

Canada Rises to the B2B E-Commerce Challenge

Canadian B2B Sellers Embrace
E-Commerce And Prepare For The
Future

Table Of Contents

Executive Summary	1
Online Selling Isn't Optional Anymore For Canadian B2B Companies.....	2
B2B Sellers Need Flexible E-Commerce Solutions To Meet Rising Customer Expectations	4
Omnichannel Drives Positive Outcomes Today, Will Be Table Stakes In The Near Future	6
Key Recommendations	8
Appendix A: Methodology	9
Appendix B: Supplemental Material	9
Appendix C: Demographics/Data.....	9
Appendix D: Endnotes.....	10

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Executive Summary

In late 2015, Purolator commissioned Forrester Consulting to evaluate the state of business-to-business (B2B) e-commerce in Canada. To further explore this topic, Forrester tested the assertion that B2B buyers in Canada are changing their behaviors and expectations for how companies will sell to them. In response, B2B sellers — including manufacturers, retailers, and wholesalers — are changing their approach to selling and being forced to recalibrate their ecosystems, including technology partners.

For this study, Forrester conducted an online survey with 400 B2B sellers in Canada, including wholesalers, retailers, and manufacturers, and supplemented these findings with six in-depth interviews. The study found that B2B sellers in Canada see their businesses shifting to online channels, and they are tackling the challenge head on with e-commerce technology and by shifting their business practices. Those companies that have embraced online selling are seeing significant benefits, including improved bottom-line metrics and better customer relationships.

KEY FINDINGS

Forrester's study yielded five key findings:

- › **Embracing omnichannel selling drives positive business outcomes and attracts your best customers.** A majority of firms in our study credited their e-commerce solution with helping lower costs, increase revenues, and attract new customers. Furthermore, customers who shop online and offline with sellers were seen as their most profitable customers and most likely to repeat purchases or add to orders.
- › **B2B online selling is already a major part of doing business in Canada.** Almost half of Canadian B2B sellers reported that over 25% of their overall sales take place online today.
- › **B2B sellers turn to e-commerce solutions that address a wide number of needs.** Sellers need their e-commerce solutions to tie into multiple back-end systems, while providing front-end capabilities like shipping management.
- › **Achieving B2B online selling success requires technological, organizational change.** Adopting e-commerce solutions requires the hard work of integrating systems, considering data security, and ramping up internal skillsets — but it also involves significant organizational shifts in how organizations plan, grow, and optimize their online selling efforts.
- › **Firms that avoid online selling risk falling behind.** Offline-only approaches are linked to more order errors, a higher cost per sale, loss of market share, and frustrated customers.

Online Selling Isn't Optional Anymore For Canadian B2B Companies

B2B buyer behavior has changed dramatically in recent years. Both professional and nonprofessional 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 — where they are delivered consistently excellent, seamless shopping on desktop, mobile, and offline sales channels.

Furthermore, Forrester believes that B2B sellers that ignore their customers' online preferences will lose significant market share to digital-forward competitors in the coming years. The further entrenchment of digitally connected devices like smartphones and tablets leads buyers to lean toward digital channels to discover, compare, and ultimately purchase products for their business.

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.

DIGITAL IS ENTRENCHED IN CANADIAN B2B SELLING

Our study found that Canadian B2B sellers are by and large ready to embrace the digital future. Three-quarters of the firms in our study said that they were selling online, with almost half doing so for six years or more. And online sales channels are becoming more and more significant to these sellers, as 51% said that up to a quarter of their overall company sales come through online channels (see Figure 1).

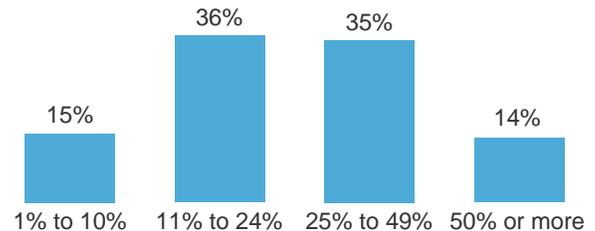
This doesn't take into account the influence of online channels on eventual offline purchases, either. As this study will discuss later, Canadian B2B sellers already see that online research plays a significant role in informing their customers' business purchases.

Our data also showed that the online shift is not slowing down. Over three-quarters of B2B sellers said they plan to introduce more technology-enabled automation into their selling, and 60% agreed that their selling model will focus more on self-service versus full-service over the next three

FIGURE 1

Online Sales Take Increasing Share For Canadian B2B Firms

“Using your best estimate, what percentage of your company's total B2B sales are online?”



Base: 287 B2B commerce decision-makers in Canada

(“prefer not to disclose” answers not shown)

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

years. These companies are responding to shifts in customer preferences and behaviors that have been buffeting B2B sales for some time, with implications for companies' approach to organizing and creating sales processes.

Forrester has found that B2B buyer preferences for online sales are driven by two main forces. First, most B2B buyers favour 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

As a result, B2B sellers are responding by focusing sales around discrete circumstances, such as negotiating, navigating complex products, selling high-consideration items, and facilitating installation needs. These functions will still need to be supported by digital tools, including email, chat, and collaborative software. The effect of this shift is to reduce service costs and more effectively scale company revenue without having to amp up sales resources.

“One big change (with online sales adoption) will be that our focus will not be taking orders but consulting with the customer and helping them make better purchase decisions. We hope this will provide better service for our customers.”

— VP of sales, medical devices manufacturer

The B2B sellers in our study that sell online made the move in response to these market trends. Thirty-nine percent of online sellers in our study adopted online selling due to customer demand for online tools, while 46% did so in search of cost savings. Over half of these sellers anticipated that adopting online sales capability would help increase their customer base (see Figure 2).

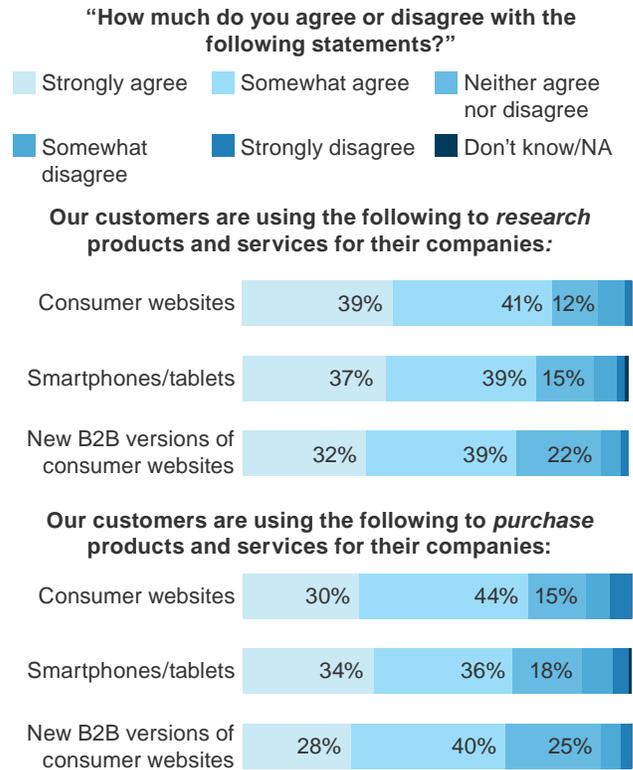
FIGURE 2
Canadian B2B Sellers Go Online To Respond To Market Trends



Base: 287 B2B commerce decision-makers in Canada (“prefer not to disclose” answers not shown)
Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

Online 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.² Eighty percent of Canadian B2B sellers agreed that customers use consumer websites to research products and services for their companies, and 74% agreed that these customers are using these sites to complete their purchases (see Figure

FIGURE 3
B2B Sellers Know Their Customers Are Shopping Online



Base: 400 B2B commerce decision-makers in Canada
Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

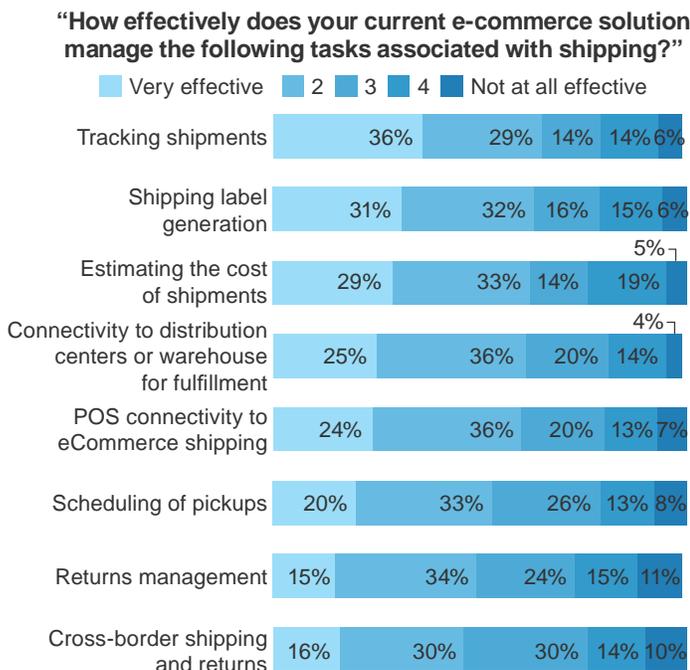
3).
Ultimately, meeting these customer expectations requires sophisticated tools, and 75% of Canadian B2B sellers are using an e-commerce tool to facilitate their online sales practices.

B2B Sellers Need Flexible E-Commerce Solutions To Meet Rising Customer Expectations

It was most common for companies to turn to vendor partners for these solutions — 69% said their solution was either completely vendor built or made up of a combination of vendor and in-house tools. Sellers prize solutions that provide sales enablement tools and distribution flexibility, and give them a view across multiple sales channels to deliver consistent omnichannel experiences for their customers.

These e-commerce solutions have to integrate with numerous tasks and technologies to facilitate an end-to-end selling process, specifically ERP and CRM back-end systems, as well as systems governing inventory and fulfillment. Shipping considerations are especially crucial to Canadian B2B sellers, with 63% identifying shipping as mission-critical to customers' shopping experiences. More than eight in 10 of these firms use their e-commerce solution as their shipping solution.

FIGURE 4
Current E-Commerce Tools Don't Excel At Shipment Management



Base: 214 B2B commerce decision-makers in Canada (percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

Overall, current e-commerce solutions seem to be doing a middling job of handling shipping considerations. Of the shipping functions we asked about, the top-performing capability, tracking, was considered “very effective” by only 36% of online sellers. Clearly, there is an opportunity today for e-commerce tools to better account for the full breadth of considerations for this critical aspect of customer relationships (see Figure 4).

SOME B2B SELLERS ARE STUCK IN NEUTRAL

The B2B sellers in our study that had not yet adopted online capabilities were holding out in the face of fundamental business fit considerations as well as a belief, held by over a third, that their customers don't require them to do so (despite what market trends and data from this study tell us). Other concerns expressed by offline sellers included worries that sales volumes wouldn't justify onboarding a tool, lack of experience, and concerns about downward pressure on prices (see Figure 5).

FIGURE 5
Perceived Lack Of Client Demand, Business Fit Top Reasons For Not Selling Online

“You stated you are not currently selling products and services online. Which of the following reasons for not selling online apply to your business?”



Base: 113 B2B commerce decision-makers in Canada

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

Despite their resistance to adopting online selling approaches, however, offline sellers recognized that not selling online opened them up to some significant disadvantages. For example, 44% of offline sellers agreed that if they continued to only sell offline, they would experience more errors in ordering due to manual order processing. In addition, 43% felt they would have to spend more per sale, and 42% were concerned they would lose market share to online competitors.

“The real risk [of not selling online] is you eliminate the growth portion of your market. If we didn’t have an e-commerce solution, we wouldn’t be able to reach our new customers.”

— President, heating equipment manufacturer and wholesaler

E-COMMERCE CAPABILITIES COME WITH TECHNICAL, OPERATIONAL CHALLENGES

When we asked online sellers in our study about the challenges they faced, we saw that some of the concerns of their offline-only peers were justified. For example, getting internal expertise to manage the system was a significant challenge for 26% of online sellers and the fourth most common issue. Raising sales volumes enough to justify the tool was a significant challenge for 22% of online sellers and the sixth most common issue. Top issues identified by online sellers were managing for data security and integration of the e-commerce tool with back-end systems.

In its past research, Forrester has found that online selling also requires a significant shift in organizational thinking, and that most B2B organizations are not positioned or staffed well to respond to change. Instead, they have grown legacy organizations engineered around existing sales operations and supplier relationships, with the purpose of producing consistent results and optimal efficiency within those channels. As a result, these firms struggle to adapt to changing market realities.³

Building a successful B2B e-commerce operation requires four areas of focus:

- › **Establish and hone the business case.** Focus on making a case to stakeholders based on solid assumptions and forecasting, including estimated costs, product/merchandising strategies, forecasted multiyear revenues, and operational profitability and breakeven points.
- › **Set key priorities for phased growth.** Identify the needed resources and timing of key tasks before getting started. Determine what KPIs need to be in place so you can measure your efforts against key benchmarks.
- › **Deploy and scale teams and technology.** To stay ahead of ever-increasing customer expectations, businesses must hire people with a proven history of customer obsession. Businesses must also have a living plan for building out larger teams and technology in order to deliver against key milestones.
- › **Test and iterate.** Planning is essential but not sufficient for success. Measure results continuously as soon as they start to come in, and ensure you re-evaluate your plans and assumptions in the face of new data.

MEANWHILE, THE STAKES KEEP RISING

Canadian B2B sellers are aware that customer expectations continue to rise. Ultimately, meeting these expectations tomorrow will be that much harder than getting started today. Both online and offline sellers in our panel demonstrated they were aware that their customers expected quality digital experiences, including a mobile-functional web presence, top-notch search functionality on sites, relevant merchandising on the web, and personalized product or service recommendations (see Figure 6).

FIGURE 6

B2B Sellers Are Aware Of Rising Customer Expectations And Demands

“How much do you agree or disagree with the following statements?” *Our customers expect . . .*



Base: 400 B2B commerce decision-makers in Canada

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

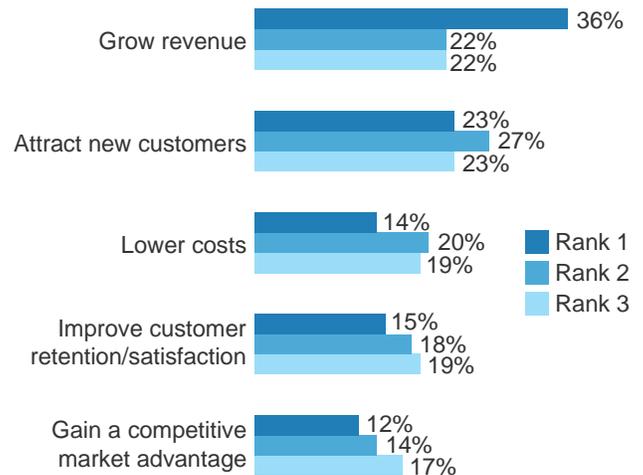
Omnichannel Drives Positive Outcomes Today, Will Be Table Stakes In The Near Future

The adoption of online selling capabilities strongly correlates with business success, according to sellers in our study. Canadian B2B sellers told us their main business objectives for 2016 were growing revenue, which 80% of sellers ranked in the top three objectives; attracting new customers, which 73% of sellers ranked in their top three; and lowering costs, which 53% of sellers ranked in the top three (see Figure 7).

FIGURE 7

B2B Sellers Focused On Growth, Cost Reduction In 2016

“Which of the following best describes your top business goals for 2016?”



Base: 400 B2B commerce decision-makers in Canada

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

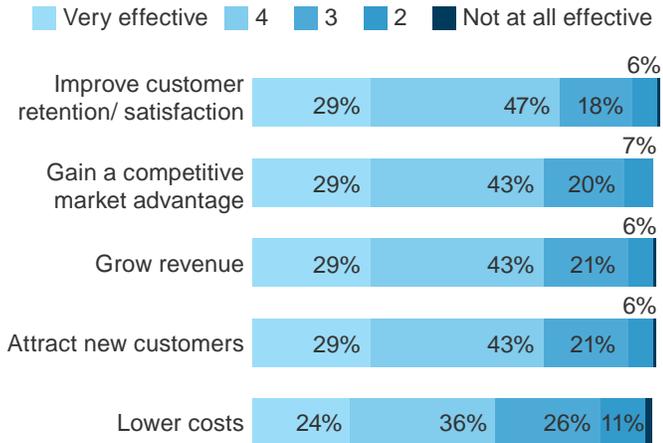
“Ultimately, it’s an opportunity to get more of our products to consumers that they couldn’t get in stores, which have limited shelf space.”

— Manager, appliance and tool manufacturer

The sellers in our study that had adopted an e-commerce solution told us that by and large, they received effective support from their tools in achieving these goals. Seventy-two percent of online sellers said their e-commerce solution was effective or very effective in helping them grow revenue — the same number that said it helped them attract new customers. Sixty percent credited their solutions with helping them lower costs (see Figure 8).

FIGURE 8
B2B Sellers Focused On Growth, Cost Reduction
In 2016

“How effective has your e-commerce solution been in helping meet the following goals?”



Base: 214 B2B commerce decision-makers in Canada

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

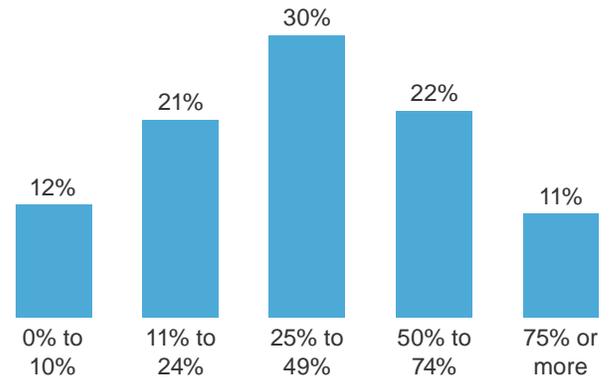
ONLINE CUSTOMERS CAN BE YOUR BEST CUSTOMERS — AND WILL CONTINUE TO GROW

Beyond the impact of e-commerce on the bottom line, 75% of the online sellers in our study concluded that omnichannel customers — customers who shop with them both online and offline — were their most profitable customers overall. They felt the customers who buy from them online were highly likely to engage in desirable behaviors with them. These behaviors include making repeat purchases (40% said this was highly likely), trying new products or services (36%), adding items to an order (33%), or buying standard repeat orders through them (32%).

The good news — if you’re selling online already or preparing to — is that within the next three years, many more of these customers should be available to service and delight. A third of the B2B sellers in our study predicted that within three years, half of their customers would be buying online from them, and 63% felt at least a quarter would be moving online (see Figure 9).

FIGURE 9
B2B Sellers Expect Customers To Migrate Online

“What percentage of your B2B customers do you expect to be buying from you online in three years?”



Base: 214 B2B commerce decision-makers in Canada (“don’t know” responses not shown)

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

The message seems clear for B2B sellers in Canada — online selling has evolved from a nice-to-have capability that drives positive business outcomes and delights customers to a need-to-have way to stay relevant to them.

Key Recommendations

Forrester's in-depth study with Canadian B2B sellers yielded several important recommendations:

- › **Lay the groundwork for an omnichannel sales future (if you haven't already).** Sellers that remain wedded to offline-only approaches face disadvantages today and risk catastrophe in the future. Take the first steps by familiarizing yourself with the current landscape of partners that can help bring functionality up to speed quickly, and define the business case and goals that will help guide subsequent steps.
- › **Incorporate self-service capabilities into a broad suite of buying options.** Self-service options empower customers and lower costs for sellers. Forrester believes that as B2B buyers become ever-more comfortable with buying online, and as self-service capabilities become more functional and convenient, more sales volumes will shift online, even to higher-complexity and higher-consideration B2B purchases. Sellers must embrace self-service as a boon, not a threat.
- › **Seek out and embrace new channels — especially mobile-enabled ones.** Tomorrow's B2B companies must experiment by selling in new channels and selling differently within existing channels. Because B2B customers are researching and buying on more websites and across more channels by the day, B2B organizations must be ready to follow their customers wherever they go. They must also be prepared to invest heavily in mobile as a mission-critical "channel of the future," and they will have to lean on e-commerce suites to power this capability.
- › **Push on your e-commerce technology partners to provide effective, holistic solutions throughout the customer life cycle, including shipping.** Technology partners ideally will come with both a background in B2B selling and a vision for the future — often guided by the current cutting edge of B2C capabilities. Our study has shown that shipping is both critical to success and an opportunity for improvement in e-commerce solutions. In a world of empowered customers, B2B sellers would do well to use their own customer power to close the shipping management loop.
- › **Take change and innovation into account with your B2B e-commerce planning.** Organizations necessarily change to fit the addition of new people, new ideas, and new customers. Don't leave your B2B e-commerce organization plan on the shelf. Periodically review the plan with those who initially contributed to it, and update the living document on a regular basis to keep it relevant. Most B2C firms formally revisit plans annually, with key milestone check-ins planned throughout the year.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 400 B2B organizations in Canada and supplemented the survey findings with six in-depth interviews. The study evaluated the current state of e-commerce programs among B2B companies in Canada. Survey participants included decision-makers working for wholesalers, retailers, and manufacturers. Questions provided to the participants asked about their current e-commerce plans, behaviors, and perceptions. Respondents were offered a small monetary incentive as a thank you for time spent on the study. The study began in late 2015 and was completed in April 2016.

Appendix B: Supplemental Material

RELATED FORRESTER RESEARCH

"Make Your B2B Business A Digital Business," Forrester Research, Inc. April 8, 2016

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

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

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

"Organize For B2B Digital Transformation," Forrester Research, Inc., November 19, 2015

Appendix C: Demographics/Data

FIGURE 10

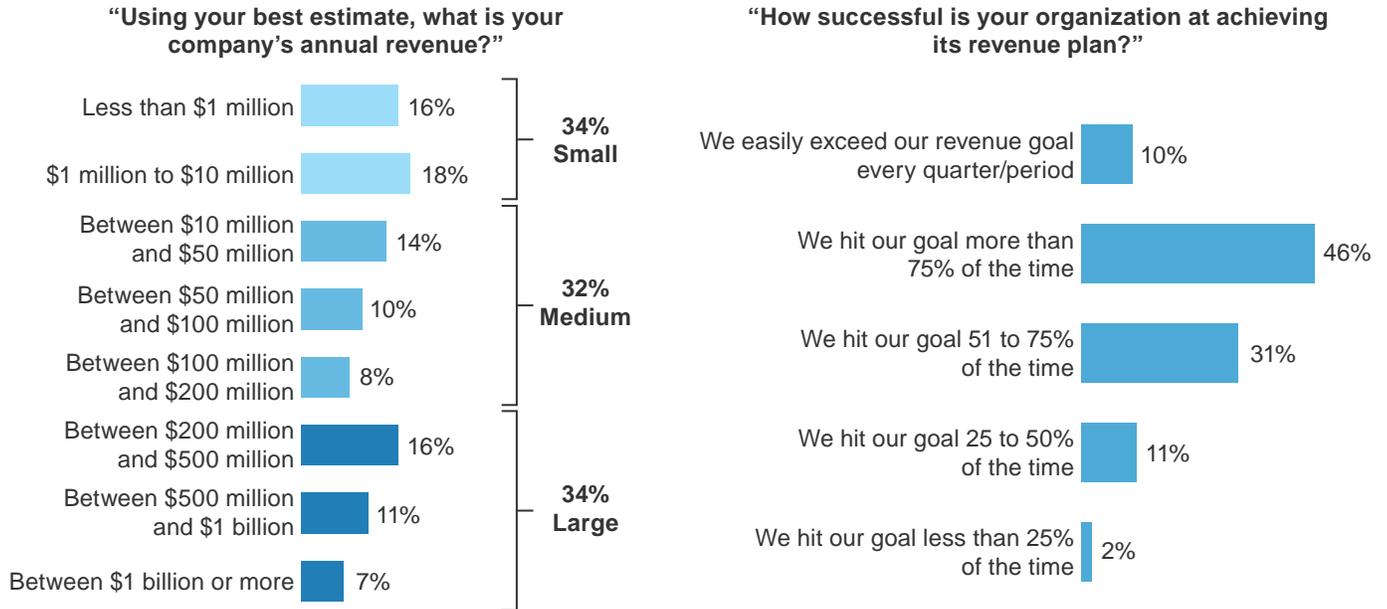
Business Demographics (1 Of 2)



Base: 400 B2B commerce decision-makers in Canada
(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

FIGURE 11
Business Demographics (2 Of 2)



Base: 400 B2B commerce decision-makers in Canada

Source: A commissioned study conducted by Forrester Consulting on behalf of Purolator, April 2016

Appendix D: Endnotes

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

² Source: “Digital Is Busy Transforming B2B Commerce,” Forrester Research, Inc., August 4, 2015.

³ Source: “Organize For B2B Digital Transformation,” Forrester Research, Inc., November 19, 2015.