

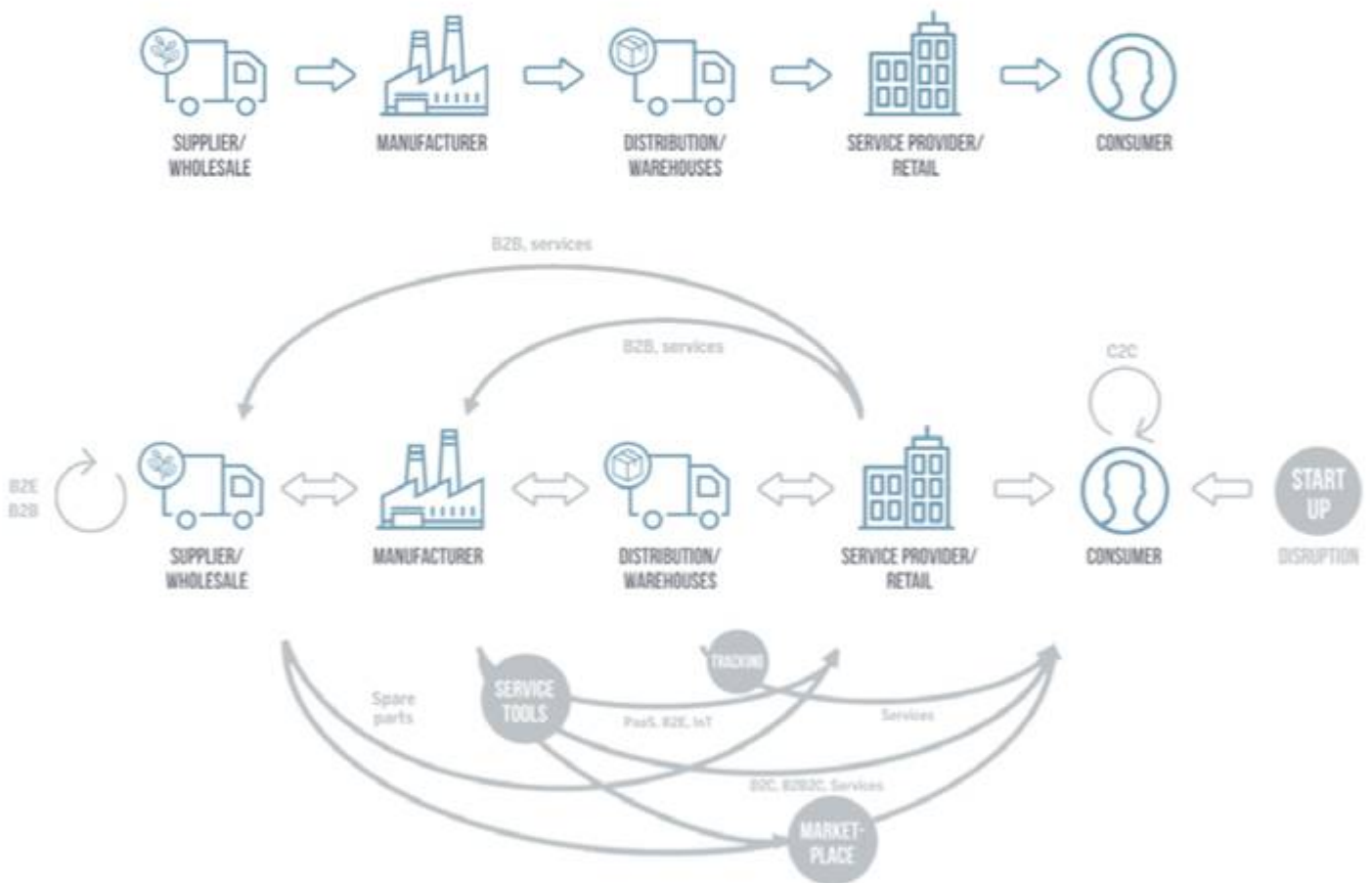
CHANGING BUSINESS MODELS: THE SHIFT TO B2B2C AND D2C SALES



CHANGING BUSINESS MODELS

Times are changing, and business models are no longer limited to only B2B or B2C. We are seeing a slow change to alternative models such as B2B2C (business-to-business-to-consumer), D2C (direct-to-consumer) or B2E (business-to-employee) in order to better meet more specific end-consumer needs.

In this white paper, we're delving into the trends impacting this shift away from traditional business models in the e-commerce landscape. We're also sharing a useful step-by-step guide on how to implement a successful D2C strategy.



Why is the industry changing?

The main driver for a notable change in business models is the growing prominence of e-commerce. E-commerce gives companies a unique opportunity to reach customers all over the globe at any time. This means they also have much more choice over who they sell to. For wholesalers and suppliers, this means they can sell directly to their end-consumers to maximize efficiency and boost profit margins.

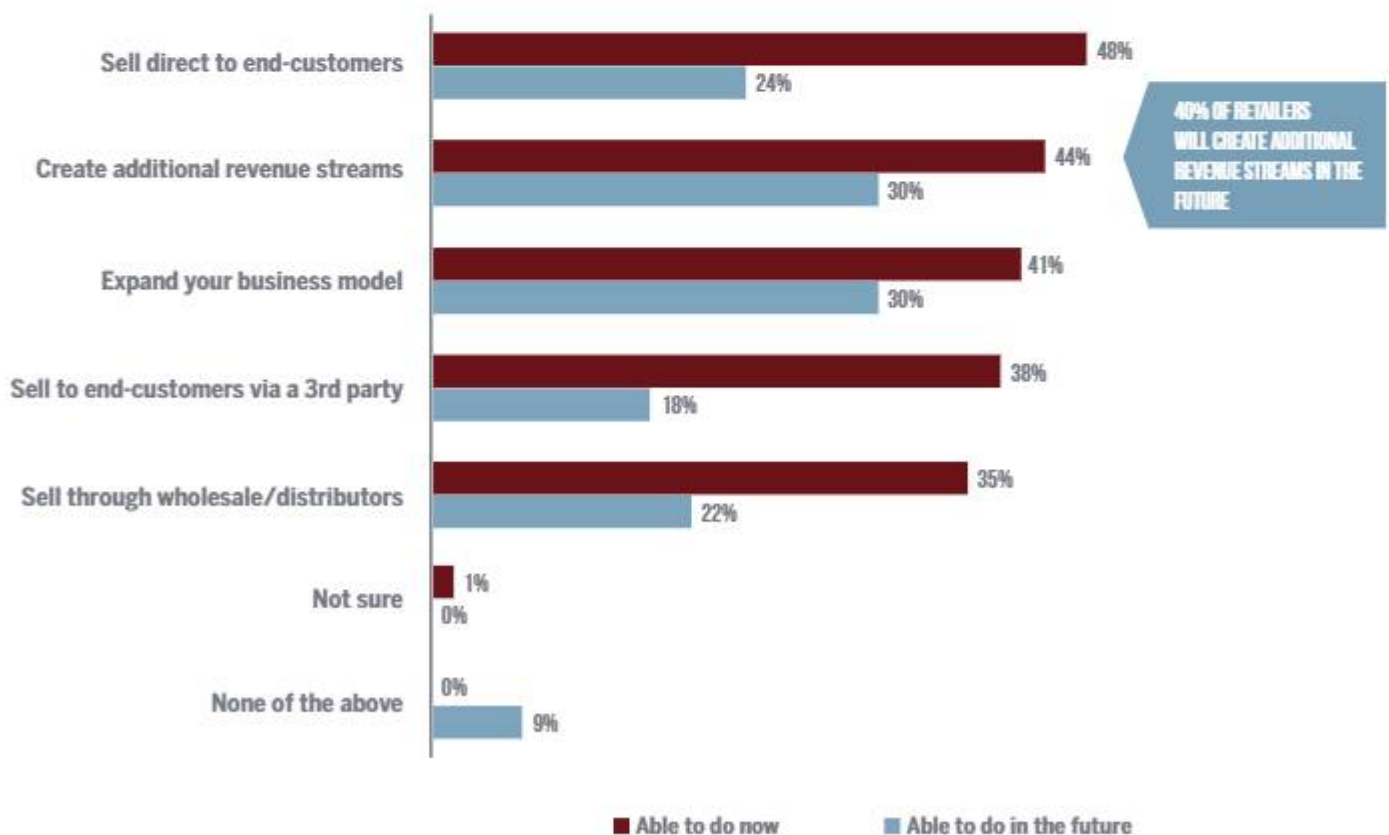
Many companies embracing the D2C model are revolutionizing how companies do business, including Uber, Picnic, Airbnb and Amazon. We've long seen this trend impacting the B2C space, but now it can also be observed in the B2B market.



CHANGING BUSINESS MODELS: 2019 TRENDS

Approximately 40% of businesses attribute the ability to expand their business model and sell D2C to their investment in e-commerce. Another 25-30% feel e-commerce will allow them to do so in the future. It's clear, then, that e-commerce is both an asset and a catalyst for change and evolution:

AS A RESULT OF INTRODUCING YOUR B2B E-COMMERCE PLATFORM WHICH OF THE FOLLOWING ARE YOU ABLE TO DO THAT YOU HAD NOT BEEN ABLE TO DO PREVIOUSLY?



Let's dive into each of the trends we're seeing emerge alongside this B2B shift in business models.

1. MORE COMPANIES ARE SELLING DIRECTLY TO END-CONSUMERS (D2C SALES) AND PLAN TO CONTINUE.

Our 2018-19 Digital Transformation and B2B E-Commerce report shows that 61% of companies say they see evidence that manufacturers, distributors and wholesalers are starting to sell D2C. This percentage is higher in certain regions – with the UK and Ireland scoring particularly high (73%), followed closely by the US and Canada with 68%.

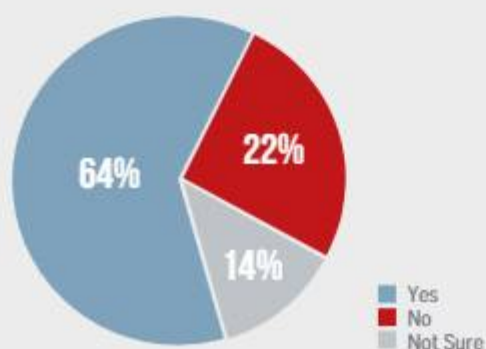
Which industries are expected to see an increase in D2C sales?

From our research, we see that D2C sales are expected to increase, in the following sectors: construction (78%), electronics (68%), household goods and furniture (65%) and packaging materials (65%).

REGION	%
UK / Ireland	73%
US / Canada	68%
Germany	57%
Switzerland / Austria	47%
Belgium / Luxembourg	46%
Netherlands	46%

INDUSTRY	%
Construction	78%
Healthcare/Medical Supplies	70%
Electronics	68%
Home Goods & Furnishing	66%
Packaging	65%
Fashion & Apparel	62%
Machinery & Supplies	61%
Automotive	59%
Food & Beverage	57%

DO YOU EXPECT TO SEE MANUFACTURERS, DISTRIBUTORS AND WHOLESALERS IN YOUR SUPPLY CHAIN STARTING TO SELL DIRECT TO CONSUMERS IN THE FUTURE?



In the future...

64% of respondents expect this trend to continue. They expect that many parties in their business environment (such as wholesalers, suppliers and producers) will start selling D2C, if they haven't already.

2. B2B COMPANIES ARE INCREASINGLY EXPANDING THEIR BUSINESS MODELS TO INCREASE REVENUE AND OFFER ADDITIONAL SERVICES

We're currently already seeing this trend amongst a number of our customers:



Direct contact with the end-consumer through a new business model: Sana customer, Stanley & Stella, has been selling sustainable clothing to e-tailers and retailers for years. However in 2017, the manufacturer expanded its business model by opening an omnichannel-focused brick-and-mortar store: allowing their end-consumer to (for example) place their orders via tablets, place personalized orders, and get their own design printed on t-shirts.



Having both a B2B and a B2C web store on one platform: Sana customer, Kippie, implemented a single-platform B2B and B2C experience because they wanted to reach even more customers via their web store. They took this initiative a step further by allowing end-consumers to simply have their products delivered or to pick-up their order themselves from a retail location.



Providing additional services to the end-consumers: Sana customer, Smartwares, has several B2C websites which all allow the end-consumer to use these web stores to return their products themselves – without having to go to their retailer first.



3. B2B COMPANIES EXPECT TO SEE MORE COMPETITION WITHIN THEIR INDUSTRY AS A RESULT OF CHANGING BUSINESS MODELS

Our 2018-19 research has shown that D2C has an influence on the way business is done. Only 4% of the companies we surveyed said that they do not see any influence of D2C within their industry.

The majority expect to see increased competition and a disruption of their sales channels. However, 24% expect this disruption and increased competition to be good for the market place.

D2C is often regarded as a threat, but it doesn't have to be.

Recent stats and figures reveal that D2C sales will not cause any significant conflicts in the B2B market, despite what many companies have feared.

The data shows that:

- **54% of manufacturers** and their retailers saw an increase in sales through D2C. What's the reason for this? Distributors are handling the larger orders that come through.
- **27% from the distributors** feel that this is the best way for them to focus on profitable projects, while manufacturers can focus on smaller orders.
- **14% of distributors** can now measure the success of new products by testing them with their end-consumers, thanks to D2C sales.

4. NEW MARKETING STRATEGIES WILL BE USED BY D2C BRANDS

Moving forward, once businesses are past testing the waters in D2C sales, D2C will focus more on online marketing. Currently 52% of the buyers' purchase process – in both B2C and B2B— happens online. This can be by means of a web store or an online catalog. This gives businesses a big opportunity to also market online and drive even more sales.

As a result, it will be more important than ever before to be present online if you want to succeed with a D2C approach. From a marketing point-of-view, make sure you always meet prospects with the right message at the right time, making customer first interaction with your company memorable.

Content marketing is expected to continue to skyrocket amongst B2B companies selling D2C. B2B social media usage and paid advertisement is also expected to rise.

These methods will increase the direct interaction of B2B companies with their end-consumers. Customer reviews and personalized marketing will be taken to new heights. The common goal is to create an e-commerce and marketing experience that will delight the B2B market's D2C consumers as businesses continue to move toward mastering this approach.



APPLYING SUCCESSFUL D2C SALES IN 6 STEPS

Now that you're familiar with the trends emerging alongside changing business models in B2B, here are some tips on getting D2C sales right.

Although the application of D2C sales is different for every industry and across companies, there are a number of elements that can always be applied. Here are 6 steps to successfully implement D2C sales. The guiding principle here is that you have to start with the right e-commerce strategy as a foundation.



1. THE RIGHT E-COMMERCE PLATFORM

Companies do not always have the right technical set-up to start selling online immediately, or struggle with legacy software. That's why it's important to have a high-functioning, integrated e-commerce platform that fits with your existing infrastructure. Your team wants to provide your customers a great buying experience, so it's essential that your team can easily work with your web store.



2. GET YOUR PARTNERS INVOLVED

Be transparent to all your retail partners, from suppliers to manufacturers. According to a recent [Forrester report](#), many brands have become successful because they were as transparent as possible to the retail partners involved in their business and supply chain. Discuss your goals with your partners and make sure they're involved in the process.

Here are some examples of how this can be done:

- Let your partners share in the success of your web store
- Offer your partners products and services to your customers
- Feed leads to your partners

If you get your partners involved you can avoid conflicts and turn the relationship into a win-win for both parties.



3. PERSONALIZATION, ORDER MANAGEMENT AND LOGISTICS

Once you've put the right e-commerce platform in place and have communicated changes to your partners, the next step is to think about how to put personalization, order management, and logistics into practice. With personalization, you should strive to give your customers the same "Amazon-like" experience they've come to expect. When it comes to order management and logistics, keep both large and small orders in mind, and be prepared to cater to one-time and repeat customers. All of these factors are necessary to create and maintain a good relationship with the direct customer.



4. GET YOUR SALES TEAM ON BOARD

Your sales team might be thinking that with the start of D2C sales in your organization, they will play a less important role in the sales process. On the contrary, in 80% of cases, human interaction between customers and sales reps is still necessary in D2C. Your sales team should not worry about being deemed obsolete by D2C sales; selling D2C online simply means they will have more time to focus on key accounts and enriching customer relationships.



5. FOCUS ON THE CUSTOMER

When we look at massive organizations like Amazon or Best Buy, you can see that they stand out because of their excellent customer service. They go the extra mile for customers, and your business should follow suit. Make your brand present in the medium or channel your customers choose to use. Ultimately, what your customer really wants is interaction with their favorite brands, so don't forget to approach them personally.



6. USE DATA LEARNINGS

Did you know that 74% of customers find it frustrating when website content isn't specifically tailored to their needs?

Today's customers want to maintain a relationship with the brands they love, but it has to come from both sides. Use all the data gathered from your company's different channels to offer your customers a personalized experience based on demographics, behavioral insights, and more.

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