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Seven Imperatives for B2B Digital Transformation Success

Introduction

The widespread adoption of digital commerce as a key B2B sales channel continues to grow. Experts predict B2B digital commerce will reach $1 trillion by 2019 in the US alone[1] and will continue to outpace B2C for the foreseeable future. There is tremendous growth opportunity in B2B digital commerce since most transactions are still handled through traditional selling methods, such as inside and outside account reps and companies purchasing from warehouse supply stores. Smart B2B sellers are implementing the digital transformations that will enable them to seize this growth opportunity, while improving scalability and operational efficiencies.

Today, B2B buying behavior increasingly mimics B2C, with companies purchasing in stores as well as through mobile and other devices in addition to traditional field and in-house sales. The advent and adoption of the Internet of Things (IoT) in the last few years adds another layer of complexity. These trends demand a B2B omnichannel focus, with superb experiences on all devices and in all sales touchpoints, enabling B2B buyers to convert in all channels.

Many companies are ill-prepared to deliver on this agenda. Their B2B sites were designed in-house by IT departments as order entry systems. With ties to legacy systems and hard-coded applications to support company processes, there exists a resistance to move to modern digital commerce platforms. These home-grown, proprietary digital commerce systems make it difficult to integrate with modern tools. Therefore, IT builds its own, sometimes not fully understanding business use cases or where the future of a tool is headed. This inefficient cycle will continue, unless companies embrace digital transformation that will enable them to:

1. Create a superb omnichannel customer experience
2. Centralize product and service management
3. Enable advanced, flexible configurations
4. Facilitate real-time buyer/supplier relationships
5. Enable customer self-service
6. Leverage a data-driven view of the business
7. Utilize innovative technologies to capitalize on untapped and growing B2B sales

This paper will examine each of these seven areas in greater detail, citing best practices and examples of how digital transformation contributes to B2B success. But first, to fully understand the need for digital transformation, it is necessary to understand the benefits and complexities of B2B digital commerce.

Benefits of B2B Digital Commerce

Unlimited Growth Potential

B2B digital commerce opens the door to new opportunities with the potential to significantly boost top line revenue. Because digital commerce eliminates the barrier of set store hours and geographic locations, business can be conducted non-stop, 24x7x365. Globalization becomes much easier in the digital environment by localizing content on the front end, managing currencies and payments across borders, and connecting back-end systems like supply chains and distribution channels through the internet. B2B marketplaces – like Amazon and Alibaba – present additional sales channels, extending companies' offerings to new customers. As adoption of IoT grows, so does the opportunity to capitalize on sales from smart, connected devices, e.g., replenishing toner cartridges for "smart" printers.

"We are making it easier for customers to do business with us than ever before, and empowering our teams to service those customers more efficiently."
Bob McAdoo, Vice President, Worldwide Business Systems, Parker Hannifin

Depending on which study you read, 60-75% of those polled say they prefer to research purchases before engaging a salesperson. Millennials primarily use mobile devices and social media to research products and, in business, they are increasingly involved in B2B purchase decisions. Having a B2B digital commerce site

that is optimized for mobile, with good product information and supporting content like "how-to" videos increases chances of being found, improves credibility and increases the propensity for a sale.

B2B digital commerce also optimizes new customer acquisition. It is now possible to reach new B2B buyers with digital marketing techniques like organic and paid search, display advertising, affiliate marketing and social media integration. These tactics complement the traditional sales force and can be used as a sales support platform.

Digital data collected from B2B digital commerce sites provides a wealth of information regarding buyer behavior. This information can be used to define segments and personas, then identify opportunities to up-sell and cross-sell to them using tools that utilize data to determine what should be offered. B2B digital commerce also enables retargeting of customers who visit the site and leave, or abandon their shopping carts.

B2B digital commerce also delivers value to the bottom line through better efficiencies and economies of scale. The online catalog can replace or reduce the need for traditional catalogs. Customers can self-serve for reorders, order tracking, and online payments. The ability to procure goods over the internet in realtime makes inventory management much more effective, improving order management and fulfillment processes.

In summary, B2B digital commerce offers virtually unlimited opportunities for growth, while making buying and selling online more efficient and cost-effective. But first, organizations must understand the complexities of B2B commerce and the digital transformation necessary to address them.

The Complexity of B2B Commerce
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The Main Differences Between B2C and B2B Commerce

Today, there are blurred lines between B2B and B2C commerce from the customer perspective. B2B customers expect the same omnichannel experience from B2B companies that they experience as consumers in their personal lives. Creating a consistent, unified and superb B2B customer experience across all sales channels – face-to-face and online -- is complicated due to the complex functionality, business rules and workflows required to power B2B commerce. For example, B2B commerce must support payment options such as transacting by purchase order (PO) or billing with payment terms assigned on a customer level. B2B must also support customer-specific business rules, such as who is authorized to make a purchase on a company credit card, along with complex workflows such as order management and supply chain. Figure 1 highlights the added complexities posed by B2B digital commerce as compared to B2C.

Figure 1: Key differences between B2C and B2B digital commerce

Business-to-Consumer

- Same terms for all customers
- Rarely personal relationships
- Same pricing for all customers
- Standard payment options
- Single unit sales
- No approval processes required – customer is the buyer
- Same product assortment for all customers
- Re-order not typical unless subscription model
- The customer is the end-user

Business-to-Business

- Pre-negotiated contract terms
- Personal relationships with sales and customer service
- Negotiated pricing for individual customers
- Advanced payment options including invoicing
- Bulk sales
- Approval processes and authorization required – multiple stakeholders and decision-makers involved
- Segmented product assortment based on customer type and pre-determined terms
- Re-ordering is common
- The end-user works in the customer's enterprise

A company's business model can further complicate matters. B2B2C (business to reseller to consumer) and B2B2B (supplier to distributor who is also a supplier to purchasing consortiums) increase the number of business rules and workflows that must be managed. Figure 2 describes common B2B business models. Companies need modern and innovative technology to manage these complexities and transform their B2B organizations. Only then can they capture untapped and growing online B2B sales and differentiate themselves from their competition.

Figure 2: B2B business models can incorporate complicated distribution channels

B2B	Business to business
B2B2C	Business to reseller to consumer
B2B2B	Supplier to distributor to purchasing consortium

B2B Commerce Effectiveness

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Seven Digital Transformation Imperatives

Capitalizing on the tremendous growth opportunity in B2B digital commerce requires seamless integration between the online and offline worlds. This includes everything from the content on landing pages and navigational components of the digital commerce platform to back-end integrations with both internal and third-party systems. They all must work in concert with one another and support omnichannel initiatives, including transacting on mobile and in-store devices, in physical stores and on social media platforms. To complicate matters, businesses must also support relevant marketing and sales initiatives.

B2B commerce must be designed with the end user in mind, providing a superb customer experience at every touchpoint. It is imperative for B2B sellers to undergo the following seven digital transformations.

1   Create a superb omnichannel customer experience

Today's B2B purchaser is most likely an online shopper for personal purchases and therefore accustomed to engaging and personalized experiences. Modern B2B websites must live up to these expectations, being customer-centric and intuitive in design. Organizations must create a seamless flow from any entry point, across all channels, to the point of purchase – whether online, in-store, via traditional sales, or by phone. Accomplishing this is not easy, considering the many entry points that can lead to a conversion. B2B shoppers expect the user interface (UI) design to be appealing, simple to understand and easy to navigate, while flawlessly supporting a complex set of back-end business rules, processes and workflows that remain undetected by the customer.

Product taxonomies play a key role in user experience (UX) design. Organizations must define their target customers and create product descriptions and hierarchies from the customer point of view. This is particularly tricky for companies selling raw materials since the same item may be referenced differently depending on the customer.

Onsite navigation, site search, facets and guided selling help customers easily find what they need. Landing pages require relevant content presented in a manner that is easily consumed by busy B2B shoppers. And, because so many B2B customers and prospects research online before purchasing, product detail pages should be as comprehensive as possible. Companies must also employ and manage digital assets including multiple product images, PDFs with detailed specifications, product manuals, "how-to" videos and customer recommendations.

B2B digital commerce becomes a sales enabler when included as part of the omnichannel experience rather than as a siloed channel. Sales can send their customers and prospects links to product assets as part of the sales process. Information from online, call center and field sales can help sellers through the planning process with their clients. Past purchase history, including history from direct interactions and ecommerce sites, can be combined with online browsing information, completing the picture regarding the buyer's purchase behavior to help make personalized recommendations. Shopping carts can be used as pro forma purchase requisitions. Responsive design supports field and in-store sales by enabling them to place customer orders easily on their tablet or smartphone devices. In-store sales associates have the mobility to guide their B2B customers directly to their needs, making recommendations along the way. Field reps can transact at customer sites.

Because the omnichannel customer experience hinges on many factors, businesses must approach it as an end-to-end strategy to be effective. This is especially important considering the growing importance of the millennial cohort. A recent study revealed 73% of millennials are involved in product/service decision-making at businesses.[2] Now the largest generation in the US workforce, millennials use digital resources, particularly customer reviews and social media, when researching purchases. Brands no longer have complete control of their companies' reputations. This underscores the importance of creating a superb customer-centric omnichannel experience.
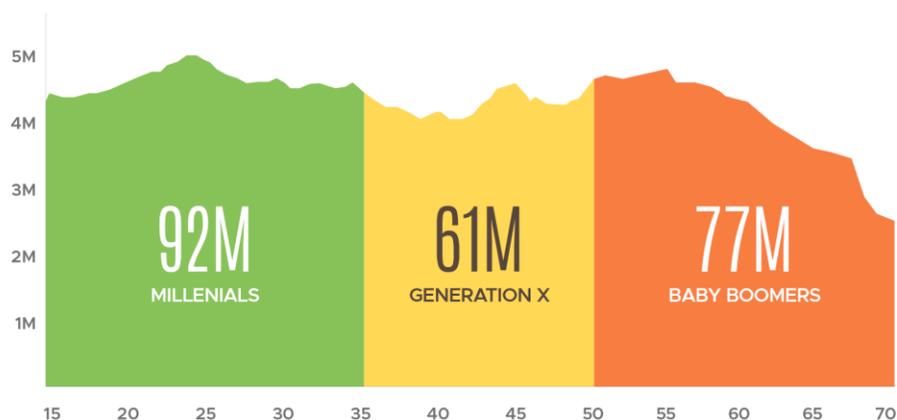

Millennials have surpassed Generation Xers as the largest generation in the U.S. labor force. In 2015, there were approximately 55.2 million millennials in the U.S. workforce. The Department of Labor predicts that by 2025, the workforce will grow to include 74 million millennials.

2   Centralize product and service management

Whether selling products or services, maintaining and managing all related information – attributes, descriptions, complex product specifications, videos, reviews, etc. – centrally creates a "single source of truth" to support the omnichannel environment. This includes rich, unstructured data such as documents and product photos, and localized versions of all digital assets for global organizations. A central repository ensures consistency of information regardless of whether the customer is in-store, online, or speaking to sales. It also creates better efficiencies because the information is updated in one place and replicated throughout the selling ecosystem.
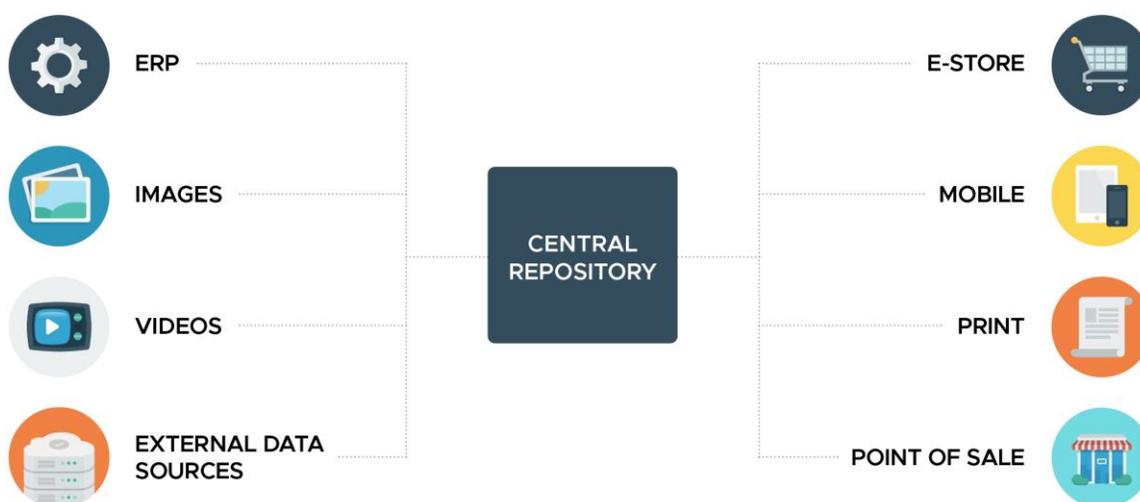
Catalog management supports custom assortments, proprietary SKUs and pricing. Customers may have exclusive rights to certain products or may be merchandising under white label agreements. Merchandising may assign products to multiple categories and sub-categories depending on their taxonomies. In addition to supporting product governance rules, catalog management helps manage negotiated pricing and shipping.

In addition to consistent product details, this central repository of information manages product relationships. For example, merchandising assigns groups of products as kits, hard bundles or soft bundles. Manufacturers supply replacement parts associated with one or more of their products. These product relationships must be managed so the digital commerce platform and sales have access to them.

Organizations must focus on data quality management as a continual process for this repository. Data quality is critical as this repository feeds supplier/distributor portals and traditional sales processes such as Quote to Cash (QTC) and newer Configure, Price, Quote (CPQ) technologies. Data quality management

starts with initial data entry. Whether products originate from a supplier feed, or are manually input into the system, data structures and content remain consistent. Changes in product status – on sale, discontinued, etc. – and updates to digital assets require ongoing maintenance.

3   Enable advanced, flexible configurations

The added complexities of B2B require a platform that is highly configurable to accommodate the myriad pricing options, authorization rules, approval workflows, payment terms, special product configurations, hard and soft product or service bundles and fulfillment options.

In the B2B world, customers negotiate pricing. Contract pricing schemes include tiered/volume pricing, group pricing, regional pricing, and volume pricing or combinations of pricing structures. For example, group pricing could employ a tiered model where a customer receives a discount on top of better pricing based on volume.

B2B commerce often involves complex approval workflows. Managing this includes understanding customers' payment approval hierarchies, budgets, and spending authorities, then creating, implementing and managing the policies required to support these workflows. Where multiple approvals are necessary, insert consultative sales techniques into the process for cross-selling, upselling and converting.

Payment terms vary widely, including how many days allowed a customer to pay an invoice, to acceptance of purchase orders or electronic payments. Digital commerce platforms must support all options offered by the organization. Global organizations must support multiple languages, currencies, and tax rules that often cross geographic boundaries and require specialized payment systems.

B2B commerce must also support a variety of fulfillment options: drop ship from the manufacturer, shipment from warehouses, purchase in a warehouse supply store, or purchase online and pick up in the store. While the latter is often thought of as a B2C offering, there are times when a business is in immediate need of a product, for example, a new hard drive for a laptop. Offering companies the ability to order online and pick up in store helps customers with an immediate need. At the same time, it drives foot traffic and opens the door for additional in-store sales.

From pricing to order entry to fulfillment, B2B omnichannel commerce requires all business processes to be managed digitally to provide the flexibility modern B2B contractual relationships require.

4   Facilitate real-time buyer/supplier relationships

Many B2B purchases involve bulk orders, making real-time inventory management a necessity. Without it, organizations run the risk of accepting multiple orders that deplete inventory before all can be fulfilled.

Organizations need to know how much inventory is in stock and at what location or distribution center. Those businesses with a retail focus such as office supply stores must also know in-store inventory levels as products can be shipped between stores.

The B2B supply chain is a complex mix of manufacturers, suppliers and distributors where distributors can also serve as suppliers. Products can be sourced directly from the manufacturer or from a supplier – or a combination of the two. Supply chains typically cross borders and continents, further complicating the mix.

Technology plays a key role in managing inventory on hand, backorders, and replenishment. Leveraging technology to connect supplier networks through web services, Electronic Data Interchange (EDI) or punch out catalogs enables real-time buyer/supplier relationships and streamlined back-end operational efficiencies. Customers have access to real-time inventory, real-time pricing and real-time order status.

The burgeoning adoption of IoT has many implications for B2B, particularly in the buyer/supplier relationship. For example, printers can detect when toner levels are low and trigger an order to replenish, avoiding down time and creating an efficient method of procurement.

5   Enable customer self-service

Allowing customers to self-serve online through account management presents another way to enhance their experience. Customers can configure their own organization, setting up order and approval hierarchies.

Providing a record of prior purchases reveals SKU numbers for easy reordering. For products that are consumable in nature, companies can offer the ability to autoship replenishments. Banks, for example, can set up autoship orders for pens in line with their forecasts for that item.

Allowing customers to access a record of invoices helps them track spending caps and budget for the future, and run reports by cost centers or POs. Offering the ability to pay online through ACH or corporate credit cards reduces administrative time for both parties.

Self-service can also be used for checking order status and ship dates. Customers can manage their accounts, updating roles and permissions for employees' spending limits, and a host of other functions that are specific to their companies.

Self-service is a win/win. Customers find it easier to conduct business. Sales can focus on bigger, more complicated sales, thus shortening the sales cycle. Customer Service can focus on resolving complicated customer issues. Both buyer and seller benefit from increased efficiencies and reduced operational spend.

6 Leverage a data-driven view of the business

Data and analytics play both strategic and tactical roles in today's omnichannel environment. From a strategic standpoint, data supports segmentation strategies and growth opportunities. From a tactical perspective, data can be used to course correct. For example, a high abandonment rate on a product collection page may indicate a need to re-rank products or change the product assortment.

Truly, a wealth of information exists that is not easily seen due to the fragmented nature stemming from disparate omnichannel systems. Businesses face the challenge of harnessing data from multiple sources, then organizing it for a deep understanding of the customer and the business. To transform all this information into knowledge, businesses must first understand where the information originates and how it is used.

Digital commerce sites can be tagged to track metrics at a very granular level, providing real-time analysis of traffic patterns, exit and abandon rates, conversion rates and more. Analytics tools track behaviors – what customers are really doing on the site. Monitoring this activity on an ongoing basis can identify situations that require further investigation. Lower than expected conversion rates, for example, can indicate an issue along the path to purchase. A good rule of thumb is to split test changes and use data from the tests to identify the problem and optimize the page.

Sales data from financial systems should include conversion channel, whether online, in store or direct sales. Aside from financials, these systems do not record activity leading to purchase. Internal sales and field sales reps have first-hand knowledge of the customer based on relationships built over time and the steps involved in the sales cycle. Sales must be disciplined in recording activity and status in the CRM system that can be used in improving sales cycles over time.

Other groups across an organization concentrate on metrics related to their line of business. Merchandising focuses on product performance metrics such as sales velocity and gross margins. Marketing focuses on metrics such as campaign performance and leads generated.

But perhaps the most telling data is the combination of activities across the organization that contributed to a sale. Most organizations today use either first-touch or last-touch attribution. First touch focuses on the

channel that brought the customer in to the sales process; last touch credits the channel immediately before conversion. What organizations should strive to achieve is fractional – or multi-touch – attribution, where each channel in a sales cycle is credited with a certain percentage of a sale. This data delivers invaluable information for designing and optimizing marketing and sales activities.

In addition to analytics and reporting, businesses can tap into digital tools that use data to predict customer behavior and dynamically create offers to cross-sell and upsell the customer. This predictive intelligence helps increase average order value (AOV) while appearing as a service to the customer. For example, a facility purchasing electronic medical equipment may see a recommendation to also purchase a power backup system to ensure continuous use in the event of a power issue.

Organizations today require an analytics and reporting solution that consumes the relevant data from all customer touchpoints and aggregates them into a deep understanding of the customer. This understanding enables effective targeting, segmentation and personalization and leads to better-informed decision-making.

7 Utilize innovative technologies to capitalize on untapped and growing B2B sales

Technology innovation moves at breakneck speed. Organizations that tap into the unique opportunities these innovations present will undoubtedly see exponential growth.

IoT represents tremendous opportunities for B2B. The predictions are compelling: 24 billion IoT devices installed by 2020; $6 trillion invested in IoT solutions over the next 5 years; $13 trillion ROI by 2025. Governments will have 7.7 billion devices installed by 2020; businesses will have 11.2 billion devices installed by 2020.[3]

IoT introduces automated reordering into the mix and has B2B applications across many industries: manufacturing, transportation, defense, agriculture, infrastructure, logistics, utilities, hospitality, healthcare, oil, gas and mining. Artificial Intelligence (AI) – combined with real-time cognitive insights –extends the utility of IoT even further. For example, these technologies can identify defects in manufactured goods that are too small to be seen by the naked eye, enabling quality control experts to quickly make needed adjustments.

Virtual reality (VR) – no longer strictly the realm of gamers – offers an effective way for B2B organizations to present complex products in an easy-to-understand fashion. Instead of reading product literature or watching a video and trying to imagine how it works, customers experience what it would be like to use the product. This immersive, experiential technology ensures a captive audience with the likelihood that product information will not be forgotten.

From a business strategy perspective, organizations must decide which of these new innovations to leverage for their business. At the same time, they must ensure their digital commerce technologies can support their use of these technologies, such as accepting an order from an IoT device.

Today's ecommerce platforms offer a modern toolset, and are open and extensible to support third-party extensions through APIs and SDKs. This enables the platform to adopt new technologies as they evolve. They also offer easy integration with third parties and supplier networks.

Conclusion

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Historically, B2B organizations were slow to adopt digital commerce. Today, B2B digital commerce surpasses B2C by more than 2X and is on a growth trajectory to hit $1 trillion by 2019.

Organizations grappling with managing today's omnichannel environment must take a customer-centric approach. B2B customers expect more than an order-entry portal. They expect the same level of service and consistency of information enjoyed during their B2C experiences regardless of where they transact – online, in store, through direct sales, mobile devices, social media, and even IoT.

The B2B business model presents many complications that must be overcome if organizations are to deliver on this agenda. B2B adds another layer of personalization due to negotiated pricing, payment terms, shipping methods, approval workflows and more. These factors create complicated business rules and workflows on the back end that need to be translated to a seamless omnichannel experience on the front end. Organizations must invest in digital transformation to support these complex processes if they expect to accomplish this task. Only then can they meet and exceed today's customer expectations.

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[1] Mediapost – "B2B digital commerce To Hit $1 Trillion By 2019 In U.S.", June 2017

[2] Sacunas – "B2B Report Millennials", March, 2016

[3] BI Intelligence – "Here's how the Internet of Things will explode by 2020"

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