Leverage B2B Digital Commerce for Cost Optimization, Improved CX and Revenue Growth

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Initiatives: Digital Commerce Technologies and 3 more

For B2B organizations, digital commerce leads to cost optimization, revenue growth, improved customer experience and digital transformation. Application leaders should either launch or optimize B2B digital commerce to stay ahead of competition and achieve business goals.

Overview

Key Findings

- Sales efforts that require analog processes are expensive and will be under heavy scrutiny during challenging economic climates.
- Younger generations are entering the workforce and taking buying positions within organizations. They demand digital channels for purchasing.
- Many organizations fail to launch B2B digital commerce because they believe it is only a fit for simple, commoditized products and not complex, configurable products.
- The COVID-19 pandemic impacted traditional sales processes by disrupting salespeople, travel, and supply chains, causing many B2B companies to scramble to shift to digital channels.

Recommendations

As an application leader responsible for digital commerce technologies, you should:

- Identify the need to develop a digital commerce strategy or optimize existing offerings, as competitors are likely investing heavily in B2B digital commerce.
- Embrace B2B digital commerce for complex, configurable products and consider applications to make the digital buying process simple for such products.
- Align B2B digital commerce efforts and ROI calculations to three categories of benefits: cost optimization, revenue growth and improved customer experience (CX). In many cases, B2B digital commerce will lead organizations’ digital transformation strategy.
Strategic Planning Assumptions

By 2022, organizations using multiple go-to-market approaches for digital commerce will outperform noncommerce organizations by 30 percentage points in sales growth.

By 2024, 80% of ordering and replenishment will be touchless for most organizations.

By 2023, at least 70% of the enterprise marketplaces launched will serve B2B transactions.

By 2025, 50% of B2B sales organizations’ digital optimization projects will not meet initial user adoption expectations because of inadequate and short-lived change management approaches.

By 2023, B2B organizations with digital commerce offerings will see 30% more revenue and a 20% reduction in costs, compared to competitors without B2B digital commerce sites.

Analysis

Digital commerce is critical for the success of B2B organizations. Not only does digital commerce offer significant benefits inside B2B organizations, but it also offers an improved, self-service CX to buyers. B2B buyers are beginning to demand digital commerce options from their sellers and without such an offering, B2B sellers risk being left behind as competitor offerings provide easy opportunities for buyers to shift their allegiance (and purchasing power). As a result, the B2B digital commerce market was estimated to be $1.08 trillion in 2018, over twice as large as the B2C market.¹

Even if competitors are not currently offering digital commerce solutions, they’re likely to start doing so soon. Gartner client inquiries specifically related to B2B digital commerce have increased steadily since 2016, including a spike during the COVID-19 pandemic in 2020. According to a B2B digital commerce survey from platform vendor Kibo, 75% of manufacturers, distributors and wholesalers who do not currently operate an e-commerce site plan to launch one within two years.²

The interest in, and expectations for, B2B digital commerce were already high. The COVID-19 pandemic and the resulting impacts on sales people, travel, and supply chains, caused even more companies to consider B2B digital commerce. Gartner analyst inquiries related to B2B digital commerce rose significantly during March through June 2020, as B2B companies scrambled to launch digital commerce sites or enhance their existing offerings.

Investments in digital commerce, or e-commerce, have high expectations; but, according to a Gartner survey, they also generate better ROI than other sales channels. See Figure 1, in which e-
commerce is identified as the sales channel which will be the most important over the next five years, and also the one that is generating the best ROI today.

Figure 1. Sales Channel ROI and Expected Importance

<table>
<thead>
<tr>
<th>Percentage of Respondents Indicating a Sales Channel's ROI Is Above Expectations and Much More Important to Strategic Goals in Five Years†</th>
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<tbody>
<tr>
<td><strong>Q: “Over the Next Five Years, How Important Will These Sales Channels Be to Meeting Your Sales Function’s Strategic Goals?”</strong></td>
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<tr>
<td><strong>Q: “How Would You Rate the Current Return on Investment for Each of the Following Sales Channels?”</strong></td>
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<tr>
<td><strong>E-Commerce</strong></td>
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<td><strong>Key/Strategic/Global Accounts</strong></td>
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<td><strong>Direct/Field Sales</strong></td>
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<td><strong>Resellers</strong></td>
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<td><strong>Distributors</strong></td>
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<td><strong>Inside Sales</strong></td>
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<tr>
<td><strong>Alliance Partners</strong></td>
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n = 296
Source: 2019 Gartner State of Sales Operations Survey
† “Above expectations” and “much more important to strategic goals” are indicated by a rating of 6 or 7 on a seven-point scale.

Many B2B sellers mistakenly assume that digital commerce is merely a fit for commoditized, simple, consumable products such as replacement parts or office supplies. This is the sort of fallacy that leads to companies being left behind by innovative competitors. Advances in guided selling, product configuration technologies, pricing optimization and B2B commerce platforms have led to increased ability for complex products to be sold online (see “Innovation Insight for Visual Configuration†”). See Figure 2 below, for example, in which a mobile access platform can be configured and purchased online, including the ability to configure the height and inclination, tread and width of the steps, and layout of the platform and guardrails.

Figure 2. B2B Digital Commerce With a Product Configurator From Acatec
B2B digital commerce is already in demand among buyers, with 33% of survey respondents preferring a buying experience without sales reps, according to Gartner's 2018 B2B Buying Survey. Growth in B2B digital commerce will continue to increase due to generational preferences of B2B buyers. Millennials and Gen Z employees are rapidly entering the workforce and taking positions with B2B buying organizations — satisfying their preference for digital solutions will be critical. According to a study of millennial buyers, 73% of 20 to 35 year olds are involved in product or service purchase decision making at their companies, and one-third identify themselves as the sole decision maker in their department. These employees will not be content to make phone calls to sales representatives or fill out lengthy order forms. According to Gartner's 2018 B2B Buying Survey, almost half of the millennials prefer not to interact with a sales rep during their purchase experience and are over twice as likely as baby boomers to be skeptical of sales reps.

While the decision to create a B2B digital commerce offering may be an easy one, launching digital commerce solutions is not a trivial task. Developing a digital commerce strategy requires the coordination of many different departments, including sales, marketing, IT, manufacturing, supply chain and customer service. Excluding one of these departments in the construction of the strategy or the technology will result in complications or outright failures (see “How to Develop a Digital Commerce Strategy”).

Similarly, after a B2B digital commerce site is launched, it cannot be treated as a separate stand-alone channel. It is a full-fledged, self-service sales channel and operation that sits parallel and
alongside other sales channels, albeit a very important one. It can also be a tool for the sales team, who will need to coach their customers to use it. According to survey data, B2B buyers spend 27% of their time researching independently online, outpacing the time spent meeting with potential suppliers, researching independently offline and even the time meeting with internal stakeholders.\textsuperscript{5} A digital commerce site needs to integrate with and complement other channels; it will not replace them. Any B2B digital commerce strategy also needs to support the ability for buyers to switch channels easily during the buying process, with a consistency between the channels that prevents buyers from starting over.

Effective B2B digital commerce deployments result in significant benefits for B2B sellers and their buyers. These benefits can be categorized into four areas: cost optimization, revenue growth, improved CX and digital transformation.

B2B Digital Commerce Benefits

There are many benefits to B2B digital commerce. Often, benefits are multifaceted. For example, some benefits provide a better experience for the buyer, but they also result in increased revenue for the seller. The sections below categorize different types of benefits for B2B digital commerce.

Optimize Costs and Efficiency Through B2B Digital Commerce

As orders shift online, away from manual processes or antiquated technologies, both B2B sellers and buyers will experience many benefits. In many cases, the ordering process is simply more efficient and accurate when executed on digital channels. The bullets below list cost reduction and efficiency benefits associated with B2B digital commerce to both the buyer and seller:

- **Order automation.** Traditional, antiquated methods of generating, receiving and processing orders, such as via email, phone and fax, are prone to errors. Either the buyer can mistype information, or the seller can misinterpret the request. Digital commerce sites minimize or eliminate these types of mistakes with error handling, suggestions and thresholds. For example, a digital commerce site could prompt a user if they suddenly place an order for 1,000 of an item when they normally purchase only 10. This type of error checking is not possible via manual ordering processes.

- **Reduced cost of service.** Traditional ordering methods often require transcription by the individual who is receiving the fax, reading the email, or taking the phone call. This process is error-prone and labor-intensive. With B2B digital commerce sites, orders can flow directly into order management systems for order processing.

- **Improved customer expectations for product delivery.** B2B digital commerce sites can offer estimated shipping and receipt times based on inventory, knowledge of current processing times and insight to potential shipping delays. This sort of information is not always available to a customer service representative taking a phone call. For an order that is received via email or fax, it’s already too late to accurately set the buyer’s expectations.
Use B2B Digital Commerce to Grow Revenue

B2B digital commerce can be a significant source of new revenue for many organizations. Not only does B2B digital commerce allow companies to reach new buyers, often in new geographies, but it also enables existing customers to increase their order sizes and overall spend. The bullets below list benefits of B2B digital commerce that result in increased revenue for sellers:

- **Increased order values.** Personalization functionality, in which a digital commerce site uses data about current customers and other customers who display similar characteristics and buying preferences, frequently results in increased revenue for sellers. Personalization functionality is used to display relevant products and promote upsell/cross-sell opportunities based on buying history or expressed interests.
Service offerings. Many B2B sellers have, or could offer, service contracts in addition to the physical products they sell. But without a B2B digital commerce site, the sale of these service agreements is often cumbersome or not possible.

Internet of Things (IoT) integrations. As more physical products include sensors that transmit data to manufacturers, integrations between IoT-enabled devices and B2B digital commerce sites present interesting opportunities for sellers. By monitoring the usage or service needs of a physical product, B2B sellers can help customers maintain control of their assets and sell service or replacement parts more efficiently. They can also use this information to suggest product reorders at the right time. A B2B digital commerce site could also offer functionality that automatically places orders for replacement parts, consumable components of existing equipment, or necessary tools, thereby generating a constant revenue stream for sellers.

Event-based revenue opportunities. Subsites, subcatalogs or unique B2B stores can be deployed in response to market occurrences and unique or quickly developing market requirements, capitalizing on new revenue opportunities.

Subscription models. Predictive and prescriptive analytics can drive subscription models for replenishment orders and consumable products, potentially increasing order values, minimizing incomplete customer orders and driving more-predictable revenue streams.

New accounts. In scenarios where sales people are taking orders, a B2B digital commerce site can step in to free sales people to focus on new customers, instead of taking orders from existing customers. If the site is enabled for new account setup, organizations can acquire new accounts via marketing efforts and paid or organic web traffic.

New geographies. In scenarios where the sales team does not cover the entire market easily, especially rural areas that require more travel from sales people, B2B digital commerce sites can offer a more cost-efficient alternative. This represents a new revenue stream in cases where those geographies were not being served.

B2B Digital Commerce Improves the Customer Experience

According to a 2018 Gartner survey, creating a better CX was both the No. 1 reason among survey respondents for launching a B2B digital commerce site and the No. 1 benefit achieved after doing so. B2B digital commerce can improve the CX and reduce friction in the buying process for customers and partners. However, it is important to note that B2B digital commerce processes almost always exist alongside other sales channels, including direct sales, indirect or partner sales channels, and inside sales teams and contact centers, among others. Digital commerce will almost never replace all of these channels. It will complement existing channels and provide self-service options that today’s customers demand.

Additionally, ROI calculations based on CX improvements are often misleading. Improving CX is not an ROI exercise, it’s a key factor in retaining customers. Instead of a pure ROI calculation, it
makes more sense to evaluate customer retention and acquisition. The bullets below list benefits associated with B2B digital commerce sites that result in improved CX:

- **Tailored customer offerings.** B2B digital commerce sites, when integrated with an ERP or other system of record, can present customized sites in which customers only see information that is relevant to them. This could include, for example, customized price lists and product catalogs. Furthermore, these customizations could be tailored to specific business units or geographic regions. This creates a better CX by helping the buyer to find information that is most relevant to them, instead of sorting through products and offerings that they are either not permitted to buy, or not interested in.

- **Customer communication.** In online channels, engagement technologies like SMS messaging, live chat and chatbots can be used to answer customer questions in real time, through the same channel where they place orders. This creates a better experience for buyers by letting them achieve service through a digital channel instead of forcing them to use email, phone, etc.

- **Product findability.** Digital commerce sites provide new ways for customers to find products, such as via visual search; where a customer submits a picture of a product they would like to purchase. This is common in B2B scenarios where replacement parts are needed, when individual parts are not necessarily labeled with product details or a bar code that the buyer can scan.

- **Complex product ordering.** B2B digital commerce is not just for simple, nonconfigurable physical goods. Product configurators can be used to help customers configure complex products that were typically not sold online (see “Magic Quadrant for Configure, Price and Quote Application Suites”). Due to advances in visual configuration and price optimization driven by artificial intelligence (AI), more B2B sellers are offering self-service ordering options for complex products.

- **Mobile-friendly offerings.** B2B is increasingly mobile, with sales reps on the road, recording customer visits, checking product details, generating quotes and managing leads from mobile apps. Buyers also expect mobile experiences, enabling them to buy when they’re away from their offices. B2B digital commerce lends itself well to a mobile-first mentality. Most commerce platforms offer responsive templates and/or out-of-the-box single-page applications (SPA) or progressive web applications (PWA).

In addition to the functionality listed above, there are some advanced technologies present either natively in digital commerce platforms or provided by best-of-breed application vendors that enhance the B2B buying experience. These functionality components and technologies can improve the B2B buying experience and are often what separates a B2B-focused digital commerce platform from one centered around simpler B2C transactions. Examples include:

- Configure, price, quote (CPQ) applications
Request for quotation (RFQ) applications

Approval workflows, for routing B2B orders to specific users for approval

Contract pricing, for ensuring that separately negotiated prices are accurately displayed online

Bulk orders, quick reorders, SKU search

Account/contract-specific catalogs

Co-browsing or “buy on behalf of” functionality for sales and service reps

Account credit levels, purchase limits

Payment flexibility, such as the ability to generate a purchase order and leverage payment terms

Invoice presentment and payment capabilities

Customer role and hierarchy management

Procurement or catalog punch-out

For more information on B2B-specific digital commerce platform functionality, see “Toolkit: RFP for Digital Commerce Platforms.”

Additionally, some functionality that was traditionally used only in B2C digital commerce platforms is becoming common in B2B digital commerce, such as:

- Advanced promotions
- Personalization and product recommendations
- Ratings and reviews
- Live/video chat
- Product syndication

Digital Transformation With B2B Digital Commerce and Enterprise Marketplaces

B2B digital commerce represents a unique opportunity. Unlike B2C purchases that are often one-time use cases in which customers don’t return for many months or years, B2B digital commerce is different. Interactions between buyers and sellers are typically much more frequent. As a result, sellers should consider whether or not there are additional opportunities in which they can serve their buyers in new ways or with complementary products.
One of the paths to B2B digital commerce growth and becoming a digital business is through marketplaces. Leveraging marketplaces in B2B digital commerce context comes in two forms: selling on existing marketplaces and creating an enterprise marketplace.

Once thought to be primarily a B2C construct, marketplaces are becoming increasingly popular for B2B. Amazon’s B2B marketplace, Amazon Business, has seen tremendous growth in the last few years. In 2018, Amazon revealed that Amazon Business had surpassed $10 billion in annualized sales, and it is estimated that sales increased by over 60% in 2019, to reach $16 billion. Additionally, a majority of buyers who use Amazon Business expect to increase their spend on the marketplace in 2020 (see Figure 3).

**Figure 3. Amazon Business Expected Spend — 2020**

**Amazon Business Expected Spend — 2020**

Q: How Do You Expect Your Amazon Business Volume to Change Next Year?

![Bar chart](image)

n = 82  
Source: B2BecNews

But it’s not just Amazon that is capitalizing on the trend toward selling via marketplaces. Marketplaces that cater to specific verticals are becoming more popular, such as those that serve industrial heavy machinery, building materials, fashion and freight (see Figure 4).

**Figure 4. Vertical Marketplaces**
The proliferation of marketplaces represents an opportunity for B2B sellers to expand the channels where their products are found. It also represents an opportunity to turn their own digital commerce sites into marketplaces, thereby becoming marketplace operators. Enterprise marketplaces are a new business model that can catapult organizations toward digital business. See “Create Enterprise Marketplaces to Accelerate Digital Business.”

### Business Continuity

As mentioned above, the COVID-19 pandemic caused significant disruption for many B2B sellers as supply chains and sales processes were disrupted. Many organizations either launched digital commerce or shifted their attention and investments to existing digital commerce channels. B2B digital commerce provides an outlet for flexible responses to market occurrences that cause either complete disruption or even temporary disturbance. With B2B digital commerce, sales can continue 24/7 whereas manual sales processes are more prone to interference. Assortment expansion is easier to achieve, especially if marketplace solutions are in place. Ultimately, B2B digital commerce provides the digital foundation for business continuity and expansion when unforeseen events occur.

### Cautions for B2B Digital Commerce

Despite the numerous benefits, B2B digital commerce is neither simple to launch nor easy to maintain over time. Whereas lightweight B2C digital commerce platforms can launch in a matter of
days, B2B sites often involve more setup, integration, cross-team planning and collaboration. Similarly, adoption by customers is not a foregone conclusion. This is especially true if the organization creates new processes that its customers perceive to be more complex or cumbersome. Further, many organizations proceed with an “if we build it, they will come” mentality. But without proper understanding of how customers make purchases and without new features or benefits to B2B customers, expensive B2B deployments can sit unused, in favor of simpler, existing processes that customers have used for years. To avoid these pitfalls:

- Develop cross-functional strategy teams, including the sales team, for the initial digital commerce launch and for ongoing improvements.
- Consider adopting an agile approach and launch a minimum viable product (MVP) version of the B2B digital commerce site supporting a subset of products. Measure product and site performance to inform additional investments into the rest of the product portfolio.
- Work with a targeted group of customers in a “beta” launch to highlight functionality and gather feedback. Choose your most vocal customers, even if they are not the customers who place the most orders or generate the most revenue.
- Offer initial incentives to sellers to get them using the site, such as discounts or access to special products or bundles.

Determining the success of digital commerce efforts can be challenging if a contentious relationship exists between the sales team and the digital commerce site. Ideally, sales reps would work as ambassadors to promote the site and educate customers on the benefits. But that won't happen just because the site is launched. Consider these tactics for developing a synergistic relationship with sales teams:

- Sales teams should continue to receive appropriate “credit” for orders placed by their existing customers.
- Consider providing compensation to sales teams after customers register on the site or complete other actions such as activating their account, placing their first order, place a certain number of orders or reach other milestones.
- Consider incentivizing sales teams for B2B commerce orders that originate in territories assigned to them, even if they weren't existing accounts. This credit may be partial or full, depending on the company and use case.

Additionally, buyers will be able to use more than one channel for discovery and ordering. For example, a customer may conduct research online but place the order through either the sales agent or the call center, which may distort the return on investment of the commerce site. This puts downward pressure on the amount of investment earmarked for the digital commerce project,
because it is difficult to directly see its impact on revenue. To avoid this pitfall, organizations should look at overall revenue per customer and revenue from new customers, instead of only considering revenue for the digital commerce channel.

**Acronym Key and Glossary Terms**

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<tr>
<th>Acronym</th>
<th>Term</th>
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<tr>
<td>B2B</td>
<td>Business to business</td>
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<tr>
<td>B2C</td>
<td>Business to consumer</td>
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<td>CX</td>
<td>Customer experience</td>
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<td>IoT</td>
<td>Internet of Things</td>
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<td>PWA</td>
<td>Progressive web applications</td>
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<td>SPA</td>
<td>Single-page applications</td>
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</table>

**Evidence**

5. "Amazon Business Grows Faster Than Amazon Itself," Digital Commerce 360

**Document Revision History**

Embrace the Possibilities and Distinct Characteristics of B2B Digital Commerce for Optimal Results - 16 May 2016

**Recommended by the Author**

Create Enterprise Marketplaces to Accelerate Digital Business
How to Develop a Digital Commerce Strategy
2019 Strategic Roadmap for Digital Commerce
Apply the Principles Behind the Future of Applications to Digital Commerce

11 Imperatives When Building an Enterprise Marketplace

Recommended For You

Cool Vendors in Digital Commerce
Navigating the Digital Commerce Payment Market
Magic Quadrant for Digital Commerce
Critical Capabilities for Digital Commerce
Gartner Peer Insights 'Voice of the Customer': Digital Commerce

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