

Defining Omnichannel Excellence in B2B

How the Omnichannel Paradigm is Being Worked Towards in 2016



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Executive Summary

As digital commerce grows, the perceptions and expectations of the average consumer are changing with them. In B2C retail, an omnichannel paradigm is the new gold standard, paving the way for similar progress for B2B. There are several major benefits to a more coordinated digital strategy, not the least of which is the ability to align channels towards the creation of a cohesive customer facing brand experience. On the back end, the ability to collect customer data and incorporate it into a single view has major potential for brands who can tailor their programs around progressively more segmented insights based on this information.

However, progress towards a fully integrated digital strategy can be difficult for B2B brands. On top of the logistical challenges posed by integration of siloed point solutions, they are facing the need to overcome internal resistance and create executive buy-in for new or revamped programs.

Despite these issues, the trend towards more fully developed ecommerce capabilities is clear, and the large majority of B2B companies are predicting significant gains in the sales they will make through digital channels year-over-year. The rising importance of ecommerce has led to the creation of management roles with ownership over elements of a brand’s digital performance, encompassing the back and front end capabilities of their ecommerce platforms, content and social strategies, brand management, and customer experience.

The B2B companies that are able to capitalize most effectively on growing digital markets stand to gain access to broader streams of revenue, as well as an increasingly useful data-driven view of their customers.



Contributor Information

In addition to the analysis in this benchmark report, B2B Online interviewed a leading voice in digital excellence for B2B

Charlie Bonomo
SVP & CIO
MSC Industrial Supply Co.

Key Findings



While many B2B companies are still just beginning to develop their ecommerce operations, the majority are also projecting bullish growth year-over-year.

The growth of omnichannel strategies within the B2B community has been steady, but the majority are still working toward the creation of a truly omnichannel sales and marketing strategy. Still, the larger part of these businesses are projecting that their digital sales will grow by a significant amount within the year, indicating that progress may be exponential.



The buy-in for investing in digital and ecommerce projects is largely present, and where executives may be resistant, they are being persuaded to come around by a need to keep pace with a changing market and customer expectations.

The writing is on the wall as more and more business is done through digital channels. For an example of how to progress towards an omnichannel paradigm, B2B businesses need only to look to their peers in B2C retail. B2B buyers may evaluate products using different criteria from their B2C counterparts, but they are coming to expect the same levels of customer experience and convenience that they get from big name retailers. Momentum towards a responsive, consumer friendly digital presence will only grow in importance as more B2B players seek to develop their ecommerce capabilities.



Omnichannel customer experiences and unified back end data present major opportunity for B2B, but the majority of respondents have yet to achieve this level of integration.

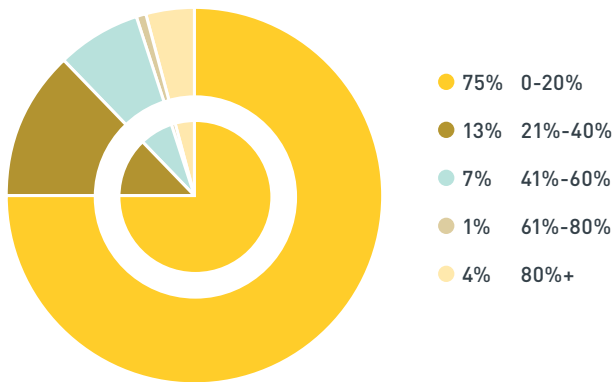
Within B2B companies, ecommerce point solutions are fairly common, yet there can be a significant challenge when it comes to integrating the data that they provide. Integrating information from point solutions to contribute to a central “golden data record” is a long-term goal of many B2B companies.



Research Findings

Growing digital sales in the B2B world

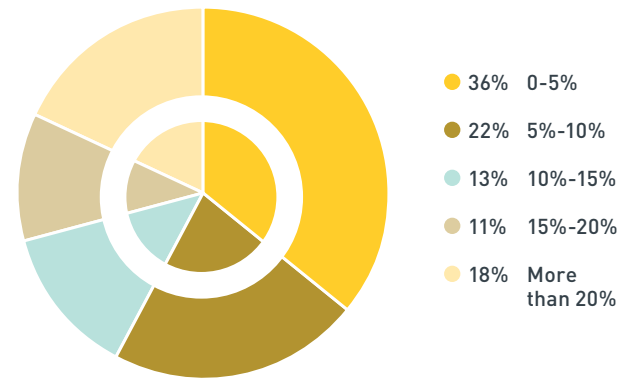
What percentage of your overall company sales are completed via ecommerce?



Ecommerce has fundamentally transformed B2C retail, and a parallel shift is underway in the B2B world. As multichannel marketing strategies blur the lines between demand generation and engagement, B2B retailers have a major opportunity to grow both their sales pipelines and their brand profiles through the adoption of digital best practices.

Currently, 75% of respondents are making up to 20% of their overall sales through ecommerce. The other 25% are at various stages of ecommerce maturation. Notably, 4% of respondents are now making over 80% of their total sales through ecommerce channels, evidence of almost entirely digitally based acquisition strategies.

By what percent do you expect your ecommerce sales to rise by next year?



While the majority of B2B retailers have not yet brought their total ecommerce sales above a 20% threshold, predictions of growth imply that this percentage may shrink rapidly over the next several years. The majority of respondents predict that their ecommerce sales will grow by over 5%, with 18% of them predicting more than 20% year-over-year growth. It's clear that ecommerce is a significant growth engine for most B2B retailers, with high expectations for the coming year.

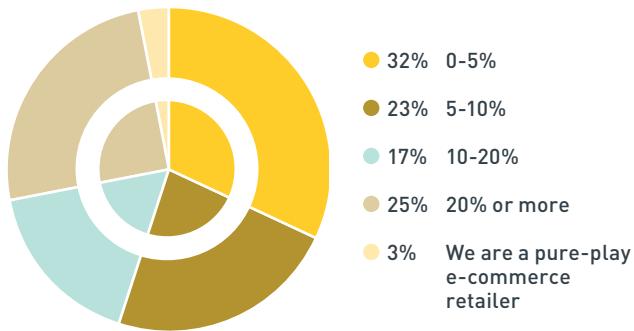
“Years ago when I joined MSC, we would celebrate the release of our “Big Book” catalog every year. Eventually, we began asking ourselves if we were going in the right direction. We did a good job of realizing that the world was shifting, and for that reason it wasn't difficult to convince people that we needed to move toward a digital approach. Now we're generating more than half of our revenue on the web. I don't have to spend a lot of time convincing internal constituents that that's where our demographic is going. Five years from now, even more Millennials will be in the workforce, so the days of ordering from our “Big Book” are clearly numbered.”

Charlie Bonomo, SVP & CIO, MSC Industrial Supply Co.



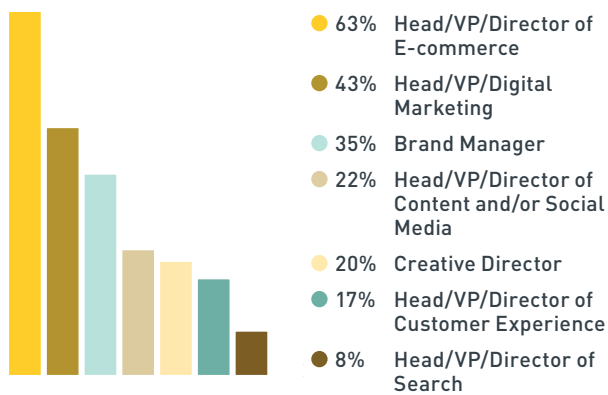
Organization of ecommerce and digital marketing strategies

What percent of your marketing budget is allocated to digital and e-commerce initiatives?



The amount of digital investment companies are carving out of their overall budgets roughly mirrors their projected growth. A full quarter of respondents are planning on increasing their digital investments by over 20%, with another 17% upping their digital spending between 10% and 20%. When the 3% of B2B retailers who have a pure-play structure are accounted for, nearly half of respondents are allocating at least one-tenth of their entire marketing budgets to digital initiatives.

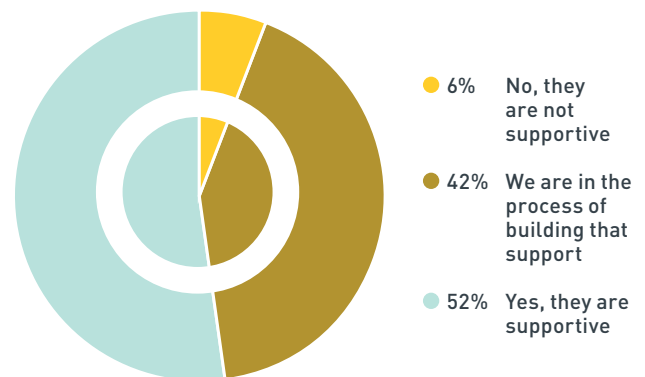
Which of the following e-commerce/digital marketing positions does your business currently have?



*Results reflect respondents who selected all applicable answers.

In order to effectively define and execute digital strategies, a range of titles are being vested with the authority to manage different components of a business-wide approach. The most common is a Head of Ecommerce, which is a position that exists within 63% of B2B companies. The second most common is a Head of Digital Marketing, representing a bifurcation in the responsibilities that go into creating digital demand, and the management of an ecommerce site and the components that make it tick. Brand Managers are another key component of a wider digital strategy, and are within the top three most common digitally aligned roles. Roles related to content and social media, creative, and customer experience are present in just under one out of four B2B businesses, indicating that as digital investment and revenues grow, so too will the prevalence of these more specialized roles.

Do you have buy-in from your executive team to build out better digital marketing, CRM and e-commerce capabilities?



The buy-in to build stronger digital capabilities is already there for over half (52%) of B2B businesses, while another 45% are actively building the support required to expand their digital programs. Only 6% have encountered executive leadership that is opposed to expanding digital, a slim minority in the face of the clear potential for growth ecommerce presents.

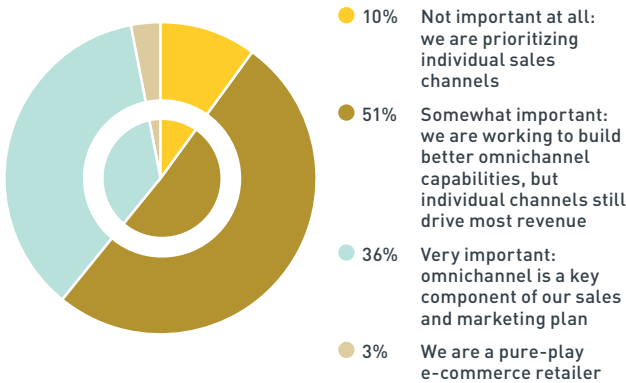
“We’ve done key things along the way to make sure digital adoption goes well. For example, our sales people are not in competition with the web. They get full credit in terms of commissions for any business that their customers transact on the web, so they don’t fear the technology. Also, our business is still very service-oriented. You don’t need a lot of technical expertise to sell a roll of paper towels, but if you’re trying to figure out the best way to take a chunk of titanium and turn it into a fail-safe clutch mechanism for a motor and a mission critical application, you probably need to speak to our technical experts. The challenge that we have now is sustaining what we’re doing and continue to stay ahead of the pack as we work on our next big project.”

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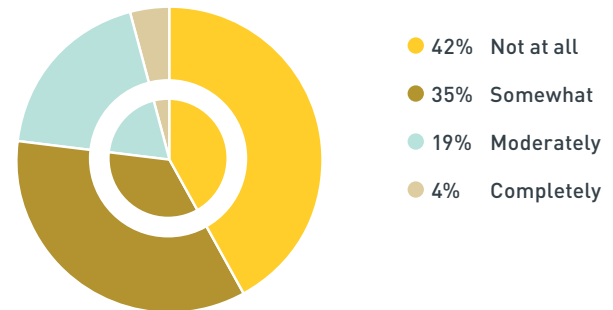
An omnichannel approach to B2B

How important are omnichannel commerce initiatives to your business?



As a brand becomes more digitally sophisticated, they are able to create single customer views and utilize data in order to personalize messaging, make better product recommendations, and create cohesive brand experiences that extend across all of their channels. Currently 51% of B2B retailers are working on some omnichannel initiatives, but still mainly prioritize the management of individual revenue generating channels. Another 36% of respondents have made omnichannel initiatives into a critical part of their strategies. Compared to the 10% who are prioritizing individual channels over a movement towards multichannel, those who see the value in a completely coordinated approach are by far in the majority.

Have you been able to create a “golden record” of your customers’ transactions, website activities, social interactions and in person contacts into one database from which all channels can pull?



Ultimately omnichannel data is most useful when it can be consolidated into a single database that incorporates customer activity across all channels. This “golden record” can drastically improve the level of understanding around a brand’s holistic relationship with the customer. Despite the major benefit of having a single customer view, the sophistication of a fully integrated omnichannel strategy eludes the majority of B2B companies. Only 4% have been able to create a “golden record” that brings their multiple data channels into a single view. While 20% are well on their way towards a more complete integration, 35% are just starting on their journey and 42% haven’t begun this process at all.

“Omni-channel integration will be very valuable for B2B companies that successfully reach that goal. Currently, the organizations that have achieved it are few and far between. We’re moving in that direction and were getting better everyday, but when you have a heterogeneous environment, the data doesn’t necessarily come together on the back end. Even if it does, you may have different front-end systems to wade through to figure out what a customer is doing. True omni-channel integration is difficult to achieve. I think the easiest solution to the problem is to deploy a single solution across the board. Within B2B commerce, it’s a huge benefit to have that 360-degree view of the customer. In the end, it’s not only for your own operations, but also for the customer, because they want to know that you understand what they’re doing in every facet of their business.”

Charlie Bonomo, SVP & CIO, MSC Industrial Supply Co.



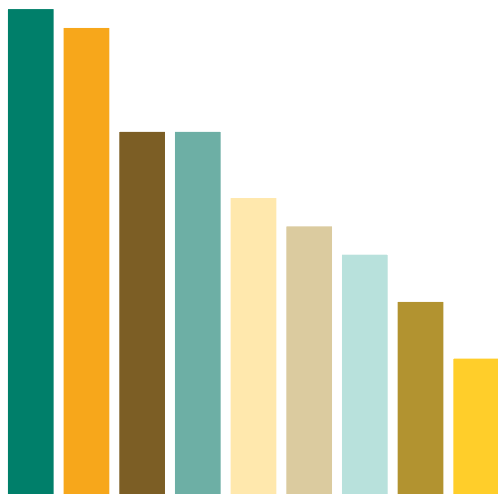
Flash Findings

Respondents ranked the top five challenges they face that hold them back from omnichannel development. The following are the most common responses, with 1 being the most common.

- ① Employee and management resistance to change
- ② Difficulty integrating back office technology across channels
- ③ Lack of digital commerce technology within the business
- ④ Conflicts between sales channels
- ⑤ Existing business model conflicts with omnichannel development]



What would you say are the primary drivers behind your organization's investment in omni-channel initiatives?



*Results reflect respondents who selected all applicable answers.

- 52% To provide a consistent customer experience regardless of channel
- 50% To meet customer expectations
- 39% To drive additional efficiencies and cost savings through improved inventory planning and assortment
- 39% To gain a competitive edge over online pureplays (e.g. Amazon)
- 32% To see an uplift in our customer satisfaction metrics
- 29% The omnichannel customer has a higher lifetime value
- 26% To reduce customer service / call center expenses
- 21% To match our competitors' practices
- 15% For international growth / globalization

A broad range of benefits await those who are able to complete their journey towards full omnichannel data integration. The most alluring aspect is the ability to provide a customer with a completely consistent experience across every channel that they engage on, which 52% of B2B respondents listed as a key incentive. However, internal

interest in these capabilities is closely followed by increased pressure from customers themselves, who are coming to expect seamless experiences that mirror their interactions with B2C retailers and disruptive services with a heavy focus on customer experience.

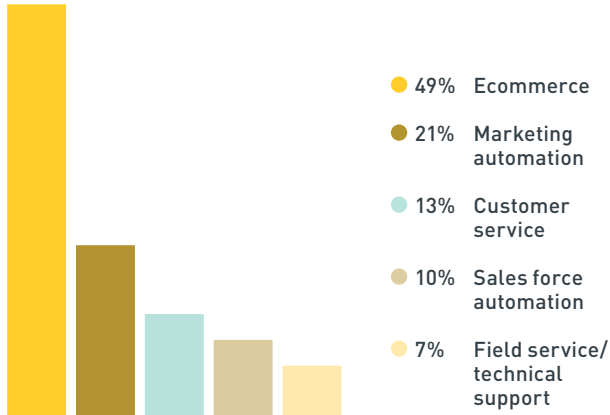
"In terms of your digital performance, you never want to be comfortable, because if you're comfortable you can become complacent. We set out a while ago to be the clear number one distributor in our space in terms of our digital and online presence. While I think we've done a very good job of trying to get there, I hope that we always view our efforts as a journey, because there's always more to do. Our challenge is to take the customer service that you would get in a showroom and bring it to life on the web. Our perspective is that we want to be our customers' Enterprise Resource Planning resource on the web, and we view the things that we do as applications that we provide for them to get their jobs done."

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The need to integrate point solutions into omnichannel

What digital “point solutions” do you employ currently across the customer journey?

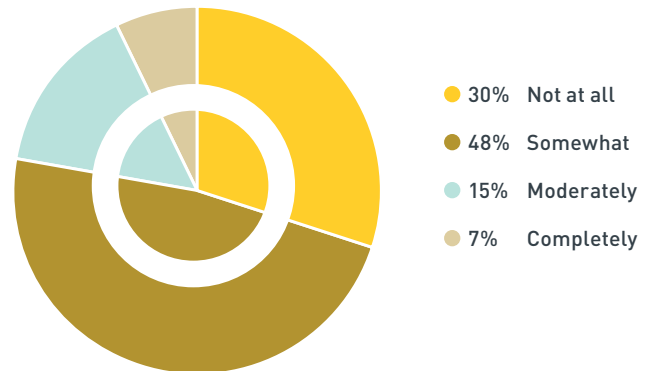


Q: What’s a point solution?

A: A point solution is a term borrowed from computer programming that in a marketing context refers to a product or service that addresses a single specific need. As opposed to a product that offers a suite of features, a point solution focuses on a particular area of challenge and solves it.

The point solutions that are most commonly used by B2B companies are geared towards ecommerce, with just under half (49%) of respondents employing specialized products that help them manage their digital sales operations. Marketing automation is in use among 21% of B2B retailers, allowing them to more effectively manage marketing across multiple channels by automating the most repetitive tasks and allowing responses to be triggered at key points in the customer journey.

Are your digital “point solutions” (ecommerce, marketing, sales, service) integrated with each other to create a consistent experience across the customer?



Customer service point solutions have been adopted by 13%, while 10% have introduced sales force automation, both components that can streamline the customer journey and free up time for other strategic processes.

The major benefit of point solutions is that they will fix the issues they are designed to address with a high degree of specificity and effectiveness. On the other hand, a challenge that they create is integrating them with other solutions and systems within a marketing department in order to build a more cohesive customer facing experience. Just under a third (30%) of B2B companies have not integrated their point solutions at all, while 48% have only taken some steps to bring their individual solutions under a single data sharing umbrella. While 15% have achieved a moderate level of integration, only 7% report that their point solutions are fully integrated, less than one marketing team out of ten. As the value of full integration helps propel these leading brands forward in their digital maturation, their B2B peers will need to follow suit or risk falling behind.

Key Recommendations



Continue to justify the need for digital transformation, building on internal buy in.

A class of executives in charge of digital and ecommerce initiatives are helping B2B's strategic transition towards omnichannel, serving as the main proponents of transformation within their organizations. Currently, the majority either have full buy in or are taking steps towards creating it, yet B2B companies are spread out on the path to full integration. Maintaining a case for further ecommerce investment based on positive results is critical in order to keep ahead of the curve.



Prioritize scalability in your ecommerce and marketing strategy.

With B2B brands predicting significant year-over-year growth in their digital sales, one of the keys to success will be the ability to rapidly scale programs to keep pace with customer expectations and increased traffic. **Access to data that can help inform business strategy** will be a key component of accurately forecasting and meeting demand, making it critical that access is worked into your relationships.



Move towards a single "golden data record" that pulls from all of your channels.

The most commonly used point solutions within B2B companies are those supporting their ecommerce operations. As ecommerce sales become a larger part of total annual revenues, B2B companies should be making sure that these solutions provide data that can be integrated into a centralized database.



Appendix

Methodology

The results analyzed in this report were gathered from responses to an on-site benchmarking survey delivered at B2B Online 2016. 75 executives responded to the survey. Interviews with sources were conducted after survey data was compiled, and centered on discussion of benchmark results.



As the B2B digital and eCommerce market continues to move at breakneck speed, manufacturers and distributors are racing to keep up with the ever-changing landscape. The economy, the audience, and the technology is constantly pushing forward – forcing companies to trek into uncharted territory.

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