IDC ANALYZE THE FUTURE

IDC TECHNOLOGY SPOTLIGHT

Sponsored by: IBM

Manufacturers and distributors rely heavily on enterprise resource planning (ERP) and homegrown order management systems (OMSs) to support their supply chain and order orchestration processes. The business-to-business (B2B) commerce of tomorrow demands a purpose-built order management system.

Modernizing B2B Order Management for the Commerce of Tomorrow

December 2020

Written by: Jordan Speer, Research Manager, and Jordan Jewell, Research Manager

Introduction

Business-to-business (B2B) commerce is changing fast. Manufacturing is being driven by globalization, ecommerce, and personalization, which have led to SKU proliferation and smaller manufacturing batches that must be produced faster and fulfilled across a wider network of businesses and end customers. Manufacturers are also subject to larger market forces, including new regulatory requirements, changing customer tastes, geopolitical changes, and health crises. The recent coronavirus pandemic has, in particular, accelerated ecommerce and created sharp and unexpected shifts in purchasing and fulfillment patterns, all of which pose challenges to forecasting demand and manufacturing to supply to it. IDC research shows that in times of crisis, companies that keep the focus on providing stellar customer experiences as well as on agility are best positioned to improve customer loyalty, shift business models, win market share, and thrive under new circumstances.

AT A GLANCE

KEY TAKEAWAYS

- Businesses with modern, integrated technology and a digital-first mentality are much better prepared to quickly assess and respond to the challenges of digital commerce; they are more resilient.
- B2B organizations lag behind B2C organizations in digital commerce and order management. However, as the lines between B2B and B2C commerce blend, organizations can overcome this gap by investing in their people, processes, and technology.

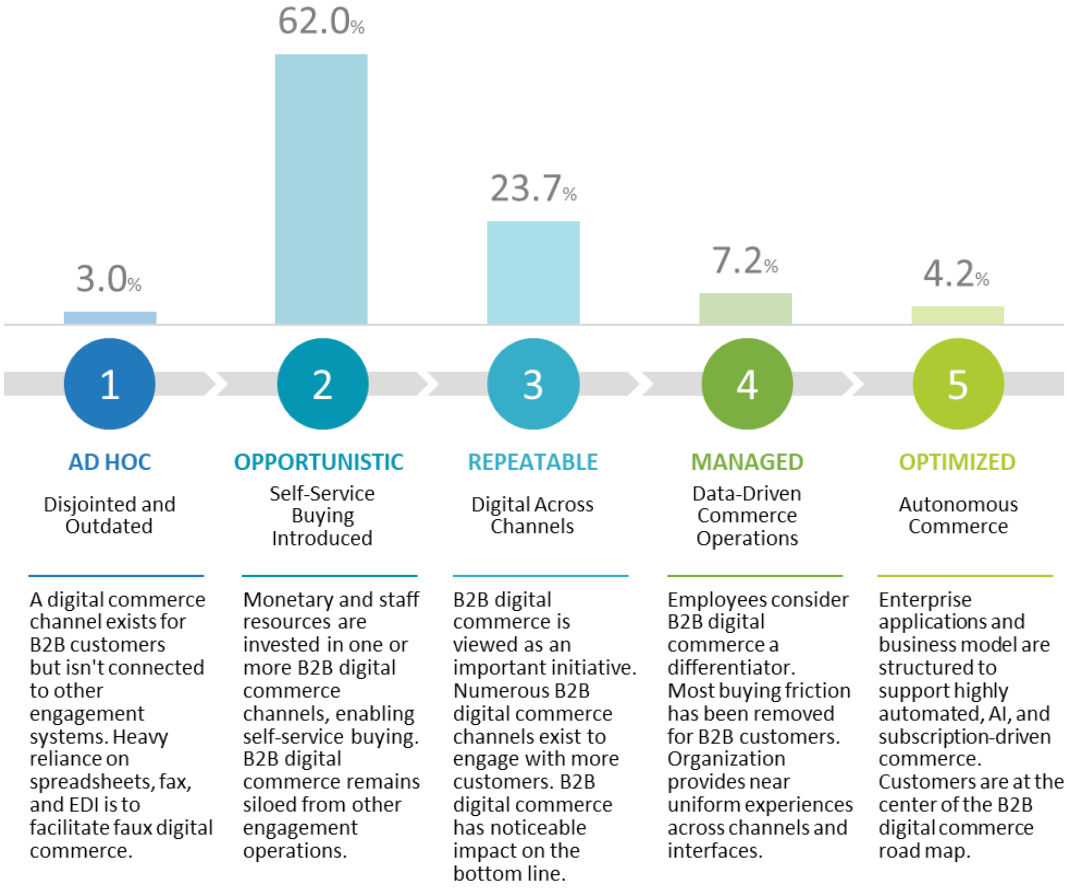
These global trends are driving the need for rapid change in order management, inventory management, and fulfillment to meet the increasing complexity that they create. While business-to-consumer (B2C) organizations have been modernizing their order management systems (OMSs) to keep pace with end-consumer expectations and the changing requirements of omni-channel ordering and fulfillment, B2B organizations have been much slower to evolve in these areas. The majority of the B2B world has continued to rely on enterprise resource planning (ERP) systems (or legacy homegrown systems) for order orchestration. This adds cost and inefficiency, slowing production, delivery, and service at a time when speed is critical, and it stymies the ability to grow, innovate, and collaborate. An outdated order management system also results in underdelivering to customers and endangers customer loyalty. B2B buyers have come to expect self-service and seamless experiences that mimic those of B2C. B2B organizations, after all, consist of individuals who are also consumers.

To provide B2B customers with the type of quick and user-friendly experiences offered by the B2C world, manufacturers need to look beyond their ERP systems when it comes to order orchestration. Investing in a B2B order management solution enables B2B organizations to make the jump forward to a modern, digitally integrated system that allows for greater automation, improved use of resources, fewer errors, and faster operations — all of which will better serve the manufacturer and customer alike.

B2B Organizations Lag Behind in Digital Commerce and Order Management Maturity

Prompted by ecommerce originators, such as Amazon and eBay, B2C merchants lead their B2B counterparts in digital commerce in terms of engagement and speed. The *IDC MaturityScape Benchmark: B2B Digital Commerce in the United States, 2020* (see Figure 1) shows that most B2B organizations face a major hurdle progressing to the latter stages of B2B commerce maturity. Most organizations we surveyed had established some sort of digital or pseudo-digital commerce process that involves a self-service store, electronic data interchange (EDI), selling across marketplaces, or something similar, but they haven't achieved a cross-channel strategy to sell or engage (and fulfill) across numerous touch points.

FIGURE 1: ***B2B Sellers Struggle to Reach Advanced Stage of Commerce Maturity***



Source: IDC MaturityScape Benchmark: B2B Digital Commerce in the United States, 2020 (IDC# US43888919, June 2020)

IDC defines digital commerce as the sale of products and services over digital channels, such as branded online storefronts and/or marketplaces. The IDC MaturityScape Benchmark for B2B digital commerce was developed to define five stages of B2B digital commerce maturity, progressing from one-off and decentralized efforts on outdated technology to companywide strategy backed by investment in people, processes, and technology. The maturity model measured B2B digital commerce proficiency across five elements: technology, people, vision, buyer experience, and commerce capabilities. The fact that the majority (62%) of surveyed respondents are in the second maturity stage shows that most B2B organizations have made initial, albeit minor, investments in digital commerce but lack the infrastructure and aptitude to win in the digital economy.

B2B order management can be viewed through a similar lens to define what separates mature organizations from those earlier on in their order management and inventory journeys:

- **Technology.** Mature B2B organizations have a modern, cloud-based, and integrated system to provide technology agility to future proof order management operations.
- **People.** This includes organizational setup, employee success measurement, and how order management information flows throughout the company. Relationship management with partners and suppliers is critical when handling exceptions and understanding new offers and promotions.
- **Vision.** This involves a long-term view and understanding of the organization and its objectives, opportunities, and challenges. It also includes executive sponsorship and organizational responsibility for control of spending.
- **Order orchestration.** The ability to deliver on customer promises with a single view of the end-to-end order process provides a single repository to modify, cancel, track, and monitor the order life cycle in real time.
- **Inventory optimization.** An organization has visibility into inventory across the business, including various divisions and extended ecosystem. Inventory supply can then be managed directly off customer demand.

An effective order management system that can deliver best-of-breed value to a B2B organization can be measured via key performance indicators (KPIs) including inventory turns, on time in full (OTIF) delivery, asset uptime, and workshop utilization.

As B2B organizations progress along this maturity curve, manual tasks are automated, more orders are delivered on time, and asset uptime is improved for manufacturers. IDC advises organizations that believe they might be in the first two stages of maturity to focus on one or two of these elements to begin progressing. However, the digital economy demands a holistic approach, covering all the elements, to succeed. B2B organizations that fail to progress to the more advanced stages of maturity in B2B order management will struggle to keep up with their peers.

B2B Sellers Are Challenged to Evolve Their Order Management to Be Agile and Best Serve the Customer

Why do B2B sellers struggle to evolve to more modern order orchestration processes? Because they are hampered by legacy systems that were not built to manage the complexities of today's supply chains. Manufacturers and distributors often face the following technology and business challenges specific to order management:

- **Siloed systems and data.** Old, brittle, homegrown order management applications and ERP systems were typically designed to function in siloed environments and specifically to serve the finance department. In these legacy systems, customer service, inventory, orders, and fulfillment are regarded as disparate units instead of a connected workflow operating from one set of unified data. Under these legacy structures, B2B organizations continue to struggle with challenges such as fragmented inventory systems, which require them to place multiple orders so that they can hold duplicative stock in multiple locations — a money-losing practice that is not only expensive but also wasteful. Furthermore, departments that are splintered and work from different data sets produce subpar customer experiences.

- **Lack of business agility.** Today's modern organizations need quick and responsive order management, inventory management, and fulfillment systems to respond to real-time changes in demand, reallocating product or reprioritizing orders as necessary based on MVP customer status or other factors — agility that homegrown order management applications and ERP solutions were not built to provide.
- **Order complexity and scale.** Most ERP systems and homegrown order management systems were not built to handle complex orders that consist of hundreds of lines, which might require unique purchase orders, work orders, and bills of materials. Furthermore, contingent rules and restrictions, returns, and pricing rules can overload all but the best order management systems.
- **Customer experience.** Order management systems are at the heart of a strong customer experience. While B2B organizations spend millions on "customer experience" systems, such as marketing and customer service to improve their customer interactions, the OMS can make or break an experience. If products arrive late or in the wrong quantity, are not what the client ordered, or are out of stock, it does not matter how good an organization's marketing or customer service is.
- **Ease of use.** B2B organizations have rising expectations based on what their employees experience as consumers with their personal devices. They seek similar seamless omni-experiences, easy interfaces, great customer service, and visibility into inventory, orders, and fulfillment. Most OMSs do not deliver this experience.

Benefits of Using a Dedicated OMS for Manufacturers and Distributors

A modern order management system sits at the heart of an organization's supply chain, serving as a single source of truth for orders and inventory across the entire fulfillment network. With a dedicated OMS, manufacturers and distributors put the power in their customers' hands to order and receive from any channel, receive confirmation of available-to-promise commitment, and track order status. This single view of inventory and orders enables customers to optimize their stock levels, freeing them from needing to carry overages. This single view also enables orders to be fulfilled accurately and on time.

By implementing a modern B2B order management system that automates manual processes, manufacturers and distributors gain the ability to minimize errors, speed cycles, increase efficiency, and free labor. With automated processes, data can be connected from system to system, enabling B2B organizations to maintain a unified view of orders and inventory. An OMS that is closely integrated with customer service systems breaks down silos by allowing customer service reps to have full visibility into orders and provide excellent customer experiences.

These automated and connected systems improve service and speed to customers and foster more collaboration between customers and supply chain partners. According to IDC's 2020 *Supply Chain Survey*, from a business collaboration perspective, manufacturers said the biggest opportunity for their business is "downstream with customers" (i.e., sell-side B2B collaboration) (34.3%), followed by "upstream with suppliers" (i.e., buy-side B2B collaboration) (29.6%). To improve their ability to collaborate inside and across organizations, B2B organizations must move from operating as silos to collaborating across the supply chain, evolving from linear entity to matrixed, multi-enterprise platform.

With visibility into orders and inventory, B2B organizations open the opportunity to move into the B2C arena, where they can connect with consumers directly. The transition to direct to consumer (D2C) can improve profits by cutting out the middleman and gaining the benefit of getting closer to the consumer.

B2B Order Management Trends

Some of the major trends that will shape the B2B order management software market over the next 36 months are as follows:

- **B2B and B2C convergence.** The lines between B2B and B2C commerce are blurring as B2B buyers demand more consumer-grade buying experiences across devices and consumers demand more granular control of orders, various payment options, and the ability to configure products and services.
- **Sustainable commerce.** In IDC's September 2020 *Consumer Experiences Survey,* 39% of respondents (consumers) said that a brand's sustainability program has a large or very large impact on their decision to do business with the organization. Moreover, efforts to achieve greater sustainability by reducing emissions, such as by optimizing routing, also lead to greater profitability. Order management systems will help fuel this transition to more sustainable supply chain operations by providing manufacturers and distributors more visibility into and control of the resources that their fulfillment operations use.
- **Artificial intelligence.** Artificial intelligence is driving a new age of digital commerce by delivering predictive analytics, making determinations about the optimal location to route orders, and better anticipating market shocks.
- **Cloud.** Cloud, including both single-tenant and multitenant options, has become the default deployment option in the order management application market. While large enterprises and some manufacturers have historically been hesitant to move to the cloud, IDC has witnessed an overwhelming shift in the past year as enterprises decide they actually prefer to outsource hosting, security, and updates. IDC's 2020 *Supply Chain Survey* indicates that most organizations will have moved their order management systems into the cloud by spring of 2021 and that more than 50% are already operating order management systems in the cloud. IDC recommends that B2B organizations look to the cloud when evaluating and selecting an order management system.

IBM Brings Modern OMS Capabilities to B2B Organizations

IBM Sterling has been supporting the order orchestration and inventory optimization efforts of both B2B and B2C organizations for over a decade. In the B2B order management space, IBM Sterling enables some of the largest manufacturers and distributors, such as Parker Hannifin Corporation, to confidently make large order commitments and deliver on those promises. Key characteristics of IBM Sterling Order Management include:

- **Modern architecture for today's B2B organizations.** IBM Sterling has evolved its system over the years to support modern commerce. The redesigned order management solution is based on Docker containers. This architecture eases management, administration, and the process of creating and deploying new innovations, which translates into faster time to value and lower IT costs.

- **Agile hybrid deployments to fit each business' unique needs.** IBM offers several deployment options: SaaS, on premises, and a hybrid model to create a single, flexible technology infrastructure optimized for cost and utility. With a hybrid approach, B2B organizations can combine best-of-breed cloud services and functionality, ensuring that customers can best balance ease of use, speed to market, security, scalability, control, and cost savings for their specific organization.
- **Functional depth and breadth.** B2B businesses need an order orchestration platform that provides a single view of orders and inventory across their entire fulfillment network, one that allows customers to order and receive from any channel, get a committed fulfillment promise, and track order status.
- **Trusted partner.** IBM Sterling Order Management has a proven track record of more than 18 years. The same core capability remains at the heart of the system, but the company has continued to evolve and advance it with containers, artificial intelligence, and enhanced user interfaces. IBM also regularly gathers direct feedback from its customers, instilling a deeper partnership in development.
- **Simpler and more flexible control for business users.** IBM Sterling Order Management allows users to have control over order operations via self-service capabilities — without requiring IT involvement for every change.
- **Ability to support expectations and complex requirements of B2B customers.** Relationships are forged on an organization's ability to reliably deliver products that are critical not just to manufacturers' businesses but also to their customers and downstream supply chain participants. B2B manufacturers need a solution and a business partner that can help them focus on their customers with configurable solutions to create an automated process for friction-free orders and give them real-time insight into their inventory wherever it resides in their organizations. IBM Sterling has a long track record in the order management software market because of its ability to work with complexity and enable simplicity from it.

IBM Sterling Product Overview

The IBM Sterling portfolio supports the needs of B2B manufacturers and distributors looking to make their supply chain and order orchestration processes more efficient. Solutions include IBM Sterling Order Management with a hybrid cloud platform and IBM's microservices-based Sterling Inventory Visibility.

Order Orchestration

IBM Sterling is perhaps best known for its IBM Sterling Order Management solution. This modern order orchestration platform enables users to create their own architecture to manage, administer, and process the creation and deployment of order innovations. All of this translates into faster time to value and lower IT costs. In addition, the ability of an organization to move quickly to deliver fulfillment services enhances the overall customer experience, which is so critical to a brand's reputation.

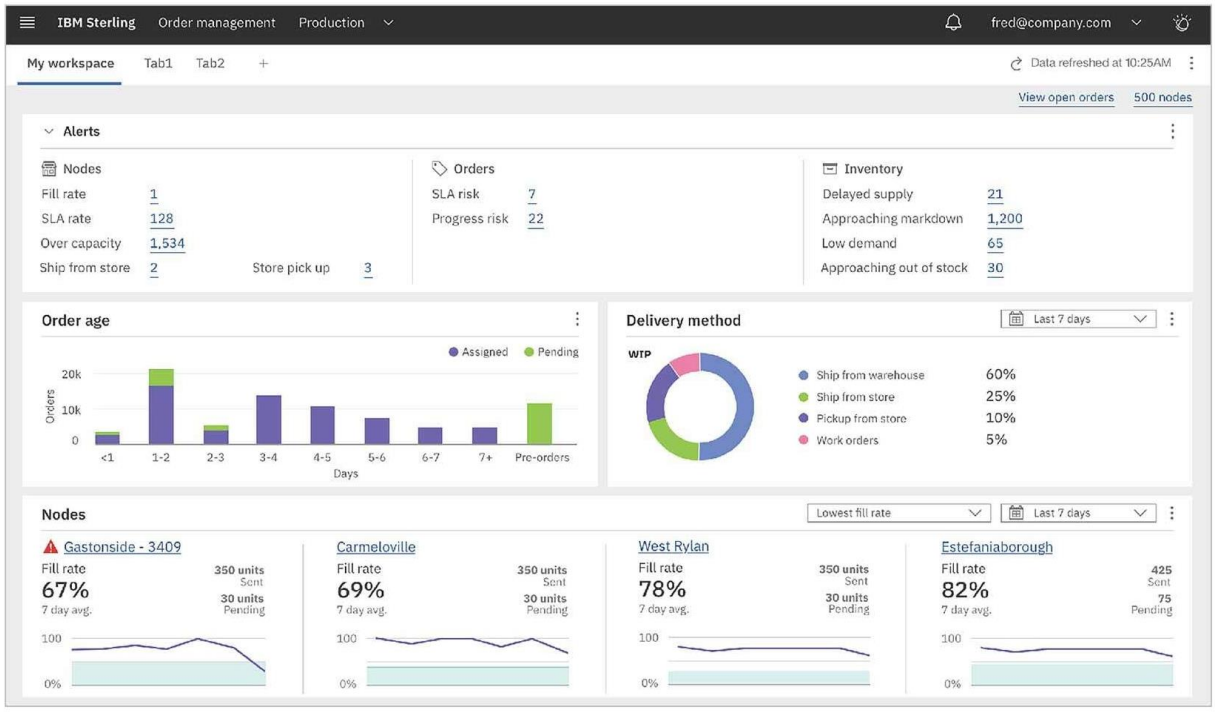
Emerging technologies, such as containers, enable virtualization in either an on-premises solution inside an organization's firewall or a hosted cloud environment. Containers enhance flexibility so that solutions are delivered to match business structure and provide separation of the order orchestration capabilities for better division of workload and easier execution of activities.

Inventory Management

Large industrial companies, including wholesalers and distributors, often grow by acquisition, which usually creates a fragmented view of inventory. Siloed repositories, disparate ERP systems, and disjointed processes across business units and partners also lead to redundancies in inventory (and associated capital costs), higher shipping costs, and costly back orders because there is less flexibility for product disbursement.

With IBM Sterling Inventory Visibility, businesses can easily augment their existing ERP, warehouse management, or order management system for a real-time inventory view across divisions, geographies, channels, and partners. Inventory Visibility is a microservice that easily connects through APIs to consolidate all inventory systems into a single source of truth (see Figure 2).

FIGURE 2: ***OMS Provides B2B Organizations with Better Order Visibility***



Source: IBM, 2020

Challenges

IBM faces the following challenges in the B2B order management market:

- **Retail centricity.** The digital commerce market as a whole is focused on B2C. This has been especially true in the order management space, where distributed order management has been the primary area of competition. This tide has begun to turn, but B2B organizations typically are not looking for order management systems as frequently as their B2C counterparts. IBM will need to shake this industry perception by educating B2B prospects about the merits of order orchestration and inventory optimization.

- **Overcoming market perception.** IBM Sterling had a historical perception of being a monolithic order management application. IBM's new containerized microservices help businesses pick and choose the pieces they would like to attach to the core platform. This demonstrates composability in the platform and should help disprove this perception.
- **Competition.** The order management space has received increased attention in recent years, with numerous market entrants. However, much of the latest investment in this space has focused heavily on B2C. IBM holds a lead in the B2B OMS market in terms of functionality and ecosystem but will need to be on its toes if it wishes to stay ahead in this market.

By implementing a modern B2B order management system that automates manual processes, manufacturers and distributors gain the ability to minimize errors, speed cycles, increase efficiency, and free labor.

Conclusion

IDC anticipates that change in the B2B digital commerce market will only continue to accelerate; in this environment, past success is not a guarantee of future growth. Businesses with modern, integrated technology and a digital-first mentality are much better prepared to quickly assess and respond to the challenges of digital commerce; they are more resilient. B2B manufacturers and distributors should seek out a best-of-breed order management system that is purpose built for B2B and can scale and adapt to their customers' needs in the future.

About the Analysts

Jordan Speer, *Research Manager, Global Supply Chain*

Jordan K. Speer is Research Manager for IDC Retail Insights, responsible for covering the global supply chain. Ms. Speer's core research examines how digital technology opens opportunities to better connect and optimize the execution of the end-to-end supply chain from order creation through order fulfillment. Before joining IDC, Jordan was editor in chief of Apparel, a 60-year-old print and online magazine covering the business and technology of the apparel supply chain.

Jordan Jewell, *Research Manager, Digital Commerce*

Jordan Jewell is a Research Manager for IDC's Enterprise Applications and Digital Commerce team and leads IDC's Digital Commerce research practice. In this role, he leads research initiatives addressing both B2B and B2C digital commerce platforms, digital marketplaces, order management software, and adjacent technologies that facilitate online commerce. Jordan joined IDC in 2015.

MESSAGE FROM THE SPONSOR

Orchestrate your orders and optimize your inventory on a scalable platform

Enterprise resource planning (ERP) solutions were not built to support order management, and many homegrown systems cannot scale to support demands for automation. True order orchestration allows you to manage incoming product orders without handling paper, and with the confidence to exceed customer expectations.

And, a highly accurate inventory view helps to avoid overpromising, losing sales and incurring unexpected, expedited shipping charges. Inventory management, with real-time views of warehouse and in-transit inventory, gives you the speed and accuracy you need to provide improved fulfillment experiences.

What to increase order accuracy while decreasing fulfillment costs? Visit ***IBM.com*** to learn more.

IDC Custom Solutions

The content in this paper was adapted from existing IDC research published on www.idc.com.

IDC Research, Inc.
5 Speen Street
Framingham, MA 01701, USA
T 508.872.8200
F 508.935.4015
Twitter @IDC
idc-insights-community.com
www.idc.com