

———— THE CHANGING LANDSCAPE OF ————

B2B eCommerce



2017
EDITION

For B2B companies, the eCommerce train is leaving the station, and many large wholesalers and manufacturers are still on the platform. Some are still early in the process of building their B2B eCommerce business case, while many of their competitors are already on board, engaging customers with functional, transactional web sites. New forms of engagement are transforming their businesses, forcing them to fundamentally rethink how they go to market.

eCommerce technology has evolved at a rapid clip over the last decade. Today, it can support any product or solution, no matter how complex. The availability of mature technology and the growth of business buyer expectations has forced B2B companies out of their comfort zone, and into a realm of automation, cost reductions, and omnichannel sales. Yet B2B eCommerce is still an emerging and readily-evolving segment, set for continued rapid growth and improvement.



This article explores the newest trends for B2B eCommerce. It's time to get on the B2B train.



For years, eCommerce was a B2C game—a channel best suited for consumer brands and retail transactions. However, recent studies and major shifts in buyer behavior paint a different picture.

B2B is outpacing B2C, and will soon outperform it. Forrester Research estimates the US B2B eCommerce market will reach \$1.2 trillion over the next five years, more than twice the size of the US B2C market, and will account for more than 12 percent of all B2B sales.¹ Meanwhile, Frost & Sullivan estimates that the global B2B eCommerce market will reach \$6.7 trillion by 2020.²



The US B2B eCommerce market will reach **\$1.2 trillion** over the next five years.

Thanks to eCommerce, consumers no longer need to visit a store, or speak to a sales person during business hours. The same benefits extend to B2B eCommerce. The impact of B2B eCommerce on the economy will be more substantial, because the flow of B2B products around the world far surpasses that of B2C sales. By 2019, Forrester predicts that manufacturers and wholesalers will account for a combined 30 percent of total spending on eCommerce related technology, up from 20 percent in 2013.³

Just take a look at how quickly B2B eCommerce experiences are improving. There is now support for multi-tier distribution selling, and advanced pricing and order workflows. Gartner predicts that by 2018, 40 percent of B2B commerce sites will use price optimization algorithms and configure-price-quote (CPQ) tools to calculate and deliver product pricing dynamically.⁴

This coincides with B2B companies realizing that they need to better manage their assets. Companies are also jumping on this train because their buyers understand the benefits of eCommerce and expect seamless online purchasing experiences. According to Forrester, more than 74 percent of B2B buyers researched at least half of their work purchases online, and expect to make half or more of their work purchases online by 2017.⁵ Instead of picking up the phone to call a vendor for pricing or engaging directly with sales, marketing, and customer service representatives, B2B buyers increasingly prefer the online, self-serve option for research, buying, and managing their accounts. What was once a fringe B2B sales channel, eCommerce is quickly evolving into the buying method of choice for business customers.



Major Trends Shaping the Future of B2B eCommerce

Aside from the obvious cultural shifts and changing buyer expectations, three significant trends are driving the adoption and shaping the future of B2B eCommerce.



Trend 1. B2B is Going Mobile

B2B eCommerce is riding the wave of mobile eCommerce. It makes sense that buyers who already make personal purchases on mobile would reach for their smartphones and tablets for business purchases. According to the previously cited reports from Forrester, 52 percent of B2B buyers research products using their smartphones.

According to a survey by *Internet Retailer*, buyers are purchasing online because it is more convenient (38 percent) and faster (22 percent), while 61 percent of B2B buyers use mobile devices to research work purchases.

The mobile channel provides critical and seamless touch-points during the procurement process, from initial information gathering, to purchasing and beyond. As companies focus on improving customer experience as a major differentiator, effective mobile commerce will be a major point of emphasis. The advantages of mobile commerce are clear: Companies need to be where their customers search, and B2B buyers in 2017 will increasingly search for products on smartphones and tablets.

Did
you
know?



38%

of B2B Buyers Say Online
is More Convenient



22%

of B2B Buyers Say
Online is Faster



61%

of B2B Buyers Research
Products on Mobile

Trend 2. Demand is Increasing for Amazon-Like Experiences

Business buyers are also consumers. They know what's out there, and they want B2B sites to provide the same price transparency, immediacy, and convenience as the Amazon shopping experience.

B2B companies are listening to their customers. Many companies are telling Forrester Research that they aspire to create the "Amazon experience" on their sites because their customers have substantially shifted their research and transaction activities online.⁶ As customer expectations rise, buyers are demanding a full spectrum of self-service, full-service, and hybrid purchase options.

However, to excel at providing a consumer-level customer experience, organizations must routinely perform the practices required to design, implement, and manage the customer experience in a disciplined way.⁷ As companies scale, employees have to coordinate to deliver products and services via many channels. To ensure that buyers see their messages on the platforms they use the most, B2B companies must increasingly engage customers online and at different touch-points. The result, according to Forrester Research, is that omnichannel B2B buyers generate more incremental revenue, and cost less to serve than single-channel customers.⁸



Trend 3. Online Procurement is Driving Infrastructure Improvements

B2B companies are already ditching their heavy paper catalogs, phone banks, and order entry systems in favor of web sites and automated internet transactions. This innovation is building pressure to leverage other game-changing technologies, such as user ratings and reviews to increase customer engagement.⁹

B2B eCommerce platforms have evolved, making ERP integrations much faster. These platforms enable the customer to view their past purchases and payments, access real-time inventory levels to avoid back-orders, and place and track sales orders.

Many B2B companies are reducing their acquisition and retention costs by converting full-serve customers into partial or total self-serve customers.¹⁰ By establishing self-serve channels, B2B companies are more effectively capturing difficult-to-reach, low-frequency, and low-volume purchasers.

B2B companies are also starting to leverage machine learning in the cloud to deliver smart B2B personalization. They are turning data into insights that drive the best outcomes, even for complex situations. One example is optimizing a quote for price discounting and sales compensation, based on similar customer and deal profiles. Optimizing across this set of variables is incredibly complex, but when done right, it can result in a major competitive advantage for today's B2B enterprises.



Where Most B2B eCommerce Efforts Fall Short

Despite the many benefits of leveraging eCommerce, most B2B businesses are not capitalizing on the channel. Company leadership may believe that the process of implementing an eCommerce platform is too complex or time consuming, and may assume that maintenance and management costs outweigh the potential revenue gain. Both issues can undermine a B2B eCommerce program, and often are the result of a series of mistakes B2B companies can make during implementation.



Mistake 1. Choosing an Inflexible Deployment Model

Today's eCommerce platforms offer a choice of deployment models, including in the cloud, hosted, and managed. It's critical to select a basic deployment model that is driven by business needs and that supports brand objectives.

The common mistake that businesses face when migrating to a new deployment model is not understanding the compatibility issues with proprietary technologies used in developing web applications. Halfway through a deployment, a company often realizes how expensive it will be to overhaul its applications. The platform may be hobbled by incompatibilities that prevent businesses from reacting quickly and flexibly to their competitors.

Hosted deployment means a server is reserved for the company's use only. The server may be located on-site, or, if the server is stored off-site in a data center, the company is responsible for managing and monitoring it. The company must also have a team equipped with the knowledge and expertise to set up, maintain, and troubleshoot the server.

Managed hosting uses a dedicated server in a remote location. This is very similar to a hosted solution, which means one or more servers are solely available to the business. The difference is the resources and support available through a provider. There should be no need for the B2B company to provide platform management and maintenance, or have a dedicated IT staff.

Cloud hosting is the dispersal of resources between and across multiple servers. Businesses don't have to worry about hardware dependencies, downtime, or load spikes, because the load is spread across a cluster of servers working together. Cloud hosting can be cost-effective because the company pays only for services used. It's also scalable, because bandwidth and hardware can be adjusted to align with use or needs. However, companies need to realize how vulnerable their data can be. Any resources in the cloud must be protected by role-based access control. This used to be an extreme security measure, but in the cloud, it's a necessity.

Mistake 2. Opting for a Turnkey, Marketplace Platform

Marketplace sites are convenient for B2B sellers to get an eCommerce presence off the ground.

However, they offer little differentiation and can make it virtually impossible to tailor the platform's content to specific customer needs. That might be suitable in a B2C environment where a business sells only a few products in a handful of categories, but it's a recipe for disaster in the complex world of B2B eCommerce.



Mistake 3. Failure to Integrate with Existing Systems

This mistake builds off of the previous one. When you use a less complex, shared platform, integrating with other corporate systems (such as your company's warehouse fulfillment software) is virtually impossible.

Why is that a problem? One of the keys to creating a great B2B eCommerce experience is ensuring that you build a seamless IT environment that improves company (and customer) efficiency. If your existing systems don't integrate with your eCommerce platform, then your eCommerce effort may be a zero-sum game.

Mistake 4. Not Paying Attention to Scalability

Scalability is a key issue in B2B eCommerce. Too often, firms build eCommerce platforms that are limited to current capacity rather than allowing for future technology requirements, even if they have an aggressive business growth agenda. This prohibits calibrated eCommerce functionality at each stage of growth and ultimately, hinders a company's ability to scale its platform.



The Good News: Avoiding These Mistakes is Relatively Simple

It's not impossible to implement a successful B2B eCommerce platform, and it can be done with a favorable cost of ownership. But for that to happen, B2B businesses must identify an eCommerce solution that delivers the site structure, functionality, and end-to-end integration needed to create truly efficient, consumer-like buying experiences.



5 Ways to Improve the B2B eCommerce Buying Experience

As you begin to consider how to improve your B2B eCommerce capabilities, the one thing to keep in mind is that nearly all the best features of B2C eCommerce have applications in the B2B world.

By carefully identifying and integrating the targeted B2C features your customers already know, you can dramatically enhance customer experiences and achieve bottom line gains. Here are five B2C eCommerce functions that perfectly align with the B2B procurement process.





1. Personalized Recommendations

Consumer retailers excel at using dynamic, personalized content to meet specific customer needs. Now a hallmark of the online consumer experience, personalization features (including customized product recommendations and best-seller lists) save time for buyers. They also give B2B brands the opportunity to seamlessly segment customers according to their associations and existing contracts.



2. Powerful Search Capabilities

Expansive product catalogs make robust search capabilities an eCommerce essential. B2B eCommerce platforms must provide the same level of convenience as retail operations, offering customers the ability to locate items according to product specs or SKU, price, and availability.



3. Easy Buyer Experience

B2C eCommerce platforms have evolved in a way to allow retailers to seamlessly manage large volumes of information to assist with the purchase decision. This need is even more acute in B2B, where product catalogs are bursting with a seemingly endless number of items sorted by precise product specifications. Just as in the B2C world where a customer can bundle a computer, printer, and software to save money and simplify their shopping experience, the B2B world can offer one-click purchasing for both software and professional training. Staying up-to-date on how buyers use the Internet in non-B2B purchasing environments will enhance the B2B experience.



4. Buyer and Seller Analytics

In most retail settings, customers can view their order history and other information in just a few clicks. With B2B, order tracking, invoicing, and account management can be much more complicated. With an eCommerce platform, B2B companies can easily address those problems. They can offer their customer the visibility of order history, inventory, and billing deadlines, and the ability to easily reorder. They can also tap into rich analytics to paint a clearer picture of website traffic, buyer behavior, and ordering patterns.



5. Ability to Nurture Leads Throughout the Buyer Journey

The buyer journey is often longer in B2B sales than in B2C, so it's important for B2B businesses to nurture online relationships with buyers throughout that process. This might include sharing educational materials that help customers make more informed decisions, or communicating more frequently with a prospect to deliver the right content or recommendations at the right time. This also allows B2B companies to qualify a prospect's level of interest and initiate an offline connection with a salesperson, if necessary.

At first, the disparity between B2C and B2B sales approaches might make the adaptation of consumer eCommerce features feel counterintuitive. In the end, it's important to remember that B2B procurers are consumers with personal needs, preferences, and purchasing habits.

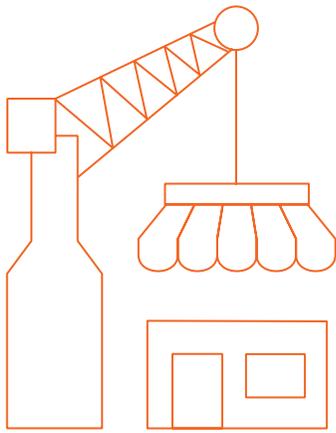
As such, incorporating targeted B2C features and functions into your B2B eCommerce experience can help your company build a procurement solution that puts you—and your customers—in control of creating a truly exceptional buying experience.



Is Your Platform Equipped for the Future of B2B eCommerce?

To be more specific, is your existing eCommerce platform or strategy equipped to capitalize on this opportunity? Or will you lose out as customers abandon you for more powerful, feature rich, and user-friendly B2B eCommerce websites?





The key point to remember is that B2B eCommerce hasn't yet reached full maturity. The majority of B2B eCommerce companies are just beginning to build the B2B eCommerce business case and establish formal KPIs, and are still forming core eCommerce teams.¹¹

The B2B channel will likely undergo considerable changes in the coming years, so there's still time for your business to define its online presence. To succeed well into the future, however, your eCommerce platform must be flexible and scalable, and you must be able to control the content, functionality, and look-and-feel of your online store. The benefits include:

- The ability to differentiate your company as a simple, user-friendly solution for B2B procurement.
- The opportunity to lower sales, marketing, and customer service costs through better self-service options.
- The ability to generate higher website traffic, conversions, and (most importantly) revenue through better cross-sell and up-sell opportunities.



Give Your B2B Customers What They Want: A Personalized Experience.

Whether your buyer is B2C or B2B, they demand online shopping experiences that are simple, scalable, and personalized to their needs. If your business is not providing that, it's time to get started.



Questions?

We've got a team of experts ready to help you grow your business.

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About Magento Commerce

As the world's most flexible commerce platform, Magento has helped over 250,000 merchants power their online business. Today, Magento is the #1 platform on Internet Retailer's Top 1000 Retailers list for its proven ability to grow sales and drastically improve ROI. Magento Commerce is supported by a vast global network of solution and technology partners, a highly active global developer community and the largest eCommerce marketplace for extensions available for download on the Magento Marketplace. More information can be found at magento.com.

¹ "Forrester Data B2B eCommerce Forecast, 2016 To 2021 (US)", Forrester Research, November 2016 | ² "The Global B2B E-commerce Market Will Reach 6.7 Trillion USD by 2020", Frost & Sullivan, April 2015. | ³ "B2B companies will lead tomorrow's investments in e-commerce technology" by Paul Demery, Internet Retailer, June 2015. | ⁴ "Predicting The Future Of B2B E-Commerce" by Louis Columbus, Forbes, Sept. 2016. | ⁵ "Latest Trends in B2B E-Commerce Strategies and Tech Investment", Forrester Research, June 2015, and Forrester/Internet Retailer Q4 2015 Global B2B Buy-Side Online Survey. | ⁶ "Digital Is Busy Transforming B2B Commerce", Forrester Research, Aug. 2015. | ⁷ "The Customer Experience Management Maturity Model", Forrester Research, March 2016. | ⁸ "The Case For Omnichannel B2B", Forrester Research, March 2017. | ⁹ Improving a rating demonstrably drives revenue as evidenced by Yelp, where a one-star increase leads to a 5% to 9% increase in revenue. Source: Michael Luca, "Reviews, Reputation, and Revenue: The Case of yelp.com," Harvard Business School | ¹⁰ "US B2B eCommerce Forecast: 2015 To 2020", Forrester Research, April 2015. | ¹¹ "Maturity Model To Evaluate Your B2B Digital Progress", Forrester Research, Sept. 2016.