

How Direct-To-Consumer Can Increase Opportunities by Gary Smith at Nexcess

Introducing Gary Smith and the Nexcess (00:00-02:49)

Welcome to the DCKAP Summit Spring edition. Hopefully everyone's doing okay, fine. My name is Tim Diep and I am the customer success manager at DCKAP and I'll be hosting today. Next, I'd like to bring up Gary Smith. He's the strategic partner development manager at Nexcess.

Nexcess provides hosting for Magento, word press and ecommerce sites. Gary He's got experience in industrial sales and e-commerce as a merchant agency leader and hosting providers. So it has got a 360 view of the whole digital transformation. His topic today is how direct to consume can increase opportunities for

So, I'd like to bring up Gary. All right, Tim. I appreciate it, you can hear me, OK?

That's good. That's good. Thank you so much. Okay. Great. Appreciate it. Um, you know, I'm reminded of those college keen presentations where you all do bigger and more research and independently put some of the same points on some of the same slides because I'm afraid you're probably gonna be seeing some things again because we're just all come to the same conclusions and of all observed some of the same thing naturally about the landscape I think some commonalities to a lot of these presentations, how the world's changing Naturally how e commerce is growing exponentially. And you know we're all we're all sort of acknowledging the Amazon factor today. I won't be any exception. But all I'll try not to be too redundant with these observations. I'm Gary Smith, I'm channel partner up with Nexcess.

We worked with the DCKAP extensively and appreciate the opportunity to speak. Today. We do managed applications hosting were owned by liquid Web, and we're the part of the company that provides hosting that is specifically tailored for Word press, Woo commerce. So we provide advanced technical support for those and a few other applications.

Like coral commerce and DRUPAL and things like that. So as promised, we will get into some observations about how the landscapes are changing.

How's the landscape changing(02:50- 05:20)

I do want to offer a similar perspective but maybe a little different than what you heard. One of the things that covered the year of COVID it as I think, well, mainly 2020 and part of 21 for, has exposed us all to that. Maybe we've all gotten a little bit complacent about supply chain scarcity as we talked about today, depending on which part of the country you're in. You may be more or less affected by this, but there are gas shortages in some places because of a pipeline that's been just

electronically hacked with ransomware. I believe, all of us in the South were used to those panic buying situations. Some of us were getting our five gallon gas cans and lining them up and going into the gas station. So scarcity or perceived scarcity sometimes really breeds or exposes some of the complexity and fragility of the supply chain. The thing I've got up on the screen right now.

There was a webcam that I checked recently and they're back to normal prices. You can buy these any day of the week now, but last year when I had two college students and my wife, needed it for meeting Webcams for class for work, church related stuff where they hadn't necessarily needed one before, or perhaps they came home for from campus, and they had won in their apartment where they lived in that town, but forgot to bring it with him.

And so all of a sudden everybody needs a webcam. And we were the only ones who needed a webcam, as evidenced by the fact that this webcam I'm showing on screen which normally you could buy from, I don't know \$65 to \$80 the day I looked at this. The screen shot is from 2020. And the price was \$89 or \$90. And you couldn't get one. They were on backorder. I saw some on eBay for over \$200. So this is kind of a consumer item. What does that have to do with B2B e-Commerce and why you should be in it? Let me move on to the next point. Think most. If not all of these stats may have been seen by you already today if you attended all the presentations Yeah.

Online opportunity and statistics (05:21-08:33)

Just as it was almost impossible for us to get our heads around what has gone on with e-commerce in the past year, and I think one of the reasons it's hard to get our heads around is because it was already growing in a hockey stick curve.

If it's possible to go from a hockey stick curve to even more vertically, then COVID 19 did it for us. The anecdote that I often use is that my 80, plus year old mother in law is buying groceries online. Now, instead of going through all the aisles at the supermarket and writing a check at the end of that process, my wife is there to help her with it, but nevertheless, her money is going into an e-commerce platform.

For that purchase, you know next time buying online was often a consumer's only option in 2020. And the thing that I think is intuitive. Probably everybody is listening here today, but may surprise some people out there is, you're not going back there, finding that it's more convenient to buy online and again. That's not just consumer goods. We'll talk about that. We'll get more into that as we go, but 900 billion with a B more purchased online in 2020, on top of the trends that have been going on for a decade.

You may or may not realize this, and I think it's leading to some of these supplies. Scarcities. Customer optimism is rapidly rebounding. Over 50% of customers surveyed by McKinsey around March, 2021 say they will spend extra to treat themselves. Only 15% are pessimistic. Some people have been displaced. Some people are having a hard time.

But many consumers have continued their jobs, as we've gotten through this and through the worst of it there, they are more confident that they'll continue to have that job. And so spending is really pretty strong, and that's going to drive not only consumer goods, but of course, is the wheels turning that will also drive B2B transactions as well.

Another supply chain Scarcity issue that I noticed while listening to a podcast the other day, and here's a stat for it. Demand for automotive electronics is growing 28-36%.

There are car manufacturers today that are shipping cars. Maybe putting one of those old doubled in cassette players in the dashboard and in lieu of the navigation system or whatever that they can't ship because

Ships and boards and things are so hard to get right now for certain things, but we're in a seller's market. And so it's really a great time to consider modernizing and processes.

Yeah.

2021: the year of opportunity(08:34-14:04)

Here's the opportunity. We're gonna talk a little bit about the opportunity and we're gonna talk about some of the problems. In other words, the wrist side of this

We, um, a last bigger talked about

How the workforce is aging and the boomers are exiting the management sphere.

Well.

I'm intentionally using this term digital natives and not millennials. When we think generationally. We often think the majority of these apply these generational labels and as a guy in my mid fifties, I'll admit there's a tendency of a mental picture of a millennial as being like my kids. And guess what. First of all, my kids are growing up. And secondly, millennials, they're not like the age of my kids. Millennials are in their forties.

People in their forties grew up. Not nothing, anything really different other than they had a computer, and they had Internet access. Um what's a fax machine? Picking up the phone and ordering something by that channel just seems a little bit like that to them.

So they're looking for an online search self-serve purchase that was also alluded to.

Earlier presentation, Brandon made excellent points about that. It's really really true. People are less interested in picking up the phone ending up in an exchange with a sales rep unless they really need help with that purchase.

Online commerce allows you to scale into new global markets. It allows you to do things like language, localization and currency localization. See, I'm hitting all the other prisoners today.

You can more easily ship to other markets, using the tools that are now afforded to you, your competitors are already there.

We'll talk about competitors, both Non Amazon and Amazon, but the thing that you may not have considered if you are sitting on the sidelines and thinking online sales is not that important to us. We sell widgets. People buy these things in bulk. This is a detailed involved purchase. And so we feel like it's gonna be complicated. I want you to understand the risk you're taking here because simply outsourcing that function to Amazon has its risks and just simply leaving it to chance also has risks.

Amazon is an entity obviously evidenced by the fact that we're all talking about the extremely powerful means in e-commerce. That's not good or bad. It just is. They have tremendous buying power, tremendous ability to vertically integrate on things, and this is nothing that goes all the way back to the early grocery stores. Whenever they see an opportunity they're going to build around products.

One difference is they have much more data than retailers of prior generations ever dreamed of having to know exactly what selling and if you completely rely on Amazon is your online channel?

You could be one giving him that data. What kind of item sells the best. What kind of batteries sell the best? Where? What length of cable? What? What color cords. All these things are just data.

Frankly, we're all handing to Amazon and so you just need to be aware of that risk, especially if you sell highly specialized industrial equipment or supplies. I added this screen shot just yesterday as I was thinking about this, You know, Look at these products and go. What am I looking at?

These are products in my first career that I sold in my parents, little mom and pop supply company. There are names now. So if we think of Amazon as primarily about consumer goods, then we don't understand the extent to which Amazon is really able to be a channel to sell anything and everything. That's something that you need to understand. If you're not really doing e-commerce yet, and also something that we'll get to a little bit later is a factor in how am I going to handle this? If I have a dealer network

Just another slide here Selling how, If we don't control the online availability and reputation of our components and assemblies, somebody else will somebody's out there is going to do arbitrage and fill our stuff online so it can be, We can control that

and provide that user experience or people could go to some kind of aggregation site like the one I'm showing.

And just make those things available online, so returning to benefits if we embrace this change, and perhaps take advantage of strong sales and a strong demand cycle right now to drive this process and build the B2B direct to the consumer site. You need to enjoy profitability. We get weekends by selling directly where it's appropriate. Simply be more profitable.

Benefits of OEM commerce(14:05-15:18)

Perhaps more importantly, we can build the customer relationship in this kind of tag from a previous presentation. When we understand and can get data directly from our customers who are users of this product, people are trying to make the holes with the drills.

Then we can understand better. what they need when they want to buy it, how they want to buy it, winning where they need to repair it. What parts? They need all that sort of thing. Already talked about data.

The amount of data that you can get from a properly built online system is incredible. It's better than operating a retail store. It's better than relying solely on dealers and distributors. And it allows you to understand your consumer. Better personalize. the

Marketing effort, help them understand what they need, what they need next and drive up sales, retention and commitment.

So this is my last slide.

I want to talk about how this could be done badly.

Potential issue with OEM Commerce(15:19-18:40)

And if you are a manufacturer who traditionally has worked through dealers I want to encourage you to even as you're building an online site.

Don't view it as well- we're just going to bypass the dealers. We're gonna skip the middleman and just sell directly without consideration for those channels. We built those relationships.

I have personally experienced that example from earlier industrial products from that manufacturer. This goes back a couple of decades. Now you know, that manufacturer just basically signaled us. Well, we don't need you anymore, And that was very early days e commerce and it really wasn't based on that idea. It was just the idea of, we're simply going to take things more direct. We're going to rely on bigger dealers and we're gonna rely less at the moment, that was a long time ago. I don't know what choices they really had in those days. But the choice you have, If

you are a maker of something that you can build a sight, you can build a sales delivery system.

That where appropriate really brings your dealers in you can, you could be the one to educate and inform dealers about how they just like you can be suffering are losing sales from the grey market sites like I talked about earlier, losing sales from people who simply buy stuff and put it back on Amazon and you can provide tools you can, for example.

Provide, uh, catalog tools for your reps. There is still a role for sales reps. In today's world. They answer questions. We answer questions for consumers that they don't or they can't or don't want to figure out for themselves so

Equip your reps with a site that provides a better catalog.

Guess what your cells were upstate. Thumbing through your paper got along, too.

You can provide location finders for your dealers. You can provide localized sites for your dealers who support you and provide your equipment and provide repairs for your equipment and so forth.

One of the problems. It was really hard to solve. An e-commerce even like five years ago that's gotten so much easier is things like Parks locators? Parts finders? Optimize your search on your site? Not like it's just a consumer site for different guys, but rather a site where people go looking for parts for things they may have bought from your dealers. There's a lot of ways to work this where you can make your dealers your distributors. Your partners. When you go online, and even when you sold through some channels direct to consumer

Wrap up (18:41-19:37)

So, um, that's really all I've got. Thanks for listening and I appreciate it. Tim back to you here. Awesome. Thank you so much, Gary. Thank you for just a part of the ships and your presentation. We always value you and nexus. So thank you so much for that. That's all we have for now, and hopefully you get to stay tuned for next week's summit in November. We do have these sessions on a monthly basis. Specific case study examples, I think the one for June will be more on the Jan San industry. Thank you guys so much for your time, and you guys get to stay safe out there.