The Convergence of the Enterprise Sales Model

Exceed your B2B clients' expectations – emulate the B2C model

IBM

Executive summary

Buyers who are demanding a more personalized omnichannel experience, similar to what they experience in their personal shopping, are transforming B2B sales processes. This paper lays out why this transformation should be on the minds of many if not most B2B organizations. This document helps guide relevant stakeholders within B2B organizations to develop and execute plans to increase their eCommerce proficiency with the goal of increasing sales, profits, customer retention and customer satisfaction.

Industry trends

Forrester Research reports that, during 2013, business-to¬business (B2B) eCommerce revenue more than doubled business-to-consumer (B2C) revenue within the North American market. B2B revenue reached USD800 billion to USD one trillion globally, in 2014.

The proliferation of smart phones and tablet computers has created a mobile eCommerce marketplace that didn't even exist five years ago. Mobility has had such a dramatic effect on the eCommerce marketplace that, in 2015, ABI Research predicts USD119 billion in goods and services will be purchased via a mobile phone. This would represent almost eight percent of the global eCommerce marketplace.
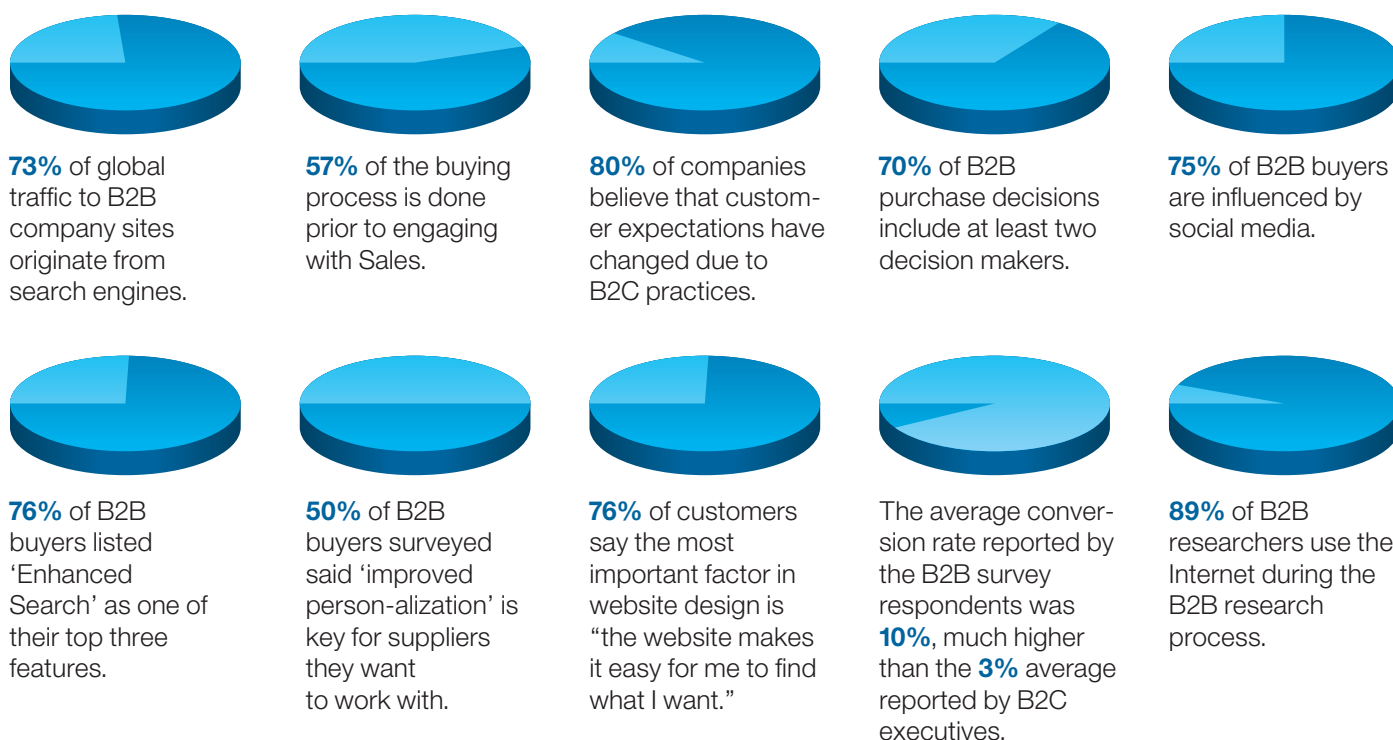
73% of global traffic to B2B company sites originate from search engines.

57% of the buying process is done prior to engaging with Sales.

80% of companies believe that customer expectations have changed due to B2C practices.

70% of B2B purchase decisions include at least two decision makers.

75% of B2B buyers are influenced by social media.

76% of B2B buyers listed 'Enhanced Search' as one of their top three features.

50% of B2B buyers surveyed said 'improved person-alization' is key for suppliers they want to work with.

76% of customers say the most important factor in website design is "the website makes it easy for me to find what I want."

The average conversion rate reported by the B2B survey respondents was **10%**, much higher than the **3%** average reported by B2C executives.

89% of B2B researchers use the Internet during the B2B research process.

Figure 1: B2B Customer Experience Trends.[3]

Client needs and challenges

How can you take advantage of the dramatic growth in sales channels? A flexible, comprehensive commerce platform must be the foundation of any organization hoping to thrive in the digital future. Implementing a unified commerce platform, capable of delivering a seamless buying experience in any channel, at any time, from any place, is a business requirement. The near-term goal is a cross-departmental commerce plan or roadmap to capitalize on this immense opportunity. And the long-term goal is the delivery of technologies infused with satisfying buying experiences.

Producing an effective B2B commerce plan is a bit like planning a move to a new home. Of course, you need a destination. But you also need to decide which possessions you want to keep and which ones you no longer want. You need a truck capable of carrying those possessions you want to take with you. Most people enlist the help of a professional mover for their knowledge and expertise. Finally, you need a plan.

IBM has years of experience with B2B organizations and we have found that many organizations often skip the planning phase or hire the wrong expert. Perhaps they rent a truck that doesn't fit the things they want to keep. Sometimes, organizations have done all three.

To develop a successful commerce platform, B2B organizations must gather a cross-departmental team to define a strategic plan for sales and commerce. That team must fully understand which technology components are part of that plan and which are not, and develop plans for migrations or contract terminations. Tier one commerce software vendors must be identified in combination with world-class service providers. Once these pieces are in place, the march forward is likely to succeed

The B2C and B2B Convergence

The eCommerce channel: From low-margin, legacy sales to high-margin, modern commerce

The way in which we purchase goods and services is undergoing a radical transformation as a result of technology's continued evolution. It's estimated that by the end of 2014, USD241 billion were spent through the B2C eCommerce channel, a 50 percent increase in three years. With an estimated 2014 population of 314 million citizens living in the United States, that's an average consumer spend through an eCommerce channel of USD1,592 per every adult and child.

What do customers of the B2B manufacturer do when they're not at work? What does the B2B manufacturer's customer procurement team do when they're not at work? They're likely spending USD1,592 or more, per year, through their favorite retailer's eCommerce channel. B2B buyers and purchasers are also B2C buyers and purchasers. This has led to increased demands for personalized experiences and consistency, testing the capabilities of the B2B sales organization.

Realize that direct competitors aren't the only ones selling to your buyers. Forrester Research found that 41 percent of B2B companies now compete directly against wholesalers and distributors. For organizations to survive and prosper in this new business environment, executives must rethink their approach to technology, business models and engagement principals — or risk falling behind while competitors capture valuable, eCommerce market share.

We advise sales and service executives to focus on three distinct areas in creating a unified commerce platform that can help improve revenue growth and provide a better customer experience (see Fig 2).

- Configure, Price, Quote (CPQ)
- Order management
- eCommerce

CPQ: From slow, non-repeatable selling to automated, guided selling

Many B2B organizations have significant investments in a mix of direct sales and channel sales organizations. Direct sales forces justify the high cost of staff by demonstrating high levels of expertise and focus, however, this channel is expensive, with a common breakeven point somewhere between nine months and two years.[4] In contrast, partner organizations have less associated costs, yet lack the same level of expertise and dedication. Partners don't always demonstrate high levels of product familiarity or expertise, and act in their own interest as it relates to sales, resulting in order errors and an inconsistent, unreliable pipeline.

Sales applications went from department-level, point products to an enterprise-class commerce solution

Client example: An engineering and construction company

A world leader in the manufacture of construction equipment chose the IBM CPQ solution over competitors because the IBM offerings, from systems of engagement to systems of record, gave them the ability to fully integrate their enterprise and have their systems interact and "speak the same language."

A third channel is the self-service, digital channel. Hoping to benefit from the lower cost, global reach of eCommerce, organizations are turning to the web store. Limitless, untapped marketplaces lure the B2B manufacturer to invest in eCommerce as a way to sell more, faster and cheaper. However, this strategy fails to account for the complexity in assembling complex orders with consistency. The sales challenge which hampers direct sales and partners is only magnified when the actual customer, often lacking the knowledge required to accurately assemble a valid configuration, either orders incorrectly, or abandons the effort, resorting to the more traditional sales channels, or perhaps even worse, engages a competitor who's provided a simpler, more enjoyable purchasing experience.

The common challenge across all three sales channels is complexity. This can be both the complexity of the product as well as complexity of the company organization. While each channel experiences complexity differently, - inhibiting complexity always inhibits productivity, slowing the sales process and ultimately hurting the bottom line. For manufacturing organizations, sales cycles can be long and expensive. Unlike most consumer purchases, where the decision to buy is made in hours, days or weeks, for B2B it can be months and sometimes years. The complexity of the product, as well as the many stakeholders one must influence to buy, and the fact that customers may be entering a long-term, contractual agreement makes a customer understandably cautious about the negotiation process.

Complex industrial and manufacturing organizations have long been pioneers in adopting CPQ technology to improve sales and fulfillment processes. The Gartner Group has claimed an average of ten percent sales growth can be attributed to CPQ-based sales projects, while research from Aberdeen indicates that use of sales configurators alone can yield 12 percent higher profit margins.

From IT constraining time to market to business leaders controlling strategy

Client example: An electronics and computer hardware company

One American manufacturer of software and hardware who specializes in packaging, mailing, and shipping services chose IBM CPQ because it offered them a single source of "truth" for all their pricing rules across all their channels

Yet perhaps the most lucrative result realized by the CPQ project, is how it serves as a foundation for all sales channels, simplifying the selling process for direct sellers, partners, resellers and eCommerce. Without CPQ, B2B manufacturers are unable to emulate the model of efficiency developed by their B2C peers. By achieving a successful CPQ implementation with high levels of user acceptance, the B2B organizations can sell complex products through business partners and eCommerce sites by utilizing guided selling tools that ensure a valid configuration and a positive buying experience.

Order Management and Intelligent Fulfillment: From manually managing order operations to customer-centric, intelligent fulfillment

Many IBM industrial and complex manufacturing clients are unique in the significant levels of effort required both in the pre- and post-sales processes. Historically considered a "warehouse problem", contemporary industrial or manufacturing firms do business in a global marketplace, and therefore must provide global, omni-channel sales and fulfillment options.

Multinational organizations deal with regional regulations, global logistics, and a geographically decentralized client base. These business challenges significantly complicate the goal of "execution and sales excellence" as it relates to pre- and post-sales efforts. Manufacturing organizations should turn their attention to what transpires after the contract has been executed, as this represents a crucial segment of the potential opportunity for sales and commerce improvement.

Successful order management projects are unique in their ability to create brand loyalty by demonstrating a unified commerce approach, spanning pre- and post-sales. A critical consideration to the order capture process is the commitment to deliver the correct solution to the client within a specified delivery window. With order capture fully integrated with an intelligent fulfillment platform which includes real-time "Available to Promise" (ATP), organizations can ensure timely, cost-effective delivery which fulfills contractual obligations and service level commitments.

Intelligent fulfillment is also essential to organizations selling complex configurable offerings, due to assembly and fulfillment workflows that may span multiple facilities and planning systems. This feature set must be required due to the costly difference between effectively automating the tracking and fulfilling of orders or maintaining expensive back office staff to manually manage and maintain the façade of customer-centric, order operations.

Historically, IBM finds that client satisfaction improvements, achieved as a result of pre-sales projects, can be wasted if the post-sales experience is not executed in a manner that either meets or exceeds the client's expectation. For this reason, IBM recommends post-sale considerations be heavily factored into sales and commerce platform decisions. It is only by considering the entire customer lifecycle that current investments in sales and commerce technology will support sales execution excellence.

While challenging, organizations that master the post-sales section of its sales and commerce processes stand to significantly distinguish themselves from their lower performing industry peers, an advantage that drives significant brand loyalty and revenue growth. Finally, like CPQ, intelligent fulfillment, if deployed effectively, benefits all sales channels simultaneously, and is the cornerstone to enabling the B2B manufacturer to reach that elusive goal of high-satisfaction, low-cost, mistake-free sales and commerce that their clients and buyers have come to expect.

CUSTOMER
ENGAGEMENT

ANALYTICS

PARTNER AND SUPPLIER
ENGAGEMENT

Marketing

Customer Analytics

eCommerce &
Merchandising

B2B Integration

Payments

Procurement

Figure 2: The architecture diagram of the commerce platform for the enterprise sales model illustrates a unified commerce platform that can help provide a better customer experience.

The power is in the platform

The change in expectations related to B2B eCommerce experience, combined with a trillion dollar B2B marketplace, has led to a paradigm shift in priorities and strategy. In a Forrester 2015 Trends Report, the authors point out that Amazon, Amazon Supply and Alibaba, who "don't carry the financial burden of expensive customer-facing infrastructure (large call centers and branch stores) will continue to win on price and customer experience."[5] This call to action should be taken seriously. B2B companies must embrace eCommerce and channels such as mobile, to keep pace with their evolving buyers, or risk diminished sales and eventual obsolescence. In addition, a combined platform that includes CPQ and intelligent fulfillment capabilities needs to be considered as part of an overall eCommerce strategy in order to distinguish the brand with better pre-and post-sales customer experiences that increases market share.

While estimates vary, there is broad consensus that the B2B eCommerce opportunity is massive, and only stands to grow. With estimates in the multiple trillions by 2025, the time to act is now, or face continued competition from industry players, and the emergence of new global suppliers who could possibly pose an even greater threat than traditional industry competitors.

Through careful planning and execution, B2B companies that leverage technology designed to meet their customer's expectations through online channel purchases and by driving increased online and offline sales. These forward-thinking organizations will observe separation between themselves and their competitors as clients who require their products and services will vote with their dollars, and decide to do business with organizations which provide a unified customer experience through a unified commerce platform.

For more information

To learn more about the IBM commerce platform, please contact your IBM representative or IBM Business Partner, or visit:

www.ibm.com/software/genservers/commerce/b2bdrp
www.ibm.com/software/products/en/configure-price-quote
www.ibm.com/software/products/en/websphereCommerce
www.ibm.com/software/products/en/order-management

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1 Frost & Sullivan, *Future of Online Retailing*, Dec 31, 2014

2 Forrester Research, *B2B eCommerce Forecast*, 2015 to 2020 (US)

3 *B2B Customer Experience Trends.* (http://ecommerceandb2b.com/b2b-eCommerce-trends-statistics/)

4 Imparta White Paper Reducing the Break-even Time for New Salespeople. © Imparta Ltd. (http://www.imparta.com/en/resources/blog/24-blog/162- reducing-the-break-even-time-for-new-salespeople-5-ways-to-speed-up-revenue-generation)

5 Sacharita Malpuru and Andy Hoar, *Predictions 2015: B2C and B2B will struggle to keep up with customers.* Forrester Group

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