No Going Back

Take B2B Commerce Beyond the Pandemic Response and Quick Fixes

Sponsored by
Oracle and Mirakl

Adapt to ever-changing buyer demands by facing the underlying challenges head on
Executive overview

Prior to the pandemic, Oracle and Mirakl released a report that showed 56% of B2B buyers faced a significant difference between their expectations and the experience that B2B companies actually delivered. The study noted that while 73% of those buyers claimed to actively utilize digital channels, only 11% used digital as their preferred channel.

The findings of that report, launched in 2018, pointed to an unambiguous buyer “expectations gap.” B2B companies were simply not delivering on the experiences that their buyers wanted. The upshot? Buyers defected to alternative, more-consumerized channels like Amazon and Alibaba.

Fast forward to today. Have businesses done enough over the past three years to close this expectations gap?

In early 2020, Oracle and Mirakl partnered to conduct new research and find out what progress B2B companies were making. That research took place in the midst of the fastest acceleration in ecommerce growth in more than two decades, the result of behavioral changes spurred on by the pandemic. We quickly adapted to understand how the new imperatives aligned to existing ones. How have the emerging expectations and opportunities impacted the future of B2B ecommerce?

In the age of a new work-from-home culture, buyer expectations have only increased, as have their demands for better digital buying experiences. This leaves a majority of B2B companies in a precarious position as they pursue higher standards, even as they lag behind in meeting the demands laid out by buyers in 2018.

While COVID-19 accelerated buyer expectations, many of the fundamental challenges for businesses remain the same. Common barriers, such as insufficient technology resources and less sophisticated back office systems, must be overcome in order to meet growing expectations and improve the digital buying experience. Furthermore, many B2B organizations are still adjusting to pandemic-related impacts on their core businesses.

Key findings

Only 26% of B2B companies today possess the tools and advanced technologies needed to deliver personalized experiences, despite nearly two-thirds of buyers expressing the importance of personalized product recommendations back in 2018.

98% of B2B organizations acknowledge the importance of developing direct relationships with buyers.

75% of B2B companies are actively developing marketplace strategies to compete with Amazon or Alibaba. However, only 28% operate a marketplace of their own.

As businesses seek to expand their go-to-market strategy, 75% of B2B companies now consider subscription capabilities a valuable way to differentiate their offerings.
Consistent barriers to improving the digital buying experience

Our research showed that 60% of B2B companies indicated that COVID-19 moderately or significantly affected their business in 2020, while 53% still expect to continue feeling some impact through 2023.

There is hope. In 2021, B2B businesses are well positioned to take advantage of new strategies and tactics, like selling direct to the consumer, launching subscription models, leveraging marketplaces, and incorporating advanced technologies, to meet buyers’ expectations well into the future. In this report, we outline the findings from our research and identify the imperatives that B2B companies must address to strengthen customer loyalty and grow revenue in the years ahead.

We divide our analysis into three focal areas:

01 | Cultivate direct relationships
02 | Stop fighting digital giants
03 | Create B2C-like personalization

Our recommendations conclude this report.
Cultivate direct relationships with B2B buyers

For years, B2B organizations often deferred to channel partners and resellers to serve and service customers, preventing them from developing the valuable relationships that their businesses depend on. Some of these companies have slowly warmed to the benefits of cultivating direct relationships with their buyers, which requires developing a better understanding of their buyers’ unique needs. Many remained reluctant to challenge conventional channel relationships.

With the pandemic disrupting traditional selling models, companies are evolving their role in the buying process as well. Many B2B companies are creating direct, unfiltered channels of communication with their end users.

2020 was a watershed year. B2B digital sales as a percentage of total sales greatly increased, compelling these companies to fundamentally rethink how they go to market. Leading B2B companies realize that 2020 may have closed a door to in-person sales but it created a vast opportunity to develop digitally-enabled customer intimacy. They also understand that cultivating more direct online relationships is fast becoming critical to their long-term success.

“We have no idea what our channel will look like in five years, so it’s absolutely critical that we have a direct relationship with our end user customers.”

Senior Director of eCommerce
Manufacturer of Scientific Instruments

98% of B2B companies now consider it important to have a direct relationship with buyers

34% consider having a direct relationship with buyers critical to success while 48% believe it will be critical by 2023
Expand product and service offerings, including dynamic purchasing and ownership options

Studies show that selection is frequently the top reason B2B buyers start their research on a particular site. Looking ahead, product assortment will become more important as marketplaces expand the breadth and depth of their catalogs, providing an even more compelling, selection-driven value proposition.

Today, 83% of B2B companies report that their buyers are actively asking for broader selection, with 21% “frequently” or “always” requesting an expanded selection, a figure expected to nearly double to 41% within the next three years. B2B companies that don’t address this call for better selection will lose market share to those that do.

83% of B2B companies report that B2B buyers actively ask for a broader selection today, a figure expected to grow to 87% by 2023.

The number of buyers who are “frequently” or “always” asking B2B companies for a broader selection of products and services will double by 2023, rising from 21% to 41%.

21% ➞ 41%
Another way of growing your product assortment for your customers is to go beyond selling only simple items online to offering products and services that require configuration such as bundled packages or more complex “made-to-order” scenarios. In 2018, 60% of buyers said that they wanted to buy configured products online. Evidence suggests that figure has only risen in the last few years. Yet, just 51% of B2B companies report that a majority of their products are currently configurable. This disconnect may stem from organizations lacking the right technology to manage product configuration complexities such as knowing if the various parts are compatible and available.

B2B businesses also have a huge opportunity in front of them with subscriptions. They’re racing to add services on top of the hard and soft goods they already sell, with some exploring how to offer a subscription to the product itself versus outright ownership. The research shows that **75% of B2B companies already consider subscription capabilities valuable in differentiating their offering today.**

While pursing subscription services can create challenges with integrating new functionality into an existing technology ecosystem, the payoff is typically higher customer satisfaction, greater customer loyalty, and increased revenue.

“Having an online configuration tool is a win-win for us and the customer. For us, it’s more efficient because it reduces order errors. For the customer, it enables them to ‘build it on their own’ online.”

VP of Global Marketing
Manufacturer of High-Tech Components

“When we add more SKUs to the catalog, customers respond by asking for even more. They have an insatiable appetite and are never satisfied with the selection we offer. Also, every day Amazon puts more pressure on us to keep up.”

Director of eCommerce and Digital Distributor of Industrial Products
Stop fighting digital giants for B2B customer attention and use it as an opportunity

The consumerization of B2B buying means that sites like Amazon and Alibaba have extended into buyers’ professional lives with aggressive offerings aimed at business customers. The unparalleled selection, transparent pricing, availability, plus fast and easy ordering generates high levels of brand trust.

Companies can leverage the value these sites provide by selling through them to reach new customers, driving incremental revenue. Today however, only 50% of B2B companies we surveyed sell in any marketplace, anywhere. And just 1 in 8 companies derive more than 25% of their revenue from marketplaces.

This is just one facet of the marketplace opportunity. B2B companies can take control of their destinies by launching marketplaces of their own, centered around their own brands and use cases, that offer a broader selection while being more transparent about pricing. Developing a marketplace that includes 3rd party companies as selling partners equips B2B companies to drive growth while competing with major marketplaces on the basis of their industry expertise and providing a superior customer experience.

This advantage is fast becoming an essential pillar of a B2B commerce strategy. While today only 28% of B2B companies generate additional value by expanding available offerings with 3rd party sellers, 75% of B2B companies are actively developing marketplace strategies to compete with Amazon and Alibaba.

In order to stay relevant and compete effectively with large, horizontal, vertical, and geographic marketplaces, B2B companies must employ multi-dimensional marketplace strategies that enable them to win both their “home” and “away” games.
“Marketplaces attract huge amounts of customers and help increase sales and get people to know your brand.”
Oracle/Mirakl B2B Survey Respondent Comment

“Amazon and Alibaba are setting customer interaction expectations, which are driving project initiatives internally.”
Oracle/Mirakl B2B Survey Respondent Comment

“Amazon and Alibaba have been acting as inspirations for our first steps into ecommerce.”
Oracle/Mirakl B2B Survey Respondent Comment
Create B2C-like personalization

No more lagging—start creating B2C-like personalization using unified data

Rich personalization is driving the next generation of B2B e-commerce for customers, but companies still lag on expectations. In 2018, 65% of B2B buyers indicated that personalized product recommendations were important to them. Additionally, 64% of millennials and 54% of Gen Xers said the ability to live chat with customer service was a differentiator for them.

Yet, just 36% of B2B companies possess the tools and advanced technologies needed to deliver the level of customer intimacy considered table stakes in B2C. To achieve sustained customer loyalty, companies must master both the art and science of creating highly targeted, customer-specific pricing and promotions.

Fortunately, as technologies that deliver on that value proposition become more widely available, B2B companies that take advantage of them are reaping the benefits. But, as buyer demands continue to evolve, the chasm between the companies effectively using their data to power experiences and those that don’t will continue to widen, separating winners from losers.

For example, a company might leverage data and AI to automatically recommend a configuration based on past purchase behavior. When displayed in a visualization tool, it provides the customer with an experience that is highly personalized to their needs. This can’t be done without connecting customer with company data and making it actionable.

It’s a welcome response to calls from customers in 2018 who desired a greater ability to see products before purchasing and from those who were seeking “more innovative technology to be present in order to speed up things and also have accuracy in operations.”

B2B companies anticipate increased use of technology to satisfy growing buyer expectations

<table>
<thead>
<tr>
<th>Technology</th>
<th>Important today</th>
<th>Increasing to in 3 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>IoT</td>
<td>67%</td>
<td>72%</td>
</tr>
<tr>
<td>Chatbots</td>
<td>56%</td>
<td>62%</td>
</tr>
<tr>
<td>Recommendations</td>
<td>90%</td>
<td>93%</td>
</tr>
<tr>
<td>Ratings and reviews</td>
<td>85%</td>
<td>92%</td>
</tr>
<tr>
<td>Price optimization</td>
<td>82%</td>
<td></td>
</tr>
</tbody>
</table>
The opportunities ahead

As we enter 2021, the tipping point for B2B businesses to fully embrace digital selling imperatives, including B2B ecommerce strategies, has come and gone. Now is the time to take action and meet your buyers’ expectations, but launching B2B digital commerce is just a first step. There are many opportunities ahead.

Expand your product offerings to serve today’s channel-agnostic B2B customers

Think differently about how you serve customers from the assortment of products you sell online to the way your customers purchase and use them. Identify how to make configurable goods and services available online so buyers can self-configure and purchase digitally. Employ a multi-dimensional marketplace strategy to expand offerings and drive growth on the basis of a superior customer experience. Look beyond one-time purchasing and explore ways to create additional value using subscription models where it makes sense within your business.

Expand your understanding of buyers’ needs to cultivate more direct relationships

The role of channel partners and resellers in the digital-first economy has shifted, paving the way for businesses to build customer intimacy by developing online channels of their own. Invest in digital channels to respond to buyers’ expectations and leverage the third-party marketplace model to create win-win ecommerce solutions that avoid conflicting with channel partners.

Implement tech-enabled personalization to strengthen customer relationships

The more tailored and customized the interaction, the higher the conversion rate. B2C companies embraced greater personalization a few years back, but B2B companies still largely lag behind. Given all the data that exists within your back office and CRM, there’s more than enough information that can be leveraged to offer personalized experiences on your digital channels. The challenge comes in having the right technology to combine this data with additional online, offline, and third-party sources to create a single, dynamic and connected customer profile. You can then leverage this single view of the customer and apply AI and machine learning to prescribe best-fit messaging, offers and next best recommended actions across commerce interactions.
Methodology

For this study, we surveyed over 60 B2B ecommerce executives and interviewed a number of ecommerce professionals at B2B companies across a variety of B2B industries and growth stages.

Questions to participants focused on the changing dynamic between buyers and sellers and the impact that marketplaces are having on channel relationships. Questions also assessed current and planned investments for specific technologies B2B companies use to address both centralized and decentralized selling scenarios. Most study respondents were from North America and consisted primarily of manufacturers, distributors, and retailers. All respondents were directly responsible for ecommerce in their B2B organizations.