

# Why E-commerce works for some and not others!

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# Introduction

- As an industry matures consolidation takes place
- The internet is a game-changer
- Our industry leadership has taken a passive role failing to leverage the internet in a fashion that could have disrupted the traditional consolidation process
- The aftermarket is failing to take advantage of opportunities to establish more control over its destiny

# The Top E-commerce Sites

Company	Annual Sales (\$M)	Online Sales (\$M)	Percent Online	Web Traffic (UDV)	Rev/Visit per Mth.	Social Media Shares
Amazon	89,000	89,000	100%	47,714,143	\$5.18	85,000,000
Staples	22,000	10,000	46%	810,739	\$34.26	64,000
DepotMax	16,000	7,000	44%	380,500	\$51.10	23,400
NewEgg	2,700	2,700	100%	1,321,702	\$5.67	187,000
Tiger Direct	3,400	3,000	88%	324,020	\$25.72	153,000
Wal-Mart	482,000	12,200	2%	3,541,088	\$9.57	490,000
Costco	110,000	3,000	3%	853,138	\$9.77	27,000
<b>Totals</b>	<b>725,100</b>	<b>126,900</b>	<b>18%</b>	<b>54,945,330</b>	<b>\$6.42</b>	<b>85,944,400</b>
Amazon Share	12%	70%		87%		99%

# E-commerce is working for some

- What do these successful companies have in common?
  - They're all shopping cart sites – their content is made up of products and product reviews
  - Strong domain authority
  - Huge traffic volumes
  - Social activity

	Amazon	Staples	DepotMax	NewEgg	TigerDirect	Wal-Mart	Costco
DA	98	86	85	86	77	92	87
Traffic	47,714,143	810,739	380,500	1,321,702	324,020	3,541,088	853,138
Social	85,000,000	64,000	23,400	187,000	153,000	490,000	27,000

# Can the Amazon model be replicated?

- Clearly Amazon is the most successful of all
- It's not difficult to see what they've done and to figure out best practices
- However, they've invested billions and billions to get to where they are
- So ... simply trying to copy the Amazon model *on a national scale* is *NOT* an option for small organizations such as office products resellers
- However, that's what's been attempted over the last 10+ years, and it's almost always failed!
- For small businesses to be successful with e-commerce a more sophisticated and targeted approach has to be developed

# Google & Amazon

First – a quick review of Google & Amazon

# Google Vs. Amazon

- Consumers are bypassing Google search and starting to look for products directly on e-commerce platforms – primarily Amazon
- Search advertising is the most valuable segment to Google with nearly 50% of its valuation coming from mobile and “per-click” search ads
- Amazon represents a credible threat to Google's search business
- Google is increasing its focus on local businesses, believing it can attract more local advertisers once it proves its platform is the best source of a consumer's purchase intent
- However, a local business can only benefit from Google's intent if they have all of their site elements in order:
  - Mobile friendly
  - Strong and regularly updated content
  - Business reviews
  - Product or service reviews
  - Consistent local directory listing

# Amazon

- Amazon – the 800-pound gorilla of ecommerce – they own more than 50% of all e-commerce
- But ... Amazon is not our “friend”
- Amazon is dominating e-commerce the way Wal-Mart dominated brick & mortar commerce
- Amazon is seeking market domination in its chosen categories
- The irony is – Amazon can’t achieve domination without resellers handing it to them on a plate!
- Resellers have flocked to the Amazon marketplace after their e-commerce initiatives have failed
- There’s no control over what’s sold on Amazon – quality, IP integrity, etc.
- The price for a similar product ranges from \$5 to \$100
- It’s difficult for a reseller to differentiate
- The customer belongs to Amazon not the reseller
- Amazon can change the rules anytime



- Unlike Amazon – Google is our friend
- March 2015 – major initiative – “Let’s put our cities on the map”
  - The objective to help every business in every city get discovered
  - Google created a custom site for 30,000 cities across the USA with step-by-step instructions for how to create a “Google my Business” listing
  - <https://www.gybo.com/get-started>
- Site owners must get their house in order
  - Accurate and consistent directory listings
  - Mobile friendly site
  - Favorable business reviews
  - Strong content
  - Frequently updated
- Businesses that are online grow 40% faster than those that aren’t

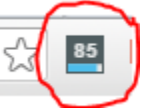
Source: BCG Report, The Connected World: The \$4.2 Trillion Opportunity, March 2012

# Domain Authority

The development of web traffic

# Domain Authority

www.officedepot.com



- Domain Authority is a website metric developed by Moz
- The higher a site DA the more likely it will have strong traffic
- Domain Authority is established from a lot of factors:
  - Link profiles – how many and where they're from
  - High quality content with frequent changes and updates
  - Internal page linking
  - Leveraging the “age” of the domain
- To improve DA then the links must be improved – get rid of bad ones and establish good ones. There are two options for getting good links –
  - An agency (expensive) or;
  - Content marketing (time)

# Back (inbound) links

- The number of backlinks are treated as an indication of the popularity or importance of a website
- More weighting is applied to high quality links
- Links must come from sites that are relevant to the content on your site – the higher the relevance the greater the quality
- Reciprocal linking (linking related sites to each other)
- Irrelevant inbound links are ignored but all outbound links are calculated and can dilute the relevancy score
- Inbound links must be built with relevant, popular and trustworthy sites that don't have excessive numbers of outbound links

# Domain authority and traffic

- Having a higher DA than competitors means a site will rank higher in search engines – there are four main requirements:
  - High quality content is the backbone of every successful authoritative website – content assets, promotions, & leveraging through link builders
  - Social Media – intelligently used for promoting brand and website
  - Branding – awareness, engagement & trust
  - Relationships with other sites within the industry – influencers, alliances, helping allies
- The good news is that with each algorithmic update from Google it's getting easier and easier for companies with strong content loaded sites to get higher rankings
- Companies have to shift from keyword targeting, page-specific link-building, etc. to domain authority building

# Office Products & Domain Authority

Group	Count	DA	Domain_Age	Website_Grader	Alexa Backlinks
Brand	3	95	22	77	59,793
Big-Box Retailer	2	86	18	71	8,911
Buying Group	3	37	13	38	66
Manufacturer	6	35	17	57	75
Reseller_A	4	31	14	51	175
Distributor	14	30	15	58	192
Media	5	23	9	48	54
Reseller	46	14	12	45	4
Grand Total	83	25	13	50	2,430

# Search Engine Optimization

- I mention “e-commerce” and people say “Ah, yes .. SEO”
- \$65 Billion will be spent on SEO in 2016
- Much of it will be wasted
- The internet is still young and increasingly complex – most small business owners don’t understand it’s workings
- There are many agency’s taking advantage and setting unrealistic expectations for quick results
- Many small business owners are paralyzed – they don’t know who to believe or what to do next
- There are no silver bullet solutions – it takes time and its hard work
- SEO is important but it’s a broad topic with many components

# The Office Products Reseller

The scale of the challenge



# Office Products and the Internet

- For the most part our industry has not understood or embraced the power of the Internet
- Most resellers have websites and most have been around a long time
- However, they perform poorly – the average DA of 200 sites analyzed is less than 20 (80% are less than 15)
- The average number of backlinks for a typical reseller is 4
- But ... the average domain age is 12 years
- This should have been plenty of time to get the DA to 50+
- It's not happened and we have to understand why

# Independent Resellers

- There are very few independent resellers in the office products vertical with successful e-commerce
- We've already seen a number of reasons why this is:
  - Poor websites
  - No web traffic
  - No domain authority
  - No content
  - No social activity
  - No strategy
  - Limited technical understanding of what's required
- However, there's no e-commerce without web traffic
- The fundamental issue for small business to overcome in order for successful e-commerce to take place is to generate relevant web traffic

# Independent resellers & e-commerce

- There are three options:
  - Affiliate marketing
  - Pay-per-click - key words
  - Content & inbound digital marketing
- All three strategies require expertise
  - Affiliates can lose their traffic so you lose yours – no control and expensive
  - Pay-per-click – lack of DA means cannot win search on popular key words – long-tail key words and a local strategy is only chance of success but there are much fewer relevant searches
  - Content marketing – takes time and costs money but ... at least successful investors in this strategy own the resulting traffic

# Content

- Unlike the behemoths in e-commerce, small businesses cannot rely on their customers to create their content – i.e. from product reviews – there's no scale!
- 80% of buyer's research online before making a buying decision
- They may be researching because they're frustrated at their current "big-box" options
- Their research does not uncover credible alternatives if (by chance) they land on a typical reseller site
- They are increasingly likely to move their business to Amazon as they demonstrate their dissatisfaction with the current big-box options
- Amazon Business Services claim \$1.0B in sales in last 12 months
- Resellers must deploy sites and content that are designed to catch the attention of researching buyers
- The content that's required is much more than a simple shopping cart site!

# A budget for content marketing

	One-time	Recurring
Website	\$ 14,450.00	\$ 500.00
Biz Plan	\$ 4,880.00	
Information Technology	\$ 1,700.00	\$ 200.00
Blogging	\$ 3,000.00	\$ 2,400.00
Social Media	\$ 4,800.00	
Email		\$ 2,880.00
Audience Building	\$ 4,800.00	
Social Media Publishing		\$ 3,600.00
Digital Marketing	\$ 6,000.00	\$ 400.00
Power Ecommerce	\$ -	\$ 100.00
	<b>\$ 39,630.00</b>	<b>\$ 10,080.00</b>
Cash out	\$ 23,778.00	\$ 3,900.00
Owner time	\$ 15,852.00	\$ 6,180.00

## There's a lot to do and a lot to learn:

- New website (responsive)
- A business plan
- Upgrade information technology platform
- Blogging platform and time for new content
- Leveraging social media
- Email marketing & automation
- Social media audience building & engagement
- Inbound digital marketing & lead conversion
- At least a \$40K investment followed by \$10k per month

# Resellers time and expense

- A small to medium size reseller is not going to invest \$40K to launch a digital strategy
- Even if tempted, typically he doesn't know where to start
- And ... he probably couldn't afford \$10K per month in ongoing expenses - even if he knew in advance that's what it was going to cost
- He certainly doesn't have 100 hours per month to write content and manage a digital strategy
- He's caught between a rock and a hard place
- In fact ... he's gone to Amazon!

# Independent Reseller E-commerce Outlook



- Our industry is living in the past
- The outlook is bleak
- No leadership has emerged to leverage the asset of 10,000 sales organizations and their historically strong relationships with their customer base in local markets
- This asset is rapidly deteriorating as small dealerships fail in the onslaught of:
  - Amazon
  - OEMs
  - Big-Box retailers

# Who can help?

- The Manufacturers?
- The Distributors?
- The Buying Groups?
- In fact .. all of the above:
  - However, the days of promos, back-end rebates, and analog marketing collateral are mostly done
- The help that's needed now is digital:
  - Imagine the manufacturers & distributors establishing backlinks to their suppliers
  - Imagine 10,000 dealers inter-connected via relevant backlinks between each other and upstream to the distributors and manufacturers
  - Everyone's domain strength increases and everyone's SEO improves
  - Imagine 10,000 dealers with an engaged social audience of 2,000 each – that's an audience of 20 million!
  - Imagine 10,000 dealers with an average of 1,000 email contacts being emailed 2x per week – that's 80 million emails per month
  - Now .. that level of activity can make a difference!



# Is it too late?

- Quite possibly ... yes!
- However ...
- 10+ years ago a small group of very smart people introduced MPS and a channel was transformed
- OEMs were forced to adapt and certain sectors of the aftermarket benefited
- Now, and before it's too late, a similar initiative needs to occur in the transactional space
- But .. time is running short
- The Amazon model can be replicated but it takes time and requires skills the typical reseller does not currently have

# Conclusions

- The behemoths dominate e-commerce
- Small dealers independent e-commerce initiatives have mostly failed
- They've gone to Amazon who will eventually put them out of business
- Our industry is asleep at the wheel lamenting how difficult business has become
- The requirements for generating relevant web traffic are complex and beyond the means and understanding of the typical transactional reseller
- Help is desperately needed if the majority of the independent transactional resellers are to survive
- It's still possible for a small business to develop relevant web traffic and to develop e-commerce but, not without substantial industry support
- The aftermarket industry leaders must wake-up to this reality or their share of the market will shrink faster than the overall market

# The End

## Thank-you for your time and attention

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