Getting e-commerce strategy right

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Executive summary

Business to business (B2B) e-commerce is more than just a channel for companies, it is a way to shift offline businesses into high gear online and provide a world class multi-channel customer experience that customers expect. According to Forrester Research, the current B2B e-commerce market is on track to hit $1.18 trillion by 2021[1]. Despite this tremendous growth, B2B digital strategies and capabilities are far less mature than their business to consumer (B2C) counterparts. B2B companies are increasing investment in digital capabilities, but questions still remain as to whether they are getting the most out of their money. Even with the higher levels of investment, 47 out of 50 corporate buyers believe suppliers need to invest more in making the online experience of B2B as easy as B2C, which would indicate significant room for improvement on the investments being made[2].

Whether your investments are targeted to attract new customers or keep the ones you currently have, your e-commerce strategy needs to focus on improving the overall customer experience, as it is lagging in most B2B organizations. From a historical perspective, a gap in strategy has existed, with many organizations failing to see the linkage between their e-commerce efforts and their customer strategies.

Building your e-commerce strategy

The history of B2B e-commerce

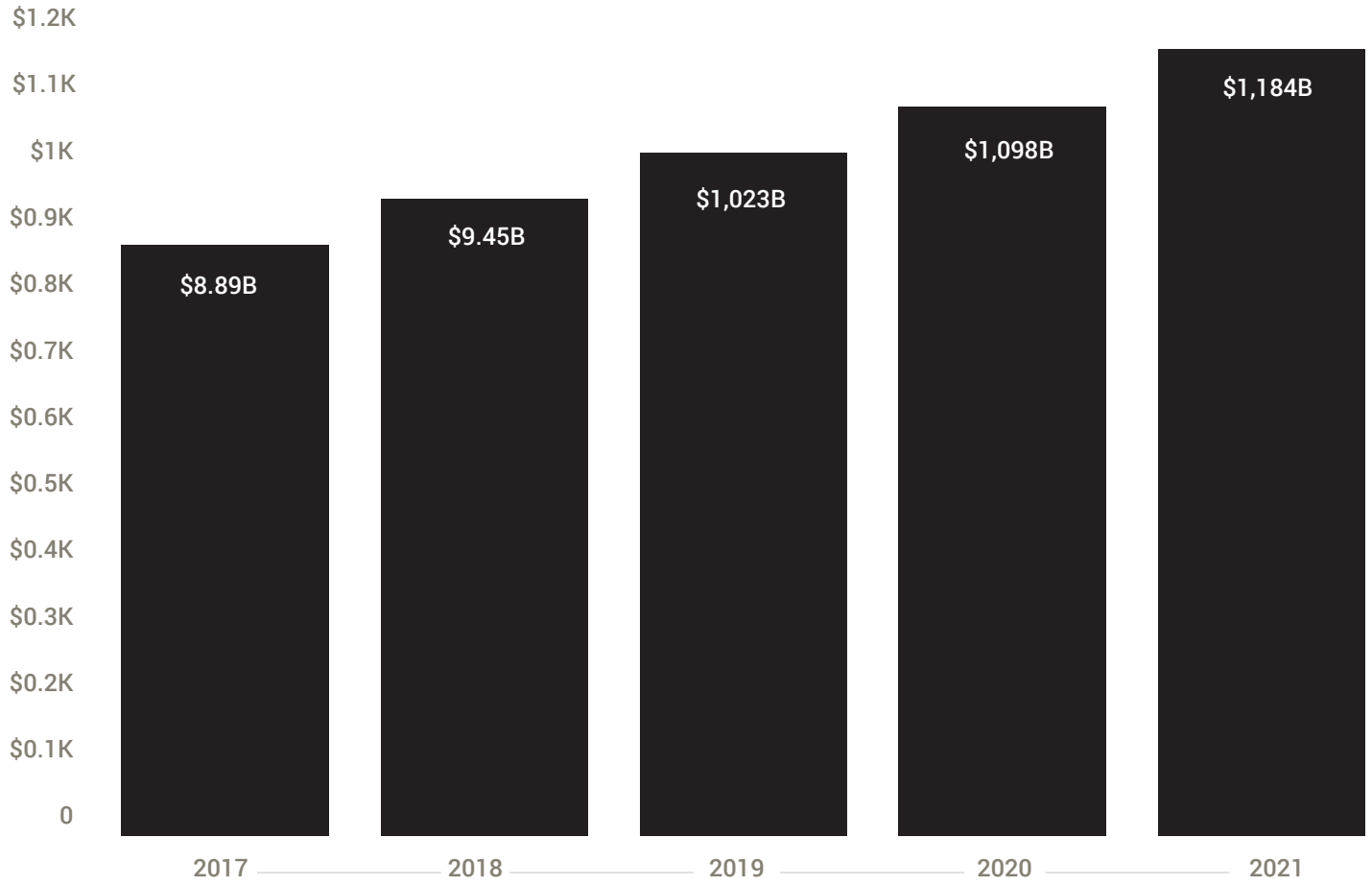
While the growth of the overall B2B e-commerce channel has been substantial in recent years, many analysts consider this period of time a lost decade for B2B e-commerce models. Companies have rapidly built their online and mobile presence in an attempt to take advantage of the promises of these channels. They have jumped on the latest technology trends and integration standards and are chasing phantom competitors who threaten their market position.

Global and ubiquitous access to customers lured established companies and new startups to invest in the online channel. However, most adopters did not concern themselves with the customer experience they were creating, which caused them to confuse their customer, lose money, and in some cases, go out of business altogether.

Having a solid B2B e-commerce strategy is most often the difference between success and failure. In general, organizations that developed a strategy before they began investment experienced greater success than those who did not. Furthermore, in recent years, organizations that are aligning their e-commerce strategy with their customer strategies are experiencing significant improvement in customer experience, top line growth, and customer retention.

US B2B e-commerce sales

Projected sales 2017-2021, in billions



Source: Forrester Research

The case for strategy

Although the potential opportunity is large, many companies fall short of their objectives and customers' expectations. Creating a strategy and executing a digital roadmap can be very complex:

- Rapidly changing B2B customer expectations are being shaped by B2C experiences. Examples of this include mobile and more personalized e-commerce experiences. With 42% of B2B customers using mobile devices during their purchasing process, demand for mobile purchasing channels is on the rise[3]. B2B buyers also expect "consumer-like" experiences such as custom catalogs and prices.
- Online competition in every industry has increased. In addition to improved website and online marketing capabilities, companies are vying for customer business through re-selling platforms such as Amazon and eBay.
- Channel conflict, or bypassing traditional field and storefront sales channels, is a challenge many companies face. Moving customers online or to mobile platforms can be a threat to existing field sales organizations and retail stores. Increasing your market presence through the e-commerce and mobile channels can have unintended consequences with your current customers.
- E-commerce strategy, including technology advancements, needs to be incorporated into the broader organizational plan, not the other way around. A e-commerce strategy needs to start with organization level goals and support from senior management.

While all of these pressures are real, in most cases we see a lack of focus on organizational goals and overall customer experience as the root cause for B2B e-commerce initiatives not meeting objectives. Organizations that focus on aligning their e-commerce strategy with their overall customer experience strategy can turn the pressures of increased customer expectations, competition, channel, and technology complexity into opportunities for their organization.

The e-commerce channel is highly scalable and can provide access to new customers. Organizations are no longer bound by the number of sales people they can hire and train, which not only increases speed and scalability, but reduces customer acquisition costs. In addition, online and mobile channels raise the bar on the ability to serve customers and improve the customer experience regardless of the channel the customer uses.

Foundational drivers of an e-commerce strategy

Strategy considerations

As you define your e-commerce strategy, remember that it not only needs to be part of the broader organizational strategy, but it also needs to be viewed as an extension and enhancement of your customer experience strategy. Research conducted by Gartner indicated that 86% of customers said they would pay more for a better customer experience strategy[4]. Before you define your e-commerce strategy, make sure you understand your customer experience strategy. Keep in mind as strategies change over time, you should assess the impacts on other strategic initiatives, channels and capabilities.

Five key points to remember as you define your e-commerce strategy

1. **An e-commerce strategy needs to be part of your overall business strategy.** Many organizations view what they are doing in the e-commerce channel as somehow separate and unique from what they are doing with their customers in other channels. B2C expectations have changed and have actually increased B2B customer expectations for how they are treated regardless of the channel. Many organizations fail to fully understand these expectations and how to align their e-commerce strategy to support it.

2. **Tie your customer experience position to your e-commerce strategy.** Define your customer vision and strategy using Voice of Customer, interviews and segmentation. It is important to understand varying customer needs to create a positive customer experience. Once you've defined customer expectations, it's important to build an e-commerce strategy based on this feedback. A solid e-commerce strategy begins with aligning an organization's e-commerce objectives with their customer strategies, specifically customer acquisition, retention and growth.

3. **Address channel conflict early.** Many organizations admit that they are undermanaging channel conflict and therefore leaving the potential for e-commerce growth on the table. Creating the optimal solution for your customers, direct sales organization and your e-commerce channel is possible, but requires a strategy to get there, manage the change, and adjust based on results.

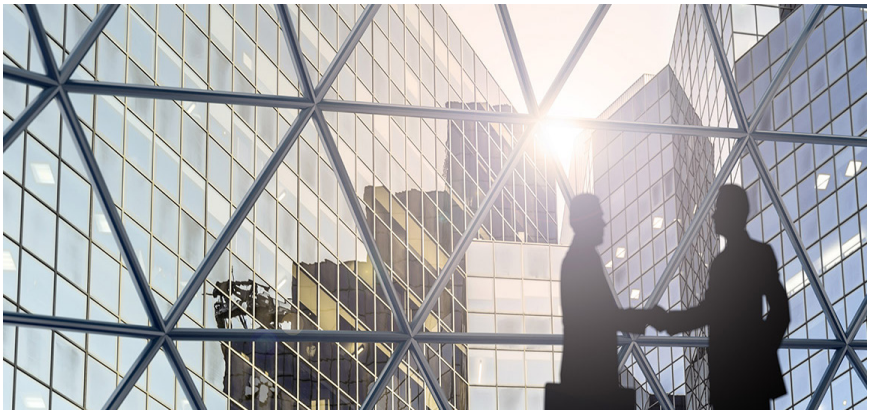
4. **Strategy is always evolving.** Remember that customer expectations are constantly changing. Channels, competitors, and capabilities continue to advance. Expect that your e-commerce strategy will need to advance as well. You will need to consider a roadmap for change that will allow you to invest, measure and adjust accordingly, along with an internal mechanism to continually monitor the marketplace for changes that could impact your strategy.

5. **Capabilities matter, but that's the next step.** A common mistake that many organizations make is focusing on the development or acquisition of capabilities for their e-commerce channel without having fully thought through what they really need. Understanding your customer experience strategies and how the e-commerce channel can best enable them will allow you to invest very pragmatically. A holistic approach to aligning capabilities with your e-commerce strategy will be addressed in our next white paper.

Define your key customer strategies and how e-commerce can support them

Customer acquisition

Adopting B2C practices in your B2B strategy can be a powerful way to drive acquisition of new customers and revenue growth. Since 90% of B2B buyers are using online search in their process[5], it is vital to be in the right place, at the right time, with the right message to win over customers. Once you have them, the right content, products and pricing is key to retention and completing the buying journey.



Customer retention

Migrate customer segments to online and mobile channels to improve the customer experience and lower costs through self-service options. Making it easier to find, compare and purchase products will increase customer loyalty. Understanding what your customers want is essential before deciding to build these capabilities.

Customer growth

Modern e-commerce platforms provide tools that enable companies to segment their customers, understand their buying behaviors, and personalize the online and mobile experiences with user specific content and products. A positive customer experience leads to increased purchases.

Conclusion

- The data is clear. The potential of the B2B e-commerce channel is significant. However, winning in this growing channel is not a certainty. Organizations that recognize that their e-commerce success is driven in great part by its alignment to a strong customer experience strategy, will win in the end.

- The time is now. B2B customers are demanding a world-class experience, and it is critical for B2B companies to fundamentally rethink their business and customer experience strategies. Companies should develop a plan forward that aligns the strategies, investments and capabilities to fully capitalize on this growing channel. E-commerce has the potential to transform a slow-growth offline business into a high-growth online, and multichannel enterprise deserving of a serious investment of time, money, and mindshare.

Are you positioned to win in the growing e-commerce channel?

Download part two in the three part series. We will discuss a holistic approach to aligning cross-functional and technical capabilities with your e-commerce strategy.

About Baker Tilly

Baker Tilly is a professional services firm with a specialized Growth and Enterprise Transformation consulting practice. Our professionals help clients achieve their growth objectives through more effective customer and channel strategies. Through a comprehensive evaluation of the opportunities and barriers, we define customer-centric strategies and develop a pragmatic plan to build the capabilities that will better enable sales, marketing, and service organizations to provide differentiating customer experiences and drive sustained growth. With more than 3,800 employees, Baker Tilly is one of the top 15 accounting and advisory firms in the country. Headquartered in Chicago, Baker Tilly services clients across the United States.

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