B2B Commerce Effectiveness:

5 Key Components of Successful B2B Commerce

FitForCommerce Whitepaper Series

While traditional B2B sales channels are still the most influential, the explosive growth of B2B ecommerce is forcing B2B organizations to dedicate resources and budget to the online sales channel. While B2B organizations can learn from B2C in terms of user experience, B2B selling is much more complex and requires a centralized commerce platform that fully supports sophisticated workflows, pricing, product configurations, approvals and more. In this paper, we explore the impact of the online channel and examine five key components required to achieve B2B commerce effectiveness.

July 2015

Kerry Martin and Tim Toews, FitForCommerce
This white paper is made possible by the support of IBM:
Traditional business-to-business (B2B) channels are still the most influential in business selling; however, buyer expectations and technological advances have led to an explosive growth of B2B ecommerce. Most business buyers have adopted ecommerce as private consumers and are, therefore, increasingly demanding the same convenience and options from B2B. 80% of companies believe that customer expectations have changed due to B2C practices.¹ Most B2B organizations realize that the online channel needs to be included in their sales strategy, although many still lag far behind when it comes to B2B commerce capabilities.

While B2B organizations can learn from B2C online retailers in terms of user experience, B2B selling typically involves much more complex processes such as configurable product offerings, advanced pricing and promotions based on the individual business buyer and sales force integration. These combined factors and the execution of B2B strategies across both traditional and digital channels drives the complexity of B2B selling and accentuates the need for a centralized platform that can drive all product, pricing and promotion strategies. Simply providing a B2C experience will not allow organizations to gain the optimal results from a B2B multichannel selling approach.

For organizations with an intricate product/service and selling structure, a B2B enterprise commerce solution that provides the flexibility to support multiple business models is a necessity. There are five key areas that the solution must be able to support in order to achieve B2B ecommerce effectiveness:

1. B2C best practices to meet buyer expectations for superior online experience
2. Advanced configurability, not only of end-user capabilities and pricing options but also of complex product combinations for quoting and ordering
3. Analytics and segmentation for creating separate and distinct product offerings and pricing, quotation and contracts
4. Sophisticated workflows to support complex buying cycles and selling execution across multiple channels and markets
5. Single, global platform that can adapt to local market execution

In this paper, we will explore each of these five areas in more detail and provide best practices and examples for preparing for and achieving B2B effectiveness.

The B2B commerce factor

While traditional selling methods still dominate B2B sales strategies, digital channels are showing the fastest growth across most B2B markets.

Despite the huge opportunity that B2B ecommerce represents, many B2B organizations have been slow to adopt the online channel, and those that do often fail in delivering a compelling customer experience. This has mainly been due to the complex nature of B2B selling processes and the lack of technology platforms capable of supporting these complexities. However, driven by increasing customer demands for greater convenience and control of the purchasing process and the entrance of more sophisticated B2B commerce platforms, B2B organizations are increasingly extending and improving sales processes online.

While the online channel in B2B, in most cases, does not replace personal selling and account management, it offers customers the control and flexibility to browse and purchase at their own convenience, and enables B2B sellers to focus on building stronger customer relationship and new customer acquisition. The online channel also offers the ability to more profitably service smaller customers whose volume does not justify the expense of a dedicated sales force.

Approximately 60% of more than 200 FitForCommerce retail and manufacturers clients are investing in B2B ecommerce initiatives.

Why B2B ecommerce?

B2C vs. B2B e-commerce market

Despite the huge opportunity that B2B ecommerce represents, many B2B organizations have been slow to adopt the online channel, and those that do often fail in delivering a compelling customer experience. This has mainly been due to the complex nature of B2B selling processes and the lack of technology platforms capable of supporting these complexities. However, driven by increasing customer demands for greater convenience and control of the purchasing process and the entrance of more sophisticated B2B commerce platforms, B2B organizations are increasingly extending and improving sales processes online.

While the online channel in B2B, in most cases, does not replace personal selling and account management, it offers customers the control and flexibility to browse and purchase at their own convenience, and enables B2B sellers to focus on building stronger customer relationship and new customer acquisition. The online channel also offers the ability to more profitably service smaller customers whose volume does not justify the expense of a dedicated sales force.

2 IRCE Focus 2014 – Market Trends for Brands, Retail and B2B
The benefits of B2B ecommerce

Business buyers increasingly expect the same options when purchasing for work that they have become accustomed to as private consumers, including the ability to easily find and purchase products online. Extending B2B traditional selling with digital commerce capabilities provides new sales tools to significantly increase revenue and provides opportunities to scale more easily than traditional selling strategies.

By transforming B2B websites into a commerce resource, B2B organizations can effectively promote products, enable online order transactions and gather valuable customer data. B2B commerce can replace large, outdated print catalogs, offer real-time inventory information and order processing, as well as offer post-purchase details such as order tracking.

Furthermore, the online channel allows for the automation of a large portion of customer service and account management activities, providing greater convenience to customers while allowing sales representatives to allocate more time to new customers.

The online channel forces organizations to fully integrate all systems in the ecosystem and connect and centralize disparate systems and sales channels. As a result, the organization becomes more efficient and enables real-time inventory management. It also provides access to data that is challenging to capture in a traditional sales environment, resulting in a better understanding of customer behaviors.

Benefits of B2B Commerce

- Real-time order promising & inventory management
- Replacement of large outdated catalogs
- Automation of customer service & account management
- Access to customer & product data
- Advanced product searches showing only relevant products
- Improved efficiency across sales channels
- Faster product introductions
- Greater customer convenience
- Better understanding of customers and products
- Focus on new customer acquisition

“Instead of spending time on taking orders and time-consuming administrative processes, sales representatives can focus on identifying and selling to new customers.”

Arthur McManus, SVP, FitForCommerce
The Complexity of B2B Commerce

The main differences between B2C and B2B commerce

Business-to-business (B2B) commerce refers to transactions between two businesses - often manufacturer to wholesaler or wholesaler to retailer – but B2B is often a hybrid model such as B2B2B or B2B2C.

While some B2C and B2B sites may look similar, placing an order on a consumer ecommerce site is much simpler compared to B2B transactions. While B2C companies can focus more on the frontend experience, B2B selling typically involves more complex processes, such as pre-negotiated contracts, specific pricing and payment terms, configurable product assortments and customized price lists, as well as sales force integration. On top of intricate business models, B2B companies may also operate multiple currencies, languages and typically deal with regional or industry regulatory rules.

Key differences between B2C and B2B commerce

<table>
<thead>
<tr>
<th>Business-to-Consumer</th>
<th>Business-to-Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus on new customer acquisition</td>
<td>Focus on customer retention</td>
</tr>
<tr>
<td>Same terms for all customers</td>
<td>Pre-negotiated contract terms</td>
</tr>
<tr>
<td>Rarely personal relationships</td>
<td>Personal relationships with sales and customer service</td>
</tr>
<tr>
<td>Same pricing for all customers</td>
<td>Negotiated pricing for individual customers</td>
</tr>
<tr>
<td>Standard payment options</td>
<td>Advanced payment options including invoicing</td>
</tr>
<tr>
<td>Single unit sales</td>
<td>Bulk sales</td>
</tr>
<tr>
<td>No approval processes required - customer is the buyer</td>
<td>Approval processes and authorization required – multiple stakeholders and decision-makers involved</td>
</tr>
<tr>
<td>Same product assortment for all customers</td>
<td>Segmented product assortment based on customer type and pre-determined terms</td>
</tr>
<tr>
<td>Re-order not typical unless subscription model</td>
<td>Re-ordering is common</td>
</tr>
<tr>
<td>The customer is the end-user</td>
<td>The end-user works in the customer’s enterprise</td>
</tr>
</tbody>
</table>

B2B Commerce Effectiveness

"The implementation and management of the B2B online channel is much more complicated than what is typically seen in B2C and requires an ecommerce platform that can support complex business rules and workflows."

Walt Blum, Sr. Consultant, FitForCommerce
Elements for effective B2B commerce

Managing the intricacies of B2B commerce is challenging for many organizations. Historically, the lack of advanced B2B commerce platforms that properly support the workflow and sophisticated business rules required of B2B sales forced some B2B organizations to invest heavily in homegrown systems, and created barriers of entry for organizations wanting to go online. This resulted in complicated infrastructure models and siloed technology systems to support business processes across the entire enterprise. In addition, presenting backend information to the frontend system requires seamless integration and customization that can be an overwhelming and costly endeavor without the right systems in place.

With the emergence of new technology platforms built specifically for this market, the barrier to entry is removed. Organizations, however, must ensure that the chosen platform offers capabilities to handle the complexities of their business while delivering superior customer experiences.

An effective and successful B2B commerce platform should offer customers the same information and functionality that they receive when interfacing with sales and customer service departments. At the same time, it should extend proven features from B2C to meet customer demands for a ‘retail-like’ shopping experience.

5 key must-have components of the B2B enterprise commerce platform

Beyond basic commerce capabilities such as product merchandising and order processing, B2B enterprise commerce platforms should include five key areas to achieve B2B commerce effectiveness.

B2C best practices to meet end-user expectations for superior online experience

Advances in B2C shopping experience have changed the expectations of the business buyer. Since the business buyer is often a private online customer, they are used to highly personalized and engaging ecommerce shopping experiences. These B2C expectations are transferred to the purchase experience during work hours. B2B commerce platforms can no longer simply replicate an offline catalog; they need to include more and better product content, personalization, dynamic on-site searching, user reviews, social integration, video, and even mobile sites and apps.
Adding further pressure to improve the online experience, B2C powerhouses, such as Amazon, are leveraging their B2C positions to expand into the growing B2B market. This poses a significant threat to B2B organizations and forces them to tailor B2B online buying experiences that mirror B2C shopping.

Effective B2B commerce platforms incorporate best practices from B2C commerce, making it possible to create experiences that align with buyer expectations, while supporting the complex nature of B2B commerce. For instance, the platform must offer account configuration and customization to ensure that the customer’s business rules are reflected in the end-users buying experience.

Furthermore, the platform must capture proprietary customer purchasing information such as Cost Center, Job Code or Purchase Order Number, and include reporting tools that allow customers to review past purchases in detail or summary for a variety of selection and sorting criteria.

“More and more B2B buyers express interest in purchasing online, but most B2B ecommerce sites do not meet their expectations of online shopping. Instead, they are turning to sites like Amazonsupply.com that offer the same features they are used to when shopping for themselves.”

Kathy Kimple, VP and Sr. Consultant, FitForCommerce
J.J. Keller unlocks new up- and cross-sales opportunities

J. J. Keller and Associates, Inc. is a US leader in risk and regulatory management solutions. Today the company serves more than 350,000 customers, including more than 90 percent of the Fortune 1,000. With its previous website, the company struggled to provide relevant products and offers to its customers in a timely manner. J. J. Keller and Associates, Inc. sought to rebuild its e-commerce site and needed an innovative solution that would enable it to provide a personalized online experience for its corporate customers.

The company implemented a powerful web commerce solution that allows its marketing team to drive different messaging and offers to shoppers according to individual attributes, such as whether or not they are first-time visitors, their geographic location and referring URL, and browsing and past purchasing behavior. Every activity triggers customized targeted product recommendations, promotions and regulatory information. The site displays different content based on who the visitors are and to what customer segment they belong.

The personalized experience that is provided by the new eCommerce solution has increased conversion rates by 19% and average order size by 5.7%.

Key questions to consider when evaluating the B2B commerce experience

1. Does the site provide the right information to the right customers and customer segments?
2. Is the site easy to use? Is it easy to find and search for products?
3. Does the site include rich product information and details?
4. Does it provide suggested products based on product selection for cross and upsell opportunities?
5. Is it easy to place an order?
6. Is the site personalized to individual customers/customer segments?
7. Does the site take advantage of the expertise you have on your products and markets?
8. Does the site offer relevant promotions based on order history
Advanced configurability, not only of end-user capabilities and pricing options, but also of complex product and service combinations for quoting and ordering

The intricate nature of B2B selling requires an advanced level of sophistication on the backend, both in terms of platform functionality and integration.

The complexities of B2B selling translate into customer hierarchies, differing pricing models, payment options, authorization rules, terms, approval workflows, product portfolios, configuration and marketing. The result is a complicated purchasing environment that requires unique processes and technology capabilities. In addition, since a large portion of the sales process still relies on personal interactions with sales representatives, the commerce platform needs to have strong sales force integration.

B2B buyers typically negotiate contracts that provide them with customized pricing terms and discounts. B2B pricing depends on the type of products, quantities, direct sales relationships, shipping and logistics needs and more. Other buyers may require functionality that allows them to request a price quote and circulate the quoted price with several decision makers before placing an order. 70% of B2B purchase decisions include at least two decision makers.3

Since there are usually multiple people involved in the purchasing process for B2B, many B2B customers require different purchasing rules, approval flows and spending limits for different users. The B2B commerce platform should include permission-based rules that allow automation of these processes.

Furthermore, B2B organizations often deal with various networks and channels of business partners, manufacturers, resellers, and dealers within many different locations. This often means that, for any business that the organization interacts with during the purchasing process, there can be multiple contacts and authorities who are able to purchase for an entity or multiple divisions with individual contacts, but with a central corporate purchasing account.

Many B2B organizations also combine product and service offerings such as installations. The execution of combined product/service configurations requires real-time integration with service scheduling systems and functionality that allows customers to order products and schedule services in a consistent and seamless transaction process.


“Giving our resellers the ability to work with us via a robust ecommerce system lets us provide cutting-edge service and, for them, in turn, to provide cutting-edge service to their own customers. It allows both Cranel Imaging and our resellers to operate more effectively, creating a powerful win-win situation.”

Scott Slack, Vice President of Marketing, Cranel Imaging
The B2B channel requires advanced functionality to support these sophisticated pricing and product configurations. This includes business rules and workflows that dictate specific pricing for individual customers, approval processes and governance rules in order to execute the sales and marketing strategy across all channels. Furthermore, authorized users should have access to the system and be empowered to set business rules, by segment and channels, without IT involvement, to ensure that sales representatives do not spend unnecessary time on internal processes and instead can focus on current and new customer sales.

Driving efficiency and new sales opportunities through mobility

Smart B2B organizations are increasingly providing their field sales reps with tablets, enabling them to place a customer order online when they are with their customers in the field. Where they used to fill out paper order forms and then process when at office, the mobility enables them to enter and process an order immediately allowing them to spend more time in the field selling. To further expedite the order process, for complicated orders that require configurations, some organizations equip field sales reps with advanced configuration tools that walk them through the process of configuring the item based on rules that determine what components are required.

Installation, repair and service representatives are also increasingly being equipped with mobile devices, enabling them to better service the customer on site, order spare parts, etc., speeding up the process and allowing them to upsell to customers while on site.

These advanced mobility tools require that the commerce platform is fully integrated with other systems in the ecosystem, such as CRM and Order Management systems, and requires that the people in the field have access to the main commerce platform and permission to make orders.

Analytics and segmentation for creating separate and distinct product offerings and pricing, quotation and contracts
Most B2B organizations dedicate resources and manpower to product, customer and sales analytics. Leveraging this data enables the creation of segmented strategies with the optimal pricing and product mix for each customer segment and allows the organization to deliver an ideal personalized customer experience.

These product, pricing and promotion strategies must be executed across all channels and presented in the context to the buyer based upon critical factors, including customer, segment, channel and other variables. Best practices and tribal knowledge of top sellers must be embedded into the frontend systems to optimize margins and customer satisfaction.

Unfortunately, many B2B organizations find that their frontend commerce platforms are not fully capable of leveraging this data in real-time. If product, pricing and governance rules are not included into the offer, then the analytics and segmentation efforts will be wasted. It will result in operational inefficiencies, where sales representatives focus more time on internal processes instead of on their customers and new acquisition initiatives.

- With complex offers, if segment analytics are not available, the enterprise often misquotes pricing and discounts, and misses out on opportunities to sell value-added products. An effective B2B enterprise commerce platform must include tools that can execute strategies and rules based on advanced analytics and segmentation to enable guided selling through the online channel. Analytics should be used to dictate the best discounts to protect margins and prevent situations where sales reps offer lower discounts to avoid required approval processes. For instance, a sales rep may be inclined to offer a 19% discount instead of the optimal 20% discount to circumvent approval requirements. Segment analytics and cross-and upsell suggestions based on data support the capability to align the solution with customer needs while driving the optimal price point for the product/market segment and thus protecting margins.


"The new ecommerce solution gives us the tools and analytics we need to meet the changing needs of our customers and provide a more personalized and productive experience, resulting in an increase in conversion rate, average order size, customer satisfaction and revenue."

It is not uncommon for product managers to move into a sales role. Through their jobs, they need to be up-to-date on all the important analytics and segment data. Therefore, they intimately know the optimal price points and offer details that will provide the best value for both customer and the enterprise. The same data that the product manager has access to should be leveraged across all channels and sellers.
Sophisticated workflows to support complex buying cycles and selling execution across multiple channels and markets

Just like B2C customers, B2B buyers expect an omnichannel experience. Therefore, the brand and product offering must be represented consistently across every point of interaction. B2B enterprise commerce platforms need to be able to handle the complexities of selling through both direct and partner sites, which require tight integration and visibility of all supply chain partners.

Because of the slow adoption of B2B online commerce, we at FitForCommerce see many organizations relying on legacy systems and processes. This often results in silos that make it difficult to deliver the seamless and consistent experience that customers expect, leading to customer frustration because they are spending time and resources on buying and tracking orders across channels and business units.

An effective B2B enterprise commerce platform must have capabilities to provide insights into all aspects of the order across channels. This includes delivery dates for products and services, monitoring of order processes and automatic customer notifications. The commerce platform should be the single source of truth across business units, divisions and brands and provide an overall consistent experience regardless of whether the customer is interacting with a field sales rep, a call center rep or the website.

Additionally, the omnichannel experience includes backend processes such, as fulfillment, across the entire supply chain. The system should be able to intelligently source orders and fulfill from the best distribution option that will result in products arriving in a timely matter and ensure the best shipping cost for the organization.

The omnichannel experience should also include functionality related to post-sale actions such returns and reverse logistics. It should be easy for the customer to handle returns and exchanges as well as more complex processes such as overships and delivery of wrong items. To further streamline processes, this also includes directed workflow processes such as return to stock, return to supplier and so on. The system should also be able to

“With our B2B commerce approach, we’re delivering new programs that address quoting capabilities. In one case, we reduced the time needed to provide a 60-line quote from several hours to mere minutes. We delivered the quote more quickly than before while dramatically improving the customer experience. In the process, we also saved the productivity equivalent of 12 to 15 full-time employees, freeing our sales team to devote even more time to working with customers.”

Phil Harrington, EVP of Risk, CA
manage returned/refurbished inventory and automated re-classification based on return status.

No matter what happens on the backend and how fulfillment is distributed, the experience on the frontend must be easy and seamless for the customer.

**Single, global platform that can adapt to local market execution**

B2B enterprises that target multiple markets will likely have sales and marketing strategies that are tailored to local market conditions. This typically includes offers and pricing that varies by geography or market segments and governance rules.

Deploying and managing platforms for each market is not a scalable solution; it is costly, time-consuming, and will eat up internal resources. At FitForCommerce, we recommend that organizations instead deploy a centralized platform that allows for global control, yet offers the flexibility to adapt for specific workflows and business rules that align with segment needs and provides a differing experience based on market segment.

A centralized platform allows the B2B organization to manage the entire business from one platform while decentralizing strategy decisions to adapt to local market conditions. In other words, the platform should empower business users to be able to set strategies that support and control local sales execution. This means that the platform should be capable of modeling the organization’s structure while tailoring sales execution to local market sectors and channels including custom market catalogs, price books, governance, sourcing rules and inventory. Regional managers should have the flexibility to determine promotions and pricing within the region, since they know the market best. The commerce platform should allow the implementation of these promotions and pricing strategies without having to rely on IT and processes that take months to implement.

**Executing Competitive Regional Strategies**

A leading direct broadcast satellite provider empowers regional managers to execute competitive strategies by regional segments. Their B2B enterprise commerce platform allows them to align strategy and execution by empowering authorized users to set product, pricing, promotion, and governance rules - by segment and channel – without IT involvement, which optimizes margin and revenue, while empowering people who own strategy to directly set it.

As a result, they have decreased time to market for new offers and promotions from 3-4 months to just 6-7 days.
Conclusion

With increasing customer demands for greater convenience and control over the purchasing process, B2B organizations must prioritize the online channel as part of their overall sales strategy. Although most B2B organizations realize the impact of B2B ecommerce, many have been slow to adapt to this new sales reality. In our experience, the main reason for the slow adoption is that, until recently, there has been a lack of robust B2B enterprise commerce platforms available capable of fully supporting the complexities of B2B sales strategies. Addressing the growing B2B market, today, there are platforms available built specifically for B2B commerce; however, organizations must still diligently evaluate platforms to ensure that they offer the capabilities required to handle B2B complexities while delivering superior customer experiences.

B2B typically involves much more complex processes, such as configurable product offerings, bulk shipments and advanced pricing based on the individual business buyer as well as sales force integration and consistency across all sales channels. Effective B2B commerce requires a centralized commerce platform with an engine that can dictate all product, pricing and promotion strategies across the entire enterprise.

As explored in this paper, the key components of B2B effectiveness include frontend customer experience, advanced configurability, analytics and segmentation, sophisticated workflows and local market execution. When evaluating and investing in a B2B commerce platform, it is critical to ensure that the solution can support these components. To achieve B2B commerce effectiveness, B2B organizations should consider whether the B2B experience matches B2C shopping experiences, the product and pricing strategy is fully executed in every offer across every channel, every transaction is infused with analytics to minimize the risk of margin and revenue erosion and whether the right business users are empowered to set strategies that control local market execution.
IBM provides B2B companies with an integrated offering that allows selling operations for both digital and human oriented selling channels to be powered by consistent, LOB-controlled product, pricing, promotion, governance, and channel rules. With an underlying platform whose DNA is multi-enterprise, multi-divisional, and multi-channel - IBM allows organizations with complex organizational structures, who sell both simple and complex configurable offerings, to systemically become omni-channel in nature.

FitForCommerce is a leading consulting firm, helping ecommerce and multichannel retailers and manufacturers grow their online retail operations. Our consultants bring decades of practical, hands-on experience to guide merchants in defining ecommerce strategy, selecting the right technologies, and building online marketing, merchandising and best-in-class website experiences — all using a rigorous ecommerce Diligence process and a vast knowledge base built on our work with hundreds of leading retailers.