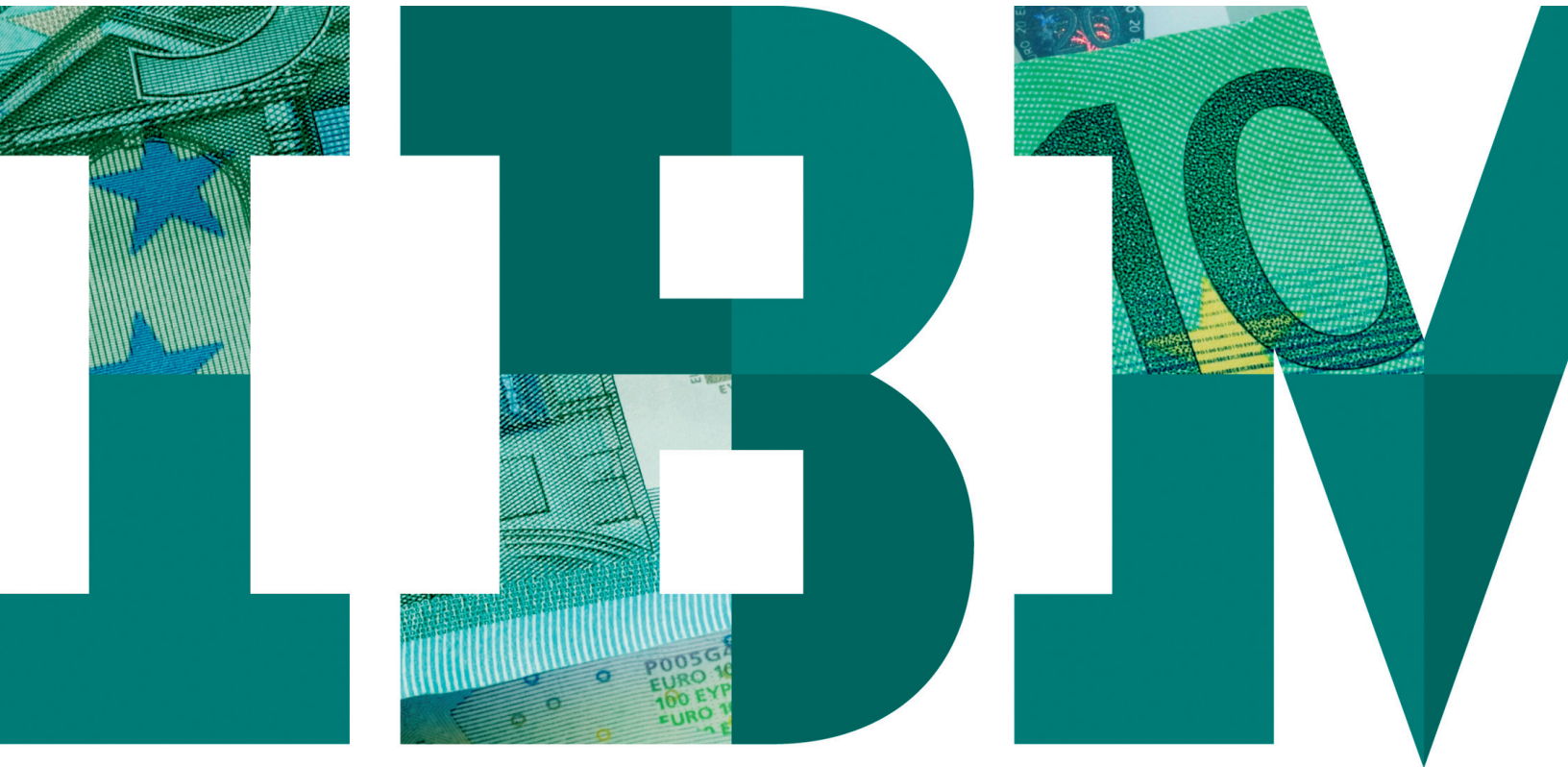


e-Commerce Strategies for Business-to-Business (B2B) Sales and Marketing



As businesses emerge from the economic downturn, they have increased their focus on making the most of customer insights and digital channels to transform the customer experience, open up new markets and reduce organizational complexities. According to the IBM Institute for Business Value report [The path forward: New models for customer-focused leadership](#), 47 percent of business leaders have increased focus on e-commerce and 46 percent are focused on developing effective digital customer experience.

Traditionally, business-to-business (B2B) firms have used the Internet “in silo” to expose their product catalog for order taking. But the successes in the business-to-consumer (B2C) e-commerce world—and the rapid adoption of Internet technologies like Rich Internet Applications and Web 2.0—has prompted B2B firms to rethink e-business strategy. As a result, many of the leading B2B firms are embracing the Internet as foundation platform for all sales and marketing efforts by following the best practices from the B2C world.

“The primary objective of our site is to make it easier for our customers to do their jobs,” says Adrienne Hartman, Corporate E-Commerce Manager at J.J.Keller & Associates, Inc.

On the other hand, B2B buyers are consumers too; the buyers also expect B2B sites to provide the similar experience, content and community collaboration that they get in a B2C site. The desire by the B2B firms to adopt B2C-like techniques and an increase in customer expectations has started driving a B2C/B2B convergence phenomenon.

Today many B2B firms (especially businesses that sell finished goods like industrial supplies or parts for maintenance and repair) use the power of the online channel to effectively market, sell and build brand loyalty. Even original equipment manufacturers (OEMs) are starting to use the web channel to market and sell directly to end customers without creating channel conflict.

This whitepaper will discuss B2B e-commerce market drivers, strategies and best practices for adopting the Internet and web channel for sales and marketing efforts. We include examples from a variety of industries to inspire new ideas for the digital transformation of your business.

Defining B2B e-commerce

B2B e-commerce is an overloaded term. It could mean different things to different people. For example, the use of technology solutions like electronic data interchange (EDI), e-procurement, online catalog, web forms, online portals and e-invoicing could be referred to broadly as B2B e-commerce.

For the purposes of this whitepaper, we define B2B e-commerce as the use of the Internet technologies by the seller to market and sell products and/or services to other businesses while the buyer uses the Internet to research, browse, compare and buy those products or services. In other words, from the seller’s point of view, B2B e-commerce is the automation and replacement of face-to-face sales and marketing processes with a self-service solution that makes it possible for sales personnel to focus on high-value selling. The replacement of face-to-face interaction (which is paramount to any business-to-business transaction) is what makes B2B e-commerce more challenging; this whitepaper will offer best practices to address those challenges.

Key drivers

Over the last decade, B2B e-commerce has evolved dramatically from basic communications and transactions to the incorporation of retail-like concepts including personalized offers, targeted promotions and customer communities as part of the buying experience. This increased focus on the customer is driven by key trends including B2C/B2B convergence and the transformation from product-centered to buyer-centric. While improving operational efficiency has always been one of the fundamental drivers for B2B e-commerce, B2B companies are increasingly using the web channel to improve top-line growth, open new markets and build loyalty and community around the brand.

Improve operational efficiency

In this tough economic climate, businesses are forced to do more with less—which means relieving sales and administrative staff from routine activities like order taking so that they can focus on high-value activities like selling. But studies have shown that, on average, companies capture one-third of orders through manual processes using phone, fax or email and 45 percent of contact center calls are non-transactional inquiries such as *Do you have product X in stock?*, *What is my price?* and *Where is my order?*

Streamlining the quote-to-cash process (and automating the customer interaction through an online self-service channel) represents a clear opportunity for B2B businesses to reduce operational costs. While sales order process automation has been a top priority, shifting to a self-service model could be a challenging business transformation because the familiar human aspect of business transactions is now being replaced by an online system. To make this transformation easier, the self-service processes need to be exposed to the buyers in a rich and customer-centric manner.

B2B firms are adopting B2C-like techniques as customer expectations rise quickly. This drives a B2C/B2B convergence phenomenon in which technology enables companies to use the web channel to market and sell to business customers

Deliver an experience that is B2C-like: Rich and customer-centric

Though companies may have some sort of an online self-service solution in place, a significant percentage of transactions are still processed manually for a variety of reasons, including the inability to effectively represent complex products in a self-service environment, the need for high-touch sales model and resistance from buyers in adopting the online channel. On the other hand, the business buyers are now expecting the same rich and personalized experience that B2C sites offer. For example, when making a business purchase, B2B buyers expect to view related product content including offers, ratings and reviews, which they have come to expect from doing personal shopping on B2C sites. To overcome the above challenges and to meet the buyer's expectations, B2B businesses are embracing proven customer-centric concepts and technologies from their B2C counterparts. Specifically, B2B sites are shifting from Web 1.0 to Web 2.0 technologies to deliver a rich, customer-centric and interactive online experience that makes the self-service channel into a virtual salesperson available 24 hours a day, seven days a week. For example, [New Pig](#), a leading provider of industrial supplies, offers a rich online experience by allowing buyers to quickly narrow down products and check out in few simple steps without leaving the page.

Innovate business model to open new markets

Traditionally, B2B companies have always served a small select set of customers with whom there is a pre-defined business relationship. Also, depending on industry structure and position in the value chain, companies were limited in their ability to trade with all entities. For example, manufacturers and OEMs have always sold through distributors and resellers due to channel-conflict issues. But in today's complex and competitive business environment, B2B companies are compelled to rethink their business model. For example, [The Wasserstrom Company](#), a 108-year-old foodservice supplier that traditionally served the commercial market, has recently expanded to serve the consumer market by leveraging their wide range of product assortment.

According to [Forbes.com](#), "Now more than ever, manufacturers and retailers need each other to solve the fundamentally universal problems facing both trading partners." Through a tighter collaboration with downstream trading partners, manufacturers can enhance the "sell-through" model to drive new sales and improve brand loyalty. A great example of this is 2009 CIO 100 award winner Mazda NA Operations, about which [CIO.com](#) says, "Mazda launched an e-commerce system so dealers could generate their own e-commerce sites quickly and allow consumers to complete their entire accessory purchases online." Some leading manufacturers are exploring direct "sell-to" relationships with end customers to reach new markets and/or to gain customer insights. For example, a leading manufacturer of home improvement and building products is using the web channel to serve the "long-tail" customers that are under served by the distributors.

Increase sales through marketing and merchandising

After crossing the online self-service bridge, the best-in-class B2B companies want to capitalize on the online interaction with buyers for actual selling. In their article [2010 Outlook: Marketing Priorities and Plans Survey Results](#), BtoB Magazine reported that, within online marketing, the top area that will see increased spending is the website (71 percent of survey respondents) followed by email and search. B2B companies are making the most of proven B2C-like merchandising techniques (including cross-sells, up-sells, targeted offers based on role, order history, promotional pricing, and search-driven merchandising) to influence order size and additional sales. Furthermore, due to the B2C/B2B convergence phenomenon, the business buyers are also expecting to see relevant product information and related offers. [J.J.Keller & Associates](#), which recently launched a redesigned website, indicated that within four weeks of site launch, they experienced a 54 percent increase in average order size due to the more intelligent merchandising and cross-selling on the site.

The objective of the marketing information and the range of merchandising offers are typically driven by the product and its complexity. For example, an industrial supplies company could offer retail-like product promotion to increase sales, while a life sciences company selling expensive equipment could be offering relevant information about the product along with related online demos and training to effect progress in the sales cycle.

Build loyalty and community around the brand

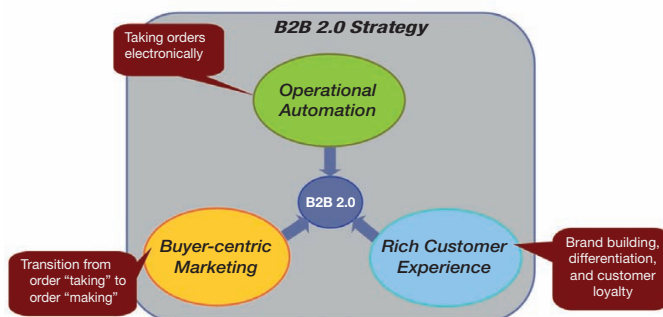
Finally, like it or not, your firm's brand, products and services will be discussed in social media and it's up to your firm to listen, participate and take control of your online brand image. Interestingly, B2B firms are rapidly adopting social media (better than B2C, in many aspects) by maintaining profiles in social media sites, participating in micro-blogging such as Twitter, and even monitoring company-related mentions in social media sites. [Business.com's 2009 B2B Social Media Benchmarking Study](#) reports that 75 percent of B2B firms use Twitter and 66 percent participate in discussions on third-party sites. Industries like automotive, electronics, food and beverage, healthcare/life sciences, and industrial goods and services lead in social media adoption. For example, a leading electronics component distributor is hosting a community to enable collaboration among the field engineers—and with the supplier on new designs. In addition, the distributor uses social media tools to communicate information about new products, trainings, seminars and other related industry information that makes the site “a destination,” drives traffic and promotes the overall brand.

Next-generation B2B e-commerce strategy

To respond to the key drivers, B2B businesses need to embrace proven customer-centric concepts from the world of B2C e-commerce and employ modern web technologies to deliver the B2B e-commerce 2.0 experience—that is, the next-generation B2B e-commerce. Next-generation B2B e-commerce is about delivering a streamlined, buyer-centric and engaging online experience that enables buyers to efficiently interact and transact with the brand and at the same time makes it possible for sellers to reduce administrative costs, increase sales and improve brand loyalty.

There are three key elements in the next-generation B2B e-commerce strategy: Operational automation, buyer-centric marketing and rich customer experience. These three elements come together to deliver next-generation B2B e-commerce that is efficient, personalized and offers a rich, engaging experience.

Diagram 1: Next-generation B2B e-commerce strategy

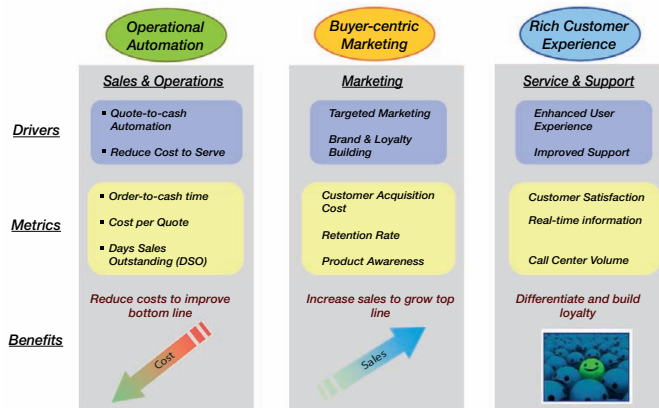


Operational automation

The primary goal of operational automation is to reduce cost-per-transaction and optimize quote-to-cash cycle time; this improves the bottom line by capturing a *zero-touch, perfect order* in an efficient manner. The key to achieving this objective is to replace phone-, fax- and email-based manual processes with a web-based, self-service solution that delivers a customer-specific catalog and product pricing. Research has shown that the cost of an average web self-service session is less than one dollar, compared to \$10 for an email response and \$33 for a telephone call. In addition to helping reduce order errors, automated operations may improve turnaround time and reduce contact center call volume—which could provide significant cost savings.

Imagine if a buyer is able to view a custom catalog, get a contract-based or entitled price, submit a quote for a special pricing request and agree on a price, check inventory availability, place the order and track order status without calling the sales department. With this level of quote-to-cash automation, B2B firms may reduce sales cycle from hours to a few minutes, reduce cost-to-serve and improve cash flow.

Diagram 2: B2B 2.0 strategic elements and benefits



Buyer-centric marketing

Unlike mass marketing, buyer-centric marketing is focused on a deep understanding of customer needs, segments and behavior. The intent: Deliver targeted and contextual marketing messages to help influence the decision makers. Examples of buyer-centric marketing include cross-sell, up-sell, quantity-based promotions (such as 10 percent off when ordering 100 widgets), incentives for placing orders online and new product offers. These marketing tactics, similar to a B2C site, may enable B2B firms to transition from “*order takers to order makers*,” increase customer wallet share and achieve higher retention rate.

Buyer-centric marketing may also help build brand loyalty and community for both company and products. Research indicates that B2B marketers are increasingly relying on interactive marketing tactics such as email, branded micro-sites, search marketing and rich media to help promote their brand and attract customers.

Rich customer experience

Delivering a rich experience is fundamentally about *becoming easy to do business with*, which includes delivering a rich online experience, providing access to information such as entitled price or stock availability to aid in purchasing decisions and offering online communities to support customers post-purchase. The challenge is that B2B sites typically tend not to focus on site experience, which results in lack of online self-service adoption and thereby increases call center volume and lowers customer satisfaction. By adopting some of the proven technologies and concepts from the B2C world such as Rich Internet Application (RIA), Web 2.0 technologies, and social commerce capabilities, including ratings, reviews, and communities can help streamline buying experiences and accelerate the online self-service transformation.

Four steps to implementing next-generation B2B e-commerce strategy

As it requires human behavioral changes in both seller and buyer side, implementing next-generation B2B e-commerce is a true organizational and business transformation. This section will discuss four steps to progressively implement the strategy.

Diagram 3: Steps to next-generation B2B e-commerce



The four steps are:

1) *Online order taking*—The first step is to replace manual order taking processes with an online self-service channel to reduce administrative costs, reduce errors and improve turn-around time. Transition to the online channel could be significant shift for certain industries; hence rich online experience and ease-of-use becomes critical. Businesses can also offer incentives, discounts, and training to motivate buyers to use the online channel. For instance, a \$50 discount on every fifth online order can help to keep the momentum going.

2) *One-to-one marketing*—After automating order-capture processes, the next step is to take advantage of web marketing techniques to serve various buyer personas by delivering targeted information in an effort to influence the purchasing process. For example, an engineer visiting the site will be interested in viewing product specifications to understand technical details, while a procurement manager might be looking for product promotions.

3) *Online order making*—This step turns your site into a best virtual salesperson by offering relevant product promotions and marketing campaigns based on buyer profile, order history and online/offline behavior. The key is to nurture an ongoing dialogue with the buyer by capturing triggers (such as page views/clicks, abandoned shopping cart or any time-based events) and responding with actions (such as promotional offer, customer landing page or a mobile SMS message). An example of a trigger would be a customer viewing a specific product review or forum. And the responding action would be display of a related promotion, either in the same session or during the next visit, offering an incentive to the buyer to complete the purchase. For example, one leading beverage distributor offers dynamic marketing promotions based on user demographic and items in online shopping cart.

4) *Community marketing*—Online communities and social networks provide a huge opportunity for B2B firms to turn their site into “a destination” by fostering collaboration with and among end customers, providing a forum to gather product feedback, elicit new product ideas and address any product-related issues. For example, a leading industrial supply firm uses social networks to discuss how they are serving the market by making a connection to the current news events to drive traffic to the website and to build credibility.

IBM WebSphere Commerce B2B Solution

IBM® WebSphere® Commerce offers a “customer interaction platform” to enable organizations including B2B companies deliver a rich, consistent experience across multiple sales channels, automate order capture processes and power a variety of business models including B2C, B2B, and complex value chain models from a single platform. This section will highlight key solution capabilities that help businesses execute on their next-generation B2B e-commerce strategy.

Operational automation

A company's needs are as unique as their products and services. Success in B2B e-commerce means serving those different needs as effectively and efficiently as possible. The IBM WebSphere Commerce B2B solution empowers organizations to differentiate customers through contract and group-based pricing, specialized catalogs and customizable products.

Catalog and pricing flexibility

Business customers are increasingly looking for ways to save time and simplify their procurement processes. By offering customized catalogs, your clients save time seeing the products and services that matter to them in an arrangement that makes it easier to find what they need. For example, a paint manufacturer might organize its catalog differently—by color, for instance—for a hardware store than it would for an auto manufacturer (who is more concerned with properties such as hardness and curing speed). WebSphere Commerce sales catalogs allow you to organize your offerings differently for customer segments, geography or even season without changing the structure of your master catalog.

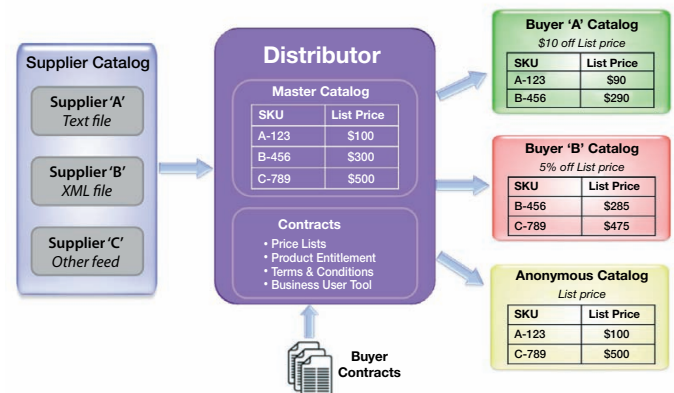
B2B firms need the flexibility to offer unique prices to different customers. Pricing strategy could be based on a number of criteria: geography, customer spend, government regulations and contractual obligations. WebSphere Commerce allows you to flexibly manage product pricing by customer type—or even by individual organization.

Contracts

Pricing differentiation is critical to customer and revenue management. Yet a contract actually defines many parts of the buying-selling arrangement between seller and customers. One partner may demand a flexible return policy at the expense of favorable prices, while another may require purchase order numbers on each order. WebSphere Commerce includes a robust contracts subsystem to model complex relationships with a number of buyer organizations by defining terms and conditions around fulfillment, shipping, returns,

taxation and order approvals. Contract rules can be easily defined and managed by the business users within WebSphere Commerce—or rules can be imported from an external source such as a contract lifecycle management or enterprise resource planning (ERP) system. Different or overlapping contracts can be applied to different parts of the same buying organization to add additional flexibility.

Diagram 4: Contracts, entitlements and pricing



Contracts with customers are most often based on pricing and entitlement rules that reflect the relationship between organizations. Product pricing can be relative (an amount or percentage off of the list price), absolute (a price list including each item available to the customer and its corresponding price), or driven by external business rules. The accompanying diagram details how several customer-specific catalogs can be created from the master catalog and priced appropriately.

Organizational modeling

Because B2B deals with selling goods and services to businesses instead of individuals, meeting the needs of an external organization is critical—and more complex. A customer may have several individuals or departments involved in the buying

or procurement process. Every employee has his or her own roles and job responsibilities. One user may be authorized to create a purchase order, but may need approval before an order can be fulfilled. An individual in a finance role may have little need to construct an order, but requires access to historical purchases and the ability to pay outstanding invoices. WebSphere Commerce lets business users model your customers' organizational hierarchy and roles. Additionally, your customer's management can be given authority to administer their own organization and account.

For example, trusted customers can create accounts for new employees, change permissions on their personnel and approve actions (such as product orders) for their staff. The seller's own sales and support staff can be assigned to a customer organization to empower them to act on behalf of their customers and take an active role in the online channel. These self-service processes are intended to simplify account management and strengthen partnerships with your most valuable customers.

Quoting processes

Many corporate procurement and project management policies require that quotes precede large purchases. This helps your customers plan their finances and purchases, but presents an additional challenge: Responding to and managing customer quote requests. In addition to requesting pricing, your customers may wish to make a special purchase, buy a substantial quantity, or request an offering that isn't detailed on your e-commerce site. For all of these scenarios, WebSphere Commerce provides a set of processes to help manage the quote-to-order process. Customers can submit pricing, product, or special purchase terms requests allowing the seller to accept or counter the request with a different price or configuration. This multi-round negotiation can ultimately result in a new order or term-length contract.

Buyer-centric marketing

Precision Marketing

As discussed earlier, the world of B2B e-commerce is evolving toward (or even converging with) retail-style online shopping. B2B customers are increasingly demanding an online experience much like they find when browsing retail sites. B2B firms are finding that personalized marketing and content increase customer satisfaction, conversion rates, cart sizes and revenue. The WebSphere Commerce Precision Marketing engine and Management Center business user tool allow businesses to deliver one-to-one merchandising and marketing information based on customer profile, order history and online behavior. This helps businesses to build an ongoing dialogue with the buyers to influence the sales and enabling B2B organizations to stop taking orders and start *selling*.

Segmentation

The key to Precision Marketing is identifying users that can be grouped together for the purpose of targeted messaging. Segmentation can be explicit (based on what customers are: location, company, position) or implicit (based on what customers do: products viewed, actions taken, purchases made). The Management Center marketing tool in WebSphere Commerce makes it possible for a seller to create segments from the information that is collected from the customer registration and interactions. Segments can be imported from customer relationship management (CRM) or other systems, configured to encompass multiple data points, to include or exclude other segments, or to add members as users meet specific criteria.

Campaigns and promotions

Online and brick-and-mortar retailers have long utilized campaigns that coincide with seasons (Black Friday, back-to-school) and special events (Super Bowl, Olympics). In these cases, a campaign typically consists of specialized advertising and content, special promotions and limited-time product offerings. Increasingly, B2B sellers are using

campaigns for new product introduction, site rebranding and even seasonal purchases. WebSphere Commerce gives B2B sellers the capability to create site elements, content and promotions, schedule the changes to begin and end at specific times, and track the effectiveness of the entire campaign.

While B2B sellers may not emphasize deals and special pricing to the same extent as typical retailers, their need for flexible promotions is growing rapidly. The WebSphere Commerce Management Center includes powerful promotion tool that empower marketers to create product, order and shipping promotions.

Merchandising

Traditionally, B2B sales have been driven by two primary channels: Direct electronic ordering (such as EDI) and field sales teams that interact directly with customers. WebSphere Commerce gives B2B sellers a wide array of merchandising options to achieve the benefits of both of these selling methods. Merchandising associations (most commonly known as cross-sell and up-sell) give the seller the capability to link products using the Management Center business user tool. Cross-sells and up-sells offer the ability to grow order size, while replacement and accessory relationships simplify the process of finding the correct product. Much like a field sales representative guides a customer's product selection, associations can easily point out compatible, comparable and pre-requisite offerings.

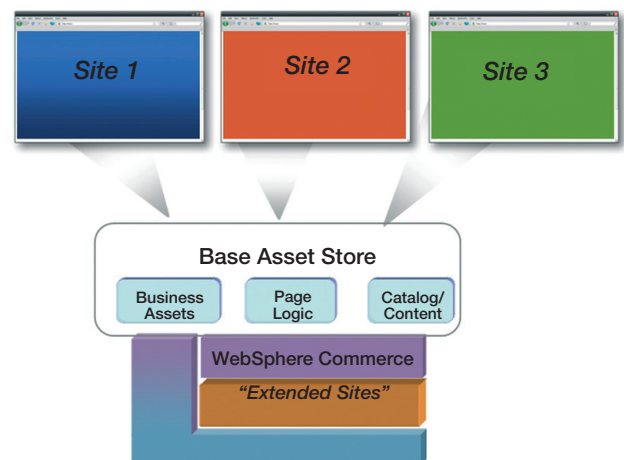
Multi-sites

The personalized online experience sometimes does not offer the degree of segregation your organization needs for very different types of customers, different brands or different channels. WebSphere Commerce Extended Sites enables sellers to run multiple e-commerce sites from a single platform. These sites are based on an inheritance model in which many "logical sites" can be created from a repository of assets such as catalog, promotions, business processes, and site pages that can be shared across the Extended Sites without duplication for each individual site.

WebSphere Commerce Extended Sites allows B2B companies to:

- Offer highly personalized and branded sites to large customers
- Market different brands that require a very different set of products and branding
- Offer separate channel sites for B2B and B2C from a single platform though the underlying business processes differ significantly

Diagram 5: Multi-sites architecture



Rich customer experience B2B Web 2.0 starter store

It is evident that the retail concepts such as marketing, customer centricity and Web 2.0 technologies are becoming an integral part of the B2B e-commerce world. To respond to this trend, WebSphere Commerce includes a fully functional B2B starter store, "Elite," that combines best practices from B2C e-commerce along with core B2B processes such as advanced organization and user management, contract and account management, approval capabilities and multiple order capture options.

Diagram 6: Elite B2B starter store



The Elite store offers rich online experience by incorporating features such as product quick-finder, pop-up product information, drag-and-drop ordering, product comparison and a streamlined checkout process. The store can be easily configured to assist B2B companies to jumpstart online transformation and to adopt proven B2C-like marketing techniques.

The WebSphere Commerce Elite store provides the components necessary to construct a functioning B2B e-commerce site that “feels like” the retail sites consumers use for personal purchases. Powerful processes deliver business value quickly with advanced management of organizations, users, contracts, accounts and approvals.

Online communities

WebSphere Commerce incorporates several social commerce concepts to help you engage with customers in a meaningful way and to offer them the ability to collaborate and share information. Ratings and reviews have been a critical part of many retailers’ online strategy. Knowing other customers’ feedback enhances the buying decision process in B2B as well. Understanding how customers make purchase decisions or use a product enhances the buying experience and builds loyalty and trust in a brand—both key concepts that are shared by B2B and B2C firms alike. WebSphere Commerce offers integration capabilities for leading ratings, syndication and social commerce solutions from Bazaarvoice, KickApps, IBM Lotus® Connections and Pluck.

In addition, the WebSphere Commerce Remote Widgets capability allows both businesses and customers to share products, lists and other content on social networks and any third-party Internet site including blogs, affiliate sites, and trade networks. For B2B firms, the remote widgets help to quickly and easily extend the brand experience outside of the four walls of the website while managing remote content centrally and locally using WebSphere Commerce Management Center marketing tool.

Conclusion

The world of B2B e-commerce has rapidly evolved from taking orders using an online catalog to merchandising, marketing and selling by using best practices from the B2C e-commerce. B2B buyers are also demanding rich online experience, more real-time information, sharing knowledge with other buyers and making faster decisions. Increasing buyer expectations, lower barrier to entry and more powerful web technologies are all contributing to a changing landscape—one that more closely resembles B2C channels. Next-generation B2B e-commerce strategy helps businesses to respond to these market trends by delivering a streamlined,

buyer-centric and engaging online experience that enables buyers to efficiently interact and transact with the brand and at the same time allows sellers to reduce administrative costs, increase sales and improve brand loyalty. IBM WebSphere Commerce solution offers a robust B2B solution and capitalizes upon best practices from B2C e-commerce to help B2B organizations execute on the next-generation B2B e-commerce strategy and transition from traditional order taking to buyer-centric selling.

For more information

To learn more about the **IBM WebSphere Commerce B2B Solution** please contact your IBM marketing representative or IBM Business Partner, or visit the following website:

ibm.com/software/websphere/commerce

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