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# The Latest Trends in B2B E-Commerce & Shipping

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**Explore the latest changes in the B2B space, plus solutions for adaptation.**

Prepared for U.S. Postal Service

By SIS International Research

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# Table of Contents

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<b>I. Today’s B2B E-Commerce Market Overview</b> . . . . .	3
<b>II. Key Trends</b>	
The New B2B Buyer Is Getting Younger . . . . .	4
Shippers Take on the Internet of Things (IoT) . . . . .	6
In Supply Chain: Elastic Is the New Lean . . . . .	8
Increasing Efficiency with Innovative Distribution . . . . .	9
Prioritizing Inventory Management . . . . .	10
<b>III. From Burden to Opportunity: A Shifting Perspective on Returns</b>	
Building Loyalty Through Returns . . . . .	12
<b>IV. Looking to the Future</b> . . . . .	13
<b>V. Key Takeaway</b> . . . . .	13
<b>VI. Footnotes</b> . . . . .	14

# Today's B2B E-Commerce Market Overview

The incredible growth of e-commerce in the B2B industry is disrupting the entire market. The projected value of this e-commerce boom: \$1.18 trillion by 2021 in the U.S. alone. That's over 13% of all B2B sales.<sup>1</sup>

SIS International Research interviewed logistics professionals in the B2B space to find out how e-commerce is changing their industry and how they are adapting to the new challenges that come with it.

## \$1.18 Trillion Projected B2B E-Commerce Sales in 2021

The market is mainly driven by automotive parts & supplies, as well as pharmaceuticals, chemical supplies and electronics.<sup>2</sup> Together, these products have spurred impressive growth in the past year—and it looks like the industry is going to keep pushing. In fact, the compounded annual growth rate until 2021 is forecasted to be above 7%. Put another way, the B2B ecommerce market could grow by over \$65 billion in the next year.<sup>2</sup>

Shipping services in the B2B space have also changed more in the past few years than they have in history. Today, B2B shipping represents 49% of the Courier, Express and Parcel (CEP) market revenues.<sup>3</sup> Logistics professionals interviewed across different industries said that e-commerce has transformed the market for them.

Growth in e-commerce has been exponential and a major contributing factor to shifting customer expectations. One respondent said that many buyers are asking and paying for faster shipping than they actually need.

This rising tide is no surprise. The generational change in B2B buyer demographics now has Millennials taking over decision-making roles. Additionally, technological advancements like the implementation of the Internet of Things in the shipping industry and the rise of autonomous vehicles have all driven this market transformation. This paper will expound on the trends, challenges and solutions we uncovered in our research that could help B2B companies capitalize on the change.

# Key Trends

Here are the latest developments in the B2B market from shifting demographics to of-the-moment technologies

## The New B2B Buyer Is Getting Younger

The profile of the B2B buyer is shifting in a big way. Already, half of all B2B buyers fall into the Millennial generation and that number will only continue to grow.<sup>4</sup> Older members of Generation Z are not far behind them and could be key decision-makers in the B2B space within the next decade.

This demographic group has come to expect a certain level of service and are accustomed to B2C e-commerce practices. Buyers' expectations are only getting higher. One logistics specialist said buyers "expect miracles" when it comes to shipping their order. Another said that white-glove service is now the benchmark.

## Customers are expecting more for less and they want everything covered under one price.

With competition growing fiercer by the day, companies that are able to provide the "miraculous" speed, accuracy and quality at the best price will win more sales.

Millennial buyers also expect B2B companies to have values which align with theirs. These buyers have become more interested in the "emotional connection" they have with a brand and have started to select who they do business with based on their ethics and values.

## 87% of Millennials evaluate brands on their values, instead of just financial considerations.<sup>5</sup>

Additionally, 83% of companies that over-perform on revenue growth link everything they do to brand purpose and values.<sup>6</sup>

### Key Learning

**Meet Millennial expectations to drive sales.**

### Offer Next Day Delivery

Buyers want products faster than ever. Next day delivery can help meet their expectations, but if it's not on the table for your company, consider offering multiple shipping options and transparent and reliable tracking so they always know where their order is and when it will arrive.

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## Offer Convenient and Flexible Returns

Returns are a common friction point. Improve your reputation with your customers by being transparent about your returns policy. There should be no surprises. Additionally, make things easier for your customers by including return labels with shipments.

## Provide Price Transparency

B2B customers are tired of having to contact several different vendors to compare quotes. B2C e-commerce expectations have once more bled into B2B, as customers now want to be able to go online and shop around for different options with confidence.

Naturally, shipping costs were a common concern for many of the people interviewed. Many logistics professionals were looking into changing their shipping provider to cut down on costs.

They also don't want to be nickel and dimed, instead preferring to pay one price and know that they are getting the full end-to-end service they require. Create a better experience for your customers by being clear about what they get for what they pay.

## Increased Visibility

This is one of the most important B2B customer expectations: 24/7 real-time visibility, connectivity and data concerning their shipments. Monthly reports aren't enough. Customers want to be able to track their shipments in as close to real time as possible.

This was confirmed in interviews with logistics professionals. Many B2B customers have high expectations of their vendors regarding information and communication. Overwhelmingly, they want visibility and tracking capabilities for their shipments.

# Shippers Take on the Internet of Things (IoT)

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IoT technology is proliferating at a rapid pace as well and shippers have been at the forefront of IoT implementation since the early 2000's.

**By 2020 experts predict there will be a total of 24 billion IoT devices in operation.<sup>7</sup>**

Specific applications for IoT in shipping can be broken down into the supply side and demand side of the business. Supply-side applications include improved tracking of shipments down to the item level, warehouse capacity organization, predictive maintenance of fleet and other infrastructure and route optimization. Demand-side applications include environmental monitoring and management, threat detection and prevention and real-time traceability.

## Key Learning

Maximize efficiency with new technologies.

### IoT Devices and How They Help Shippers

#### Supply Side

##### Real Time Location System (RTLS)

Real-time tracking, both in and outside of the warehouse

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##### Fleet Tracking and Planning Software

Route optimization

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##### Smart meters and smart lights

Energy management

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##### Asset health monitoring

Preventative maintenance

#### Demand Side

##### Connected air quality, humidity and temperature sensors

Environment monitoring

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##### RTLS

Traceability for the buyer

## Real Time Location Systems (RTLS)

RTLS can dramatically improve your internal logistics, as well as provide important data that matters to your buyers. There are many types of RTLS systems, but most are based around using radio frequency identification (RFID) tags and sensors to track the exact position of items and personnel within a facility. Internally, this system gives you insights into your resources allotment. Externally, this system can give customers a record of their order as it's being put together, increasing transparency and trust.

## Fleet Tracking and Planning Software

For companies that need to move goods between several facilities or those who handle any portion of their own shipping, modern fleet tracking and planning software can be a huge advantage, using GPS, traffic pattern data and even up-to-the-minute weather conditions to help plan the most efficient routes possible. More efficient routes mean lower costs, faster turn-around times and happier customers.

## Smart Meters and Lights

Smart meters and lights can help to make sure you are only using energy when and where you need it, increasing efficiency. Making your facilities more energy efficient can help both your brand and your bottom line.

## Asset Health Monitoring

Breakdowns in equipment inevitably happen and can be quite costly. The challenge is that time-based periodic maintenance schedules don't effectively combat the largely random nature of equipment failure.<sup>9</sup> Low-cost IoT sensors on equipment can collect data that will alert you to the best course of action in preventative maintenance, increasing overall uptime and helping you get products out faster.

## Connected Environmental Sensors

In many industries such as pharmaceuticals and food, it is imperative that products remain in certain environmental conditions. Monitoring, tracking and managing those conditions can be a huge challenge. IoT sensors can completely automate the process, by allowing sensors for temperature, humidity and other factors to talk to each other, as well as to central software that can automatically implement environmental controls to meet necessary conditions.

## In Supply Chain: Elastic Is the New Lean

For years “lean logistics” has been the dominant paradigm for supply-chain operations, with organizations focused on minimizing waste.

However, more and more companies are switching from a lean philosophy to an elastic one. Our “I-want-it-now” consumer culture, coupled with the growth of omnichannel sales, has increased the volatility of orders in most industries. Orders are less predictable and regular than they were in the past. The ability to instantaneously scale resources in response to market demands has become more valuable than having the leanest supply chain possible.

**The lean philosophy emphasizes minimizing waste as much as possible. In contrast, the elastic paradigm emphasizes maximizing flexibility.**

B2B companies are finding that having the ability to adjust to market conditions and instantaneously scale resources in response to market demands can provide much more value than simply eliminating waste in their operations.

The ability to adapt quickly and elastically may be even more important for companies whose clients operate in more cyclical businesses or industries. For example, these clients may need supplies to meet seasonal demand or to complete pressing emergency projects. According to research, if those buyers are not confident a vendor can get them their purchase on time, they won't consider buying from them at all.

These same customers also said that they were willing to pay a premium to get faster shipping. In those cases, buyers were typically willing to pay whatever it takes to get their shipments in time.

### Key Learning

**Increase flexibility to take advantage of market shifts.**

### Leverage the Latest Technology

The elastic logistic trend can be supported by numerous new technologies, from cloud computing and IoT to robotics-as-a-service. For example, with cloud computing, companies can pay for only the IT resources that they use, allowing them to scale up or down rapidly and cost effectively.

With robotics-as-a-service, companies can similarly scale operations in response to market conditions by essentially renting robotic infrastructure when needed and scaling it back when it is not. As these technologies continue to both improve and proliferate, elastic supply-chain best practices are sure to emerge.

Admittedly, elastic logistics is not a one-size-fits-all solution, but for many organizations it's a sustainable strategy that will enable them to better meet demand and deliver orders on time while keeping costs as low as possible. The days of “lean” may be numbered.



## Increasing Efficiency with Innovative Distribution

In the rapidly expanding global marketplace created by the growth of e-commerce, businesses have been forced to utilize a greater array of sales and distribution channels to stay ahead of the competition and retain customers. Research indicates most B2B companies are planning to use online channels for sales, while decreasing other methods such as internal sales representatives and field sales.

A broader array of sales channels can present a significant logistical challenge to businesses of any size. There are three main trends in distribution logistics for handling these challenges:

### Single Distribution Center (DC)

#### Multiple DCs, sourcing based on rules per order

#### Multiple DCs, each dedicated to a specific sales channel or geography

### Distribution Centers (DCs) Strategies

**51%** A majority of firms are still using a single distribution center (DC) to fulfill all of their orders.

**26%** About a quarter use multiple DCs and determine sourcing based on the rules for any one specific order, such as required speed or cost considerations.

**19%** A still smaller number utilize multiple DCs, with each dedicated to a specific sales channel, or a particular geography.<sup>9</sup>

Of the professionals interviewed, the majority of those with more than one distribution center said that each was dedicated to a specific geography.<sup>9</sup>

### Key Learning

**Consider more distribution centers to help streamline logistics concerns.**

### Multiple Distribution Centers Maximizes Efficiency

Interestingly, companies utilizing the less common multiple distribution center (DC) solution rate their system's performance higher than those using more popular solutions. Among companies using multiple DCs dedicated to specific channels or geographies, 97% rated their performance from "good" to "excellent," compared to 85% for the rules-for-order paradigm and 84% of those using a single DC.<sup>10</sup>

It's clear that companies who are willing to adapt and utilize new systems are finding more success in the marketplace. For companies large enough to operate more than one DC, that means dedicating each to a single sales channel or geographic area.

## Prioritizing Inventory Management

No matter the DC system they're using,

### supply chain and logistics professionals report inventory management as the number one area for needed improvement,

followed by supply chain visibility for both seller and buyer.<sup>11</sup>

Most companies are using Enterprise Resource Planning (ERP) software to manage their inventory and distribution, despite being dissatisfied with the level of efficiency their current platform is providing them. Leaders are taking a page from the B2C playbook, adopting end-to-end distributed order management (DOM) applications as a supplement or a complete alternative. ERPs are the backbone of many businesses, managing the processes and assets of various departments all in one place. However, they aren't very good at handling variables that change dynamically, like customer demands. This can lead to inefficiency and frustration across the board.

Many of the logistics professionals interviewed said that they were using an ERP and that it was not fully meeting their needs. Interestingly, the one respondent who said they used DOM software was from a company in both the B2B and B2C spaces.

### Key Learning

**Improve order fulfillment with the right software.**

Consider Distributed Order Management (DOM) Software

This system helps automate order execution and is more common in B2C. It helps bridge the gap between ERP systems and the dynamic landscape of customer demands.<sup>12</sup> As B2B buyers continue to behave more like B2C consumers, the need for DOM software in B2B is sure to grow.

# From Burden to Opportunity: A Shifting Perspective on Returns

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Returns are inevitable and, with the growth of B2B e-commerce, they are only becoming more complicated. It is important to develop a culture of continuous improvement in a B2B organization, especially around reverse logistics.

Although returns in B2B tend to be less frequent than they are in B2C, they still occur. Since B2B returns tend to be due to a fault in the product, which can significantly affect the customer's business, they are much more time critical. These returns could create a delay for the buyer's operations or production.

Logistics professionals interviewed offered varied perspectives on returns. All agreed that returns are a fact of life in business, though they said the number of returns they process on both the inbound and outbound sides is minimal. While none of the professionals reported that return policies influenced their purchasing decisions, many had significant issues when returns did not go well. B2B companies that focused on improving aspects of their returns experience—including speed, efficiency and customer service—could see an increase in customer loyalty.

## Building Loyalty Through Returns

The cost of generating a new customer can be 5X that of retaining an existing one.<sup>13</sup> Combine that with ever-increasing competition, and customer loyalty is more important than ever. You can help foster customer loyalty through your returns process.

Companies that can make returns easier, simpler and more convenient for their customers will win more repeat sales. This starts with having a clearly articulated return policy. Even if your policy isn't lenient, don't hide it. Customers will be happier when there are no surprises.

Communication throughout the return process is also key. Companies that proactively send information to their customers—such as when a credit has been issued—will both decrease their costs and increase customer satisfaction.<sup>14</sup> A happy customer is a customer that comes back.

### Key Learning

#### Implement a Data-Driven Approach

#### Establish the Right KPIs

Any organization could benefit from establishing the right baseline Key Performance Indicators (KPIs) and finding ways to incentivize efficiency at all levels of the reverse logistics chain. These KPIs will vary by department and can include cost per return, return rate, customer satisfaction, processing time and many others. For example, a logistics team may be more able to impact processing time, while a sales team has more impact on customer satisfaction.

#### Collaborate Across Departments

Additionally, by working to break down organizational silos across channels, B2B businesses can increase communication and better educate all employees who play a role in the return process. There are many ways to break down silos, from clarifying organization-wide goals, to implementing collaboration software, to holding crossdepartmental trainings. The entire company can benefit from increased collaboration and sharing of information.<sup>15</sup>

Learn more about taking a data-driven approach to returns in **this episode of USPS Delivers Radio**, which covers the benefit of return-data collection, the importance of gathering customer and product-specific data and what it takes to create a data collection process for your company. To listen to the episode visit: [uspsdelivers.com/shipping-audio-registration/?B811](https://uspsdelivers.com/shipping-audio-registration/?B811).

#### Prioritize Return Data Repair

The better you analyze and repair data, the better you can tackle the biggest returns challenges. It's important to continuously scrub the information you gather for errors. By chronicling which data is incomplete, incorrect or out of date, you can address the cause of each data error. Otherwise, you would begin making business decisions about products that are completely unfounded. Your data problems must be addressed before you use that information to determine any insights.

# Looking to the Future

The B2B industry is growing rapidly, with e-commerce leading the charge. There are a few things your company can do to gain an edge on the competition and not get left behind. In both the short and long term, you should consider finding ways to proactively mirror the B2C experience for your B2B customers. The trend in expectations is clear. Companies that are proactive about meeting these growing expectations will have an edge over those who don't.

With the B2B buyer profile changing, you should take action in the short term to better meet their changing expectations. Find ways to increase speed, rewrite policies to be clearer and more convenient for buyers, or just be more transparent about pricing. Meeting the growing expectations is a surefire way to increase customer loyalty.

Reevaluating your returns policy could also help you to grow customer loyalty. As B2C expectations continue to seep into the B2B space, customers may expect more lenient policies. Research in B2C e-commerce shows that more lenient return policies lead to a significant increase in repeat sales. This increase more than offsets the cost of these policies. We expect this trend to carry over into the B2B space as the industry continues to grow.

If your company isn't able to implement a more lenient policy, consider looking for ways to make it more transparent for your buyers. A customer who has to pay an expected fee to return an order might be unhappy, but a customer who is blindsided by that fee will be more likely to seek out other options.

In the long term, consider evaluating your inventory management and distribution procedures. If your business is large enough to open more than one distribution center, it may be to your benefit to do so and dedicate each to a specific sales channel or geography. With additional distribution centers comes additional inventory management challenges, so long-term investment in that area may also be necessary. Internet of Things (IoT) solutions can provide you with a wealth of data to improve efficiency, while end-to-end distributed order management software could be an improvement over your current enterprise resource planning solution.

## Key Takeaway

**The B2B industry is growing and mirroring many of the trends in the B2C space. Companies that remain conscious of the needs of the B2B buyer, keep their supply chain elastic and prioritize their inventory management can set themselves up for continued success.**

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## FOOTNOTES

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