dynamicWEB®

$6.7 trillion
B2B ecommerce

$3.2 trillion
B2C ecommerce

2020 forecast by **Forbes**

The new potential in B2B Ecommerce

White paper on how to turn B2B ecommerce challenges into opportunities

Content

Introduction

A major shift is happening in B2B commerce. Recent analysis by Forbes shows that the B2B market will account for twice the size of B2C by 2020, as ecommerce sites operated by and for manufacturers, distributors and wholesalers respond to a growing demand among buyers for the option to purchase online.

As competition is getting harder, the margins are getting smaller and it forces B2B companies to venture online in order to remain competitive while minimizing expenses. However, unlike today's consumers who discover new ecommerce features on a daily basis, too many B2B companies still lack the technology and capabilities necessary to succeed in delivering outstanding experiences.

During 2014, 60% of B2B companies have invested in ecommerce to grow market share, but the number of companies capitalizing on its potential is far from what it should be. Complexity across pricing, products, channels, online experiences, and integration to back-end systems remain a constant challenge. B2B ecommerce is complicated, but that does not mean ecommerce is not a worthwhile investment – far from it.

At Dynamicweb, we keep receiving more and more inquiries from B2B customers seeking advice on how to cope with three repeating challenges:

- **Optimizing distribution channels**
- **Reducing cost of sale through efficiency**
- **Improving sales processes for complex products**

Our objective with this white paper is to elaborate on the B2B ecommerce challenges and to demonstrate how great companies have turned them into competitive advantages that can grow and drive revenue.

The B2B ecommerce market and challenges
B2B companies are stepping up their ecommerce technology spending, and the B2B ecommerce market is currently growing at nearly four times the rate than B2C. It is an online-driven, omni-channel transformation that is changing the way the B2B brands connect with, engage and retain their customers. It is driven by a continuous market expansion indicating that the B2B ecommerce market will grow to $6.7 trillion in gross merchandise value by 2020, which will make it two times bigger than the B2C market ($3.2 trillion) within that timeframe.


With each passing year, it is becoming increasingly clear that B2B ecommerce represents significant potential for increased profitability and efficiency. However, complexity across pricing, products, channels, online experiences, and back-end systems remain a constant challenge. It simply shows that B2B ecommerce is complicated, but that does not mean ecommerce is not a worthwhile investment – far from it.

B2B ecommerce still offers an endless amount of opportunities. When you look at the advantages of adopting B2B ecommerce, it quickly becomes clear that opting out would represent a significant missed opportunity.

This white paper will focus on some of the most complex challenges within B2B ecommerce, to find out how successful businesses have managed to turn them into competitive advantages.

> The B2B ecommerce market is expected to grow to $6.7 trillion in gross merchandise value by 2020, which will make it two times bigger than the B2C market ($3.2 trillion) within that timeframe.
>
> **— Forbes, 2014**

1. Optimize and expand your distribution channels

B2B ecommerce customers are increasingly being empowered with new conveniences and agile shopping opportunities meaning that the traditional channel setup, as we know it, is changing.

Manufacturer · Distributor · Retailer · Customers
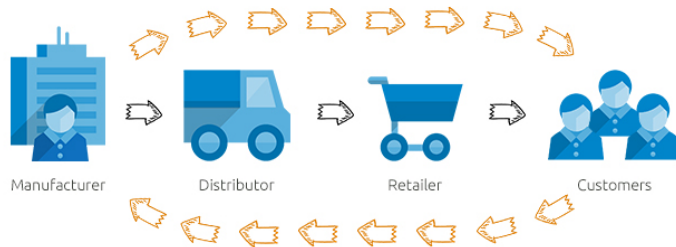
The traditional distribution channels have become more fragmented, which has introduced new ways of doing business. In general, distributors and retailers have lost influence, whereas manufacturers and customers have gained direct access to each other.

While this new setup introduces new opportunities, it also challenges the existing channels with manufacturers on one side, and retailers and distributors on the other. Retailer and distributor risk losing income from customers who might prefer taking their business straight to the manufacturers. This means that the current setup can be hard to change, simply because channel partners understandably have much to protect. For these reasons, there is a strong incentive to stay status quo – despite knowing that customers strongly prefer good ecommerce opportunities to search and transact.

The primary challenge lies in identifying new profitable ways of exploiting the ecommerce opportunities derived from the new channel setup, but without compromising the value chain. To do so, manufactures, distributers and retailers should recognize the potential in working together.

A good example of a company that has managed to establish an effective and setup is Dermalogica in Denmark who is using ecommerce without compromising its existing value chain.

Selling on the Web is not just for retailers. As retailers and manufacturers recognize their role is to serve empowered consumers together, channel cooperation will replace channel conflict.

— Forrester, 2000

Before introducing ecommerce, the Dermalogica skincare products were only sold in professional skincare clinics scattered around Denmark. The limited product availability combined with the continuing raise in demand for online shopping meant that Dermalogica failed to cover a huge part of the Danish market. Consequently, the company decided to launch a comprehensive webshop solution, but without compromising the existing relationship with all the retailers.

"The development was unmistakable. The consumers wanted to buy online, and so we started considering different ways of establishing a new retailer ecommerce solution in order to prevent competing brands and foreign webshops from obtaining our orders" - Visti Madsbøl, Marketing Director at Dermalogica.

Having considered all possible options, Dermalogica decided on a joint ecommerce solution, which forwards all online orders from the retailers to a central Dermalogica webshop. In return, Dermalogica will handle all product data, packaging and distribution, and the retailer will receive commission from driving the order from his own webshop.

"We are dealing with a retailer network consisting of independent shop owners, who have different views on how to improve their businesses. Our task is to establish a flexible setup, which enables us to trace the individual order back to the retailer disregardless of which webshop the order comes from."

In addition, Dermalogica launched their own official webshop – dermalogica.dk to increase online sales. However, to prevent the retailers from perceiving it as a direct competitor, Dermalogica came up with the idea for a point system enabling customers to earn bonus points from each purchase made on Dermalogica.dk. Then, when the customer redeems the points in a physical shop, that same shop will receive the commission.

"The retailers will gain a smaller commission when the order is placed in the central webshop, but in return, Dermalogica handles all service, maintenance and logistics. This makes the setup profitable not only for us, but also for our retailers and customers, who benefit from a broader product range in the webshop."

The solution demonstrates how Dermalogica has succeeded in establishing channel cooperation through an effective and profitable strategy. The setup is beneficial to both retailers and distributers, and it improves the brand awareness and availability by retaining and attracting new customers.

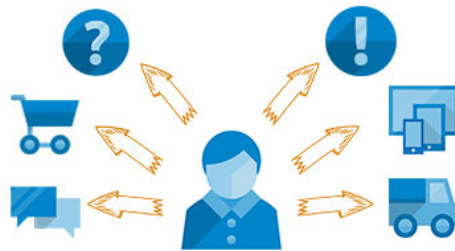*Retailers automatically receive commission from online sales.*

- Visti Madsbøl, Marketing Director, Dermalogica.

2. Empower your B2B customers with self-service

Many of our B2B clients are looking for inspiration on how to reduce cost of sale without compromising the customer service and experience. This is where B2B web self-service proves its worth.

CRM Magazine has conducted a survey among 520 CRM professionals, which clearly highlights the growth and importance of B2B web self-service. Nearly half of the respondents reported that their business used self-service channels in their CRM, and that they expected it to grow in importance.

The self-service comes from integrating your website with your backend systems such as your ERP and CRM. The live integration provides dynamic data on prices and stock, so that the customer on the frontend only has to click a few buttons to get the exact data he or she wants – including real-time 24/7 information, customized online catalogs, order history, shipping references, contract-based pricing, contractual terms, conditions and much more.

The sooner companies roll out the self-service portal and start migrating customers from expensive offline channels to less expensive online ones, the sooner they can enjoy the inevitable customer acquisition and maintenance cost savings.

— Forrester, 2012

"B2B companies should compete for customers based on the experience provided, and not solely on price. The overall experience is what is key to long-term customer loyalty." – Forrester, 2014

Empowering customers to serve themselves online not only increases customer satisfaction, but also reduces support and administrative costs. However, some self-service facilities are limited – often just FAQs and a search system, but web self-service is much more than that, it can also improve your bottom line and drive new sales! The same survey by CRM Magazine revealed that 47 % have seen increased sales through their customer self-service channels, and 54 % report increased web traffic since launching online self-service.

An example of a company who takes advantage of B2B web self-service is the Danish furniture manufacturer, Actona. The company produces more than 1,700,000 chairs, 225,000 dining tables, 370,000 couches and 260,000 office chairs for the US and Northern European market.

Before introducing self-service, Actona spend a lot of time updating and maintaining product information and generating catalogues for worldwide retailers. It was not possible for customers to retrieve this information without directly calling Actona, who then needed to update and produce a new catalogue. The slow and comprehensive procedures often lead to retailers using old and outdated catalogues, which eventually had a negative influence on product sales and branding. Consequently, Actona somehow needed to automate the processes, but without compromising the retailers individual needs for specific and up-to-date product information.

As a result, Actona came up with a comprehensive B2B self-service solution with integration to the company's ERP system, Dynamics NAV. It not only reduces the administrative workload in Actona's sales department, but it also provide the retailers with 24/7 self-service access to the entire product catalogue. It empowers the retailers to search the complete range of over 8,000 item numbers and to generate PDF catalogues on the fly with up-to-date product information to support their sales processes.

"We have put together 8,000 items, in 3 languages and 70,000 prices in one solution where catalogues and price lists are automatically generated." - Charlotte V. Kristensen, Marketing Manager, Actona Company.

In addition, the web-self-service solution enables Actona to reduce the manual workload, as product information is maintained and cross-published to catalogues, price list and dealer networks from one single place. This ability helps generate consistent product data while minimizing the amount of manual errors and misunderstandings between the internal sales department and the international retailer network.

"The solution is, without a doubt, one of the primary tools for our sales department and the return of our investment is down to just 6 months." Says Charlotte V. Kristensen.

The solution has managed to secure a return on investment in just 6 months based on the many cost reductions achieved in saved wages and increased efficiency. It shows how self-service can support your retailers and sales processes by actually minimizing your own manual workload.

We have put together 8,000 items, in 3 languages and 70,000 prices in one solution where catalogues and price lists are automatically generated.

- Charlotte V. Kristensen, Marketing Manager, Actona Company.

3. Make complex selling easier with product configuration

The B2B market is unique because often the products are more technical and complex compared to B2C. Most products also include a long range of different price and configuration opportunities, meaning that the customers are presented with a variety of different options.

So the challenge for most B2B companies is how to guide the customers while simultaneously giving them the independence, which they desire? When you have two competing objectives, delivering the best customer experience gets tricky. The answer could be product configuration.
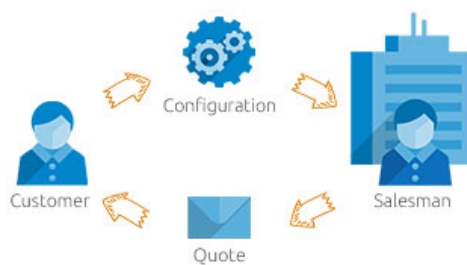
Online configurators are at the center of the customization trend because it offers the potential to increase revenue and gain competitive advantage. Configurators provide a user-friendly and speedy way for building unique and customized products, while gathering customer preferences for marketing campaign purposes and for standard product improvement.

For companies selling complex products and for their customers, there is an abundance of benefits to product configuration:

- Ensure rapid response to customer needs by quickly letting your customers generate quotes for even the most complex products and services.

- Automatically transfer all the information from quotes to any ERP or CRM system.

- Eliminate manual processes and enable your sales team to focus on driving more sales by submitting quotes that are more qualified and competitive.

- Eliminate redundancies and errors – no more incorrect product combinations or re-entry of data.

We would like to demonstrate how product configuration actually works. Here is how one of our B2B customers use product configuration to empower their customers and to reduce the amount of administrative resources spent on complex sales.

The international corporation, Lindab is a great example of company that successfully complies and utilizes the rising B2B customer demand for increased self-service and the ability to quote complex and unique products. The company develop, produce, market and distribute products and system solutions primarily of steel to simplify construction work and improvement of indoor environment.

The primary customers are craftsmen, who spend most of their time at the worksites with limited time for product ordering. Therefore, the Danish Lindab department decided to improve their online customer service by adding 24/7 access to customer self-service and product configuration.

"The product configurator allows our online customers to easily design and configure different parts and components and to get an instant quote. It is very dynamic and has given us some excellent feedback, because we're empowering our customers with something that they cannot get anywhere else." Says Erik Areskog, Manager of Integration & BI Services Group, Lindab

Lindab expect the improved online customer service to generate additional upsells, because it makes the ordering process more appealing and easy-to-use for the customers. In addition, it will reduce the future time spent on processing orders, especially compared to orders by phone, fax or email. From now on, the customer himself will do most of the work:

"We now expect to process the average webshop order in only three minutes, which is half the time spend on the previous setup. On top of that comes an additional 20 seconds administration per single order line, which equals a lot of valuable time spent on a yearly basis. The general savings are generated partly due to the customers being able to complete their own orders and because of the increased automation and ease-of-use from the integration between Dynamicweb and Dynamics AX."

However, Erik Areskog emphasizes the need for a proper ERP integration to support the product configuration. Otherwise, you may end up compromising your own advantages:

"Our German webshop still lacks ERP integration. It generates so much manual and resource consuming work that all potential savings are lost. It is only beneficial to the customers."

The Lindab case shows how easy it can be for your customers to buy complex products in no time. You are no longer constrained by the hours of a few product experts or the limited inventory on your shelves. Product configuration allows you to spend valuable resources elsewhere while you empower your customers to take full control of their own needs and wants at any time and any place.

About Dynamicweb
Dynamicweb is a leading software company developing products that help you grow and optimize your online business. Our All-in-One Business Platform combines Content Management, Ecommerce and Marketing capabilities to create powerful customer experiences across all channels, which increases conversions and optimizes customer lifetime value.

Today, thousands of businesses run more than 12,000 websites with Dynamicweb. We are expanding our services internationally in close corporation with 200 certified partners in 13 countries.
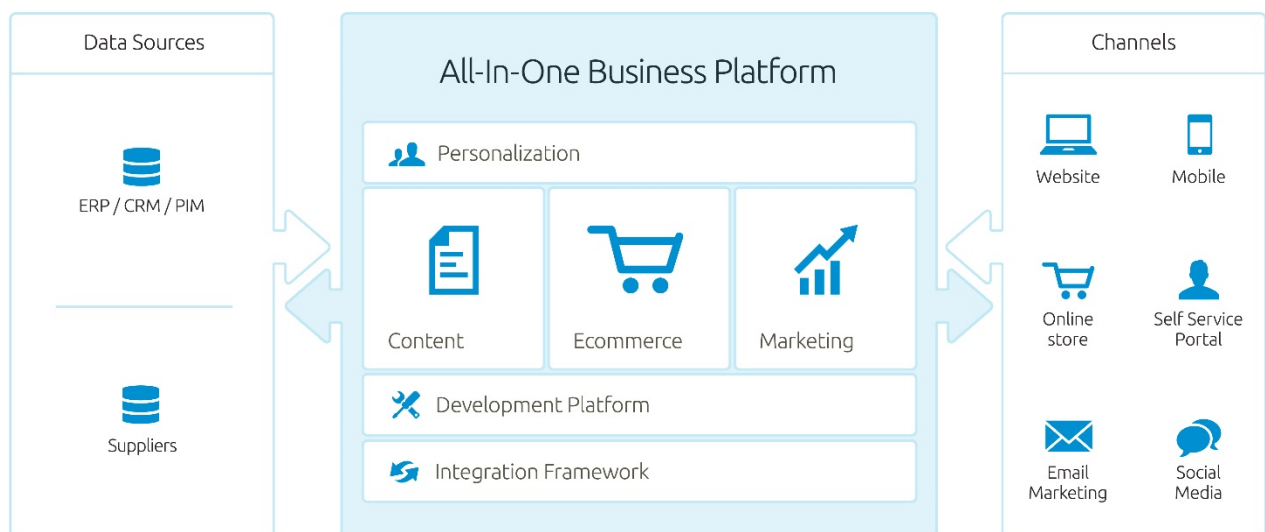
One platform for your (whole) digital world
Dynamicweb's All-in-One Business Platform brings the digital world together in one powerful platform. It empowers you to deliver great online experiences across channels.

The Dynamicweb difference means that all you need for Web Content Management, Ecommerce and Marketing is available in just one platform. With Dynamicweb, all your content can be reused and personalized – your customers get the benefit!

Find out more www.dynamicweb.com.