Blue Acorn's 2018 Ecommerce
HOME & HARDWARE REPORT

Renovating the B2B User Experience for Home and Hardware

Ecommerce Growth

Build a Case for Improving the B2B
Home and Hardware User Experience

Customer Insights

Understand the Customer:
Contractors and Buyers

User Experience

Create an Ecommerce Site Fit
for Professionals

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Building a Case for Improving the B2B Home and Hardware User Experience

The real potential of ecommerce, a pervasive part of the B2C retail experience, resides within the B2B world, particularly in the home improvement and hardware industry. Professional contractors and buyers (for example: interior designers) are constantly on the move, rarely sitting at their desks. As a result, it's easy to see the appeal of shopping online for materials, tools, and equipment which offers them the convenience of being able to order exactly what they need for their projects from any location.

The home improvement and hardware sector, one of the least penetrated by ecommerce, is quickly adapting to the changing needs of professional contractors and buyers, or commonly referred to as 'pros.' From easy online ordering and credit check to multiple delivery options, home and hardware ecommerce has grown significantly in recent years.

Sales Growth

Overall, B2B ecommerce is rapidly growing—Forrester is projecting it will be twice the size of B2C ecommerce by 2020. In the home and hardware industry, sales grew 19.3% from 2016 to 2017, with web transactions equivalent to 7.7% of total retail sales. This sales growth rate far outnumbers the overall B2B ecommerce growth of 7.1%, proving that home and hardware is a lucrative industry for ecommerce.[1]

What's causing the high growth rate for home and hardware compared to other industries? Home and hardware was a latecomer to ecommerce, giving retailers an opportunity to capitalize on the untapped channel and invest in an omnichannel strategy around the resources they already possess. Many of the large home and hardware retail chains have the advantage of owning hundreds or thousands of stores in several locations, which means their inventory is typically located where their buyers live. Therefore, companies can quickly fulfill and deliver orders within days or even hours.

To lure shoppers to their sites, home and hardware businesses use web technology to share real-time local inventory information with their consumers as well as delivery, buying, and return options. As a result, companies are creating an image of trust and transparency—leaving customers to feel more confident in purchasing supplies, materials, and equipment online.

7.1%
19.3%

7.7%
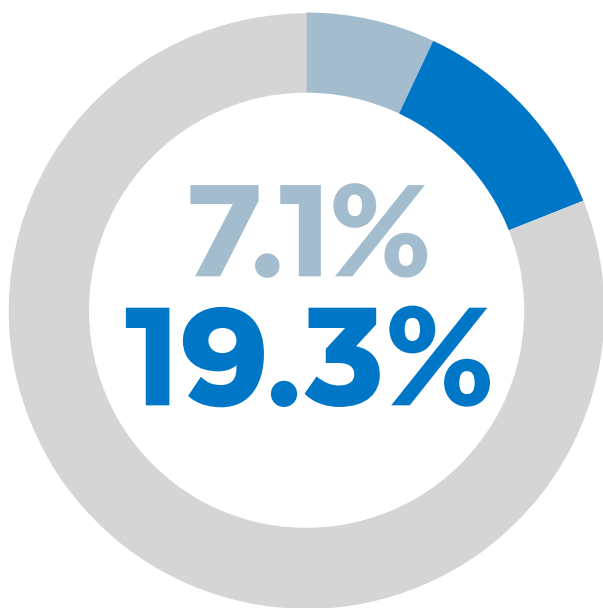
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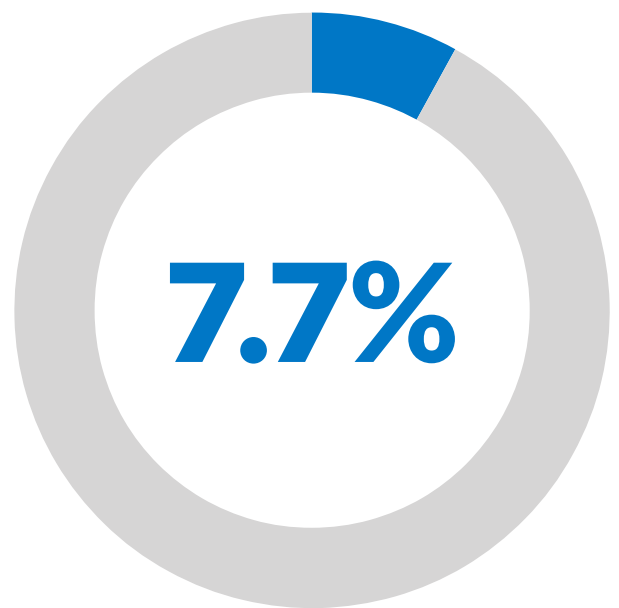
In 2016 - 2017, web transactions were equivalent to 7.7% of retail sales.

Notable B2B Home and Hardware Companies

Lowe's didn't just add a few features to its site that the team thought would benefit its pro consumers, the retailer created an entire site for them called lowesforpros.com. Its number of pro shoppers is notably smaller than its pool of DIY consumers, but they make up a significant share of the company's revenue. Robert Niblock, Lowe's CEO, said in a recent article, "Our Pro growth rate outpaced DIY for both the fourth quarter and the full year."[9]

- In the 3rd quarter of 2017, Lowe's doubled its profits growth, attributing this success to attracting and retaining professional customers.
- During the same time period, Lowe's increased its sales in lumber, building material, plumbing, and electrical.
- Currently, B2B business makes up 30% of its revenue.[1]

Ferguson, one of the largest plumbing and HVAC wholesalers in North America, recently redesigned its B2B ecommerce site. The company continues to invest in ecommerce technology to ensure its customers can quickly access accurate product information and purchase what they need. John Martin, United Kingdom-based Wolseley's group chief executive and executive director, said in a recent article, "It's our strategy to have the best transactional ecommerce capability in the industry."

- About two-thirds of Ferguson's online sales are B2B.
- Following the company's ecommerce replatform, revenue grew 6.7% year-over-year in the US.[8]

 Carol Tome, CFO at Home Depot, says in B2B ecommerce news report, "This is one Home Depot. Not an online or in-store business, but it's one Home Depot." Home Depot has been investing heavily in its content strategy, site improvements, and mobile experience to create one interconnected experience for its customers. They have a features sections on its homepage called "For the Pro" (it defines 'pro' customers as professional contractors and buyers from government agencies). The feature offers content and purchasing tools specifically designed for pros.

- 45% of Home Depot's sales are B2B.
- 43% of its online transactions are picked up in-store.[2]

Understanding the Customer: Contractors and Buyers

Home and hardware retailers that are both B2B and B2C must understand the difference between their two types of customers: professionals and DIY consumers. For large chains like Home Depot and Lowe's, professionals only make up a small percentage of their total number of shoppers, but they make up a large portion of revenue. For example, professional contractors and buyers from government agencies only make up 3% of Home Depot's customers, but they generate 40% of the retailer's revenue.[2]

Who is the typical B2B home and hardware consumer? The average shopper is usually a professional contractor or buyer. They are rarely in an office or near a desktop computer and are generally onsite at their various projects. To be successful, they must find, evaluate, and purchase a long list of products for their projects.

Pros are quickly taking advantage of the online resources available to them. According to The Farnsworth Group's Pro Online Behavior Study, 95% of pros said they purchase or research building products online and 78% at least once a month. About half of these consumers make at least one online home improvement purchase for their jobs monthly. The same study found that the top two reasons for searching and shopping online are better prices and a wider selection, followed by more options and convenience. However, certain commodity or consumable products, such as adhesives and fasteners, that are needed at a moment's notice have yet to penetrate the online space.

Pros are also looking for content online: More than half of pros use the internet for educational reasons and even more are using the internet to keep up with industry news.[10]

At the end of the day, professionals want to know how a company is going to help them save money and increase their revenue on their project. Information like product features, specifications, pricing, and inventory for large quantity orders is essential to these shoppers. It's crucial for B2B home and hardware companies to rely on data to process orders quickly and efficiently, engage with buyers in a personalized manner, and make sure the ecommerce site is not offering items online that are sold out.

The best way to service these types of customers is to offer multiple channels of engagement that are appropriate to their needs. 92% of Housewares/Home Furnishings/Appliances businesses have a mobile-optimized site, and 8% have a mobile app[1]—indicating the industry understands their consumers are on-the-go and need the option to purchase products from their phone or tablet.

For further insight into its customer base, Home Depot's executives put on the familiar orange apron and visit Atlanta area stores. In a recent article, Home Depot's CMO Kevin Hoffman says,

"We want you to come to us because we're not just interested in the transaction, but in the relationship and in your lifetime purchase behavior. The holy tenets of retail are convenience, selection, value, and service. Convenience, selection, and value tend to get people in, and service is what brings them back."[2]

Creating an Ecommerce Site for Professional Contractors and Buyers

Pricing, Negotiating, and Promotional Discounts

Pricing, not surprisingly, is significant for professionals, and one of the first things they will look for when viewing products online. There's a need for both quality products and budget-friendly pricing, which is why many home and hardware companies offer bulk pricing discounts and special promotions for professional contractors and interior designers. For example, Lowe's provides a "5 Ways to Save" program for professionals. It includes a 5% discount for 'pro' customers, a business replenishment program, contractor packs, easy ways to order by phone or online, and multiple delivery options.

Online negotiating capabilities and tracking quotes is another desirable tool for professionals. We're starting to see more and more home and hardware businesses give users the ability to submit negotiations online and track quotes they received in-store. Fastenal, a US distributor of industrial, construction, and safety products, allows users to approve or reject quotes, check the status, and add the items to their cart for purchase—all within their online account.

What You'll Need:

According to Magento's B2B Commerce Best Practices Report[3], you will need to integrate with your ERP system to move the entire quote process online. Some ecommerce platforms, once integrated with your ERP system, allow customers to modify, request, track, and approve quotes online. Sales reps can perform these same functions on the customer's behalf in addition to their own tasks, such as creating proposals, responding to quote requests, and assisting with online orders. As a result, the quote-to-order cycle reduces from weeks to hours. Meanwhile, marketing teams can offer special promotions to specific groups of customers using Magento's flexible promotional capabilities.
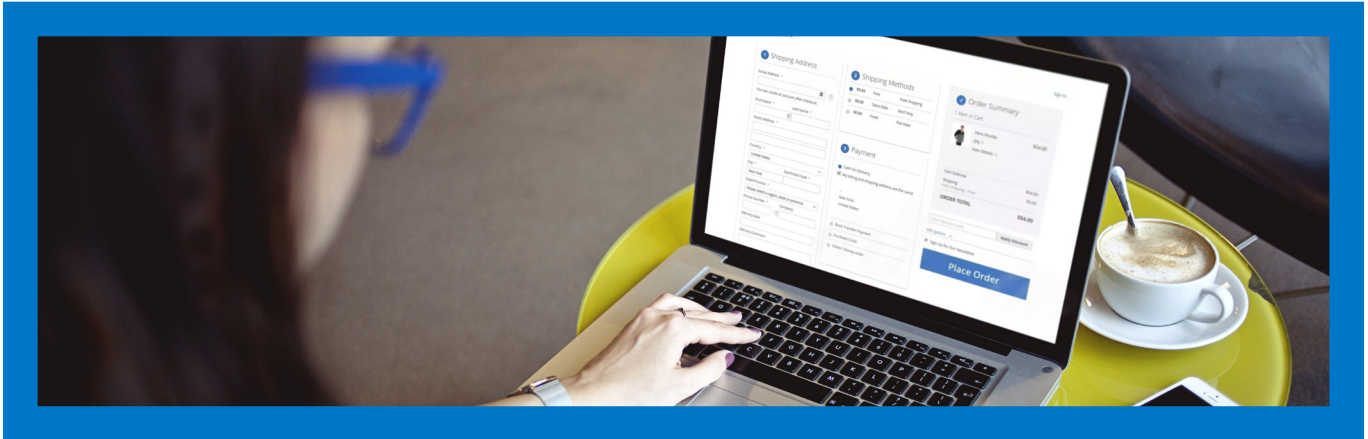
Optimal Checkout Process

According to Lauren Gomez, Director of Marketing at Positec, the optimal checkout process for professionals is "speed." For pros, time is money. They need to be able to find the items they are looking for using an easy navigation or robust search tool. Recent research found that 62% of B2B customers consider enhanced search functionality "increasingly essential" to their shopping experience.[11] Pros typically know exactly what they are looking for when shopping—an advanced search tool allows them to gather information, find the product they need, and check out quickly.

Not all buyers will pay with credit cards—offering credit (the ability to make a payment on their company account), would benefit these customers. Additional features such as instant purchase, quick checkout, requisition lists, and quick order forms make it possible for pros to replicate previous orders and check out in a matter of minutes.

What You'll Need:

Checkout and Payment capabilities. For example, Magento's checkout feature allows retailers to display order summaries, and allows customers to create a customer account and save their shopping carts for a later purchase.

Magento's Quick Order feature allows customers to reduce the order process to only a few clicks for those who know the product name or SKU of the products they want to order. Customers can enter the SKUs manually, import them into the Quick Order form, or choose items from a pre-set requisition list (saved shopping list).

Elasticsearch, a Magento feature, can handle large catalogs and easily scale search capacity as queries grow with its integrated search technology. According to Magento's site, "Elasticsearch offers suggestions for customer misspellings, support for stop words and attribute weighting, and synonym management to increase relevancy and conversions."

The payments feature integrates with multiple payment gateways, enabling the company to securely pass credit card information directly to the payment gateway without the company ever needing to store cardholder data. This covers most of the PCI compliance requirements ecommerce sites are required to adhere to.
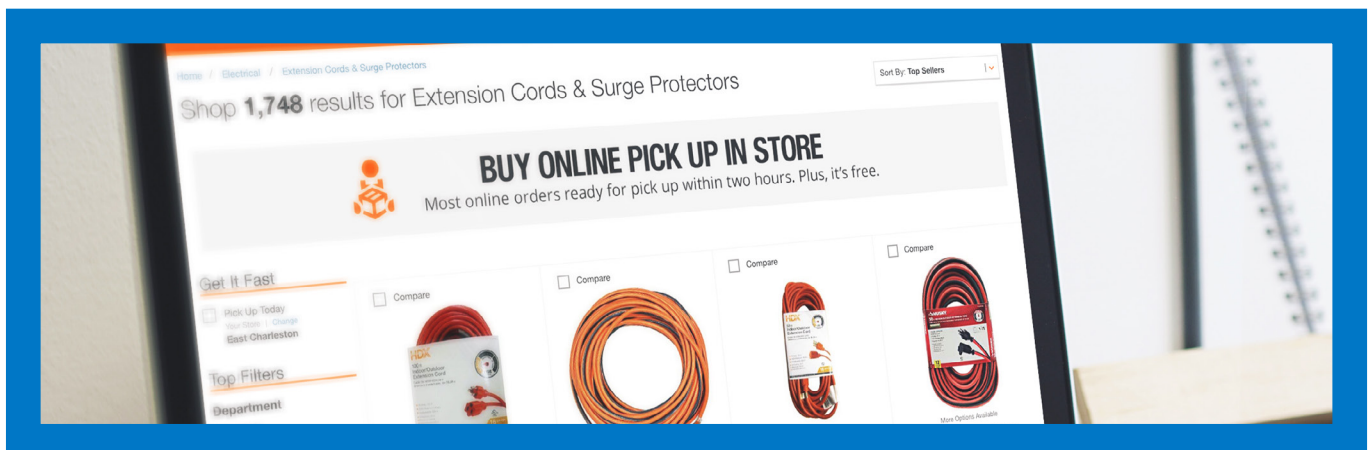
Inventory Transparency and Delivery Options

Next to pricing, inventory is one of the most critical factors in a professional's decision-making process. One of the last things a pro wants when shopping online is to get all the way to the checkout process only to find out that the 20 garden tubs they need for their housing development project won't be available until after the deadline.

Highlighting inventory information on the products listing page (PLP) and product detail page (PDP) will go a long way in building a solid relationship with contractors and buyers. These professionals are typically on strict deadlines that are primarily dependent on supply deliveries. If they have the ability to know how many of an item is available and if they can bulk order, then they can better plan for their projects.

In addition to inventory transparency, a successful omnichannel strategy encompasses a variety of fulfillment options so contractors can make deliveries work within their complex schedules. Visible delivery and pick-up options on the PLP, PDP, and checkout page ensures the user can easily change their preference throughout the entire shopping process.

Displaying inventory by store location is ideal for contractors who prefer to quickly pick up an item at a location convenient for them. Gomez states, "The store locator feature is very important to our Rockwell brand. Our pros are more apt to go to a local store to find wearable items, like replacement blades, mainly because we have a wide distribution at Lowe's stores across the country."

Home Depot has expanded its omnichannel strategy to include a multitude of delivery and return options for professionals: buy-online-return-in-store, buy-online-pickup-in-store, buy-online-and-ship-to-store, and buy-online-deliver-from-store. Lowe's has expanded their delivery options as well to deliver contractors' purchases within a two-hour window.

Inventory Transparency and Delivery Options

What You'll Need:

Order Management System: An OMS enables retailers to fill in the gaps between their in-store and ecommerce site to create an ideal omnichannel experience. The key features of Magento's OMS include distributed order management, omnichannel fulfillment, global inventory management, and customer service. The system will track inventory in all store and vendor locations and online, as well as in-transit inventory. The tracking capabilities allow both the company and its customers to see inventory data.

The OMS also allows companies to provide their customers with flexible fulfillment options, such as ship-from-store, ship-to-store, buy-online-pick-up-in-store. This type of seamless, intelligent system allows companies to deliver consistent brand experience across all of their channels, lets service teams engage with their pro customers, and streamlines the fulfillment process to lower costs.

Account Management

In a perfect world, home and hardware sites would have a different account management experience for their pro customers from their DIY customers. Detailed information about billing, user management, credit availability, warranty management, and delivery tracking helps professionals better manage their own businesses.

For example, Clean Freak has a separate account experience for businesses that allows them to set up an open terms account and apply for financing. Fastenal also has a pro-specific account experience. Customers can view custom or contract pricing, limit how much individual users can order over time, designate users as "request users" to route orders for approval, check order status, create order templates for recurring orders or projects, check product availability, open balances and statements, pay invoices, and access 40,000+ CAD drawings for download or email.

In January of 2018, Lowe's launched lowesforpros.com—a website that allows professionals to quickly find the products they need for their project with an easy navigation and clean design. On the site, contractors can easily check availability and inventory levels on the PLP and PDP pages. The Lowe's team clearly designed the shopping cart user experience with the professionals' needs in mind. On this page, pros can select their fulfillment, delivery, and payment options. At checkout, any pro customer can take advantage of reduced delivery rates and take 5% off every purchase with a Lowe's credit card.[6]

What You'll Need:

A self-service buying tool: This allows professionals to purchase items 24/7 from any location, track new orders, view order history, and manage their credit without needing to speak to a sales rep over phone or email.

With Magento's Integrated B2B Functionality, home and hardware companies can handle large orders with up to 300 items, assign custom catalogs and pricing based on the previous agreed contract terms, and provide support for orders. Customers can manage multiple buyers, and define roles and permissions, quickly order items by entering multiple SKUs or by uploading a CSV file, manage account and credit, and re-order from previous orders.
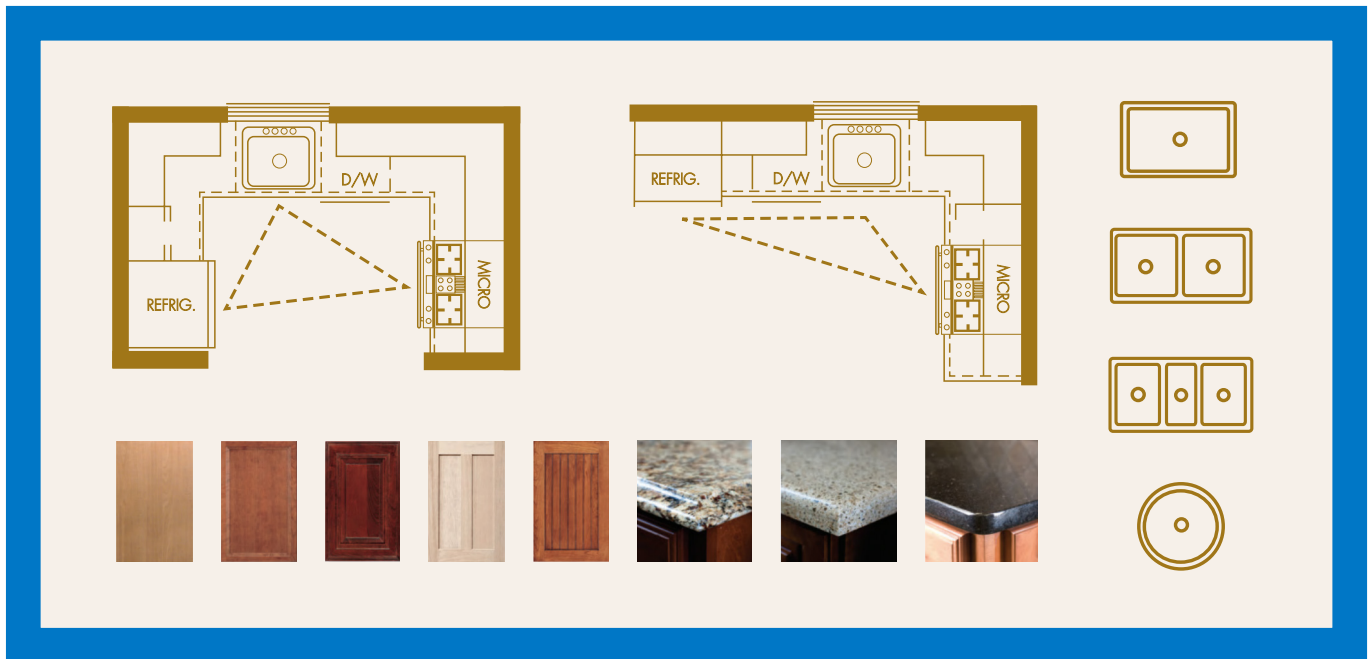
Product Pages

On the PDP, professionals find informational content around the product beneficial to their shopping experience. According to Gomez, "pros get the most out of specs, sizing, application, and material—things that are quick hits. They don't want to read a lot of copy about the product—they just need the right information to know they've found the right item." Most commonly, home and hardware companies will have a PDF version of the specifications on the PDPs. The PDF typically includes product features, dimensions, warranty and compliance information. This makes it easy for contractors to save or share the specifications with other stakeholders in their project.

An ideal PDP page would also include sizing and materials information, item availability, installation requirements, and delivery options. If the contractor is unable to see or measure a product in person, having all of the necessary information to make the right decision is the next best thing. Keep in mind, professional contractors are still consumers who need a seamless online shopping experience. Features like reviews, product images, Add to Cart and Add to Lists functionality, related or complementary items, and color options are all necessary. However, the same images that resonate with DIY consumers won't resonate with pros. Gomez suggests showing more job site application images.

Overall, the user experience on the PDP needs to be clear and direct so users can quickly and easily determine if the item is the best option for their current need.

Content

According to the 2018 B2B Content Marketing Benchmarks, Budgets, and Trends Report, 90% of B2B organizations are using content marketing, and 38% of those companies plan to increase their content marketing budget in 2018. Right now, 94% of B2B companies use social media, 72% use videos, and 71% use case studies and white papers in their content marketing strategy. The same report busted the myth that B2B consumers do not watch videos: 96% of B2B respondents are engaged in video content.[7]

Mission RS, a restaurant supply company, provides B2B-focused content geared towards restaurant, hotel, and grocery store owners and chefs. Content includes highlights of various chefs and commercial kitchen best practices.

Clean Freak offers how to's with step-by-step instructions, a blog with cleaning product news, documents for rebates and warranties, owner manuals and charts, and videos of product assemblies and demonstrations. Offering digital tools that provide facts, know-how, buying guides, and expertise results in a more knowledgeable and confident consumer.

Lowe's has a series of construction calculators so professionals can determine how much of a product they need directly on the site. The calculators range from paint and wallpaper to concrete, flooring, and tile.

Gomez recommends having a "what's new" section—information about why a new product is better than the one currently used by most professionals.

Product Pages and Content

What You'll Need:

Content Management System and Personalization: With a CMS, companies can create and load content on their websites, organize content pages, navigation, and menus, and generate reports to diagnose any technical issues. With Magento's Commerce Cloud, all of this can be done without technical team support. Teams can easily prep for site updates and new promotions using the platform's staging and preview tools.

Magento also allows companies to personalize the shopping experience through advanced segmentation and targeting. This means that home and hardware companies with both B2B and B2C customers can create separate experiences from the same platform. On the PDP, a company may show different product images, product information, and pricing that are specific to professionals.
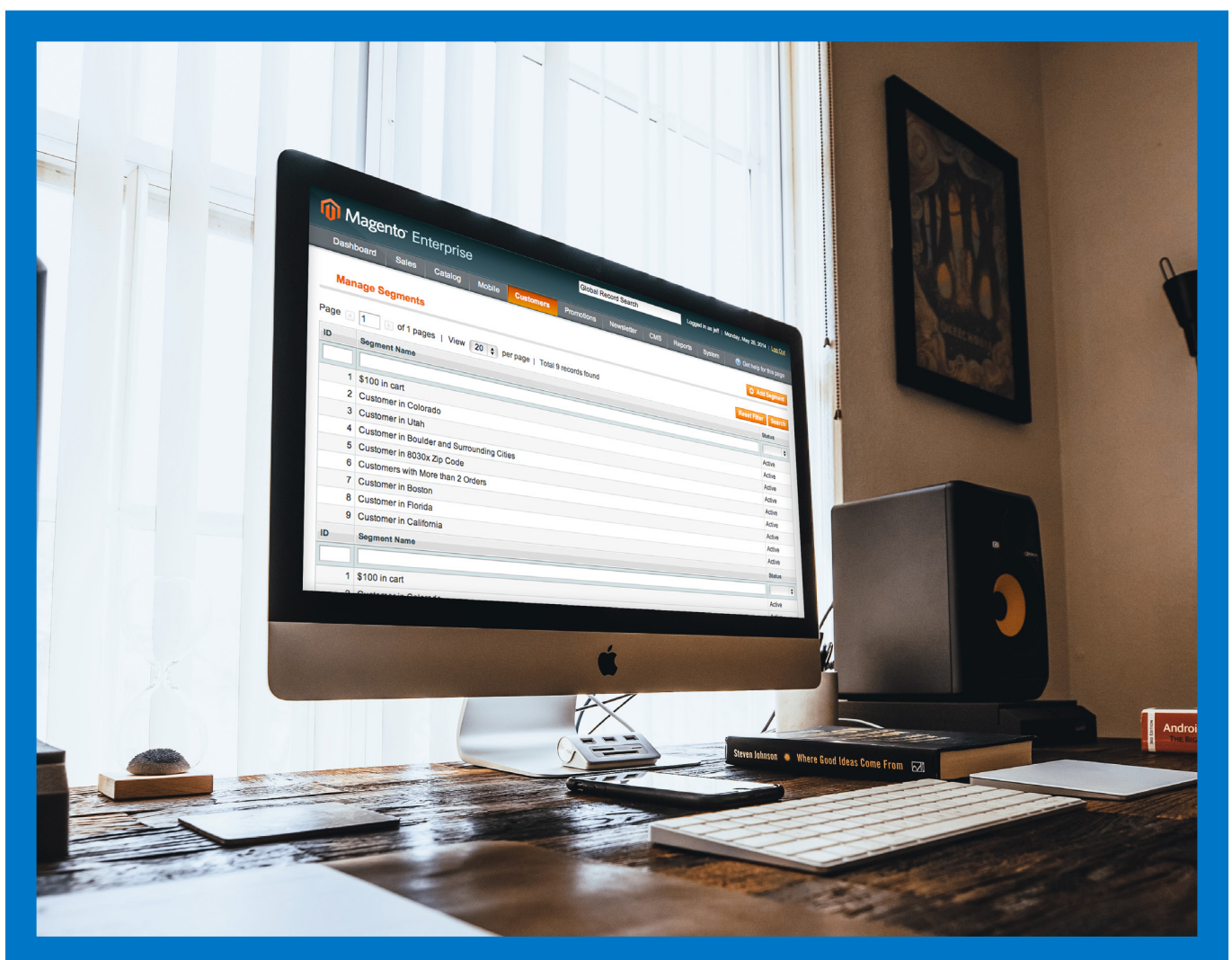
In-Store Technology

When shopping in-store, it can be easy for professional contractors and interior designers (or their clients) to get sticker shock and buy whatever product is cheapest. Magento's Commerce Cloud provides tools to help sales associates work with pros to find the right products and to help pros stay organized and make the best decisions for their clients.

Digital Catalog

Hardware companies often have tens upon tens of thousands of SKUs; too many to fit in the showroom or warehouse of a brick-and-mortar store. A digital catalog that a store associate can show a customer on a tablet, one that allows filtering of inventory, helps make a sale (or at least generate interest in a product) even when inventory is unavailable. One key feature when developing a digital catalog is the ability to hide pricing. As the associate browses the site with a client, the client does not see the wholesale price—preventing sticker shock. Associates can then reveal the price at the optimal time to avoid customers making a decision solely based on cost.

A digital catalog would also be valuable for interior designers and contractors as they browse the site with their clients. Hiding the pricing prevents clients from seeing their designer's margin on the project. However, revealing the discounted designer price to interior designers and contractors could also prove to be beneficial for the sales associate.

What You'll Need:

Using Magento's MAP pricing (or a similar feature on another platform), sales associates can display the MSRP and special pricing on products that have a specific designer price.
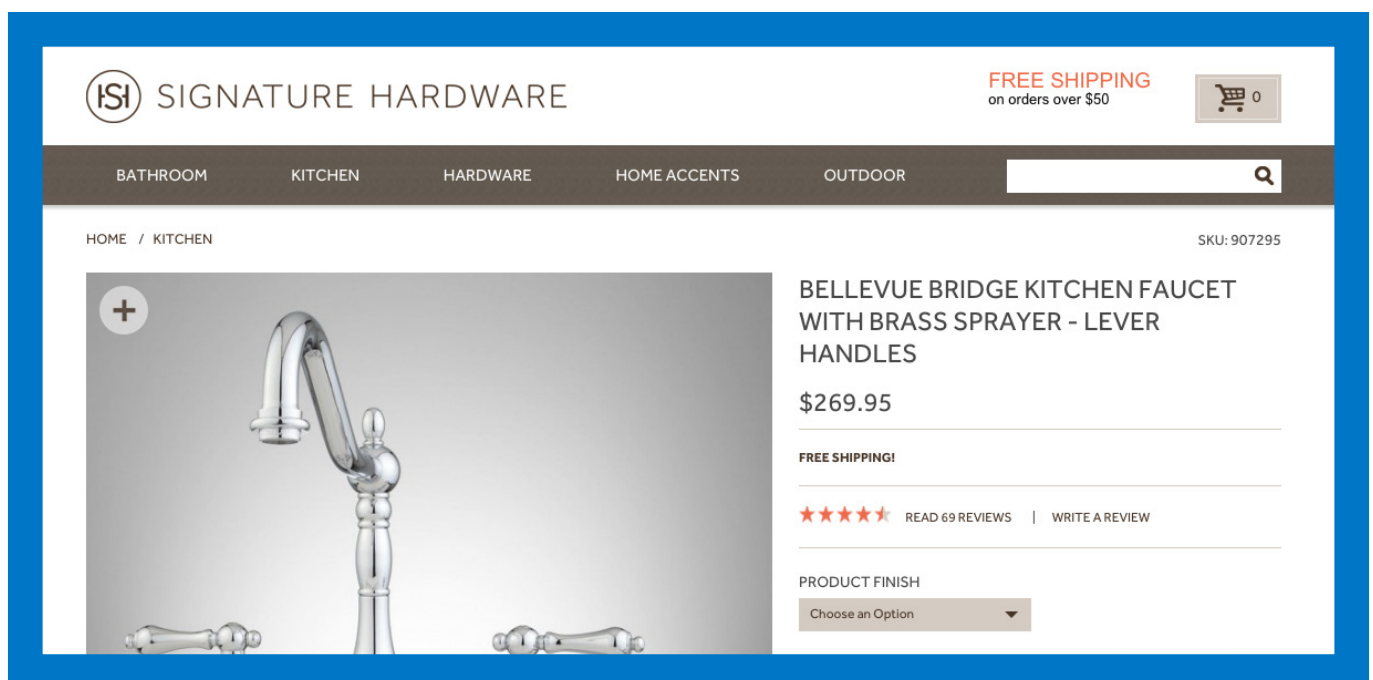
If I am a designer and you are my client, and we are browsing the site together, I don't want you to see my margins.

Sharing a version that does not show any price prevents your client from making a price based decision. The price is only reflected after the item is added to the cart.

In-Store Technology

Project Lists

An interior designer would have one account, but multiple project lists (similar to a wish list) with the ability to include notes, such as "This would look great in the Smith renovation," or "This would fit our project on 9th street." This is valuable for two reasons: It helps customers keep their projects well organized and gives the seller the ability to see what items may be trending or popular.

In Conclusion

Ideally, B2B home and hardware companies will have a centralized resource to keep all customer data in one place, and a unified cloud platform to act as a single source for customer information, order, inventory, and financial information. While most home and hardware businesses do not want to or need to be known for having an exceptional IT department, it's necessary to create the ultimate customer experience.

An updated B2B ecommerce software that's natively connected with the back-end systems for accounting and ERP, order and inventory management, and customer support will result in contractors and suppliers satisfied with their shopping experience.

Case Study

(ISI) SIGNATURE HARDWARE

Signature Hardware, an online retailer of products for bath, kitchen, and home, worked with Blue Acorn to develop an ecommerce site on Magento Enterprise Edition. As a result, Signature Hardware experienced a 10.5% increase in average order value, and revenue improved by 21% year-over-year.

>> See more Blue Acorn client success stories.
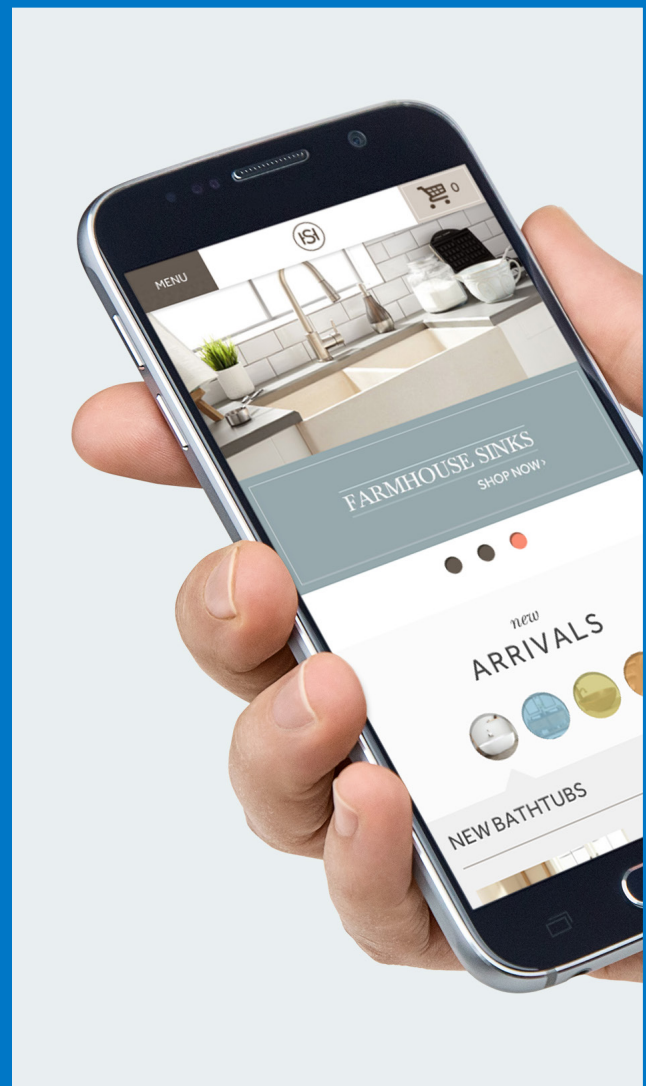
Next Steps

If you're considering a new ecommerce site, or looking for ways to improve your existing online shopping experience, don't hesitate to reach out to Blue Acorn. We've designed and developed over a hundred ecommerce sites across many industries including home and hardware. We also apply our ecommerce expertise in several other capacities, ranging from pure support to developing A/B testing strategies. If you're interested in working with people who can provide a better online experience for your customers, we would love to talk with you.

Contact information: **info@blueacorn.com | 843.793.5641**

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