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Microsoft Dynamics 365

Insights for 2021

The Future of B2B Customer Engagement

How Microsoft is Redefining B2B E-commerce

Introduction

From changing demographics to new buyer requirements, the demands on B2B sellers are changing.

Over the past decade, much attention has been placed on how e-commerce has evolved and the demographic and psychographic shifts that have driven those changes. From omnichannel experiences to flexible fulfillment, many of these trends have thrust customer experience to the forefront of online shopping. And in 2020, several trends, accelerated by the pandemic, became mainstream in a transition that many expected would take years.

Less discussed is B2B e-commerce. B2B commerce has long happened through direct relationships between buyers and sellers, wholesale distributors, and intermediary partners. And in large part, B2B buying hasn't changed much in a long time, until now. In 2021, driven by many of the same forces that caused tectonic shifts in B2C commerce, B2B commerce is ripe for change.
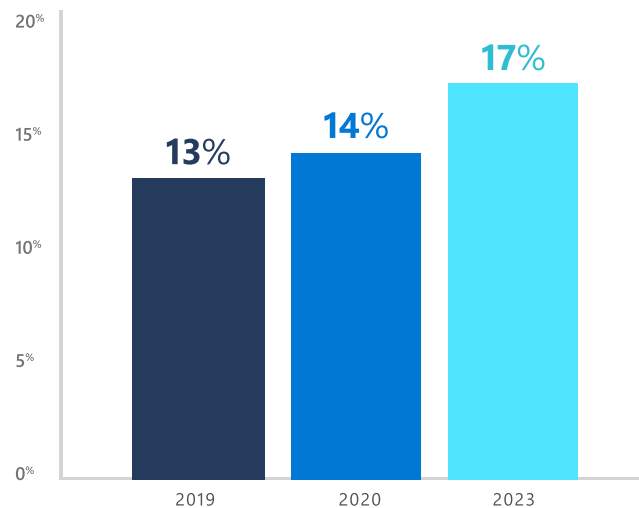
Microsoft Dynamics 365 Commerce

Introducing B2B e-Commerce for Dynamics 365 Commerce , leading the charge towards business-friendly online shopping with consolidated B2B and B2C e-commerce management, intelligent multi-functional workflows, and integrated customer engagement AI/ML features.

The B2B e-commerce landscape

Despite receiving fewer headlines, B2B e-commerce outpaces B2C e-commerce in many dimensions, starting with sales. In fact, B2B e-commerce sales dwarf B2C e-commerce. In 2020, US B2B e-commerce sales nearly doubled that of B2C e-commerce, reaching an estimated $1.3 trillion, compared to $668.5 billion for B2C e-commerce.

This disparity is, in part, due to the difference between general consumers and business buyers. Compared to B2C buyers, B2B buyers buy in volume, more likely to make bulk orders. The average B2C e-commerce order size is roughly $150, where the average B2B e-commerce order comes in around $500, significantly higher. B2B buyers also purchase with greater frequency, needing to replenish inventory at a much higher rate than general consumers. Additionally, the need for B2B e-commerce spans beyond the retail industry to many different verticals, including manufacturing, distribution, consumer packaged goods, professional services, and others. US e-commerce sales in manufacturing alone grew nearly 40 percent between 2016 and 2018, from $255 billion to $356 billion. [1]

B2B e-commerce as a percent of all B2B sales

Details: United States; Forrester Research; 2019; excluding sales through electronic data interchange (EDI)

" **US e-commerce sales in manufacturing alone grew nearly 40 percent between 2016 and 2018.**"

While some of this growth in B2B e-commerce is due to overall economic conditions, it is also being driven by increasing penetration of B2B e-commerce, which is projected to make up 17 percent of all B2B sales by 2023, up from 13 percent in 2019.[2]

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[1] Digital Commerce 360 survey, June 2019.

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[2] Forrester Research, December 2019.

Conditions for change

Changing demographics, new technologies, and the pandemic have all pushed businesses to rethink their B2B e-commerce experience.

" In a 2020 survey of B2B professionals, 45 percent of respondents said that buying onli ne is more complicated than buying offline."

In many dimensions, B2B e-commerce is more complex than B2C e-commerce. In a 2020 survey of B2B professionals, 45 percent of respondents said that buying online is more complicated than buying offline.[3] The volume of sales, the frequency of purchases, the complexity of orders, and product and materials requirements have all led to a system of selling and buying that has been slow to change. But those tides are shifting. The growth in B2B e-commerce is being driven by many of the same factors that have reshaped B2C e-commerce. Changing demographics, new technologies, and the pandemic have all pushed businesses to rethink their B2B e-commerce experience, and understanding these changes will help decision-makers understand the future of B2B e-commerce.

Meet the new B2B buyer

As Millennials gained buying influence and power, the retail industry adapted to the needs of this young, digitally-savvy generation. Over the past decade, online shopping experiences have become more streamlined—from faster checkouts to faster shipping—and more flexible, with more order, pickup, and return options. But while this generation left its fingerprint on B2C e-commerce, one thing remained true: this generation had little purchase power in a B2B setting.
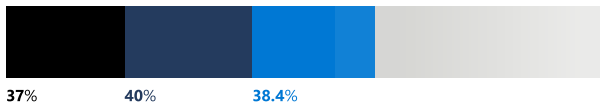
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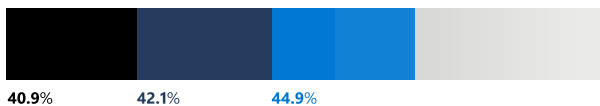
[3] Wunderman Thompson, The B2B Future Shopper Report 2020, 2020.

Workforce population for specific roles

● Senior Decision-Maker Role

● Decision-Maker Role

● Purchaser Roles

Millennials

37%   40%   38.4%

Gen X

40.9%   42.1%   44.9%

Baby Boomers

14.5% 11%

That is changing. Today, Millennials make up 37 percent of Senior Decision-Maker roles and 39.8 percent of Decision-Maker roles, topped only by Gen X at 40.9 percent and 42.1 percent, respectively. They also make up 38.4 percent of Purchaser roles, again, topped only by Gen X, who makes up 44.9 percent of those roles. For comparison, Baby Boomers now only make up 14.5 percent of Senior Decision-Maker roles and 11 percent of Purchaser roles. [4]

All of this is to illustrate that Millennials have gained an enormous amount of purchase power in the corporate world, pushing their influence and expectations on the vendors with which they do business and the companies from which they buy. With Millennials gaining more responsibility and decision-making power, B2B companies will need to address their buying preferences.

Pandemic changes buying requirements

The pandemic has upended many facets of everyday life, including business. To start, it has significantly impacted business spending. Fifty-two percent of companies reported cutting costs due to the pandemic, with 41 percent stopping large purchases and 37 percent laying off or furloughing staff. [5]

The pandemic is also changing how business is conducted. Between closed offices and travel restrictions, face-to-face business meetings are being conducted virtually. For many organizations, conferences and trade shows were a primary way that sellers and buyers connected, but because of the pandemic, 59 percent of businesses changed in-person events to digital events, while many

4 GlobalWebIndex, Core survey, 2020.
5 LeadMD, B2B Buyer Sentiments, 2020.

others have canceled events altogether. [6] As a result, businesses need to find new ways to reach and engage potential—and existing—customers.

> " Purchases directly from a sales rep have dropped 180 percent since the pandemic."

Since the start of the pandemic, in-store purchases—such as those at a vendor's warehouse—have dropped nearly 50 percent, with only 26 percent of B2B professionals reportedly still doing so.[7] Even more dramatic, purchases directly from a sales rep have dropped 180 percent since the pandemic, from 56 percent to 20 percent of B2B professionals buying direct. Other channels, including via telephone and B2B marketplaces, have remained relatively steady, showing only a slight decline.

The only reported B2B channel that showed an increase during the pandemic is purchasing from supplier's digital portals, which increased 16 percent, from 58 percent before the pandemic to 67 percent since the start of the pandemic.

Enterprise technology chang es buying

Demand and opportunity are two sides of the same coin. Where buyers and market conditions are helping fuel growth in B2B e-commerce, undoubtedly, part of this growth has been driven by new technologies that enable businesses to more easily launch and run e-commerce stores. While the B2C e-commerce space is flooded with e-commerce offerings for retailers of all sizes, the B2B e-commerce space is more consolidated.

However, as the B2B e-commerce space expands, there is an increasing number of platforms to support the demand. The US B2B e-commerce platform market is estimated between $3-5 billion with a projected 16 percent CAGR. [8]

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[6] LeadMD, B2B Buyer Sentiments, 2020.
[7] Wunderman Thompson, The B2B Future Shopper Report 2020, 2020.

[8] Ryan, J., B2B Ecommerce 2018, March 2018.

Increased security risks

In a recent Forrester study of B2C and consumer packaged goods companies, improved fraud prevention was rated as one of the critical components for successful digital commerce. [9]

This is particularly true during an economic downturn. During the last notable recession, the 2008-2009 Great Recession, 50 percent of certified fraud examiners said that the number of frauds has increased during the recession, and 49 percent observed an increase in the dollar amount lost to fraud during the same period. [10] The increased incidences of fraud include what is sometimes called "friendly fraud," where someone buys a high-value item online and then claims that it was a fraudulent transaction or that the item was not received.[11] The latter is a particular problem for e-commerce, as without the right automatic fraud detection methods in place, it can be hard to prove and reverse these fraud losses.

Unified commerce solution

B2B e-Commerce for Dynamics 365 Commerce provides a unified commerce solution that enables B2B and B2C e-commerce in a single platform that closely integrates with Dynamics 365 Sales to increase the productivity of sales reps and empowers sellers to make more informed and relevant offers to their buyers.

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[9] Forrester, The Digital Commerce Imperative, 2021.
[10] ACFE, Occupational Fraud, 2009.
[11] PWC, Fraud in a Downturn, 2009.

❝ The pandemic has increased the number of stimulus, healthcare, bank, elder, and government fraud schemes.❞

Fraud quickly adds up and can cause devastating losses to companies. In 2018 alone, online fraud losses reached $40 billion globally. [12]

Another area of concern is the increased number of cyberattacks, such as ransomware attacks and business compromise schemes. The number of ransomware attacks grew by more than 150 percent in 2020 and grew in scale and sophistication; the average ransom demand increased by more

than twofold and amounted to $170,000. [13] The same report found that these attacks disabled organizations for 18 days, while the demands at the top end of the cyber-extortion scale exceeded $1 million.

The FBI pointed out that the pandemic has increased the number of stimulus, healthcare, bank, elder, and government fraud schemes, with the Internet Crime Complaint Center receiving nearly the same number of complaints from January to May 2020 (about 320,000) as for the entirety of 2019 (about 400,000). [14] The takeaway for B2B companies is that better security to protect data, networks, employees, and other systems is a must.

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[12] Chargebacks911, The State of Chargebacks 2018, 2018.

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[13] Group-IB, March 2021.
[14] FBI, 2021.

Adapting to change

The future of B2B e-commerce undertakes the present conditions for change, but it will continue to drive innovative capabilities and features as technology evolves.

Adapting to the Millennial buyer

Millennials have been a focus for many businesses over the last decade due to their influence and growing purchasing power. These first-generation digital natives forced retailers to completely rethink how they interacted with their customers. They demanded more streamlined experiences, greater transparency, more flexibility, and personalization. The result was easy-to-use digital storefronts, increased inventory and fulfillment visibility, and an array of personalized product and service options.

As these new experiences were made available, they quickly moved from novel nice-to-haves to cost-of-entry expectations, a key marker of Millennials. Companies that failed to keep up and innovate were quickly abandoned.

As the share of Millennials in business decision-making or purchasing roles increases, Millennials are increasingly responsible for the buying and selling of B2B products and services. They are also bringing elevated expectations for customer experience and adaptation to change. Companies need B2B platforms that are equally, if not more, streamlined to promote cost-saving performance, cross-functional efficiencies, painless order fulfillment, and visible customer growth and retention, and the selling platform experience must be aligned with the buying experience.

Agility in the face of inevitable disruptions

Of the many challenges the pandemic illuminated, being prepared for anything ranks near the top of the list. Many businesses cut costs and adapted to mitigate losses. Thirty-one percent of B2B companies reported the need for new B2B solutions due to the pandemic, and 8 percent reported a need to ramp sales and production to accommodate a surge in selling opportunity. These respondents boosted original spending plans due to the pandemic. [15]

A growth in spending accompanies increased production. Sales surges also result in more complex transactions involving sizable bulk orders, varying payment terms, shipping requirements, and delivery windows. Innovative B2B e-commerce platforms need the infrastructure and flexibility to

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[15] LeadMD, B2B Buyer Sentiments, 2020.

complex and varying needs of different buyers. As a result, businesses have been forced to optimize back-end operations and protect their employees by enforcing social distancing and limiting physical contact.

Spearheading B2B e-commerce technology

One of the challenges with B2B e-commerce is the departure from having a sales consultant or direct point of contact. Without a designated contact just a phone call away, B2B customers are forced to troubleshoot independently. Without a sales consultant, B2B customers don't always know exactly how to prioritize different product specifications or check application and product compatibilities. And without a regular sales check-in, customers may not realize the full value of their purchase or alternative cost-saving order options.

As B2B e-commerce platforms evolve, businesses must consider self-service troubleshooting during the customer's post-purchase experience. These solutions will need to respond to the service aspect of a customer's purchase experience, streamlining the cross-functional support demands of B2B e-commerce.
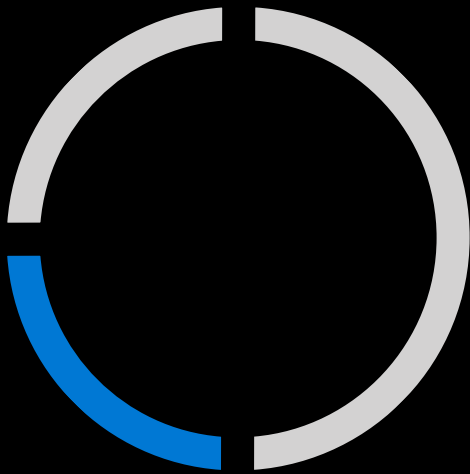
Similarly, platforms may embed artificial intelligence and machine learning technologies to provide relevant and helpful tips and information for products and services. Specific technical product questions may be proactively answered based on previous support ticket patterns. The e-commerce store may also address new features of past purchases to preserve customer engagement and enhance the perceived product value.

scale at a moment's notice to address unforeseen disruptions, such as the pandemic or historical weather events.

The pandemic has forced B2B sellers to develop new sales channels, from e-commerce stores to compliant in-person warehouses, increasing the need for technology solutions that centralize orders from multiple channels, enabling successful fulfillment and delivery of products. Modern B2B e-commerce platforms need to be built to integrate across channels natively, providing continuity of experience across any buying scenario.

The pandemic has also reinforced the need for fulfillment flexibility. From placing an order to receipt of delivery, business suppliers must provide a platform that offers elasticity to balance the

" Intelligent tools tailor the customer's experience, creating a more personalized shopping experience and unlocking new opportunities."

Personalization has been another growing trend in the B2C e-commerce space that has been slow to migrate into B2B e-commerce. But that is also changing as more artificial intelligence functionalities are gaining momentum in the B2B space. Intelligent tools tailor the customer's experience, creating a more personalized shopping experience and unlocking new opportunities, such as personalized product recommendations that help them discover new and relevant products.

As B2B e-commerce evolves, it will increasingly resemble a B2C e-commerce experience. With technology simplifying selling workflows and buying experiences, the future of B2B e-commerce is here, making business more seamless and flexible for sellers and buyers alike.

The future of B2B
e-commerce

From changing buyer profiles to emerging technologies to external constraints that have upended the way business is conducted, the way companies sell and buy is changing.

The future of B2B e-commerce

From changing buyer profiles to emerging technologies to external constraints that have upended the way business is conducted, the way companies sell and buy is changing. The defining characteristic of this change is an almost singular focus on user experience: making the selling and buying experience easier, more seamless, and more flexible for both sellers and buyers alike.

B2C shopping experience for B2B buyers

Over the past decade, consumers have grown to expect certain amenities from their online shopping experiences. This includes easy-to-use digital storefronts, self-serve tools, personalized recommendations, customizable products and orders, inventory and fulfillment visibility, and easy checkout and payment options. B2B buyers well versed in personal online shopping expect these same experiences when looking to purchase from businesses online.

As B2B e-commerce evolves, it will increasingly resemble a B2C e-commerce experience. User interfaces will mirror those common to B2C e-commerce; however, they will also come with a variety of intuitive options for purchase, such as easy-to-use order forms for bulk purchases and purchase order approvals.

B2B e-Commerce for Dynamics 365 Commerce helps streamline and simplify **self-service buying for** business customers.

It provides a unified omnichannel solution that can meet organizational needs for both B2C and B2B e-commerce, extending the customer-friendly B2C experience to the B2B buyer with minimal effort and cost.

Commerce "anywhere"

As stated earlier, B2B transactions are generally much more complex than B2C transactions, often with larger order sizes and different requirements. They may also need to accommodate purchases across multiple channels, from an e-commerce store to a vendor's warehouse.

Modern B2B e-commerce platforms will be built to natively integrate across channels, delivering continuity of experience across any buying scenario.

B2B e-Commerce for Dynamics 365 Commerce empowers businesses to deliver commerce anywhere, providing a consistent experience across traditional, digital, and emerging channels.

It can be deployed in retail stores, call centers, and online channels and supports both B2B and B2C processes.

Better support across the customer lifecycle

One of the challenges with B2B e-commerce is that it often leaves out the personal support provided by a direct seller or partner. Without a direct contact a phone call away, B2B customers are forced to troubleshoot on their own. As B2B e-commerce platforms evolve, they will not only consider the buying experience, but they will consider the post-purchase experience as well, from invoicing to payments to product support.

Millennial B2B buyers, in particular, desire the ability to specify and configure the solution (60 percent), while 51 percent said they want to "see detailed specs" to ensure solutions can meet their needs. Fifty-two percent wanted vendors to provide a better mix of content to help them through each stage of their research and decision-making process. Fifty-eight percent said the vendor's response to inquiries being timely was very important. [16] Modern B2B e-commerce platforms must empower businesses to provide excellent support to customers at every touch point.

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[16] Demand Gen and MX Group, The B2B Millennial Buyer Survey Report, 2019.

B2B e-Commerce for Dynamics 365 Commerce natively and cohesively integrates with Dynamics 365 Sales and Dynamics 365 Customer Service.

This integration enables organizations to care for their customers across every stage of their shopping journey, from nurture to onboarding to support.

More personalized experiences

Personalization has been another growing trend in the B2C e-commerce space that has been slow to migrate to B2B e-commerce. But that is now changing.

Modern B2B platforms deliver intelligent personalization features that improve customer experiences and unlock new opportunities. Features like product recommendations provide a more personalized experience for buyers, helping them discover new and relevant products.

B2B e-Commerce for Dynamics 365 Commerce provides a more personalized experience for businesses and their buyers.

Workspaces help make employees more efficient by delivering the most relevant information at the right times, where intelligent product recommendations improve customer experiences by illuminating new, relevant opportunities.

Fulfillment flexibility

An emerging trend that the pandemic thrust into the limelight, fulfillment flexibility is of growing importance for B2B buyers. Not only has the pandemic shifted the way many businesses buy, it is also shifting back-end operations in many ways, as companies seek to protect their warehouse and store employees by limiting proximity and contact among people.

B2B e-Commerce for Dynamics 365 Commerce enables sellers to offer flexible and intelligent fulfillment options.

And with integrations with Dynamics 365 Supply Chain Management, businesses can get even greater visibility into their inventory and distribution.

Scalable for any scenario

Of the many areas that the pandemic illuminated, being prepared for anything ranks near the top of the list. While many businesses cut costs and made changes to mitigate losses, many others needed to ramp sales and production at a moment's notice.

Eight percent of respondents reported ramping up spending because they had an opportunity to sell more as a result of the pandemic. [17] Modern B2B e-commerce platforms need structure and flexibility to scale at a moment's notice to address any changes that may arise.

B2B e-Commerce for Dynamics 365 Commerce is a highly performant platform that can easily scale without compromising user experience.

It also provides businesses with the flexibility to extend and implement new omnichannel business processes with minimal effort and cost.

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[17] LeadMD, B2B Buyer Sentiments, 2020   .

Improved security and fra ud prevention

As evidenced before the pandemic, ransomware attacks, security breaches, and fraud have all increased in number, sophistication, and total damage in dollars. During the pandemic, all of these attacks have gone up, sometimes by double or triple the previous incidences.
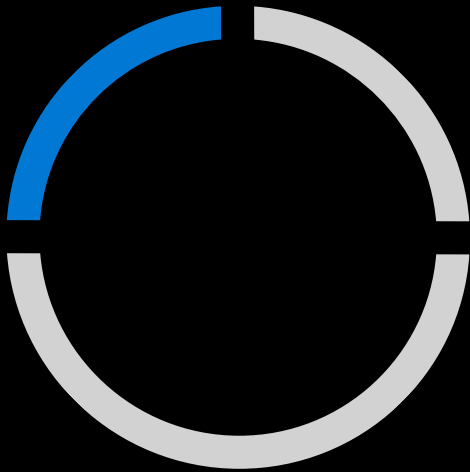
This is why most e-commerce companies (53 percent) are investing in improving or upgrading existing security tools, and 44 percent are bringing on security partners to bolster data security and fraud protection measures. [18]

B2B e-Commerce for Dynamics 365 Commerce integrates with Microsoft Dynamics 365 Fraud Protection.

Tools and capabilities to decrease fraud and abuse, reduce operational expenses, and increase acceptance rates while safeguarding user accounts.

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[18] Forrester, The Digital Commerce Imperative, 2021   .

B2B e-Commerce for Dynamics 365 Commerce

B2B e-Commerce for Dynamics 365 Commerce leverages Microsoft's existing strengths in back-office and B2C capabilities for B2B scenarios.

B2B e-Commerce for Dynamics 365 Commerce

With the release of B2B e-Commerce for Dynamics 365 Commerce, Microsoft is leveraging our existing strengths in back-office and B2C capabilities for B2B scenarios. Dynamics 365 Commerce can run B2B and B2C e-commerce on a single, holistic commerce solution that can be used by businesses that are both in B2C and B2B scenarios. Furthermore, B2B e-Commerce will integrate closely with Dynamics 365 Sales to enable features such as bulk and term-based ordering and volume pricing while empowering sales reps to be personalized consultants for their buyers.

End-to-end integrated commerce experience for consumer and business customers

Dynamics 365 Commerce provides a unified omnichannel solution that can meet an organization's requirements around both B2C as well as B2B commerce with native integration to horizontal functions like supply chain and finance.

Commerce "anywhere"

Dynamics 365 Commerce is uniquely positioned to provide commerce "anywhere" with a solution that delivers experiences for traditional and emerging channels, different business models, scenarios, and personas. The solution can be deployed in retail stores, call centers, online channels, and it supports both B2B and B2C processes.

Dynamics 365 Sales and Dynamics 365 Customer Service integration

Dynamics 365 Commerce provides a native and cohesive integrated experience for applicable B2B and B2C scenarios with both Sales and Customer Service applications, enabling organizations to address all aspects of a customer's shopping journey with a single solution.

Intelligent solution

With business processes and features powered by artificial intelligence, machine learning, and other algorithmic models, like Product recommendations, Accessibility insights, and Distributed Order Management, Dynamics 365 Commerce offers an intelligent and adaptive solution for an organization across its business functions that helps them provide engaging customer experiences, achieve operational efficiencies, and boost employee productivity.

Robust platform

With its robust architecture and a highly performant platform that is feature-rich, secure, and compliant, Dynamics 365 Commerce provides customers with a solution that can handle scale without compromising on user experience while also providing the flexibility of extending and implementing new omnichannel business processes with minimal effort and cost.

Deliver rich, consistent, personalized, and user-friendly purchasing experiences.

B2B e-Commerce for
Dynamics 365 Commerce

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Visit the Dynamics 365 website to learn more about how Dynamics 365 Commerce can help you engage customers across channels.

Learn more: https://dynamics.microsoft.com/commerce
Get started: https://dynamics.microsoft.com/get-started/free-trial/?appname=commerce

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