

Tomorrow's Midmarket B2B eCommerce Will Take Place In The Cloud

Integrated eCommerce Solutions
Show Major Benefits For Midmarket
Firms

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Executive Summary

Dramatic shifts in buyer behavior have forced sellers to adapt their approach to win, serve, and retain more empowered, savvy, and fickle customers. In the business-to-business (B2B) space, this has proven true as well. Enterprises and midmarket sellers look to use digital capabilities — powered by sophisticated technology platforms — to meet their customers' demands for rich omnichannel experiences. Many companies are specifically looking to cloud-based, integrated solutions to help drive efficiencies.

Starting in January 2016, NetSuite commissioned Forrester Consulting to evaluate how midmarket B2B sellers are responding to shifting customer preferences to engage and transact online. Then to further explore this trend, Forrester developed a hypothesis that B2B sellers are often locked into using legacy systems for managing online commerce. In addition, Forrester explored the role of legacy technology platforms in meeting modern needs for agility, scalability, and mobility.

In conducting an international online survey with 352 midmarket B2B eCommerce decision-makers, supplemented with three in-depth interviews, Forrester found that companies that have adopted eCommerce platforms credit these technologies for improved sales, profitability, and customer relationships. These benefits were even more pronounced among sellers who had adopted unified or single-stack platforms.

KEY FINDINGS

Forrester's study yielded four key findings:

- › **Midmarket B2B buyers are moving toward online channels.** Nearly three-quarters of the sellers in our study were deriving at least 25% of their revenue from online channels, and 40% of them have seen their online sales grow by at least a fifth in the past year.
- › **Midmarket B2B sellers are rising to meet this opportunity with the help of eCommerce platforms.** Study participants are looking to migrate customers online in search of better customer engagement, competitive advantage, and cost savings.
- › **Midmarket sellers who are planning to change their eCommerce tools lean toward a single-stack.** Sixty-two percent of sellers who will be replacing their current

eCommerce system said they plan to use a unified or single-stack solution. Midmarket sellers using a single-stack solution said these solutions deliver easier maintenance, more agility and easier expansion, and streamlined operations.

- › **Midmarket B2B sellers credit their eCommerce solutions for helping acquire new customers, improving the bottom line, and improving customer relationships.** Study participants said adopting eCommerce solutions drove significant business benefits. These were even more pronounced for sellers who were using a single-stack solution — they were 19% more likely to say their eCommerce toolset improved cross-sell/upsell, and 14% more likely to credit their eCommerce solution with improving their overall profitability per customer.

Midmarket B2B Sellers Are Seizing The eCommerce Opportunity

B2B buyer behavior has changed dramatically in recent years in the age of the customer. B2B buyers are taking a digital-first approach to discovering and making purchases, and the shift to digital is only accelerating. B2B sellers must prepare to give their customers true omnichannel experiences — consistently delivered at high quality across desktop, mobile, and offline sales channels.

Forrester defines the age of the customer as “a 20-year business cycle in which the most successful enterprises will reinvent themselves to systematically understand and serve increasingly powerful customers.”

Forrester believes that B2B sellers who ignore their customers’ online preferences risk losing market share to digital-forward competitors in the coming years. With more and more shopping research happening on digitally connected devices like smartphones and tablets, buyers are leveraging digital channels to discover, compare, and ultimately purchase products for their businesses.

It’s imperative for B2B sellers to get onboard, but not just to avoid the risk of being left out of the buying conversation. Online channels bring with them efficiencies — from reducing reliance on clunky manual sales processes to providing buyers better opportunities for self-service — that can dramatically reduce the cost of doing business.

Today, B2B buyers are more empowered than ever to pick and choose the shopping experiences they prefer, and their preferences for online buying are driven by two main forces. First, most B2B buyers prefer do-it-yourself options for researching products and services. Second, they find that buying from a website is more convenient than buying from a sales representative.¹

This study shows that these selling pressures are starting to catch up to midmarket B2B sellers as well. Many of the sellers in our study are seeing greater sales volumes happening online today, seeking to migrate more customers online, and making eCommerce solutions a major investment priority to serve these migrated customers.

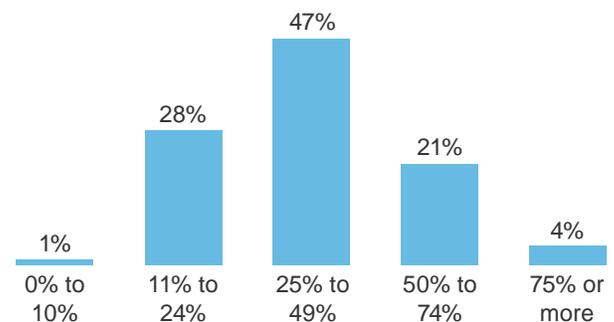
ONLINE SELLING IS A PROMINENT PART OF THE B2B MIX FOR MIDMARKET SELLERS

This study, which looked specifically at midmarket B2B firms with revenues between \$25 and \$500 million, found that digital buying has definitely taken hold in the midmarket. Today, 72% of midmarket B2B sellers derive at least a quarter of their revenues from online channels (see Figure 1).

Most midmarket B2B sellers reported that the past year has seen significant growth, as more than four in 10 businesses reported that online sales have grown by 20%. No sellers indicated that online sales had shrunk in that period of time.

FIGURE 1
Online Sales Have A Prominent Place For Midmarket B2B Sellers

“What percentage of your company’s total B2B sales are online sales?”



Base: 352 global midmarket B2B eCommerce decision-makers (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

MIGRATING CUSTOMERS ONLINE DRIVES IMPROVEMENTS IN CUSTOMER RELATIONSHIPS

Forrester has previously seen that shifting customers online results in increased customer engagement and revenue, as well as decreased acquisition and support costs.² Midmarket B2B sellers are motivated to migrate offline customers to online channels as well, with an eye on deepening their customer relationships. Driving better customer engagement was the leading motivation among study participants for migrating customers online, outstripping cost considerations (see Figure 2).

FIGURE 2
Sellers Look To Migrate Customers Online To Improve Engagement



Base: 352 global midmarket B2B eCommerce decision-makers (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

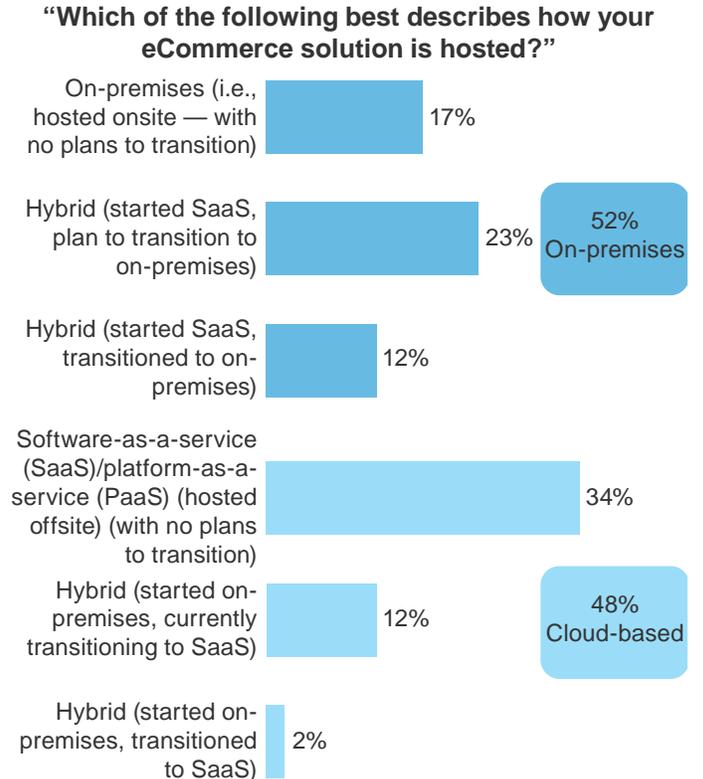
Seizing The eCommerce Opportunity Requires Technology Choices

The benefits of migrating customers online can only be fully realized if there is a set of technologies to handle both the front-end customer experience and the back-end processes that facilitate order and inventory management, billing, and fulfillment. Sellers looking to adopt or change their eCommerce provider have a variety of approaches to choose from — including solutions that are hosted in the cloud or on-premises, or ones that are standalone systems or integrated platforms.

MIDMARKET B2B SELLERS ARE ADOPTING CLOUD AND ON-PREMISES ECOMMERCE SOLUTIONS

The midmarket firms in our study were pretty evenly split between selecting on-premises versus cloud-based approaches. Slightly more than half of the sellers in our study were either currently running or transitioning to an on-premises solution for their eCommerce needs, compared

FIGURE 3
Sellers Choose Between Cloud And On-Premises Solutions



Base: 352 global midmarket B2B eCommerce decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

with 48% of sellers who were currently running or transitioning to a cloud-based solution (see Figure 3).

Firms that selected an on-premises solution said they did so in order to have more control over updates and development cycles (54%), as well as because of security concerns over hosting customer data off-premises (46%). However, despite customer data security concerns, 36% of on-premises sellers use a cloud-based solution for enterprise resource management (ERP), and 39% use a cloud-hosted CRM solution. In general, it's becoming more and more difficult to host each system required to deliver excellent online shopping experiences on-premises. Furthermore, these issues can be exacerbated for smaller and midmarket businesses that don't necessarily have the infrastructure and staff to manage them.

The sellers in our study who had adopted cloud-based solutions were driven to do so because they felt a cloud-based solution would do a better job of keeping up with innovations (66%), be faster to implement (64%), and more easily scale to keep up with growth in their businesses (64%). These statements demonstrate that cloud-based solutions bring the advantages of effectively letting the technology partner handle the functionality and integration work around product development cycles, while the sellers can stay focused more on the day-to-day business.

SINGLE-STACK APPROACHES ARE LESS COMMON THAN STANDALONE ECOMMERCE SOLUTIONS

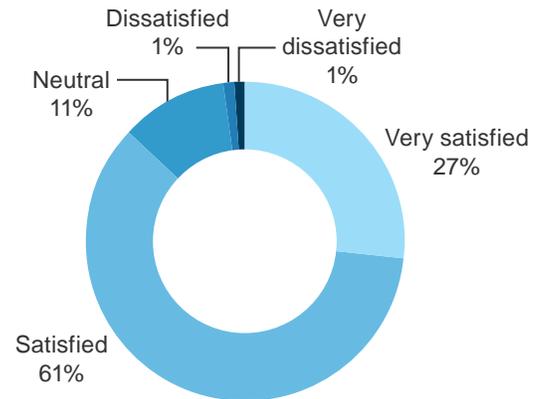
About one-fifth of the sellers in our study chose to use a single-stack solution for eCommerce — one that comes integrated with back-end systems like ERP, inventory and order management, customer relationship management (CRM), or warehouse management systems (WMS). For those using a standalone eCommerce service, 40% said they manually integrated it with their back-end systems, and the remaining 38% had not performed integration work on their standalone systems at all.

Firms using a standalone system said they prefer this approach because it lets them choose the best tools available across partners, and they believe using multiple vendors lets them force competition between their technology partners. On the other hand, those companies using a single-stack eCommerce system that comes integrated with back-end systems said that maintenance is easier; they experience more agility (for example, expanding the system to cover new business opportunities); and their operations are streamlined, with fewer processes and stakeholders responsible for individual aspects of the online selling flow.

Companies that manually integrate their standalone eCommerce tools with other back-end systems most commonly focus on integrating inventory management systems, at 54%, followed by CRM and WMS. Forty-one percent of these companies manually integrated their ERP system for financial or accounting purposes. Manual integrations with ERP systems largely seem “good enough” for these companies. While the vast majority of firms said they are satisfied with how well these systems work together, only 27% said they are very satisfied with their eCommerce/ERP integrations — indicating there is room for improvement when bringing these two systems into alignment (see Figure 4).

FIGURE 4
ERP Integrations Appear To Be “Good Enough,”
But High Satisfaction Is Somewhat Rare

“How satisfied are you with how well-integrated your ERP system is with your eCommerce solution?”



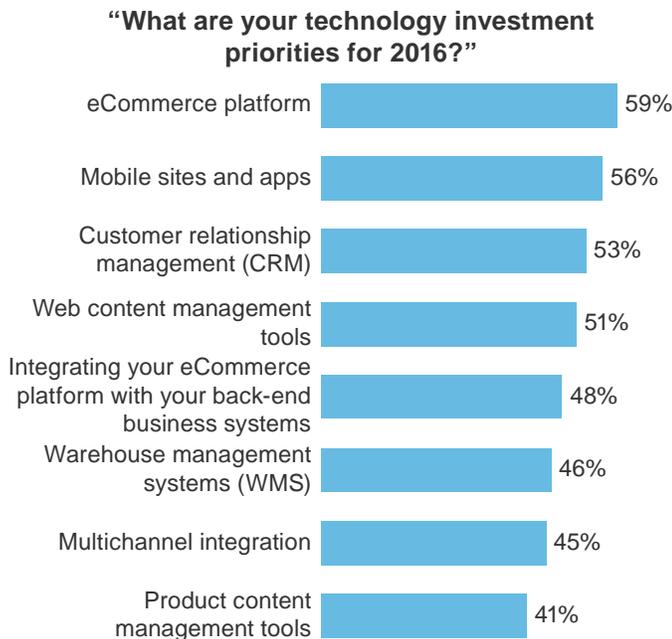
Base: 352 global midmarket B2B eCommerce decision-makers
(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

Sellers Prioritize eCommerce Investment As Customer Expectations Continue To Shift

Many midmarket B2B sellers in our study realize that their customers are shifting to prefer online experiences, and that their competition is rising to meet their customers' needs. The sellers in our study were most likely to say their eCommerce platform was an investment priority for 2016 (see Figure 5).

FIGURE 5
eCommerce Platforms Head Up Sellers' Technology Investment Priorities



Base: 352 global midmarket B2B eCommerce decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

This is a response to numerous market forces. Over half of sellers said they were focusing on eCommerce because their customers demand that they offer a quality online shopping experience, and 48% said their competition was already offering high-quality online shopping services for their customers.

“We see more and more businesses’ research is starting online and completing more purchases online. People are busy and don’t want to talk on the phone. They want to find the best price and products for their needs by themselves.”

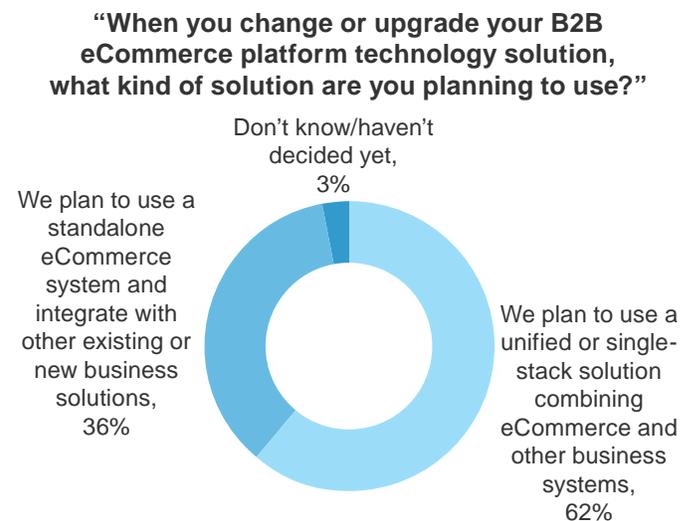
— Owner, retail and household products distributor

B2B sellers understand that customer attitudes and behaviors toward their products and services are not just driven by experiences with competitors’ products and services. Their customers evaluate the shopping experience they have on B2B sites in the context of other business-to-consumer (B2C) and B2B experiences.³ Forty-eight percent of the sellers in our study said they were aware their customers were comparing the shopping experience they provide with every other experience they’ve had — including on popular B2C sites.

The constant evolution of customer expectations and competitor capabilities helps explain why 39% of the sellers in our study reported they were either underway choosing a new eCommerce partner or planned choose one within the next 12 months.

The companies that were considering a new eCommerce provider showed a preference for a unified or single-stack approach. Nearly two-thirds (62%) of these companies said they would lean toward a single-stack approach with their next eCommerce provider (see Figure 6). Again, single-stack approaches for midmarket firms feature a degree of scalability and require less resources internally for maintenance.

FIGURE 6
Sellers Lean Toward Single-Stack Approaches For Next eCommerce Provider



Base: 338 global midmarket B2B eCommerce decision-makers (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

eCommerce Solutions Help Turn Threats Into Opportunities

There is both bad and good news for midmarket B2B sellers worried about the advent of online selling. The “bad” news is that the online shift will only continue to grow, while the good news is that eCommerce tools can drive positive business and customer outcomes.

Forrester estimates that US B2B eCommerce will grow from \$780 billion in 2015 to \$1.13 trillion by 2020. By that time, B2B eCommerce will constitute 12.1% of total B2B sales in the US.⁴

Furthermore, as B2B customers become more comfortable with online experiences and self-service product research and buying, and as sellers rise to provide more functional and convenient shopping experiences, the online shift will accelerate. Forrester predicts that the online wave for B2B will begin with easily researched, straightforward transactions before steadily progressing to include more complex sales and high-consideration items.⁵

The sellers in our study said they understand this shift will hit the midmarket specifically, too. Forty-two percent of sellers in our study said that at least half of their customers will be buying from them online within the next three years.

The good news here is that an eCommerce system can help firms get up to speed quickly and begin reaping the benefits of online selling. The sellers in our study were able to link their adoption of an eCommerce platform to business benefits, with 66% saying adopting an eCommerce platform improved or significantly improved their customers’ average order value. Sixty-three percent said their ability to acquire new customers was improved through their eCommerce solution, and 59% said it improved their customer retention and loyalty (see Figure 7).

SINGLE-STACK APPROACHES AMPLIFY ECOMMERCE BENEFITS

These benefits were even more pronounced for the midmarket sellers who were using a single-stack approach. These sellers were 19% more likely to say their eCommerce solution improved cross-sell/upsell, and 14% more likely to credit their eCommerce solution with improving their overall profitability per customer.

FIGURE 7
eCommerce Platform Adoption Linked To Business Benefits



Base: 352 global midmarket B2B eCommerce decision-makers

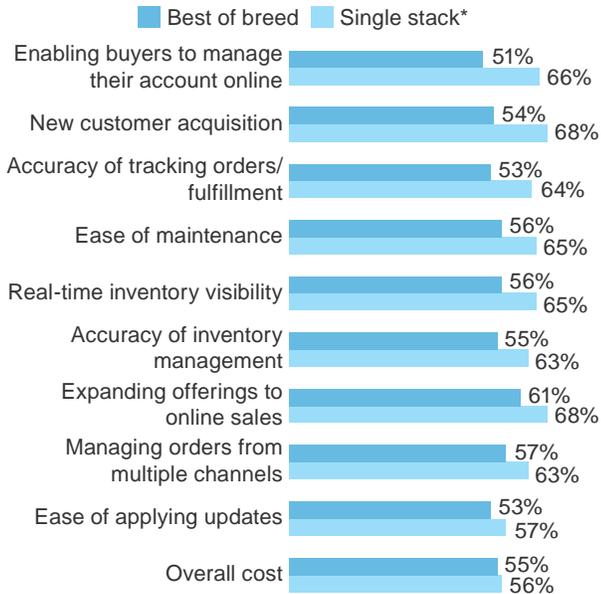
Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

Furthermore, single-stack approaches were strongly correlated to higher levels of satisfaction with enabling customer self-service, acquiring new customers, and easing burdens of tracking orders and managing for fulfillment (see Figure 8).

FIGURE 8
Single-Stack Approaches Rate Higher On Satisfaction With Functionality

“Please rate your satisfaction with the following areas of your eCommerce solution.”

(Those who answered “highly satisfied” or “somewhat satisfied”)



Base: 277 global midmarket B2B eCommerce decision-makers

*Base: 75 global midmarket B2B eCommerce decision-makers

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

These are all measures that can drive success for midmarket sellers, but interviewees put the importance and payoff of their eCommerce adoption in more fundamental terms. In short, opening themselves up to selling online has expanded their customer base — both geographically and in terms of the deal size they’re able to accommodate. As one interviewee put it:

“We recently processed a \$40,000 order from one of the most recognizable brands in the world, who found us and made the purchase online.”

— Owner, retail and household products distributor

Key Recommendations

Forrester's in-depth study yielded several important recommendations:

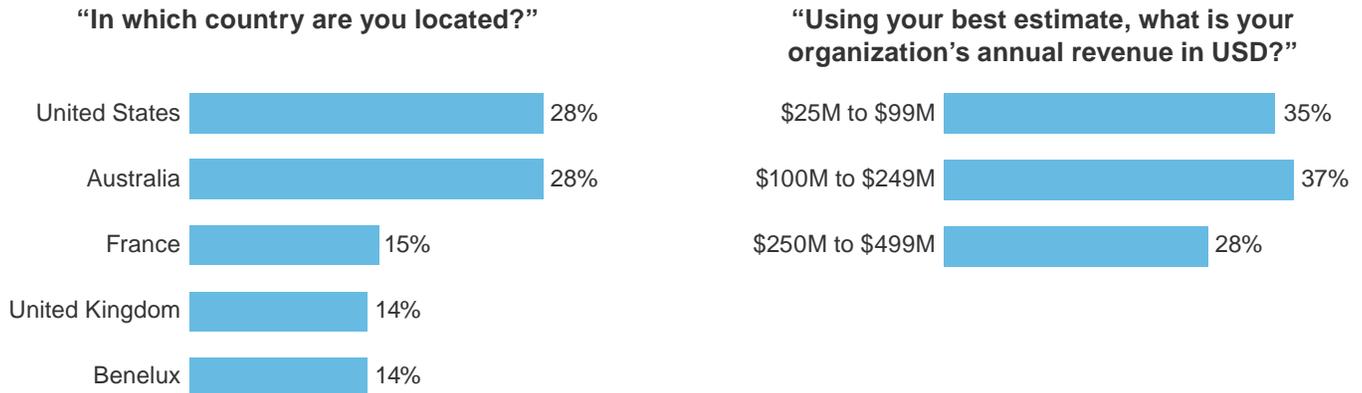
- › **Prepare to shift the focus of your sales force to more unique situations.** Forrester recommends that B2B sellers rise to meet this shift in buyer behaviors by focusing their sales staff on supporting discrete, complicated transactions — including negotiating price, navigating complex products or services, selling high-consideration items, and helping set up installation needs. Even these sales processes, however, will need to be supported by digital tools and channels — including email, chat functions, digital brochures, and collaborative software.
- › **Consider the efficiencies of single-stack approaches.** There is no one-size-fits-all best approach for every firm or even every firm of a specific size. Choosing a standalone or single-stack eCommerce solution is best decided according to numerous factors, including legacy technology infrastructure, the depth and breadth of skill to manage integration processes, and others. The sellers in our study did see a number of advantages to a single-stack approach that suggest more sellers could benefit than the 21% using a single-stack tool today. Carefully weigh out the benefits of each approach and decide which is best for you.
- › **Prepare for a wider competitive field.** Entering the online commerce world will open your firm up to a wide variety of competitors. First, as our interviewees told us, making yourself available online will in some cases bring you into competition with much larger global enterprises whose first-mover advantage is being encroached upon. Beyond direct competition, however, bear in mind that your online experience will not only be compared with the competitor across the street or even the one in an office park miles away. It will also be compared with every other online shopping experience your customer has had. Evaluate potential technology partners' capabilities not just as a client but as a consumer.
- › **Consider cloud-based solutions to help ease IT burdens.** With many midmarket companies lacking deep expertise and personnel in IT, cloud-based solutions could be an area of consideration, as the participants in our study felt these solutions were better at staying abreast of the latest innovations, were faster to market, and easier to scale.

Appendix A: Methodology

In this study, Forrester conducted an online survey 352 midmarket B2B eCommerce decision-makers, supplemented with three in-depth interviews to evaluate the state of eCommerce at midmarket B2B firms in the US, EMEA, and Australia. Survey participants included decision-makers in eCommerce, IT, and operations roles. Questions provided to the participants asked about their current behaviors and attitudes toward eCommerce and eCommerce technology. Respondents were offered a small monetary incentive as a thank you for time spent on the survey. The study began in February 2016 and was completed in May 2016.

Appendix B: Demographics/Data

FIGURE 9
Geography And Revenue



Base: 352 global midmarket B2B eCommerce decision-makers
(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of NetSuite, May 2016

Appendix C: Endnotes

¹ Source: "Death Of A (B2B) Salesman," Forrester Research, Inc., April 13, 2015.

² Source: "The Case For Channel-Shifting Offline Customers Online," Forrester Research, Inc., June 24, 2015.

³ Source: "Digital Is Busy Transforming B2B Commerce," Forrester Research, Inc., August 4, 2015.

⁴ Source: "US B2B eCommerce Forecast: 2015 to 2020," Forrester Research, Inc., April 2, 2015.

⁵ Source: "The Case For Channel-Shifting Offline Customers Online," Forrester Research, Inc., June 24, 2015.