

# Going Digital:

The race to meet B2B customers'  
evolving expectations



# Executive Summary

In Q3 2017, Behalf surveyed decision makers among its network of B2B payment acceptance partners to identify common goals and pain points. A few themes became clear:

1. Online shopping has changed buyer behaviors, shifting the dynamic of the buyer-seller relationship. Business buyers, who previously leaned heavily toward relationship-oriented purchasing decisions, now evaluate their product and service choices online.
2. Consequently, the digital arms race is on. Online retail giants like Amazon have doubled down on their focus within the B2B segment, posing a significant threat to traditional wholesalers. Even the most established B2B players are feeling this pressure on their sales models and rushing to transform delivery channels to catch-up to their customers' increasingly digital demands.

This paper explores the challenges facing B2B merchants in the digital marketplace era and offers an innovative technology solution.

## Survey Highlights:



...make growing online sales a top goal.



...are losing sales to competitors' price cutting and promotions.



...claim offering Behalf increased sales 10-20%.

# An Inevitable Shift Towards eCommerce

For the trailblazers leading the B2B digital transformation, results have been promising. Online B2B sales are growing at a rate over 2X that of online B2C sales, demonstrating the immense potential of the B2B digital market.<sup>1</sup> With growing demand for B2B sellers to go digital, 69.2% of Behalf merchants said growing online sales is a top goal of their sales organization this year. That being said, B2B sellers face a number of challenges that prevent them from developing complete eCommerce flows. According to a McKinsey & Company report, “many B2B companies struggle with disjointed selling models that make it hard for customers to move smoothly from face-to-face interactions to the online environment.”<sup>2</sup> Though roughly 86% of organizations in the B2B market offer some form of an online purchase path, merchants struggle to bring their disjointed selling models completely online.<sup>3</sup>

“Online B2B sales are growing at a rate over 2X that of online B2C sales.”

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<sup>1</sup> Columbus, Louis. *Predicting The Future Of B2B E-Commerce*. Forbes. September 13, 2016. Accessed September 6, 2017. <https://www.forbes.com/sites/louiscolombus/2016/09/12/predicting-the-future-of-b2b-e-commerce/#34e719701eb9>.

<sup>2</sup> Catlin, Tanguy, Liz Harrison, Candace Lun Plotkin, and Jennifer Stanley. *How B2B digital leaders drive five times more revenue growth than their peers*. McKinsey & Company. October 2016. Accessed September 6, 2017. <http://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/how-b2b-digital-leaders-drive-five-times-more-revenue-growth-than-their-peers>.

<sup>3</sup> B2B Online Buying: 68% of Buyers Make Purchases Online. V12Data. March 23, 2017. Accessed September 13, 2017. <http://www.v12data.com/blog/b2b-online-buying-68-buyers-make-purchases-online>.

Buying cycles are typically longer in B2B than in B2C, with slow and cumbersome procurement processes governing much of the transaction flow. As a result, many suppliers have de-prioritized the development of a strong, stand alone online presence to enable self service sales. A recent study by Accenture Interactive found that only 48% of B2B buyers are purchasing goods directly from an online supplier; the rest are purchasing online through a third-party website or other purchasing channel.<sup>4</sup> Statistics like these prove that, despite procedural challenges, business customer demand for online purchasing abilities far exceeds what their direct suppliers are delivering. Amazon Business, Amazon's B2B supply arm, surpassed \$1 billion in sales in 2016, and its continued growth rate is alarming to B2B distributors.<sup>5</sup> According to Behalf's merchant survey, 31.4% of decision makers feel competing with online marketplaces keeps them from realizing their sales goals.

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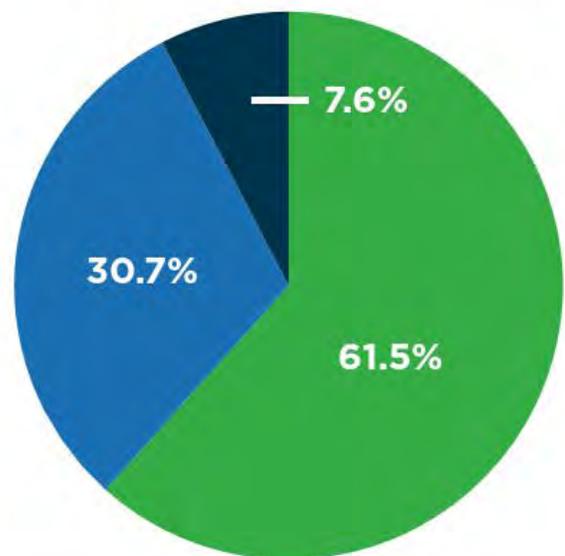
<sup>4</sup>2014 State of B2B Procurement Study: Uncovering the shifting Landscape in B2B Commerce. Accenture Interactive, 2014. [https://www.accenture.com/t20150624T211502\\_w\\_/us-en/acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Industries\\_15/Accenture-B2B-Procurement-Study.pdf](https://www.accenture.com/t20150624T211502_w_/us-en/acnmedia/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Industries_15/Accenture-B2B-Procurement-Study.pdf) (accessed September 5, 2017).

<sup>5</sup>Bose, Nandita. "Amazon's business marketplace hits \$1 billion in sales." Reuters. May 04, 2016. Accessed September 4, 2017. <http://www.reuters.com/article/us-amazon-com-business-idUSKCN0XV1J2>.

By offering a wide range of competitively priced items, exclusive offers with online discounts, and purchasing models that millions of customers are already familiar with, digital marketplaces continue to undercut new and longstanding B2B sellers online. When asked what is their most common reason for losing a sale, 61.5% of Behalf merchants attributed lower prices and better promotions offered by their competitors as a root cause. In many cases, B2B distributors are not even offering robust product catalogue experiences online, which takes them out of the online purchase decision set completely. In a recent study, 73% of B2B buyers valued pricing information the most when making purchases online.<sup>6</sup> Historically, B2B sellers have offered complex, relationship pricing: customized pricing taking into account order volume, frequency, seasonality, and overall value of a customer relationship. Rack rate pricing was intentionally obscured online to support this individualized, personal sales experience. Payment terms, another key factor in a B2B purchase decision, were also negotiated on a sale by sale, customer by customer basis.

In the new world order of the online B2B marketplace, customers are no longer accepting of this lack of transparency. Buyers demand that they are making informed purchasing decisions and will move on to supplier #2 if they cannot easily find the information they desire on supplier #1's website. Dynamic pricing tools, product comparison experiences, and a range of flexible payment options have become table stakes for the business customer. A report by Gartner predicts 40% of B2B eCommerce sites will calculate and deliver product pricing dynamically by 2018.<sup>7</sup>

**Historically, which of the following has been the most common reason for lost sales in your organization?**



- Better price/promotion by a competitor
- Not ready to make a decision
- Poor lead response time

<sup>6</sup> B2B Online Buying.

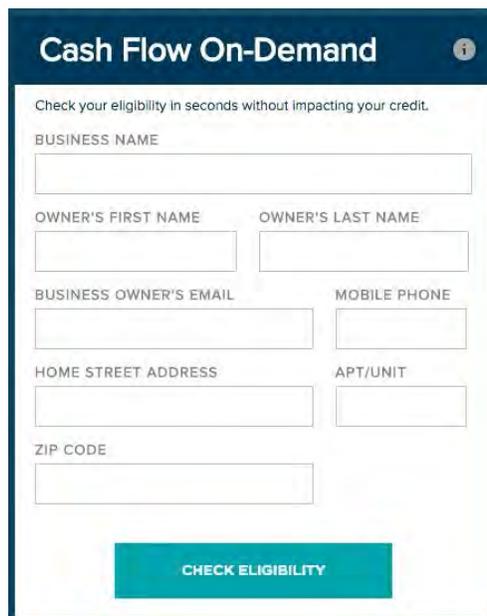
<sup>7</sup> Columbus, Predicting the Future of B2B E-Commerce.

# Winning Amazon's Game

While price comparison is a core part of the online purchasing experience, price is not the exclusive decision factor in B2B purchasing. Successful digital marketplaces automate and ease the procurement process, creating an experiential advantage over offline suppliers. Direct merchants can avoid price cutting strategies if they differentiate themselves by adding value to their online customer experience. Amazon, for example, does not claim to offer best-in-class pricing on every category. However, the efficiency of their supply chain results in a uniquely comprehensive product catalogue, which is a highly appealing time saver for business buyers. Amazon also incorporated financing to their B2B value proposition, lending over \$3Bn to small businesses since 2011.<sup>8</sup> This strategic customer benefit gives Amazon a huge advantage over alternative suppliers, who may not be in a position to offer any type of business terms - let alone true business financing.

**Boost your customers' buying power at the point of sale with our embeddable instant approval tool**

Behalf can instantly fund transactions up to \$50k to increase checkout conversion



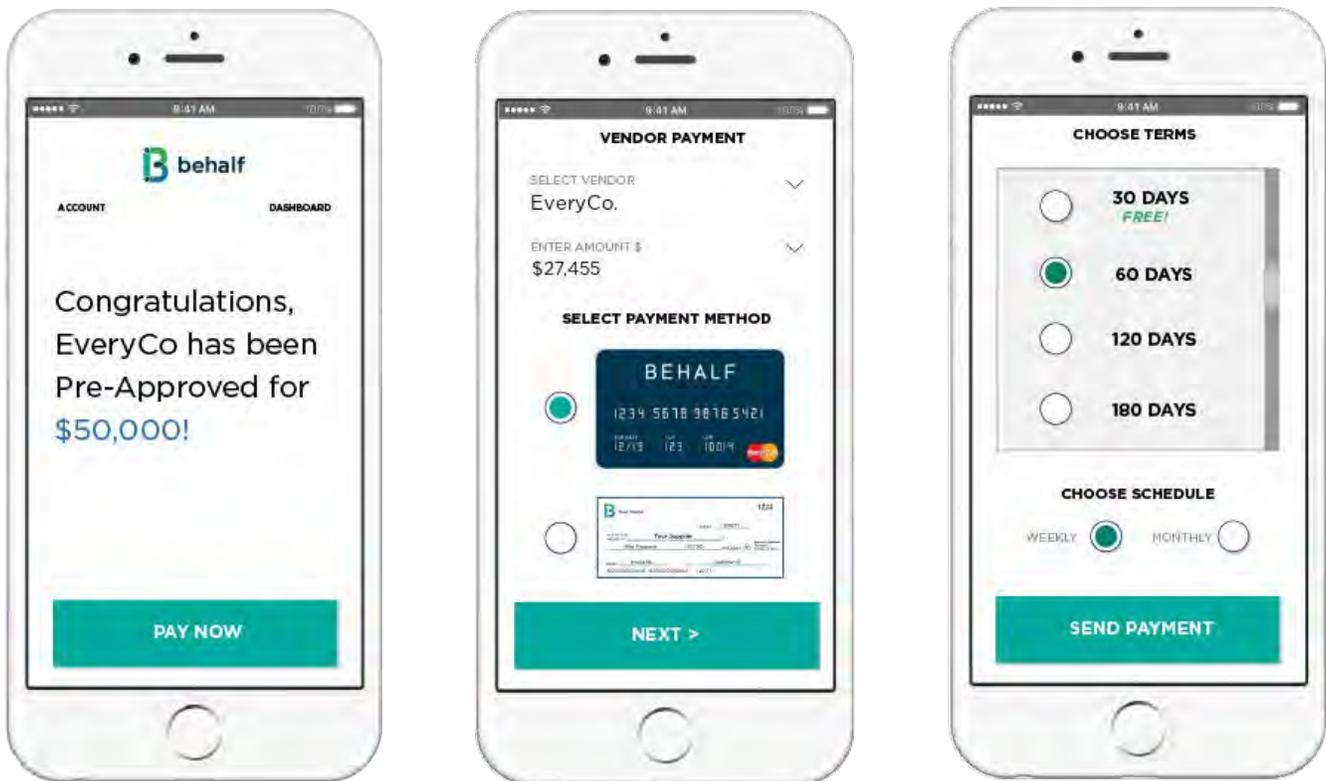
The screenshot shows a web form titled "Cash Flow On-Demand" with a sub-header "Check your eligibility in seconds without impacting your credit." The form contains several input fields: "BUSINESS NAME", "OWNER'S FIRST NAME", "OWNER'S LAST NAME", "BUSINESS OWNER'S EMAIL", "MOBILE PHONE", "HOME STREET ADDRESS", "APT/UNIT", and "ZIP CODE". A teal "CHECK ELIGIBILITY" button is located at the bottom of the form.

We offer same day implementations so you can add customer financing to your eCommerce experience today

<sup>8</sup>"Amazon Loans More Than \$3 Billion to Over 20,000 Small Businesses." Business Wire, 8 June 2017, [www.businesswire.com/news/home/20170608005415/en/Amazon-Loans-3-Billion-20000-Small-Businesses](http://www.businesswire.com/news/home/20170608005415/en/Amazon-Loans-3-Billion-20000-Small-Businesses). Accessed 22 Sept. 2017.

# 92.3% of acceptance partners said Behalf increased their sales 10-20%

Behalf's merchant acceptance partners have found a way to apply Amazon's small business strategies to their own business models. By adding the Behalf instant credit approval tool to their e-commerce experience, they also unlock the power of flexible terms on every sale. Customers of our partners can get instant access to up to \$50,000 in buying power with their choice of flexible payment terms. With this boost in working capital, small businesses are able to invest in their growth, which increases their business purchasing velocity. Case in point: 92.3% of the Behalf acceptance partners surveyed reported that adding Behalf to their checkout experience drove a 10-20% sales lift.

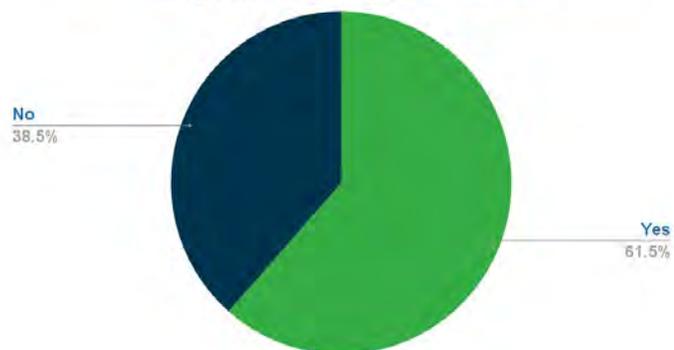


# Conclusion

The digitization of B2B is upon us. Digital marketplaces have automated the procurement process, allowing well-positioned suppliers to scale at a more rapid pace than ever before. Due to this phenomenon, B2B online sales are now growing at twice the rate of B2C. Industry veterans who have not yet made the necessary investments in digital are now fighting an uphill battle - a must win battle for long term business viability. To not just catch-up, but leapfrog the competition, Behalf is an immediate and highly effective solution.

The Behalf instant qualification tool can be installed on any website in minutes, providing your customers with instant access to working capital. Once approved, your customers will have the flexibility to design their own payment plan for each individual purchase they fund with their Behalf account. This payment option bridges the gap between your and your customers' payment needs: you get paid immediately and they enjoy up to six months of extra time. Behalf is a simple integration that enhances your online experience while also enriching your overall B2B value proposition. 61.5% of the Behalf acceptance partners surveyed reported an increase in repeat purchasing behavior among customers who switched their payment method to Behalf.

Have you noticed an increase in repeat purchasing behavior among customers who pay with Behalf?



To learn more about how Behalf is transforming the way businesses buy and sell, contact [sales@behalf.com](mailto:sales@behalf.com).

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