

2023 State of B2B eCommerce Report

Presented by Master B2B



MASTER B2B

Over the years we've had countless conversations with B2B eCommerce practitioners about the status of their digital transformation. While some companies have built billion dollar digital commerce businesses, others have just begun the process of launching their first eCommerce website.

Given the breadth of experience across the industry, we thought now would be a good time to survey more than 100 B2B buyers and 100 B2B sellers to understand the current state of B2B eCommerce.

We've learned that buyers are looking for a streamlined hybrid experience, where online and offline interactions blend together seamlessly. As the retail industry painfully learned in serving the B2C consumer, overpivoting to pure dot com experiences is a fool's errand. Similarly, focusing primarily on the salesperson-centric experience ignores key moments that matter in a new, digital-hybrid buying journey.

Success in B2B today is now wholly dependent on artfully balancing self-service online touchpoints with sales-assisted customer-interaction scenarios. Key to both is digital...digital commerce sites and apps along with digital sales enablement.

That said, only persistent and determined leadership can ensure that effective digital transformation takes place. There will be difficult choices to be made and not everyone internally or externally will always support the company's digital transformation plans. But B2B commerce executives must be the ones to lead the charge in building the fluid, hybrid and simple experience buyers want.

Digital execs are best positioned to understand the value digital tools and capabilities offer in the critical stages of the buying process and they know best where to partner with their peers across the enterprise to deliver. We hope the insights from this research help practitioners align their teams, focus their efforts where customers most benefit, and sell their vision of a digital-first future to the rest of the organization.

Andy Hoar + Brian Beck



It's a Battle Royale for Top of the Funnel in B2B

When it comes to purchasing products and services online, for B2B buyers the decision centers on WHY and WHERE. By a plurality, B2B buyers report that they start their product research on whatever site they find easiest to use (33%), where they find the broadest selection (21%) and where they already make personal purchases (18%).

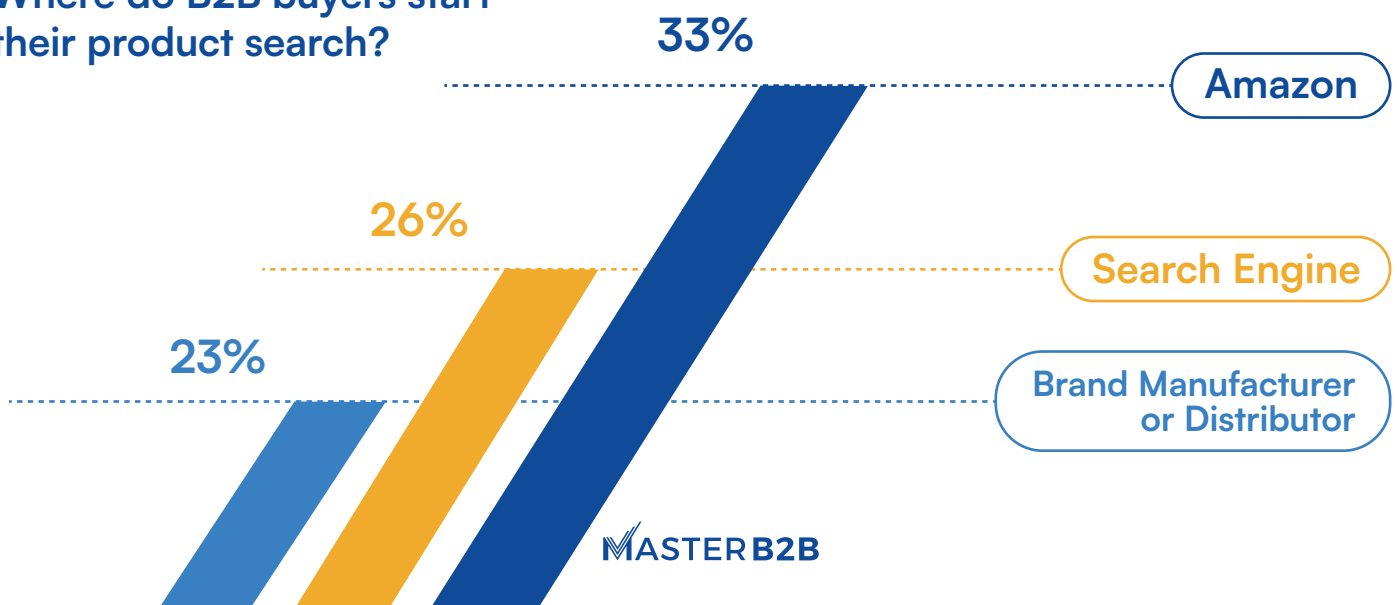
When asked which specific sites they begin their research on, one-third of buyers say they start on Amazon, 26% on a search engine, and 23% on a brand manufacturer or industry distributor website.

The good news for these manufacturers and distributors is that 41% of buyers say they ultimately make their purchase on those sites, suggesting that while they search on Amazon because of the ease of use and selection, they prefer to actually make a purchase directly from the brands they trust.

Even so, we believe that over time buyers will increasingly purchase from the sites where they're doing the research, a trend we've seen with Amazon and a significant concern for distributors if Google develops its own marketplace.

That's not to say that distributors can't be successful selling in horizontal marketplaces that Amazon and Google operate, or industry-specific vertical marketplaces that third-party operators control. But selling in marketplaces will change the power dynamic in the space and force distributors to compete and win on sites they don't control (and with which they might actually compete, in the case of Amazon).

Where do B2B buyers start their product search?



Targeted Buying Experiences Are Now Must Have

B2B sellers recognize that their online success rests in large part on how well they're able to provide a personalized experience for their customers and, even more importantly, whether their site search provides relevant, actionable results.

Our survey found that 61% of sellers said they've lost sales because their site search wasn't good enough, and a similar 59% lost sales because their site experience wasn't personalized sufficiently for their buyers.

In response, sellers have taken the need for improved site search seriously, with 84% reporting that they are either in the midst of upgrading their search capabilities or have planned for a search upgrade in the next 36 months.

Also of note, 49% of sellers said that they've lost sales because they couldn't compete with Amazon on price. That's good news for sellers in that a majority still believe that they can compete with Amazon on price. But it's also bad news because 49% is dangerously close to a majority reporting that they cannot compete with Amazon. Moreover, the trend lines continue to point to heightened price competition and increased margin erosion.

“I think our projects should lead with search, it's what customers use the most.”

Kurt Gehring,
Arrow Electronics



61%



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Email Marketing Still Delivers Outsized Results, while B2B Communities Are Becoming More Important

We've all been hearing about the death of email marketing roughly since the second marketing email was sent more than 25 years ago. But, like Mark Twain famously said about himself, sometimes a report of death can be greatly exaggerated.

B2B buyers report that email marketing - more than any other marketing channel - has the greatest impact on their decision to buy products from a company. Fully 39% say that email marketing is the marketing tactic with the greatest influence on their purchase decision.

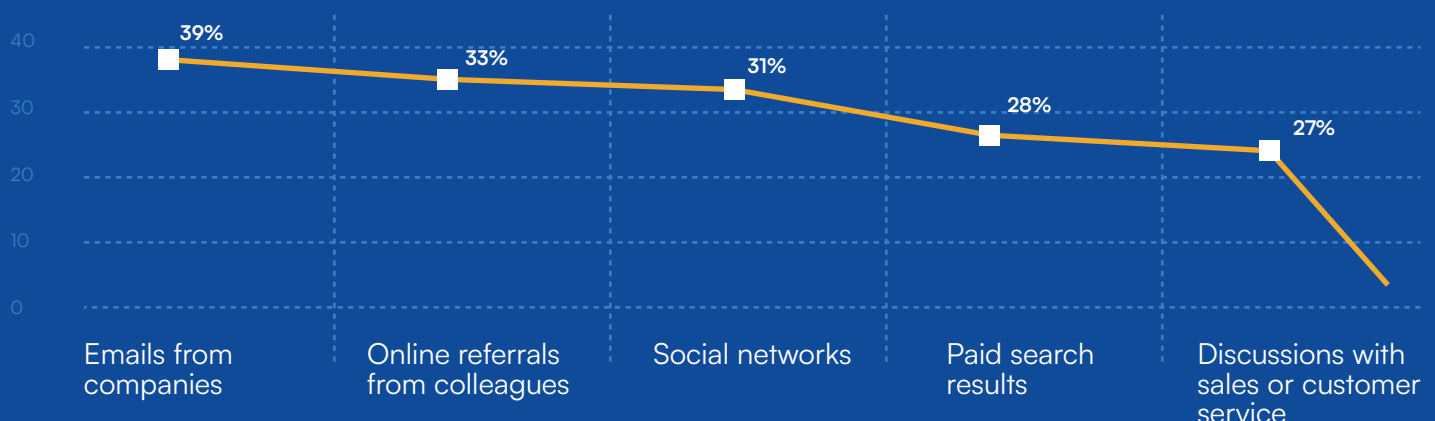
The good news for sellers is that email marketing can also help provide the more personalized experience that buyers are looking for with less effort than fully personalizing an entire website experience.

B2B sellers have the opportunity to use email to personalize the service experience, too, by creating email flows based on products (or product categories) and sharing links to videos about the product, service reminders, product updates, and cross-sells.

Buyers are also influenced by colleagues and wider social networks, as we saw that more than 30% of respondents said that colleague referrals and social networks influenced their buying decisions. Certainly it's trickier in B2B than in B2C to harness the power of social networks, but regardless of whether it's a B2B or B2C purchase, people like to talk about the great experiences they've had.

Increasingly, B2B eCommerce execs are using social networks like LinkedIn, and B2B communities like the Master B2B Forum, to learn about and verify products and services. These resources offer new ways to vet buying decisions.

Which three interactive marketing tactics have the greatest influence on your decision to buy products and services for work?



Digital Success Is Necessarily a Team Sport

B2B sellers note that their biggest barrier to robust eCommerce growth is a not-particularly-surprising lament from 68% of them about not having enough budget to handle all the projects they have on their plates.

Budget aside, respondents noted the impact they're seeing from a lack of alignment between the sales and eCommerce teams. Of note, 55% said that they lose sales because of a disconnect between what the website offers and what salespeople offer customers, suggesting that salespeople will undercut online pricing to close a deal.

Similarly, 35% of sellers report that their IT departments were a "significant barrier" to robust growth. This is a major problem because B2B customers don't care about or wait for IT project lists. We've had a number of discussions in our Master B2B Boardrooms with our eCommerce executive members who have expressed regret about the relationships (or lack thereof) they've built with their internal IT teams.

CEOs must demonstrate leadership here and ensure that eCommerce and IT departments are fully aligned - both strategically and financially - to ensure digital goals are achieved. In a world filled with limited resources and competing priorities, natural cooperation on digital between the business and IT sides of the house does not often happen organically.

“It took a lot of focus from the center of the company to drive our digital initiatives. To get everyone on board, it needed to come from the top. There were grass roots efforts, but until we got a corporate mandate, everyone wasn't rowing in the same direction.”

- Jeff Hoogerhyde, 3M



AI Investments Will Be Significant in 2023

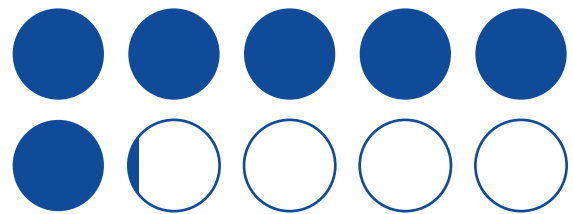
It's often challenging to separate the hype around a new technology from the realities of its true and enduring value. Which makes it all the more challenging to determine how B2B eCommerce teams should think about investments in AI as well as the use of AI in chat, data clean up and personalization.

Our survey found organizations with strong preferences regarding investment - 61% said they were planning on spending on AI tools in 2023 (with 39% of respondents saying that they weren't planning on spending funds on AI tools in 2023). That 61% is pretty remarkable considering that the buzz around AI-driven chat tools really only exploded in late 2022, and B2B eCommerce is not known for immediately embracing newly-hyped tech.

“We'll be investing more in products that will future-proof our platform, including AI. Not to eliminate people, but to use AI to streamline our processes.”

- Jeremy Ott, Reinders

This is an emerging technology, so we can understand the hesitancy to invest here. However, we believe the promise of AI - especially in chat and in data hygiene - is real. In short, AI is moving too quickly to wait on, and companies must build a crawl/walk/run strategy for AI post haste. Hibernating on this one will cause B2B companies to fall dangerously behind, perhaps irrevocably so.



61%

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Online Drives Offline Sales, But Surprisingly Offline Also Produces Online Sales

We've heard quite a bit from eCommerce executives about the pushback they receive from sales teams about shifting sales online. As one executive told us, "some salespeople are worried that they won't have anything to do if we continue to push orders online."

But our survey found that the online channel has a directly positive impact on offline sales. 51% of buyers said they research their purchases online before making a purchase offline more than half the times they make a purchase.

Similarly, offline interaction also drives online sales. 29% of buyers said that they research offline (either talking to a sales rep or visiting a branch in person) before buying online the majority of the

occasions they're buying products for work.

B2B eCommerce executives need to think about their website, not only as a direct sales tool, but also as a research platform. And they need to think about their offline assets (sales and customer service reps) as effective tools for driving online sales in addition to offline sales. With buyers reporting abandoning their orders because of slow responses from salespeople, driving simple orders to the website will free up the sales team to handle more complex customer requests.

Admittedly, this is a tricky balance. But the investments we're seeing in data and in site search will help both channels drive sales to each other.

"We're moving the customer service experience into the eCommerce experience. We're asking ourselves how we leverage technology to allow us to answer the simple questions more easily and bring our tribal knowledge into every system so we can serve the customer base regardless of the channel."

— Ben Smith, Chief Digital Officer at Banner Systems

Sellers Continue to Invest in New eCommerce Platforms

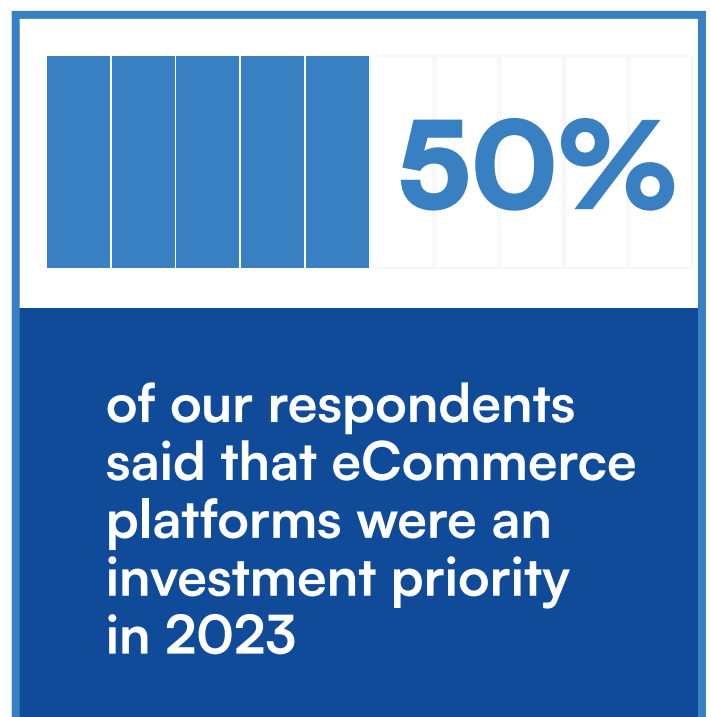
As we've seen from the record attendance we get anytime we do an Un-Webinar, Mythbusters session or Executive Roundtable focused on eCommerce platforms, many B2B eCommerce execs are considering either changing their platform or building a site for the first time.

That said, we were still surprised to see that 50% of our respondents said that eCommerce platforms were an investment priority in 2023, a number bigger than any other investment area about which we inquired.

When companies do decide to make a platform change, they're evenly divided about how they want to approach that project, with one quarter saying they would use a best-of-breed system incorporating third-party functionality or a homegrown system built by outside developers. Fewer said that they would use a homegrown system built internally or an all-in-one commercial system using some third-party functionality (e.g., Search, CPQ). Fewer still said that they'd purchase an all-in-one system and exclusively use that platform's native functionality.

We see a range of strategies because respondents are operating within a range of circumstances (some are starting with nothing, some are upgrading parts, some are replacing everything). Respondents are also balancing total cost of ownership equations with the need to scale traffic and revenue while most effectively leveraging existing staffing resources.

Those in the market for eCommerce platforms recognize that the success of the project also depends on the implementation partner they've selected, with 84% of respondents saying that partner is an important or very important factor for them. The right partner will reduce the time to market and help select the technology that will provide the flexibility and total ownership cost buyers seek.



The Reality of the Amazon Best-In-Class Standard



B2B buyers made two clear points: Amazon and Amazon Business are here to stay, and they expect parity with B2C experiences.

Amazon CEO Andy Jassy reported in April 2023 that Amazon Business is on target to generate \$35 billion in annualized sales, with one analyst predicting that the figure would grow to over \$80 billion by 2025.

Our eCommerce sellers, though, think they're up to meeting Amazon's challenge. 60% of our seller respondents

say that their website provides a better or much better customer experience than Amazon.

And they're even more certain that they're able to compete with companies other than Amazon, as 81% say they provide a better or much better customer experience than their direct competitors. Of course, all buyers compare their experiences to the highest standard, usually a B2C site (and often Amazon). So in the end, B2B sites can only win if they're among the "best of the best" and compare favorably with Amazon. All other comparisons simply give false hope.



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