



INCREASING EBITDA THROUGH AN INTEGRATED E-COMMERCE APPROACH IN B2B

The press is full of stories about the impact of e-commerce on the High Street but there is much less said about what it means for business-to-business (B2B) companies, where often the level of change can be just as profound. B2B companies need to embrace e-commerce as it represents an opportunity to significantly improve profitability, but doing so takes far more than just launching a web ordering portal. It requires an approach that integrates e-commerce with the rest of the business. This article describes some of the challenges, the solutions and the potential benefits of undertaking such a change.

WEB CHANNEL BARRIERS

Many B2B companies offer a web ordering channel but often the usage is hampered by significant challenges such as:

- Customers having agreed terms that are different than standard pricing
- Customers expecting to be able to negotiate pricing each time they order
- Questions over availability
- Packaging, delivery options and fulfilment costs that vary by load
- The person placing the order may not be the buyer
- Speed of entry
- Payment on account
- Different teams driving account sales and e-commerce

BUILDING BLOCKS

The return on investment (ROI) from e-commerce initiatives will be greater with integrated execution:

- 1. An order management capability that provides real-time availability of all stocking locations, including branches (if part of the business), alongside real-time visibility of fulfilment routes, available capacity and costs including any special packaging or delivery considerations.** Such a capability benefits the whole business as it reveals the true order profitability. Many businesses lose money on some orders without even realising.

- 2. Pricing and discounting that encourage web use.** This would typically allow customers to agree to a level of discounting based on a forecast ordering pattern. The projected customer profitability needs to be calculated based on the forecast so that a discount can be agreed that meets the needs of both parties. Critically, the level of discount provided must be higher for web orders compared to other channels.

CUSTOMER EXPERIENCE

People who place orders via a web channel for business purposes are highly likely to also have placed orders for personal reasons with online specialists such as Amazon. They will not expect a worse experience when transacting for business purposes, therefore it is the best of the consumer sites that should be regarded as the benchmark rather than competitors. While the user experience is of prime importance, it is also critical that the role of the person using this site is considered. Two particular roles are of prime consideration and the journey needs to be optimised accordingly:

- For the specifier, they need to be able to find all necessary information to ensure they are selecting the most appropriate product. Quality and presentation of product information is therefore critical. Cross-sells and upsells may work well for such users.



- For the procurement person, speed of entry is of paramount importance, so making the journey as easy as possible is vital. Increasing average orders and conversion amongst this group will form strategies such as discounts for additional volume or a loyalty scheme that provides points that can be used for personal rewards.

MOBILE

Where the specifier is likely to be field-based, the mobile channel is potentially more important than the web channel. Providing an easy to use mobile interface could drive significant benefit. For example, if an engineer was able to open an app, point the camera of a phone at a device and see the exploded parts diagram from which he could order directly, he may place the order even if the price were slightly higher than from a competitor.

E-PROCUREMENT

The most effective form of e-commerce for many B2Bs is actually e-procurement, or allowing customers to raise orders on their own systems, which automatically feeds those orders to the supplier. Setting up such an approach requires integration of the catalogue, availability and pricing in particular, so execution can be complex. Once done, however, it locks in the customer and is worth the investment for larger customers.

SALES PERSONNEL

It is imperative that call centre and field sales personnel are encouraged to promote alternate channels. One approach is to not only ensure they are given credit for orders placed via the online channel, but to actually give them more credit for such orders compared to those taken over the phone.

This approach will facilitate the sales teams in moving from taking transactional orders to being strategic account managers who can increase overall customer spend.

RESULTING PROFIT IMPROVEMENT

By addressing the measures above, customers will be incentivised to move to lower cost-to-serve models. The impact of such a move on EBITDA can be highly significant with improvement coming from:

- Improved conversion and average order values online
- More accurate delivery pricing based on actual cost
- Discounting based on true customer profitability with unprofitable customers exited
- Additional profitable sales due to account teams becoming strategic sellers rather than order takers
- Lower headcount in contact centre and field sales





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