



# B2B eCOMMERCE

THE TRILLION DOLLAR INDUSTRY

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# TOPICS DISCUSSED



## B2B eCOMMERCE SALES

Both in the U.S. and worldwide, the B2B eCommerce market is more than twice the size of the B2C market. Also included are projected sales growth rates and why the unique needs of B2B shoppers are driving growth.

## B2B eCOMMERCE BUYER BEHAVIOR

Understand why the conversion rate in B2B eCommerce is more than twice as high as B2C, along with key facts about how B2B shoppers learn about and discover products.

## THE CURRENT STATE OF B2B eCOMMERCE AND WHY RETAILERS ARE SELLING B2B

More retailers are engaging in B2B eCommerce not only to meet the demands of shoppers but to save money. Included are key factors that are accelerating B2B eCommerce as well as common roadblocks for B2B retailers.

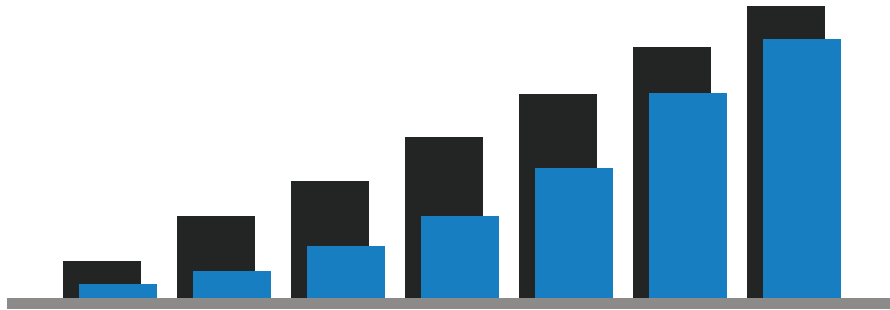
## CHANNEL CONFLICT / CHANNEL SHIFTING

Selling online can be a major change for retailers and how they generate B2B revenue. Attribution and channel concerns are issues discussed in-depth for retailers today and in the future.

## COMPANY TACTICS & TRENDS

Discover some of the most successful tactics and trends retailers are using to target B2B shoppers and how advancements in B2C retail technology are starting to become more common in B2B eCommerce.

## B2C vs. B2B



## INTRODUCTION

In the past, business-to-business (B2B) commerce, or one business selling directly to another business, has almost always been slower to evolve than its counterpart, business-to-consumer (B2C) commerce. Through the mass appeal (and massive spending) of B2C advertising and the fact that B2B relationships are generally more loyal and long-standing, a recent shift has occurred across both sections of commerce. Calling in a B2B order, although not as commonplace as it once was, can still remain a relative and practical way to obtain products while B2C consumers have primarily moved past this order method long ago, preferring a more convenient (i.e. a more technical) way to get the products they want.

With this said, B2B commerce (and especially B2B eCommerce) is finally starting to catch up. This rapid evolution also brings the immense B2B spending and order volumes that are driving change in the online retail industry. But why do retailers need to understand B2B eCommerce, especially if it's not a pressing concern? In this whitepaper, we discuss the growth potential of B2B eCommerce, the current trends of the industry, the tactical changes required by organizations to meet these trends, and much more...



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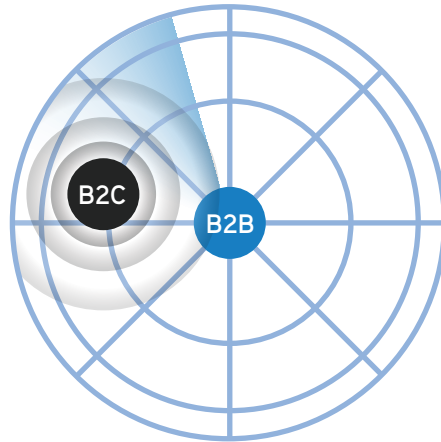
## B2B eCOMMERCE SALES

One thing all retailers should be aware of is the fact that there is money - *a lot of money* - in B2B eCommerce. In the U.S. alone, B2B eCommerce is projected to reach \$780 billion in 2015 in sales and represent 9.3% of all B2B sales. With \$305 billion projected in U.S. B2C eCommerce sales in 2015, the size and growth potential for opportunities in the B2B eCommerce marketplace is likely already in the minds of some retail executives as they look at future expansion opportunities.

B2B eCommerce (19%) is also projected to increase at a faster rate year-over-year compared to B2C eCommerce (17%), with U.S. B2B eCommerce sales projected to reach \$1.13 trillion by 2020. Although growth rates for both B2B and B2C eCommerce are projected to slow in the coming years, the annual projected growth rate for B2B eCommerce is projected to remain higher (7.7%) as more B2B organizations turn to eCommerce for a variety of reasons.

From a global perspective, B2B eCommerce sales are forecasted to reach \$6.7 trillion by 2020, more than twice the total of B2C eCommerce (\$3.2 trillion). While online growth is to be expected, an alarming 27% of all global B2B sales are projected to have an online component within the next five years. This growth will be led by China, a country projected to be the largest online B2B market in the world by 2020, with approximately \$2.1 trillion in sales.

One of the major reasons B2B eCommerce sales are currently, and will likely continue to be, significantly higher than B2C eCommerce sales is the unique process of ordering B2B products. Unlike a B2C order, which generally consists of a handful of different products, B2B orders can be large quantities (and sometimes even entire pallets) of the same product all ordered at once by a single business. Within organizations that handle both B2B and B2C eCommerce orders, some B2C operations may have more total orders in a fiscal year but the B2B revenue may be significantly higher.



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## B2B eCOMMERCE BUYER BEHAVIOR

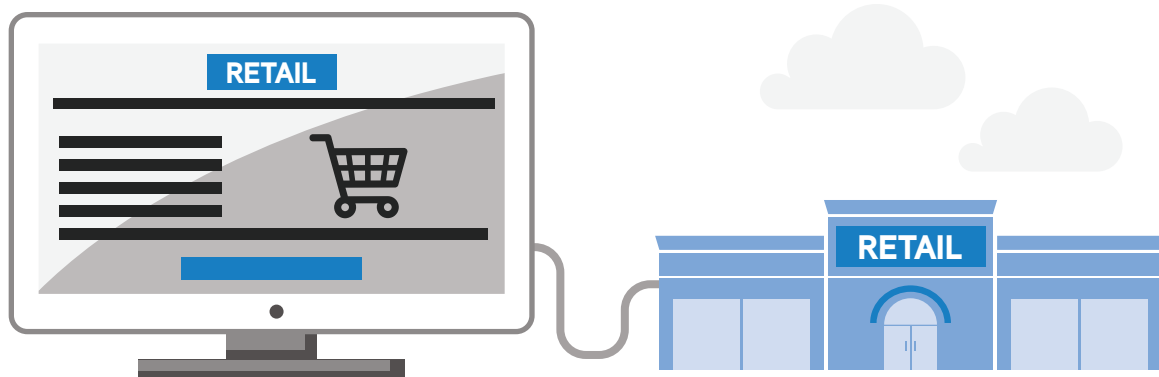
Although B2B eCommerce sales may tower over B2C eCommerce now and likely in the future, it's the latter that continues to have a stronger impact on the way shoppers interact with and experience retail sites. This influence, although emerging from the B2C side of online retail, is now overlapping into the B2B side as shopper demands continue to increase.

In today's landscape, B2B eCommerce is primarily about shoppers visiting the site and purchasing exactly what they are looking for. The average conversion rate on B2B eCommerce sites last year was 7%, more than double the 3% conversion rate for B2C sites. Product categories such as petroleum and pharmaceuticals currently generate the most B2B eCommerce sales, but other categories in additional industries continue to gain strong traction with increasing sales. For example, electronic goods are projected to be one of the fastest growing B2B eCommerce product segments over the next five years.

This new growth across different product categories is representative of a fundamental shift in the way B2B shoppers not only obtain products, but how they discover them. Currently 74% of B2B shoppers research at least half of their work-related purchases online, with 30% of shoppers completing at least half of these purchases online. While 30% may seem like a low number right now, by 2017, purchases are expected to double to approximately 56%. More B2B shoppers are realizing shopping online not only saves money, but their experiences with shopping online (both for work and in their personal life) are becoming more favorable as their familiarity with the online purchasing process increases. The appeal of purchasing whenever and wherever they want without having to contact a salesperson is becoming more appealing to B2B shoppers.

### Some quick buyer behavior facts...

- *74% of B2B shoppers say buying from a website is more convenient than buying from a sales representative*
- *93% of B2B shoppers prefer to buy online when they've already decided what to buy*
- *B2B shoppers stated that the most common information and features B2B sites are lacking include details about technical support (59% of shoppers), followed by pricing (57%) and product reviews (43%)*
- *B2B shoppers are more likely to have their product discovery process aided by social media (59% of shoppers) than company blogs (52%)*



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## THE CURRENT STATE OF B2B eCOMMERCE AND WHY RETAILERS ARE SELLING B2B

B2B eCommerce may not only save time and money for shoppers, but once in place, can evolve into an indispensable and cost-effective resource for retailers. According to Forrester Research, launching and managing online retail sites for B2B customers can potentially save retailers up to 90% on sales and operating costs.

These cost savings can primarily occur in migrating offline-only customers to purchase online instead. This migration not only reduces customer support costs but also streamlines order and operational processes. For some B2B retailers, selling online is essential – 56% of these retailers stated they have some customers, either small or difficult to manage, that they can only provide profitable service to if it's through an online channel.



Cost savings is a critical reason why many B2B retailers opt to sell online, but enhancing already strong customer relationships is another one. B2B eCommerce shoppers not only order more and convert at a higher rate, they also spend more per order and are generally more likely to be “brand loyal” than their B2C counterparts. In fact, approximately 60% of B2B online retailers said their shoppers spend more overall when they interact with retailers through multiple sales channels.

Now that we’ve established some of the main reasons why retailers are launching and expanding B2B eCommerce initiatives, let’s take a more holistic look at the state of the industry including what is *accelerating* online B2B retail strategies and some of the key *roadblocks* still in place today...

### Accelerating...

- *Innovation using new technologies such as mobile*
- *Global expansion is easier online*
- *Keeping up with competitive offerings*
- *Ability to more accurately display cost and ROI*

### Roadblocks...

- *Channel conflict and correctly attributing sales*
- *Difficulty getting “buy-ins” from key executives to change the sales cycle*
- *Changing technology to meet needs can cause internal frustration*
- *Finding key B2B operational talent as most are B2C focused*



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## CHANNEL CONFLICT / CHANNEL SHIFTING

Listed as one of the key roadblocks, understanding channel conflict is a common and critical step retailers must take as they look to expand their B2B eCommerce operation.

Orders taken over the phone have likely been a cornerstone method in the past of generating revenue for many, if not all, longstanding B2B retailers. But with the evolution of technology, collecting and aggregating orders this way compared to a modern day order management system generally requires a substantially larger long-term investment in both talent and resources.

With this said, it's not exactly a good decision to go and terminate all of the sales knowledge and support. Research has shown there is a so-called "channel shift" still happening, and the knowledge of sales staff members is still a crucial asset for customer relations, especially in industries where products and orders are complex. This is particularly true given the fact that B2B shoppers who utilize more than one channel within a retail organization are generally more loyal customers than those who do not.

This channel shifting, although primarily from offline to online sales, enables retailers to facilitate more B2B transactions online for lower volume and entry level clients to build up their customer bases even further. In addition, by sending more of the “smaller” shoppers online to complete transactions themselves, this can enable the sales staff to cater to key shoppers with a more personal touch (such as using mobile devices in-store). The use of automated email technology also lessens the amount of time retailers need to spend following up with smaller shoppers, and enables the sales staff to further personalize communication with key shoppers.

At the end of the day, almost all of the issues around channel conflict can be tied back to who gets credit for the “sale” – the sales team or the website. It’s usually a combination of both parties, but this is an attribution question so specific to each retailer that it’s difficult to present an ideal solution. Strong inter-organizational analysis is critical for finding an amicably respectable resolution to the issue. Of course, it can be good to remind all involved that the party obtaining the sale isn’t nearly as important as the sale actually happening in the first place.



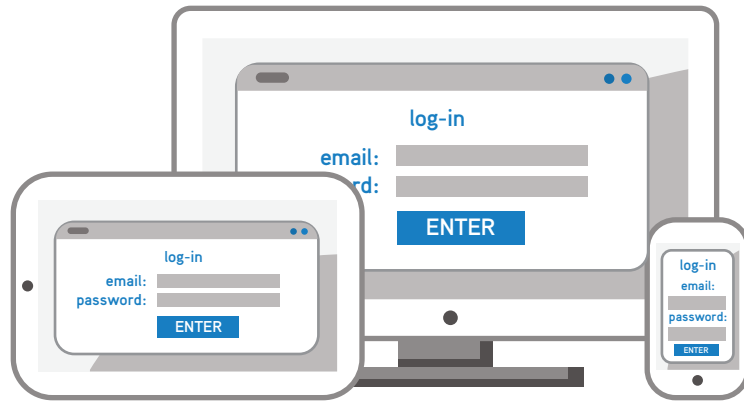
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## COMPANY TACTICS & TRENDS

Operation and attribution concerns aside, even appealing to increasingly savvy B2B shoppers may require a retailer to expand their offering as if they were selling to B2C shoppers. In the past, B2B retail sites would often just compare themselves to one another as if they were within a silo and not influenced by B2C eCommerce. This is becoming less and less the case and the expectations of B2B shoppers continue to increase.

### The top B2B shopper requests that some retailers now include in their offerings are...

- *Prominently displayed product price*
- *Free and/or expedited shipping*
- *Product reviews and expanded product information*
- *Site personalization (i.e. product recommendations based on past purchases)*
- *Site interactivity and improved functionality*
- *Customer segmentation (i.e. targeting customers with dynamic promotions)*



In order to accomplish revamping sites to meet the demands of evolving B2B eCommerce shoppers, retailers are changing the way they build their digital teams. Traditionally, B2B eCommerce operations were focused on functionality and were closely tied to IT operations. As these sites expand and drive more sales, some retailers are looking for eCommerce professionals with B2C experience to change the culture and perspective of their B2B sites and make them more appealing to B2B shoppers, especially given the promising future of mobile and tablet devices. Attracting this talent is not easy, so some retailers are changing technology platforms to a platform with both strong B2B and B2C capabilities such as SAP hybris or IBM WebSphere.

To further explain why B2B retailers are making the shift towards more B2C operations, let's look at some current trends that are driving this change...

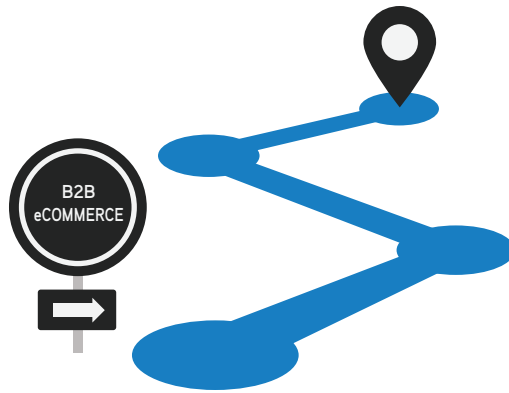
**Don't overlook the basics** – B2B shoppers recently stated on-site search was the most important feature to have on a site, followed closely by clear and easy to access pricing. Another basic is product content – 87% of shoppers stated they have left a B2B site to conduct research around a product, usually because the product description or information did not meet their needs. This lack of on-page content likely correlates to the fact that only 35% of B2B site traffic (on average) comes from organic search, a percentage significantly behind certain retail categories.

**Simplified log-in experience** – As B2B eCommerce shoppers are generally not as “tech-savvy” as B2C shoppers, the log-in experience can be a major pain point for certain retailers. With site registration abandonment rates currently around 13% for U.S. adults who have purchased a product online in the past three months, B2B sites are seeing even higher rates, with some resorting to tactics including social and retail log-in solutions as an attempt to lower this rate.

**Mobile is getting comfortable in B2B eCommerce** – More retailers with a physical store presence are beginning to utilize mobile to not only increase sales online but also in-store. A reason behind this evolving change? Approximately 50% of B2B mobile shoppers stated they now feel comfortable enough to place orders on a mobile device.

**Mastering the nuances between B2B and B2C eCommerce** – Depending on the industry, there are some key differences between B2B and B2C eCommerce. For example, price fluctuation, customer-specific prices, and volume-based discounts are more likely to occur with B2B transactions than B2C. Scenarios such as impulse buying are also far less prominent, but a growing number of B2B retailers are integrating in features such as real-time inventory availability to boost in-store sales.

**Implementing modern merchandising techniques** – Apart from personalization tactics, some B2B retailers are changing how they attract new customers and generate new business. Cross-selling and up-selling techniques as well as flash/clearance sales are solid techniques, but B2B eCommerce shoppers inherently still remain concerned about shipping prices and order lead times.



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## CONCLUSION

Even though B2B eCommerce more than holds its own in the fight against B2C eCommerce on the balance sheet, more organizations are looking to maximize their revenue in both areas of the online retail business in the coming years. With the growth of B2B eCommerce projected to reach unseen levels over the next five years, some retailers are taking the initiative to improve their B2B offering in conjunction with this growth to keep up with the increasing needs and expectations of B2B shoppers living in a B2C world.

As this journey unfolds, it will likely be important for B2B eCommerce professionals to not only select the right technology for driving sales, but also to employ knowledgeable talent to make the most of these investments in technology. The roadmap may be in place and marked out for B2B success, but the actual journey is one few retailers have actually completed and there will likely be many bumps and detours along the way for retailers towards their final destination in this trillion dollar industry.

### SOURCES:

*Huff Industrial Marketing, Frost & Sullivan, Forrester Research, Demand Gen Report (DGR), iProspect, Deloitte, U.S. Department of Commerce*