



THE COST SAVINGS & REVENUE GAINS OF B2B ECOMMERCE



INTRODUCTION

Driven by their experiences as consumers purchasing from omni-channel retailers, B2B buyers are demanding a better experience in their professional lives. They are looking for the convenience of going online to get answers to simple product questions, scope out new product lines and place orders for merchandise. In a study conducted by Accenture last year, 75% of B2B buyers surveyed stated that they would buy again from a supplier with an easy-to-use website.¹

Manufacturers and distributors are rapidly adopting B2B eCommerce to keep up with the competition. However, as they race to provide a better customer experience, many suppliers have been remiss in fully understanding and measuring the business impact of B2B eCommerce.

In addition to a desire to improve their customer experience, manufacturers and distributors are also turning to B2B eCommerce to achieve massive business efficiencies. Most notably, brands reduce their cost to serve customers by providing access to a digital catalog (reducing the need for your team to field product questions) and receiving online orders directly from customers (reducing the likelihood of order errors and backorders).

As a business evaluating B2B eCommerce, there are a series of both quantitative and qualitative indicators that can help you monitor the potential impact of your investment. At a very fundamental level, a successful B2B eCommerce platform implementation results in two basic outcomes: cost reduction and revenue gains.

This guide will list the key cost reductions and revenue gains you can expect from B2B eCommerce, as well as what to measure and track to understand your ROI.

¹ Accenture,
<https://www.accenture.com/us-en/insight-building-b2b-omni-channel-commerce-platform-future.aspx>

COST SAVINGS

After implementing a third-party B2B eCommerce solution, your business can expect the following cost reductions.



PAPER CATALOGS & ORDER FORMS

Pre-B2B eCommerce Costs:

For many manufacturers and distributors, the costs of paper catalogs and order forms can be exorbitant. The already high production and mailing costs are compounded by the fact that when modifications are required (which can be often, especially for brands selling thousands of SKUs), these assets then need to be re-printed and redistributed. In fact, many catalogs--and even some order forms--are obsolete by the time they are printed.

The management costs associated with paper catalogs and order forms are also significant, as your staff must not only spend time creating and modifying these documents, but also painstakingly ensuring that sales teams and customers are using the most updated materials.

Post B2B eCommerce Savings:

For brands that move to a fully digital selling process, the costs associated with the catalog and order form completely disappear. After the initial setup of a digital catalog during your implementation, subsequent modifications can be done electronically and are immediately available without the extra printing or delivery expenditures.



How much does your business spend on catalog production and mailing per year?

COST TO SERVE CUSTOMERS

Pre-B2B eCommerce Costs:

Businesses without a digital ordering portal face higher costs in serving their customers for several reasons.

First, in order to get answers to simple product questions, customers must call or email your office, as this information is not readily available to them. Even if this information exists in a paper catalog, they may be referencing outdated information. Second, orders that come in manually--whether by phone, fax, or email--have a high risk for error due to typos and unintelligible handwriting.

In the event an order is shipped incorrectly, the cost of returning incorrect items and re-shipping is high. In the event an order is not legible, your team must waste time chasing down the correct information from your reps or customers, rather than doing the strategic work that moves your business forward.

Post B2B eCommerce Savings:

Providing your buyers with the ability to place orders online dramatically reduces errors. The ability to view images and product descriptions, confirm items in a shopping cart, and receive a detailed order confirmation helps to ensure the accuracy of the order. Orders placed online are automatically submitted to your back office systems eliminating manual data entry processes and providing customers with the assurance that you will receive and ship their order exactly as they expect. This in turn reduces the costs associated with resolving errors and re-shipping incomplete orders.

Additionally, once customers can access your entire catalog on your eCommerce portal, you'll find that your customer service team no longer needs to spend as much time answering product questions and can be redeployed towards more revenue generating activities.



What are your annual costs associated with manual order entry and processing errors?

COST OF BACKORDERS

Pre-B2B eCommerce Costs:

Without access to reliable inventory data, customers send in orders that include items that are out-of-stock or have been discontinued. The costs associated with backorders are high: slower cash flow, a negative impact on your customer relationships, and, in some scenarios, a lost order.

Post B2B eCommerce Savings:

Sophisticated B2B eCommerce platforms allow you to display inventory data—either exact levels or simply whether products are in or out-of-stock. Ideally, these systems will also include a restock date and the customers can adjust the shipping dates, accordingly. This will allow you to take the order and keep your customer happy without incurring a backorder. At the very least, providing inventory information helps to manage their expectations, and at best, it allows your customers to make more strategic choices, choosing alternative products when necessary.



What is your fill rate (the % of your orders shipped in full, in the first shipment)?

COST OF ORDER RE-ENTRY

Pre-B2B eCommerce Costs:

After your back office team spends time fielding product questions and chasing down accurate order information, it's likely that the next step of your fulfillment process is **order re-entry**.

Order re-entry is as repetitive as it sounds. It's your salespeople or customer service reps re-entering order information that has already been submitted via the phone, email, fax, text message, or hand delivered in person. Some brands even resort to hiring temporary staff solely focused on order re-entry during their busy season.

Post B2B eCommerce Savings:

A huge benefit of orders placed via your B2B eCommerce portal is that once an order is submitted, it's immediately synced to your back office systems. While some of the costs associated with manual processes do not totally vanish with the adoption of B2B eCommerce (for example, some brands rely on a hybrid strategy of paper and digital catalogs and may still do limited printing), the costs of order re-entry is often totally eliminated after implementing B2B eCommerce.

Depending on your business processes, you may opt to have your sales reps or back office team do a quick approval of incoming orders from your portal, and then re-distribute the team for proactive account management and other strategic tasks.

It also goes without saying that the costs for seasonal hires will no longer be incurred under a B2B eCommerce model.



On average, what your cost per hour for order re-entry?
How many hours does your team spend each month on this manual task?

COST OF OWNERSHIP OF PROPRIETARY AND ON-PREMISE SOFTWARE

Pre-B2B eCommerce Costs:

For manufacturers and distributors with a proprietary B2B eCommerce solution, there are special costs to consider. The total cost of ownership of custom, proprietary software typically involves the initial sunk costs of purchase and implementation, as well as ongoing costs related to hardware, maintenance and upgrades.

You have to be staffed to develop and manage the systems or hire third party IT resources; either way maintenance and upgrades to in-house and packaged on-premise software solutions are extremely costly. In addition, feature enhancements to proprietary and on-premise systems typically are slow to be released as manufacturers and distributors must adhere to their partner's schedule and ensure any technical work stays within budget. Not only do brands incur the cost of IT resources, they also risk providing an outdated customer experience as innovation does not occur fast enough.

Post B2B eCommerce Savings:

SaaS B2B eCommerce solutions are hosted and maintained by a vendor, run in the cloud, and essentially "rented" to the user. The vendor is responsible for any maintenance, updates, infrastructure, backups, etc., reducing the total cost of ownership for the user by a significant margin. These solutions enable rapid time-to-value and require a significantly smaller initial investment when compared to their proprietary counterparts.

Outside of the obvious reduction in overall investment, SaaS solutions quickly flow in new features and other innovations without requiring the user to upgrade. Also, SaaS vendors build their solutions based on workflows common across multiple use cases, and this expertise results in a better user experience for your customers.



What is the total cost of ownership of your proprietary or on-premise B2B eCommerce solution?

REVENUE GAINS

After implementing a third-party B2B eCommerce solution, your business can expect the following revenue gains.



HIGHER AVERAGE ORDER VALUE

Brands using B2B eCommerce typically see a higher average order value as compared to other channels. This is due to several factors.

First, the upsell opportunity is often greater when your buyers have full access to your product line. They can easily research and discover products they might not have previously been shown or ordered otherwise. This self-service approach ensures that the buyer browses and discovers items as they please.

Second, brands who provide a superior customer experience in the form of fast, convenient online ordering have found that their customers prefer to order from them over competitors, and in turn, order from them in new product categories.



What is your current average order value?



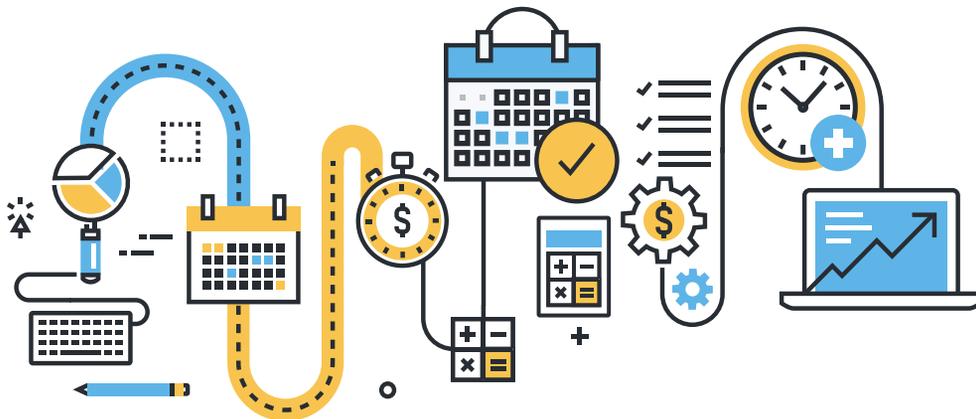
HIGHER ORDER FREQUENCY

Buyers who can place orders online often do so at a higher frequency when compared to offline channels because they no longer need to wait to place an order during a scheduled sales rep visit, trade show, or even during business hours. Instead, whenever inventory is running low, they can easily place an order online at their convenience, 24 hours a day, 7 days a week.

Additionally, many manufacturers and distributors take advantage of the marketing capabilities engendered by a B2B eCommerce portal by running promotions and notifying customers of new product launches. Online marketing initiatives like email campaigns link directly to a brand's online portal and customers can immediately log in and place an order.



On average, how many orders do your customers place per month?



MORE VALUABLE CUSTOMERS

Traditionally, manufacturing and distribution has been dominated by a single channel--in-person sales. The introduction of B2B eCommerce has transformed wholesale into an omni-channel selling environment.

According to Forrester, 60% of B2B companies report that their B2B customers order more overall when those customers interact with multiple channels.² In order to increase the value of your single-channel offline-only customers, therefore, it is critical to give them access to an online ordering platform.

Many manufacturers and distributors also find that a more desirable online ordering experience is a big factor in improving customer loyalty, which in turn increases customer lifetime value (LTV).



How much annual revenue do you receive from each of your B2B sales channels?



² Forrester,
http://blogs.forrester.com/andy_hoar/15-04-02-us_b2b_ecommerce_to_reach_11_trillion_by_2020?

CONCLUSION

It is difficult to dispute that having the ability to place orders through an online ordering portal is a better customer experience for the B2B buyer. The benefits to the seller, however, may be even more impactful, including both significant cost savings and revenue gains.

Manufacturers and distributors evaluating B2B eCommerce must be cognizant of these expected cost savings and revenue gains not only to assess this technology's potential impact on their business, but also to know in advance what to track and measure once they are up and running. This, in turn, will allow brands to better understand and quantify the ROI of B2B eCommerce.

For information on getting started with B2B eCommerce, contact Handshake at info@handshake.com or 855-532-9044.

ABOUT HANDSHAKE

Handshake provides the B2B Commerce platform for manufacturers and distributors that powers standout ordering experiences both in-person and online. Companies using Handshake transform their sales effectiveness and drive operational efficiency, delighting customers and growing lasting relationships.

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