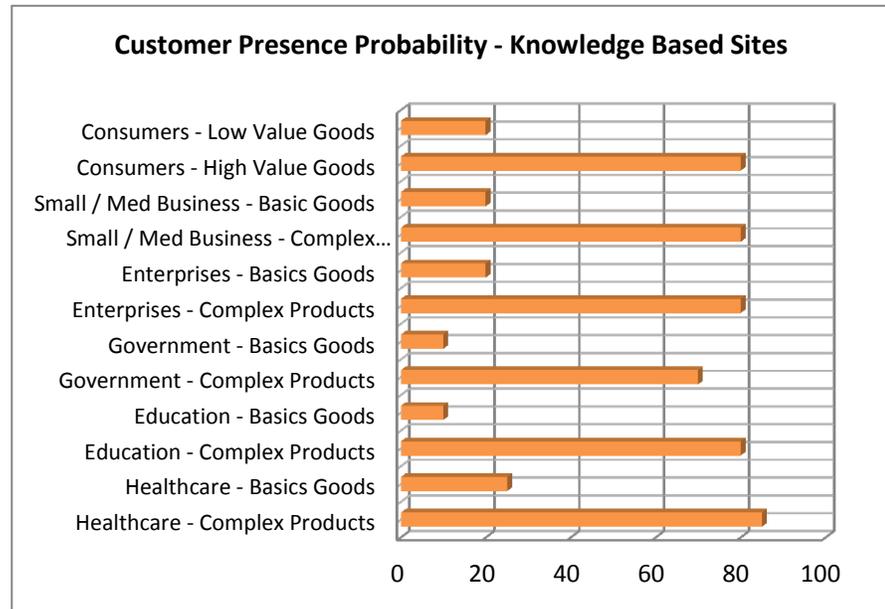
Connectivity with other channels

Good – these systems are heavily searched and often linked to from multiple sites.

Should I be in this channel?

High value, complex products are the best match for this channel. If your product has a long sales cycle or is tied to installation and consulting services, your customers are likely to be heavy users of content- or knowledge-based systems before making their purchase decisions.

Don't be shy about promoting your products on your own information sites. That's what they're for.

Customer Presence Probability - Knowledge Based Sites

Category	
Consumers - Low Value Goods	20
Consumers - High Value Goods	82
Small / Med Business - Basic Goods	20
Small / Med Business - Complex…	82
Enterprises - Basics Goods	20
Enterprises - Complex Products	82
Government - Basics Goods	10
Government - Complex Products	72
Education - Basics Goods	10
Education - Complex Products	82
Healthcare - Basics Goods	27
Healthcare - Complex Products	87

(Axis: 0, 20, 40, 60, 80, 100)

Missed opportunity study

Enterprise search (search within a corporate network) is a multibillion-dollar industry with several hundred players. The price for a system ranges from $10,000 to over $500,000. Sales efforts focus on traditional enterprise sales, heavily relying on the indirect channels of consultants and partners.

Vivisimo invested heavily in a seemingly independent, "sponsored" marketing blog called searchdoneright.com. The site itself has excellent postings and white papers and regularly appears at the top of major search engines. The site draws over 8,000 visitors per month.

The problem? There's only a limited connection to Vivisimo's product, just a sponsor link, no demo, no pricing, no way to draw the client in. Their early lead is quickly eroding as other vendors are mirroring their approach, even adding key terms in their blogs to draw away clients.

Social-Based

Social networking has exploded into the consciousness of the modern business over the past few years. While social media at first seemed like more hype than realistic sales channel, with a young user base and a nearly Sisyphean inability to get the ad revenue rolling down the other side of the hill, 2013 saw all of that turn around.

Facebook has long had the eyeballs but not very much in the way of profits. But Facebook made big news this year by finally "monetizing mobile" with mobile ad revenue accounting for 14 percent of total ad revenues by the end of Q3 2013. At the same time, Facebook has started attracting an older crowd, who are slowly increasing their face time.
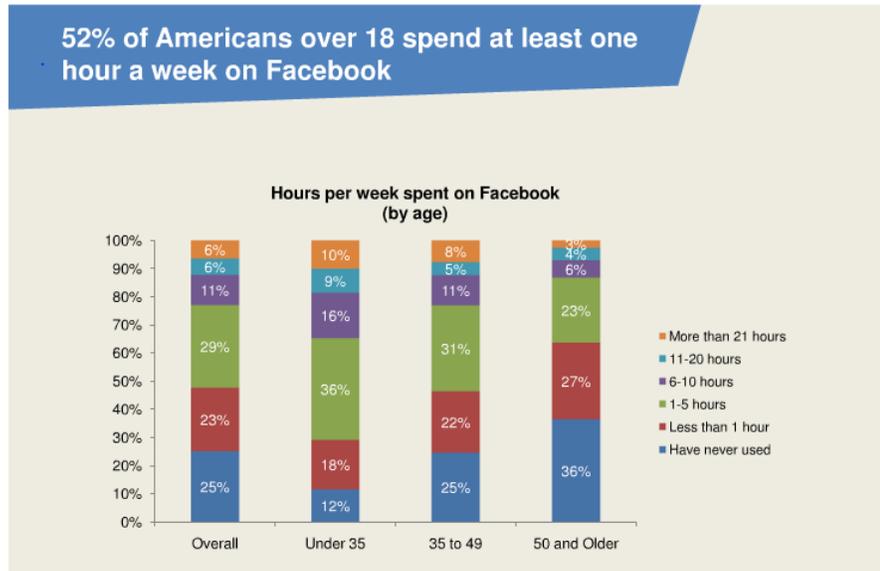
Source: http://www.socialquickstarter.com/content/103-10_facts_about_consumer_behavior_on_facebook

Should you invest the time and resources required to create and maintain a Facebook presence? What about Twitter, Pinterest and Google+?
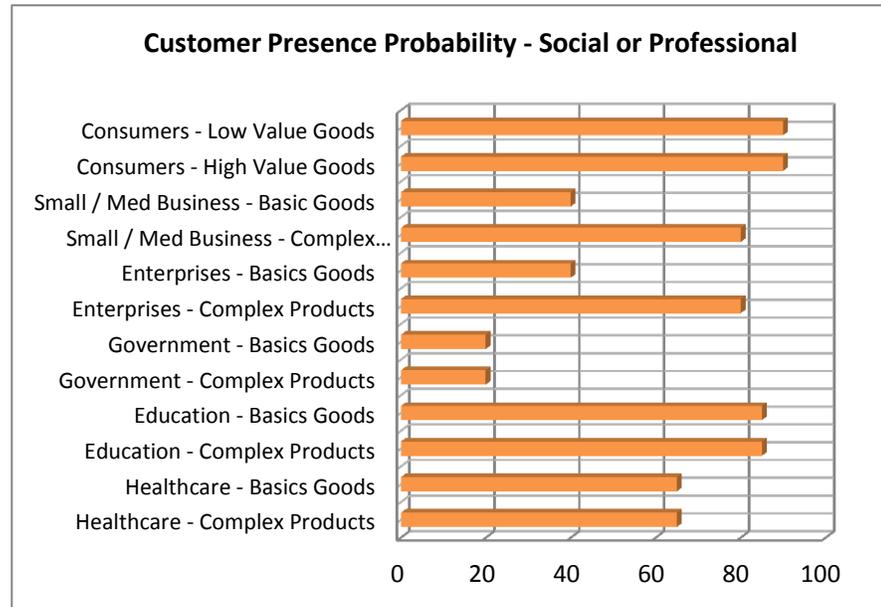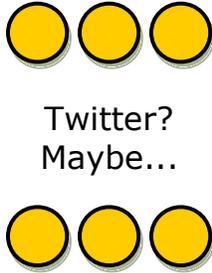
The key point for a sales channel review is to determine whether it is a medium in which clients will buy. Presence of customers in these sites is high. But actual sales activity is still very low. Get in there and test the waters, just don't dive in without a little data under your belt.

Connectivity with other channels

Good – these systems are heavily searched and often linked to from multiple sites.

Should I be in this channel?

At a minimum, you should have a presence on Facebook, Twitter, and Google+. And don't just create a user profile and forget about it – nothing is sadder than an abandoned social media page. Assign someone to nurture them, then track activity to help guide future decisions on where to spend more time and effort.

Twitter? Maybe...

Customer Presence Probability - Social or Professional

Category	Value
Consumers - Low Value Goods	90
Consumers - High Value Goods	90
Small / Med Business - Basic Goods	40
Small / Med Business - Complex...	80
Enterprises - Basics Goods	40
Enterprises - Complex Products	80
Government - Basics Goods	20
Government - Complex Products	20
Education - Basics Goods	85
Education - Complex Products	85
Healthcare - Basics Goods	65
Healthcare - Complex Products	65

Opportunity study

Marketing departments love Twitter. It's got a great buzz and everyone from the President to Ashton Kutcher tweets on a daily – if not hourly — basis. But can you sell anything? The short (140-character) text streams aren't necessarily the easiest way to reach potential customers, but they might be a way to push special offers – though this is not necessarily something you'd do multiple times per day.

A New England bank figured out how to make Twitter a sales channel, not just a place to blast out marketing messages. One banker (only one) tweets for the bank multiple times per day. His tweet? Daily mortgage rates and mortgage lock-in instructions. He regularly has thousands of followers and his tweet has a direct link for users to lock in and confirm their applications.

Auction-Based Systems

Most people immediately think of eBay when they think of online auctions. eBay is definitely a major player, with over $14 billion in revenue in FY2102. However, most companies fail to factor in the 15+ other systems, including WebStore, eBid, OnlineAuction and even Overstock.

All auction-based sites require user authentication and have their own bidding, billing, and electronic communications systems. Companies using these systems tie in via manual or automated integration systems.
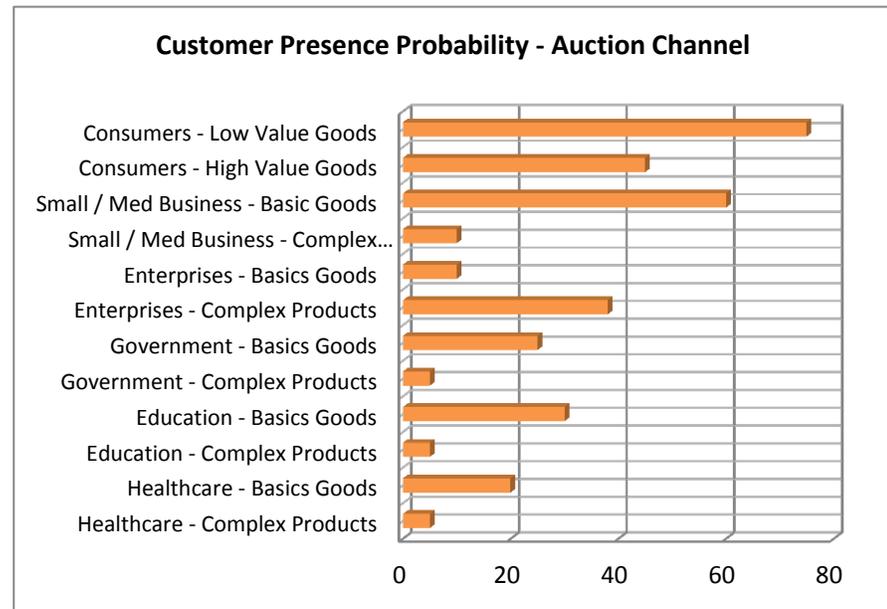
Connectivity with other channels

Fair – eBay regularly shows up on Google search and shopping, but most systems do not provide general search indexing with Google or other search systems, nor do they allow searches outside their main avenue.

Should I be in this channel?

As you can see from our graph, auction sites continue to appeal mostly to consumers and small businesses, although this is changing as eBay and other auction sites expand from pure C2C auctions into broader ecommerce systems.

Exploring your untapped sales channels not only reveals opportunity, it also gives you more control over and insight into your brands.

Customer Presence Probability - Auction Channel

Category	
Consumers - Low Value Goods	76
Consumers - High Value Goods	46
Small / Med Business - Basic Goods	61
Small / Med Business - Complex…	10
Enterprises - Basics Goods	10
Enterprises - Complex Products	39
Government - Basics Goods	26
Government - Complex Products	5
Education - Basics Goods	31
Education - Complex Products	6
Healthcare - Basics Goods	21
Healthcare - Complex Products	6

Missed opportunity study

A US-based coffeemaker manufacturer sells its product line to high-end customers throughout the US. They felt that they didn't "need" to be on a consumer auction site like eBay.

A review of eBay and other auction sites not only turned up listings for the company's new products, it also revealed several instances where customers searching for specific models were redirected to a competing brand.

To avoid situations like this, the coffeemaker manufacturer should establish a position on the major auction sites, either directly or through an authorized partner. This will not only re-establish the brand but also open up the option of selling overstocks and older models.

Direct Sales

Almost everyone understands this channel. It's the direct buy from the company website that often causes the most conflict with traditional channels.

Do you need a direct site? **YES!** A 2013 study of 5,000 shoppers[2] showed that 78% of them go to the internet <u>first</u> to get product or pricing information – even if they eventually go into a physical store to make the purchase. In fact, 65% of them routinely research online and then purchase in-store. If you don't give them what they want, chances are excellent that they'll go to one of the other channels, where competitors may have equal or better access.

So what's stopping you? The two most common concerns are:

Complexity – You may not have the in-house capabilities to run a site, but the options for outsourcing are plentiful. These include everything from outsourcing your web ops to a marketing firm, to running an Amazon Webstore, to selling direct and leveraging your downstream retailers for delivery.

Conflict –New web innovations can let you show multiple vendor options right on your main page. Not only are you supporting the channel, it gives you a powerful tool for partner negotiation.
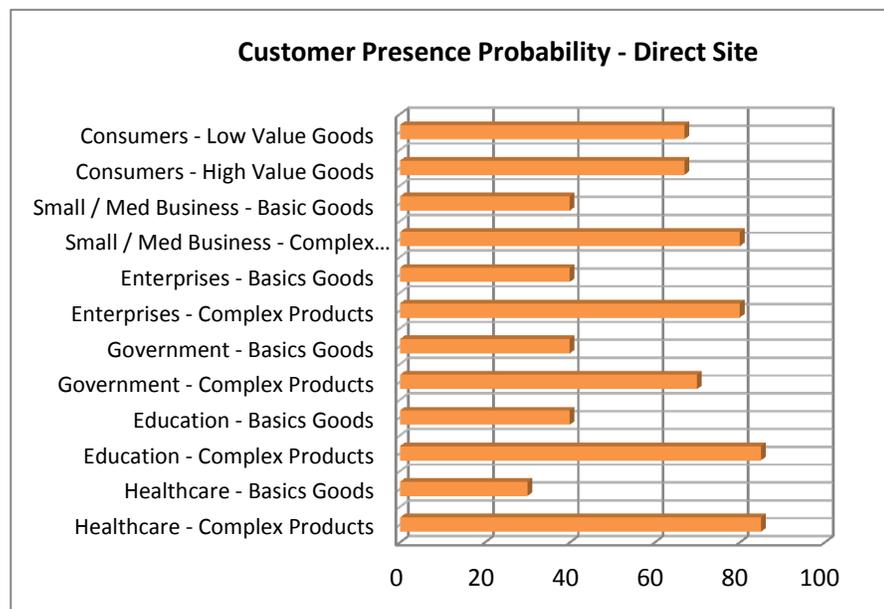
Even if you are leveraging some of your traditional channel, you need to take a hard look at how *their* direct sites run, especially if they're already doing a lot of direct business via the web.

Connectivity with other channels

Fair – Direct sites are indexed by major search engines, but there are general design requirements that need to be considered to ensure proper representation.

Should I be in this channel?
Yes. End of discussion.

When your customers are looking for your website, what will they find? Hopefully *not* your competitor.

Customer Presence Probability - Direct Site

Category	Value
Consumers - Low Value Goods	~68
Consumers - High Value Goods	~68
Small / Med Business - Basic Goods	~41
Small / Med Business - Complex…	~82
Enterprises - Basics Goods	~41
Enterprises - Complex Products	~82
Government - Basics Goods	~41
Government - Complex Products	~71
Education - Basics Goods	~41
Education - Complex Products	~86
Healthcare - Basics Goods	~31
Healthcare - Complex Products	~86

(axis: 0 20 40 60 80 100)

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[2] http://newsroom.cisco.com/release/1128065

Missed opportunity study

A US software firm opted not to have a direct site, vowing full support for the traditional technology distribution channel. Their main competitors all had direct sites that clearly displayed their list prices. This gave the competitors' partners an established MSRP to either use or discount, based on the deal.

The firm without the direct site had wild swings in end-user pricing, resulting in frustration when two divisions of one company were charged two radically different prices by different resellers.

The software firm needs to create a direct site to establish the baseline list price for all sales. Not only does this support indirect channel pricing, it also opens up opportunities to sell to larger firms that will only purchase software directly from the manufacturer.

Where should you be?

Not every channel will be relevant for every business. A sales channel should be considered viable for your company if any one of the following criteria is met:

- **Presence:** Target customers are active users of the channel
- **Propensity:** Customers are likely to purchase while in this channel
- **Purchases:** Similar products (i.e., competitors) are in the channel

Keep in mind also that online is different from brick and mortar in more ways than one. One of the most brilliant features of the internet is that it allows a customer to buy a product in the exact location (or within a few clicks of) where they first heard about it. But just because a particular channel is outstanding for one purpose, doesn't mean it should be a target for distribution.

This blurring of lines can make it difficult for you to separate marketing and customer support goals from sales goals. However, sales must be the ultimate driver for all activity; often organizations overspend for web marketing with no direct link to sales.

The bottom line is that it is important to review all channels individually for their fit with distributing your product line.

Why Yeoman?

Of course, an extensive review is easier said than done. Yeoman Technology Group specializes in Internet Channel Optimization and can help you with the hard work of sorting through your options and laying out an action plan.

We'll review your internet distribution model from top to bottom and deliver a road map with concrete action steps to untangle your supply chain and improve your internet sales.

About Yeoman Technology Group

Yeoman is a unique collection of engineers and consultants focused on using technology to drive revenue. We believe that if it doesn't deliver sales or better profitability, it's not a useful technology. The company's headquarters are in Portsmouth, N.H. The consulting team works throughout the US and overseas.

Michael Healey is president of Yeoman and has over 25 years of technology leadership experience. He was CTO of GreenPages Technology Solutions prior to taking the helm at Yeoman. He also served as president of TENCorp for more than 15 years prior to its acquisition by GreenPages.

Mike is also a nationally recognized expert on technology trends and development, a frequent speaker and panelist at technology events, and a Senior Contributing Editor for InformationWeek, where his research studies have included *The Consumerization of IT*, *Cloud Computing Trends*, *Social Networking in the Enterprise* and *Web Strategies*.

Contact the Sales team at Yeoman at 800-667-6098 or info@yeomantechnologies.com to find out more.

Don't reinvent the wheel. Contact Yeoman for an in-depth analysis of your internet channel efficiency.