Trends in B2B eCommerce in the UK

RESEARCH 2013
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TRENDS IN B2B ECOMMERCE IN THE UK

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Background to the research

Stibo Systems (a Master Data Management company), and Salmon (an eCommerce digital agency), commissioned Coleman Parkes Research to conduct a detailed research programme in February 2013, exploring current B2B trends and developing eCommerce trends in the UK. 100 senior UK business decision makers were questioned about the current stage of their adoption of eCommerce, what they had planned over the next two to three years and the challenges they faced in implementing successful eCommerce strategies. Each respondent took part in a 20 minute telephone interview survey and the data collection was conducted in strict accordance with the rules and guidelines laid down by ESOMAR and the Market Research Society.

The research was specifically designed to:

a) Target large and enterprise manufacturing and wholesale businesses (defined as those with 1000+ employees or with an annual turnover of £250m) that have a B2B model/offering.

b) Interview senior business decision makers in charge of eCommerce development or delivery, and

c) Target a mix of firms that have an eCommerce platform or are planning to adopt an eCommerce platform. Those with no plan or existing activity were excluded from the study.

Furthermore, a sample of 100 was chosen to give robustness in the data for analysis. The following tables show the detailed breakdown of the interviews.

Table 1: Job Role

	Total	Product Distributors/ Wholesalers	Product Manufacturer
BASE: ALL RESPONDENTS	100	37	63
Senior Business Decision Makers in charge of eCommerce development and strategy	100	37	63

Table 2: eCommerce

	Total	Product Distributors/ Wholesalers	Product Manufacturer
BASE: ALL RESPONDENTS	100	37	63
Already using eCommerce	67	21	46
Planning to use eCommerce	33	16	17

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Key Findings

- Exponential growth in eCommerce contributions to total annual revenues is expected in 2013; it is perceived as the new market place: adoption is a far greater priority than increasing store or branch presence.

- The current focus is on digitising sales platforms and improving customer reach: international accessibility (multi-country websites), enhancing distribution routes and website compatibility (e.g. smartphones) highlighting the strong commitment being made to eCommerce.

- Developing a B2B eCommerce offering is already a priority for B2B organisations in the UK. Third parties will be called upon by B2B organisations to help address the barriers in eCommerce adoption, logistics, management and implementation.

- Trading internationally is a core trend: a high proportion of businesses are currently trading internationally and forecasts show that this proportion is expected to increase significantly over the next two to three years.

- However, despite these encouraging signs, international revenues are in fact expected to decline [slightly] by 2015. It would be safe to assume that businesses in the UK are somewhat conservative, perhaps even cautious, with their revenue forecasts, as the state of the global economy remains uncertain. But those that fail to look internationally run the risk of greater downward exposure.

- Search Engine Optimisation (SEO) is widely recognised and utilised by businesses in the UK, however many businesses are yet to see full benefits. Transactions that are driven by SEO are predominately Shared Attribution and First Click.

KEY TAKE AWAY

Exponential growth in eCommerce is expected in 2013; it is perceived as the new market place.

- Google Indexing is considered essential for SEO, in fact, 2 in 3 manufactured products are indexed by Google.

- eCommerce is set to boom with UK businesses looking to increase their online investment. Part of this strategy is to partner with a suitable distribution network, like Amazon, possibly to alleviate logistical concerns apparent for most businesses in the UK.

- There is a projected increase in use of third party service and product providers over the next 12 months, as organisations strive to develop an appropriate and tailored eCommerce model and offering. eCommerce is clearly being seen as part of the competitive strategy.

- Currently, it appears that businesses do not have the capacity (time or capital) to create an in-house eCommerce capability in time. It is forecast that they will reach out to third party providers for eCommerce consultancy: strategy, logistics, management, implementation and distribution.

- eCommerce propositions may vary depending on the customer's historic spend and size of business. Site functionality might also vary to suit specific customer [type] needs.

KEY TAKE AWAY

eCommerce is set to boom with UK businesses looking to increase their online investment.

TRENDS IN B2B ECOMMERCE IN THE UK

MAIN REPORT

Over the course of a few decades, networking and computing technology has improved at an exponential rate. Powerful personal computers linked to global information networks have powered a whole new world of intellectual, social and financial interactions. The arrival of online payment methods in 1995 transformed how people buy and sell goods, and two companies that we all know today took their first steps into the world of eCommerce. Today, Amazon and Ebay are both amongst the most successful companies on the Internet.

In 2012 it was announced that the UK had the biggest eCommerce market globally in terms of its contribution to overall GDP (above 20 nations including USA, China and Russia). The sector contributed £121bn to the UK economy in 2010 or 8.3 per cent of GDP, and is forecast to rise to £225bn by 2016. (Financial Times, UK 'leads the world' in eCommerce March 19, 2012). Research conducted by Stibo Systems (a Master Data Management company), and Salmon (an eCommerce digital agency) found that a majority of this contribution to UK GDP was Business to Consumer (B2C) driven – about 8 in 10 businesses that took part in the research. However nearly 6 in 10 businesses equally said Business to Business (B2B) also contributed towards their annual revenues significantly (some businesses have a B2B and B2C model which is why the total percent does not equal 100%). Businesses' forecasts are optimistic with expectations of eCommerce sales to increase by 6+ percentage points to a total of 34% in the next 12 months and further analysis reveals almost two thirds are expecting sales to increase into the ranges of 21%-41% of total turnover. There are many reasons why the eCommerce market is so successful in the UK, one of them is that UK businesses understand the importance of their customers' purchasing behaviour; by identifying relevant touch points and channels for different audiences.

eCommerce to serve B2B business models is as much of a priority as it is to serve B2C, (this trend is set to gain even more momentum).
It has many advantages for B2B organisations:

• Expands a company's brand presence (today more and more B2B companies are searching the Internet for better pricing, increased services and location-specific partners)

• Expands reach to new potential local and overseas customers

• It creates new revenue streams

• Creates opportunity to revive relationships with inactive customers through targeted marketing campaigns

• Makes it easier for a customer to do business with a company while allowing the company to completely manage the sales process through site architecture and messaging

The race to develop an eCommerce offering is a reality for many B2B organisations in the UK; consumers perceive it as the 'new high street' and businesses perceive it as 'the new market place'. Businesses are prioritising the adoption of eCommerce over the development of their bricks and mortar presence (increasing high street presence is less of a priority than developing local and multi-market websites).

KEY TAKE AWAY

eCommerce to serve B2B business models is as much of a priority as it to serve B2C...

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However, Salmon and Stibo have discovered businesses are facing logistical challenges in implementing their online development. In summary, businesses are finding that they do not have the necessary resources and skills to fully implement or maintain an in-house eCommerce department, for example, finding the right technology to support eCommerce (62%), not having the resources or knowledge (personnel) needed to manage the on-going online activity (55%). In addition, half of the companies surveyed (52%) feel they're unable to develop the right and appropriate business model that would allow them to integrate eCommerce with their existing sales platform (Fig 1).
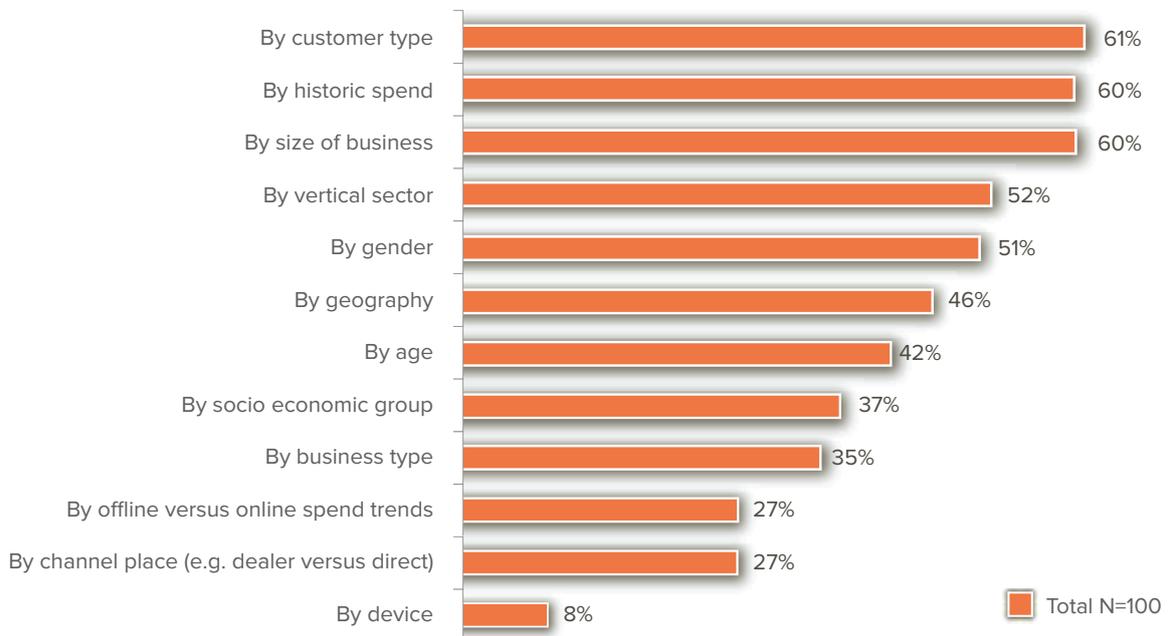
Fig 1. Which of the following are the key challenges that you face with developing eCommerce for the business?

Challenge	%
Finding the right technology to support eCommerce	62%
On-going management of the online activity	55%
Using analytics to make informed business decisions	54%
Developing the right business model	52%
Managing the physical distribution of products when selling direct	48%
Integrating eCommerce with traditional sales models	47%
Lack of senior management commitment	47%
Defining a real inline value proposition	42%
Lack of internal skills	33%
Business agility versus level of IT involvement	31%

Total N=100

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A further challenge is in defining a real inline value proposition. B2B organisations are tailoring their proposition to suit different customer types. Propositions may very depending on the customer's historic spend and size of business (Fig 2).

**Fig 2: In which of the following ways do you/will you segment online customers?
Please answer yes or no for each possible way of segmenting online customers
and then tell me if you use another way.**

Segment	Percentage
By customer type	61%
By historic spend	60%
By size of business	60%
By vertical sector	52%
By gender	51%
By geography	46%
By age	42%
By socio economic group	37%
By business type	35%
By offline versus online spend trends	27%
By channel place (e.g. dealer versus direct)	27%
By device	8%

Total N=100

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MAIN REPORT

B2B organisatons site functionality may also vary depending on the customer segment. Services and product line may change depending on the segment type visiting the site. This strategy is perceived to improve customer loyalty, trust and retention.
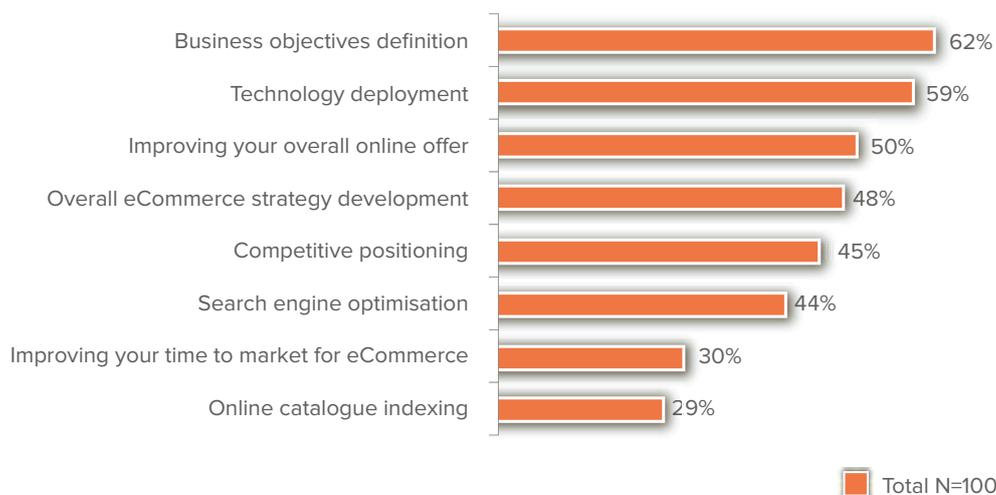
Later in the Salmon and Stibo research, B2B organisations were asked whether or not third party solutions providers could assist them with any specific area of their eCommerce development. The results suggest that, in order to capitalise on the opportunities made available by B2B eCommerce, businesses will increasingly rely on third party support (Fig 3).

Furthermore, over half of the businesses that took part in this research would actively seek expert advice on identifying eCommerce objectives that are relevant to their business (62%), the technology needed to support their eCommerce offering (59%), how to market themselves better online (50%), overall eCommerce strategy development (48%), ways to improve their competitive positioning and how to better optimise search (44%). All of this will allow the more progressive organisations to continue to develop faster than those who are still looking to develop activities using scarce and stretched internal resources.

KEY TAKE AWAY

...businesses are finding that they do not have the necessary resources and skills to fully implement or maintain an in-house eCommerce department...

Fig 3. Do you feel that third party solutions providers and experts could assist you in any of the following ecommerce development areas so that your services/offers become more appropriate to your market?

Area	Percentage
Business objectives definition	62%
Technology deployment	59%
Improving your overall online offer	50%
Overall eCommerce strategy development	48%
Competitive positioning	45%
Search engine optimisation	44%
Improving your time to market for eCommerce	30%
Online catalogue indexing	29%

Total N=100

MAIN REPORT

In addition, many companies also felt their current online services were out of date, perceiving them to be behind other industries. It's almost as though B2B organisations need a complete 'digital revamp' in their online offering, and that includes online advertising, online communication, and customer support and product suggestions. Salmon and Stibo also found that SEO is a growing trend amongst B2B organisations too.

Search Engine Optimisation (SEO) is the process of affecting the visibility of a website or a web page in a search engine's natural results or un-paid organic results. Currently 6 in 10 businesses, according to the study, use SEO. Results gained from the Salmon and Stibo research reveal why SEO is important: on average 29% of online sales are driven by SEO, and interestingly, 4 in 10 businesses in the UK believe this figure is much higher, in the region of 31% – 60% of sales. When looking at the types of SEO driven transactions, we can see that Shared Attribution is a key driver of sales followed by First Click. With investment moving to digital/online we expect this figure to increase further over the next few years.

B2B organisations that currently use SEO have optimised 6 out of 10 of their products, however those that use Google Indexing (9 out of 10 businesses) have indexed 8 out of 10 of their products. This uptake in Google

Indexing is an indicator of high engagement in digital activity and a developing trend in SEO. Furthermore, qualitative extracts from the research show that B2B organisations are 'thinking digitally', highlighted by the great interest in developing online content (e.g online company videos and company blogging). But again, organisations accept they cannot do it alone; in fact 44% of companies would look to a third party provider to manage their SEO.

eCommerce has opened the door to international/global markets for many UK businesses yet surprisingly many are still only trading offline. Research conducted by Salmon and Stibo shows that 7 out of 10 businesses in the UK are trading internationally, however of those only 4 in 10 are actively trading online.

KEY TAKE AWAY

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Fig 4: Companies that trade internationally

28%

72%

■ Companies that DO sell internationally

■ Companies that DO NOT sell internationally
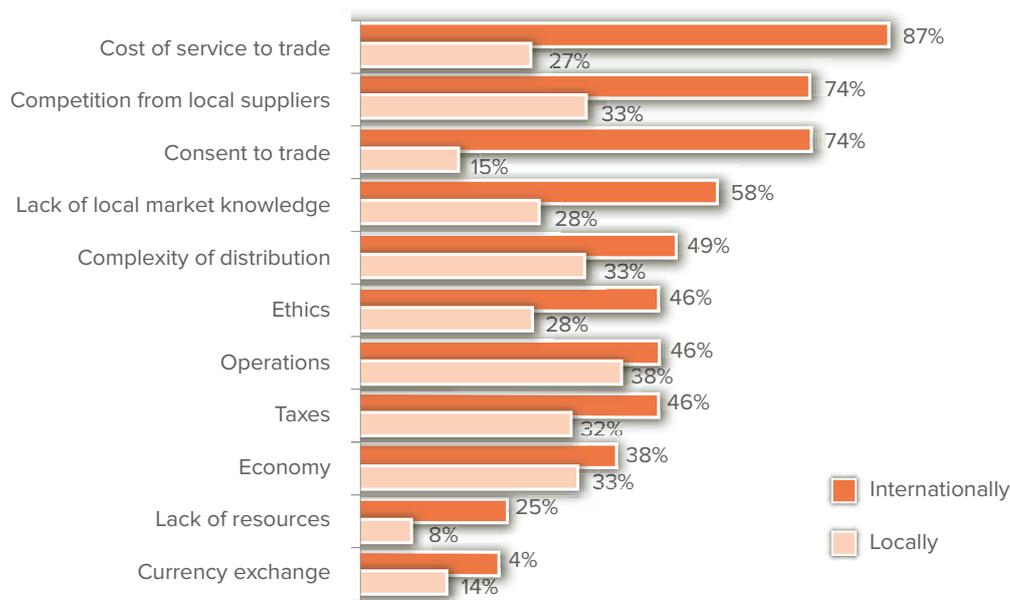
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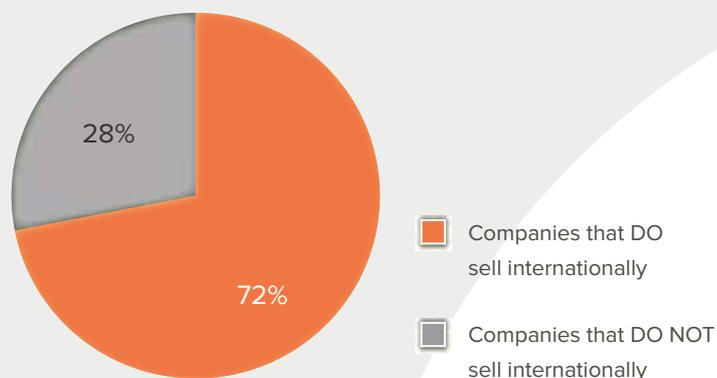
MAIN REPORT

Comparing the challenges that B2B organisations face in the UK adapting an international eCommerce model to a local eCommerce model, we can see that the barriers to entry are perceived to be a lot higher (Fig 5). The most common barriers are cost of service to trade (87% compared to 27% trading locally), competition from local suppliers (74% compared to 33% trading locally), consent to trade (74% compared to 15% trading locally) and lack of local market knowledge (58% compared to 28% trading locally).

One solution for many companies is to partner with an existing international distribution channel; a company that already has the international eCommerce logistics in place, like Amazon.

KEY TAKE AWAY

One solution for many companies is to partner with an existing international distribution channel...

Fig 5: Perceived challenges in trading locally and/or internationally

Challenge	Internationally	Locally
Cost of service to trade	87%	27%
Competition from local suppliers	74%	33%
Consent to trade	74%	15%
Lack of local market knowledge	58%	28%
Complexity of distribution	49%	33%
Ethics	46%	28%
Operations	46%	38%
Taxes	46%	32%
Economy	38%	33%
Lack of resources	25%	8%
Currency exchange	4%	14%

Amazon is one of the most widely recognised eCommerce distribution companies in the world. The strengthening of Amazon's established distribution network is likely to attract 7 in 10 UK B2B organisations to partner with them. In fact, partnering with Amazon is considered to be one of the most important business strategies to adopt, in order to remain competitive internationally (67%) and increase online investment (58%) – good news for international eCommerce third parties. With the scope for B2B organisations to expand their customer reach into the EU and other

global markets, providers of international eCommerce distribution channels/networks are likely to see a significant increase in business over the next few years.

There is some consideration for partnering with other channels/networks (35%), however this is probably to serve other markets that Amazon does not currently reach or specialist delivery services that Amazon does not offer, for example the need for a specialist distribution channel to deliver sensitive products, like medical supplies.

CONCLUSION

Conclusion

B2B eCommerce (local and international) and business optimisation are key trends resonating across all B2B organisations in the UK. It is as though organisations are waking up to the fact that the race is on, to make an impact in and fully exploit the digital sphere, with high rewards if managed correctly. Going digital and adopting an eCommerce model (local or international) is now the norm, and considered to be a competitive disadvantage if not implemented soon.

It might be the case that B2B organisations view the transition as a 100-meter race and not a marathon. With in-house time and resources being scarce, third party support will be heavily relied upon, and not only for expertise and skills, but also direction, management and possibly distribution connections (however Amazon looks like the most popular contender).

Third party support may also be called upon to help B2B organisations develop real eCommerce propositions. eCommerce propositions may very depending on the customer's historic spend and size of business. Site functionality might also vary to suit specific customer [type] needs.

Furthermore, other areas that third parties will be called upon for support include SEO, Google Indexing, Customer Relationship Management (CRM), Supply Chain Management (SCM) and Enterprise Resource Planning (ERP). We can safely conclude from this study that B2B organisations are rapidly modernising the way they do business, but in order to get the formula right, they will need assistance from external experts.

KEY TAKE AWAY

B2B eCommerce (local and international) and business optimisation are key trends resonating across all B2B organisations in the UK. It is as though organisations are waking up to the fact that the race is on, to make an impact in and fully exploit the digital sphere, with high rewards if managed correctly.

ABOUT SALMON
Salmon is a global commerce service provider that defines and delivers market-changing commerce strategies and solutions for the world's leading brands.

We have a reputation for using our technical know-how to make things happen. But we are creative too, which means we don't always give clients exactly what they ask for. Instead, we call on our commerce expertise to put forward new and challenging ideas. We then help brands decide what to do, before we go on to deliver.

With Salmon, clients grow their online revenue and profit. We are trusted to run commerce solutions that generate more than £3 billion in sales each year.

Established in 1989, we have operations in London, New York, Sydney and Beijing. Our clients include AkzoNobel, Argos, Audi UK, Halfords, Kiddicare, Morrisons, Premier Farnell, Sainsbury's and Selfridges.
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