

# Expectations Rising for B-to-B E-commerce

Companies are responding to customer demands — and the growing threat from wholesaler sites

November 2, 2017

By **Michael J. McDermott**



cybrain/Thinkstock.com

**T**he numbers are eye-popping: **Forrester Research** estimates B-to-B e-commerce sales will hit \$889 billion this year, grow 7.3 percent annually for each of the next three years, then jump another 7.9 percent in 2021 to hit \$1.184 trillion. During that same period of time, e-commerce's share of total B-to-B sales is projected to grow from its current level of about 11 percent to more than 13 percent.

One factor behind that rapid growth is that, because B-to-B marketers were slower out of the e-commerce gate than their B-to-C counterparts, they're starting from a smaller base.

"There's been a lot of hesitation, mainly out of fear of disrupting traditional sales channels through sales reps or channel partners," says Ed Kennedy, senior director of commerce at Episerver, a provider of digital commerce and marketing solutions.

That's a problem because most B-to-B customers are also B-to-C customers, and their experiences as the latter have colored their buying expectations.

"Today's consumers enjoy great shopping experiences at home, which leads to high expectations for great online experiences at work as well," says Jamon Heller, director of e-commerce at HALO Branded Solutions, a promotional products distributor and ANA B2 Award winner. "Business buyers expect suppliers to provide online experiences that enhance their existing business purchasing relationships."

But that doesn't necessarily mean B-to-B buyers are looking to replace existing buying channels with online-only alternatives. Rather, they "increasingly expect an omnichannel relationship with their business partners," Heller says.

## Multiple Trends Fueling Growth

As Kennedy notes, the rise of millennials in the workforce — particularly those in purchasing and procurement roles — is another factor driving the growth of B-to-B e-commerce. Both millennials and gen Xers expect to interact with businesses digitally, "and many prefer it over email, fax, or phone for the sake of convenience," he says.

---

SHARE THIS ON TWITTER



**Expectations are rising for #B2B e-commerce.**

---

Omnichannel is particularly important for B-to-B marketers looking to connect with the younger generation of procurement specialists, as they rely heavily on mobile and tablet devices to conduct research and purchase business goods.

According to Accenture Interactive's "**2014 State of B2B Procurement Study**," 55 percent of workers aged 18 to 25 use mobile phones for procurement research, compared with 36 percent of respondents over the age of 45. Half of millennial B-to-B buyers use tablets to conduct research versus just 31 percent of buyers over the age of 45, the survey found.

Indeed, demand for digital interaction in the procurement sector is a trend that's been gaining momentum for several years. Accenture's study found that 68 percent of B-to-B buyers were already purchasing goods online, up from 57 percent the previous year. Based on Forrester's estimates and projections, that number will continue to climb.

What's more, 94 percent of buyers said they conducted some form of online research before purchasing a business product. The two most popular sources for that research were supplier websites (83 percent) and Google (77 percent).

Some large B-to-B marketing organizations have been slow to recognize the strength of demand for e-commerce options among their customers. When Accenture Interactive surveyed 50 U.S.-based B-to-B companies with at least \$500 million in annual revenues in 2015 for its study "**Channel Shift:**

**Measuring B2B Efforts to Shift Customers Online**, 64 percent cited resistance to change by long-term customers as a top barrier to driving more online sales, and 54 percent complained that their customers don't consistently use online buying options.

However, more than four in 10 of the companies acknowledged that institutional factors present barriers as well; specifically, sales organizations' resistance to driving customers online and their lack of readiness to support online sites.

Another interesting finding of the Channel Shift study was that the less time B-to-B organizations devote to e-commerce, the more likely they will struggle with resistance to change from customers, sales teams, and executive leadership.

## Amazon Forces the Issue

Another factor that cannot be overlooked in any discussion about B-to-B e-commerce's burgeoning growth is the rise of online-only B-to-B wholesaler sites, especially Amazon Business and Alibaba.

Launched in 2015, Amazon Business surpassed \$1 billion in sales in its first year. Last July the site had more than **1 million business customers**, triple the number the previous year, while the number of sellers on its platform jumped to 85,000 in 2017, from just 30,000 in 2016.

---

### RELATED CONTENT



#### **The Evolution of E-commerce**

**E-commerce is booming. Here are three rules of thumb for brands looking to break in.**



#### **360-Degree Marketing**

**To implement an effective omnichannel strategy, marketers must focus on all points of the customer journey.**

---

In a recent white paper, "**Disruption at the Gates: Monitoring the Threat of Amazon Business**," Applico, which specializes in helping large enterprises launch platform businesses, suggested Amazon Business could generate sales of \$8 billion or more before the end of 2017. The white paper argues that because a centralized marketplace like Amazon Business operates without a large salesforce, it can achieve a much leaner cost structure, passing those savings on to customers.

Since lowering costs is the top priority for chief procurement officers at more than 300 large enterprises generating \$4.4 trillion in annual revenues, according to "**The Deloitte Global CPO Survey 2016**," B-to-B sellers have more incentive than ever to start taking e-commerce seriously.

## User Experience Core

The B-to-C experience that companies like Amazon, Google, and Alibaba deliver — and their addition of B-to-B pipelines — has turned the tide for business marketers and made e-commerce an essential channel for conducting business in a digital age, Kennedy says.

"Amazon and Staples have already come after traditional distributors, and they're going to come after manufacturers next," he adds. "I suspect Amazon will start to create private label products for specific B-to-B segments, like they have in the consumer space, and undercut manufacturers that sell on Amazon Business."

The Applico white paper contends that Amazon Business's marketplace formula presents a serious threat to B-to-B organizations in many industries, and that those companies may not be taking the threat seriously enough.

Online-only B-to-B wholesaler sites "do not need to penetrate all of a distributor's product lines to substantially impact the company's financial viability," the paper's authors warn. Even if a marketplace site like Amazon Business only commoditizes a handful of small, high-margin items, the white paper adds, "it can severely impact distributors' net profit margins even as overall revenues stay high."

Research suggests that the likelihood of success for a B-to-B e-commerce initiative increases when it is part of a broader omnichannel strategy. A **Forrester study** on this topic yielded several key findings:

- Providing a comprehensive omnichannel experience helps ensure customer loyalty.

- B-to-B sellers who fail to adapt their technology to buyer needs will fall behind.

- Technology investment must be aligned with organizational process change.

HALO won two ANA B2 Awards this year for the success of its "hybrid" sales approach, which combines a relationship-based salesforce with e-commerce functionality for online sales and lead generation. Its strategy reflects the realities identified by Forrester, as well as its own unique circumstances. While its e-commerce channel has been growing dramatically the past few years, online sales still account for just a small percentage of its overall revenue. A consultative salesforce numbering more than 500 remains its primary sales channel.

"We won the B2 Awards in **eBusiness Strategy** and **New Customer Acquisition** by identifying the most powerful and unique aspects of our traditional business model and elevating and amplifying them online," Heller says.

Although most of HALO's online-only competitors have value propositions focusing on low price and self-service, HALO's online efforts spotlight the value its consultative salespeople bring to the client with their expertise, creativity, and personal attention.

"We use the internet to reach potential clients where they are at — looking for promotional products on search engines — then provide a good user experience on HALO.com," Heller says. "Eventually, we introduce them to a top-notch salesperson who can offer a great deal more value than just a self-service oriented website."

At the same time, HALO is aggressively investing in technology and marketing to grow its e-commerce channel. These investments include enhancing its merchandising, marketing, and user-experience tools, and working in closer partnership with key suppliers to bolster its product assortment.

HALO also leverages a variety of tech and non-tech resources to inform its e-commerce strategy. "We use a combination of website analytics, sales staff surveys, agency advice, supplier partnerships, and staff training to identify areas of e-commerce opportunities," Heller says. "We then evaluate and prioritize areas to invest in, making strategic and selective decisions about what to focus on first."

Heller believes the keys to e-commerce success for B-to-B marketers are staying abreast of B-to-C e-commerce trends and prioritizing carefully. "Most of us don't have the resources to become the Amazon of our respective industries tomorrow," he says. "Instead, identify your company's unique value propositions, and then focus on a few online areas that elevate and maximize their online value."

---

## TIPS

# 3 Ways to Boost E-commerce Sites

In speaking with decision makers at B-to-B companies that have successfully implemented e-commerce, **Forrester identified three best practices:**



- 1. Carefully define project goals and objectives.** Forrester's study identified this as the most critical factor to a successful e-commerce implementation. It's also important to map goals and objectives into a phased roadmap because it's likely features will be scoped into and out of the process along the way.
- 2. Involve internal and external users throughout the implementation process.** This step is critical to ensuring that the B-to-B e-commerce solution will meet end-user needs.
- 3. Engage with both insourced and outsourced experts.** Where possible, leverage the expertise and experience of B-to-C e-commerce implementation experts to reduce project risk factors and shorten completion timelines.  
—M.J.M.

---

**[LEARN MORE](#)**

## Leave a comment

*Start typing your message here. Limit is 5000 characters....*

**SUBMIT**

---