



Future of B2B Online Retailing

Frost & Sullivan Value Proposition
for the Online B2B Market

“We Accelerate Growth”

B2B eCommerce Highlights

Massive innovation drives strong growth

1

Online B2B transactions of manufacturers are expected to reach \$3.5 trillion in key economies (USA, China, UK, Germany and Japan) by 2025 driven by web-only features such as digital sales platforms, instant customer reach, and cross-border accessibility.

2

Online contributions to total annual revenues are growing exponentially; on average most manufacturers report 25% of revenue coming through online channels; these platforms are being increasingly considered as the new marketplace and a key area of competitive differentiation.

3

Some markets such as China lead in adoption of technologies, having leapfrogged hurdles associated with legacy technology with a reported \$0.56 Trillion already in online sales, China will grow to become the world leader in the B2B market with \$1.25 Trillion by 2025.

4

B2B technologies are evolving to meet growing customer needs. Entrenched with expensive ERPs, most businesses began the transition to alternatives such as Netsuite, Hybris, and Magento that provide Web-enabled omnichannel integration. Additionally, manufacturers are experimenting with “B2C” type Web shops that are fully transactional and integrating new technologies such as chat bots to offer B2C type experiences

5

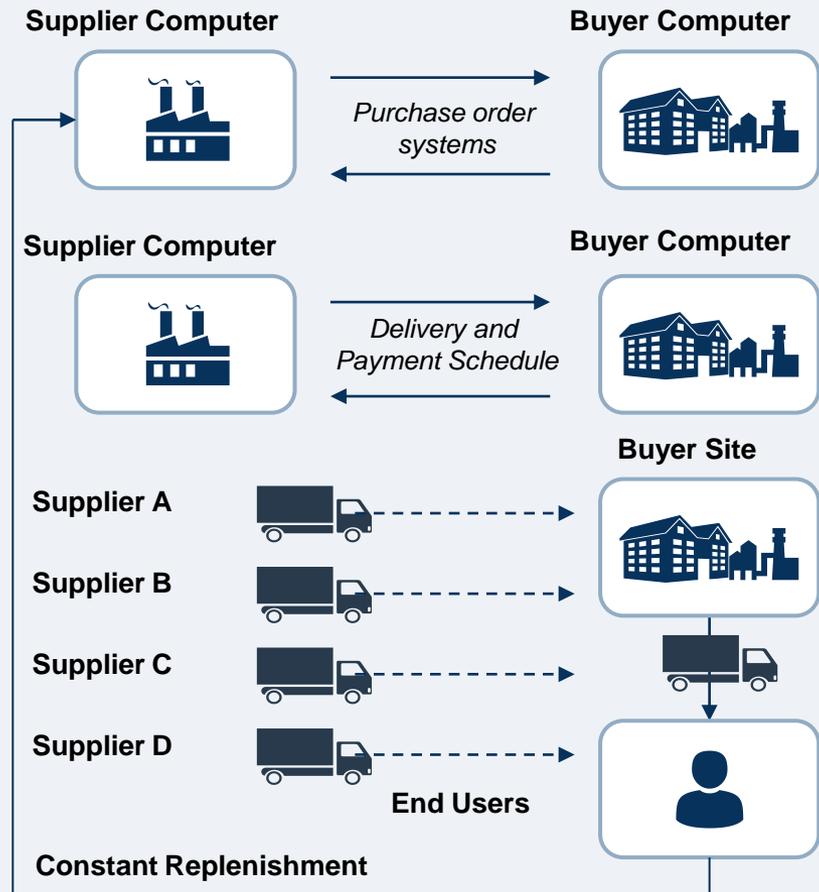
Most distributors are looking at “Services 2.0” to integrate with their e-commerce journeys. The new range of services will leverage digital connectivity and predictive analytics to offer more intuitive customer services such as personalised “re-ordering tools”. This will be a key feature in most online B2B journeys as traditional distributors wade of cost and service competition from Amazon and Alibaba.

Source: Frost & Sullivan

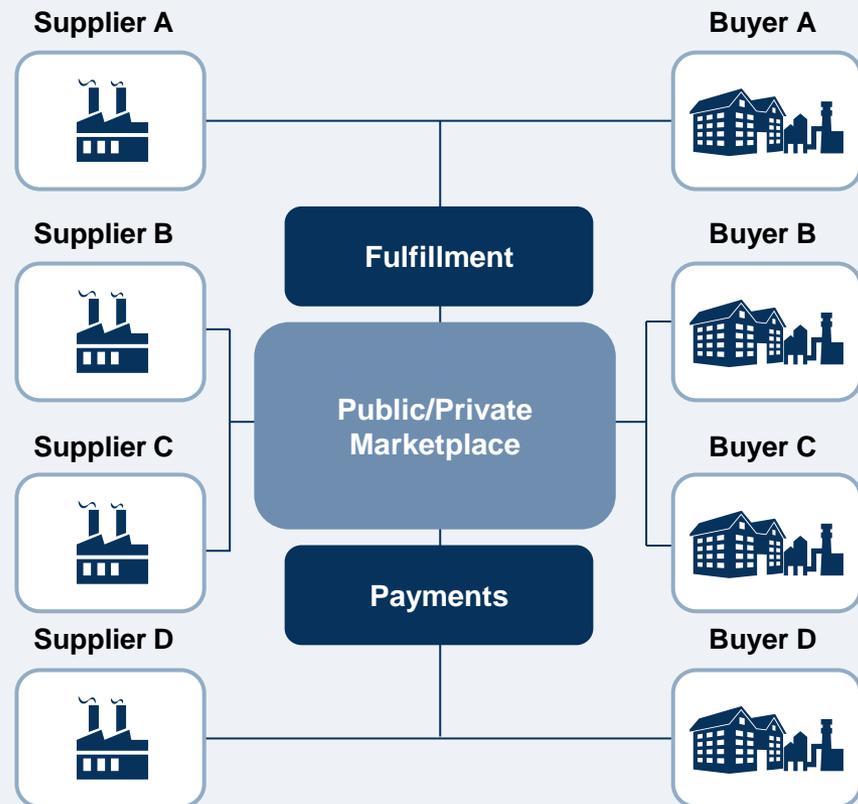
Types of B2B Relationships

Types of business models vary, from single-firm-sponsored eProcurement solutions and consortiums to collaborative marketplaces that aggregate demand and supply services

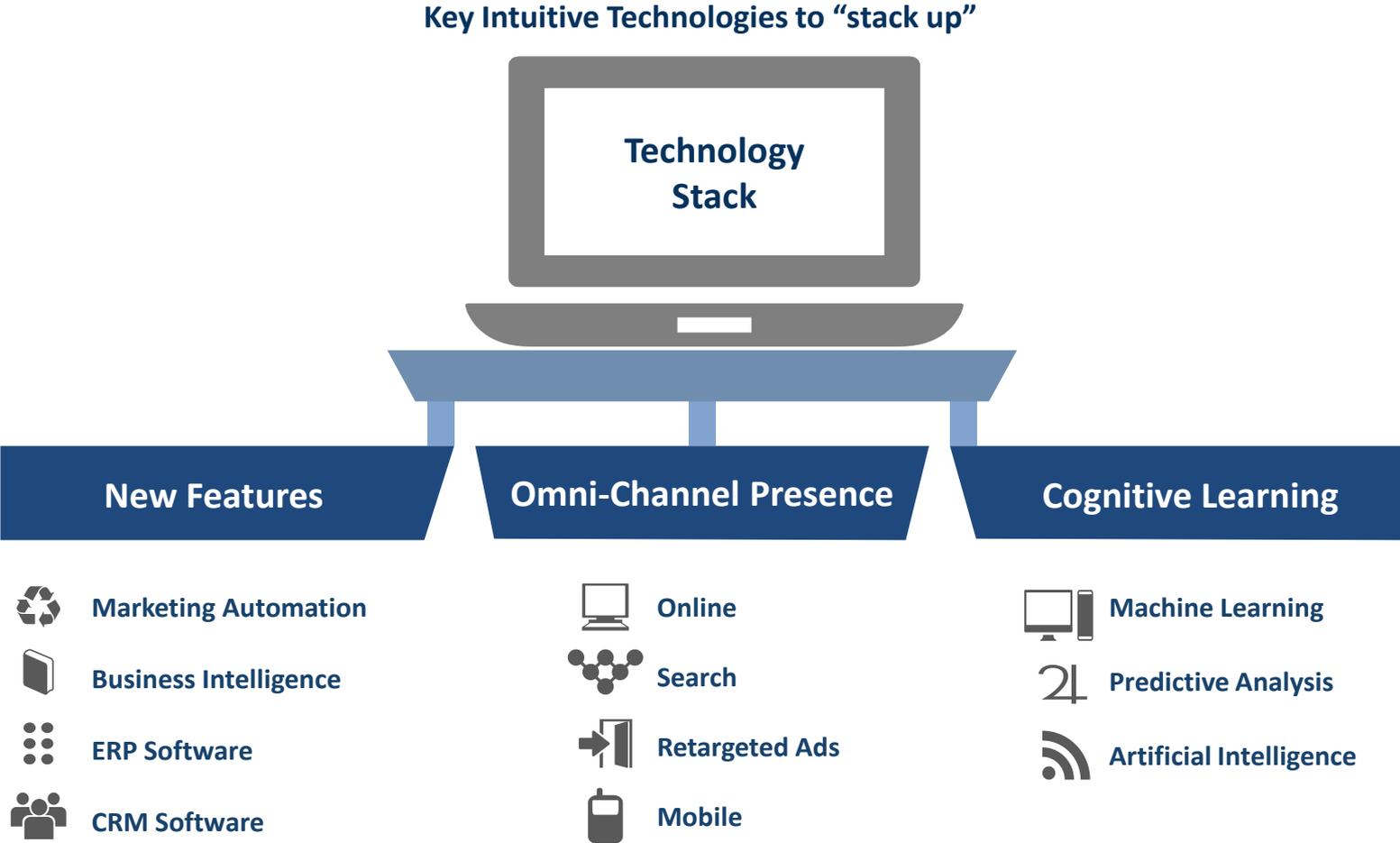
One-to-Many Model: A point-to-point approach where a single entity or a private consortium establish an online marketplace to trade with select buyers and sellers.



Many-to-Many Model: An open marketplace for all buyers and sellers often operated a third-party who could offer differential services such as fulfilment and transaction management.



Key Technologies at Play in Enabling Seamless B2B Customer Journeys

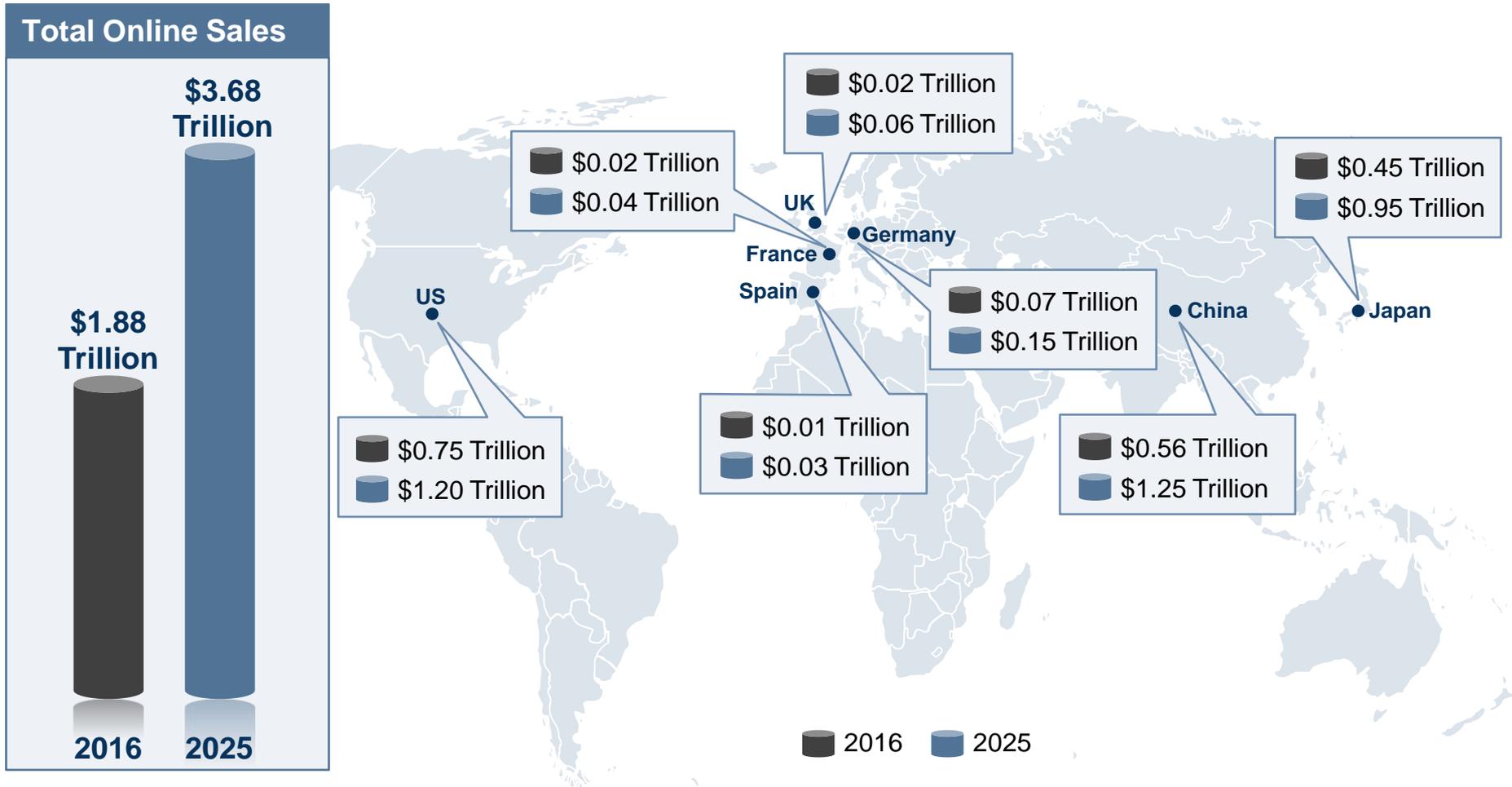


Source: Frost & Sullivan

Estimates of Key B2B Online Markets (Manufacturers Only)

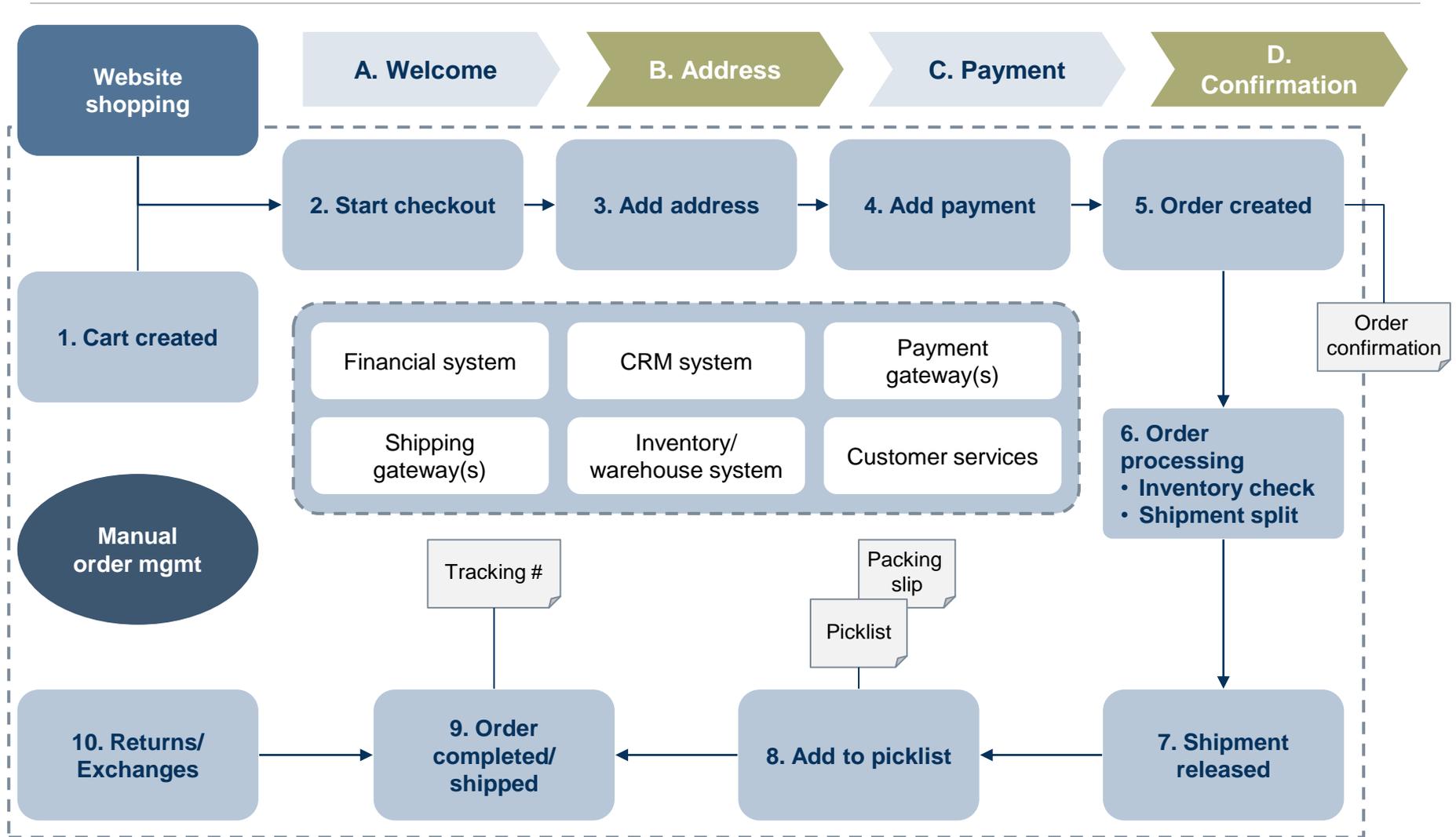
The online B2B sales of manufacturers is expected to nearly double by 2025 reaching \$3.68 trillion (up from \$1.88 trillion)

Online Turnover of Manufacturing Enterprises in Key Economies (China, Japan, UK, France, Spain, Germany and US), 2016-2025



Design of an End-to-End B2B Online Journeys

Most E-Shops are webfronts to existing order management systems; main purpose is to emulate a B2C online journey experiences



Source: Google; Frost & Sullivan

Digitization of B2B journeys will lead to the unbundling of the retail network and experience

An example of a multi-channel strategy in the automotive sector

Bundled (Single Location, One-stop-Shop)



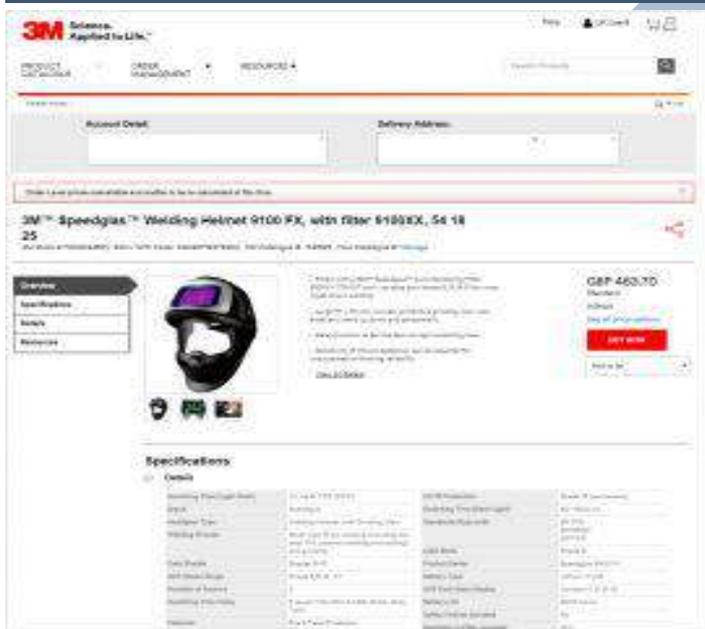
Unbundled (Multiple services, channels, aggregated online)



Case Study: 3M – Creating the B2C experience in B2B

3M launched bCom in 2016, a new e-commerce platform which acts like a window to its ERP system

3M bCom



- *Runs on hybris Commerce Suite*
- *Launched across Canada and Philippines*
- *Product lines stretching from post-it notes to high-tech industrial and scientific products*



Overview

- 24/7 B2B platform that provides a self-service experience
- Upgrade to its antiquated order management system, EOC, that lacked the imagery and helpful search and navigation features of modern e-commerce sites
- bCom operates like a web-front for EOC that was also upgraded with new features



B2C Features

- New capabilities - order goods online, download product information and access real time prices and stock availability
- Ability to support multiple languages and currencies, allowing 3M to effectively serve both new and existing global markets
- Global platform on a single, unified software stack
- User tools and personalization to define customer experiences for higher conversion rates
- Unique OmniCommerce capabilities with apps on the web, mobile and tablet devices, and in the call center



Outcome

3M was already processing nearly \$8 billion in annual online sales in 2013, accounting for over 25% sales before launch of portal; with the new portal it aims to double that to over \$14 billion

Case Study: Alibaba: Online SME Hypermarket

Catering to a wide spectrum of audiences—domestic and global—Alibaba.com is the number one global online B2B marketplace that connects many suppliers and buyers across the value chain

Alibaba has built a comprehensive model that facilitates trading—from basic raw materials to the finished product.

Giving B2B buyers what they want:

Sellers

- Most are small and medium enterprises (SMEs)
- More than 10 million suppliers,
- 45+ product categories across 30+ industries
- 8.4 million online stalls

Alibaba.com
Largest B2B eCommerce platform, with approximately 30 million registered B2B users in 2012

Buyers

- Geographical presence in more than 240 countries
- Buyer Protection: Escrow Service
- Provides quick delivery with end-to-end tracking
- Diverse markets



Alibaba will offer subsidies to small and medium sized domestic exporters that transact on the **OneTouch Alibaba platform** which provides service for free to exporting companies. It makes its profit by marking up the loans it provides to OneTouch

Buying On Alibaba.com

Developed an open ecosystem, which not only bridge buyers and suppliers but extend to other services from partnerships in logistics, safe payment solutions, trade financing and mobile solutions.



AliSourcePro: Sourcing solution for buyers
Buyer Submits Buying Request- Accredited Suppliers Submit Quotes- Alibaba.com Screens Quotes- Buyer Receives Pre-screened Quotes- Buyer Builds Deal Online



Trade Assurance: Enabling buyers to trade with confidence Search suppliers & products with this icon- Order, sign contracts and pay via Alibaba.com-100% refund of the Trade Assurance amount for orders not meeting agreed delivery or quality terms



e-Credit: Line Open account transaction service Up to 300,000 credit limit - Low variable annual interest rates starting at 6%- Get a quote in under five minutes Confirm Supplier Submit Supplier Information Sign Contracts Related to e-Credit Line Shipment Repayment Supplier Credit Checks Financing



Alibaba's wholesale site **1688.com** to introduce a broader range of cross border financial services, likely a tool that will go hand-in-hand with the eCommerce business and suppliers will need to overcome foreign exchange friction.

Source: Amazon; Frost & Sullivan

Case Study: Amazon Business: The Online Distribution Supplement

Amazon Business offers a supplementary distribution platform to manufacturers enabling value added services such as feedback loops, 'recommendation as a service' and fulfillment / delivery.

Case Study of Amazon Business Marketplace Model, Global, 2016



AMAZON, WITH MORE THAN 2.25 MILLION PRODUCTS...

- Offers huge market exposure and massive web traffic—a monthly average of more than 95 million unique monthly visitors
- Offers specialized services for E.G. to customize products for customers, it trims and balances impellers—which are pump rotors that can increase or decrease fluid pressure—and other parts used for pumping chemicals and water.

SPECIALIZED SERVICES SUCH AS...

- Delivery within 1-2 business days to most of its U.S. customers
- Buy box services that is offering the Fulfillment By Amazon service, or FBA, as a delivery option. Amazon holds the inventory for FBA clients and handles fulfillment, and their products become eligible for the Amazon Prime free-shipping program
- E.G. The Mercent software monitors prices on Amazon for products sold by MyBinding and its competitors, helping MyBinding to adjust its prices to stay competitive and win the Buy box.

USE OF DEDICATED ACCOUNT MANAGERS..

- To offer the most appropriate fulfillment center capable of expediting shipment to the customer and sharpen site's offering keeping in mind the categories and range of the product
- There are many challenges in this E.G. Amazon.com once inadvertently moved the listing of one of N2's rubber caps for covering a hydraulic hose into Amazon's Beauty & Health category instead of the Business/ where a customer who received the industrial hose cap filed a complaint on Amazon.com, demanding a refund from N2 Surplus

Frost & Sullivan's Track Record & Experience



Frost & Sullivan Coverage in B2B eCommerce

Frost & Sullivan’s Visionary Innovation practice and the Automotive and Transportation team tracks the global online B2B market with industry specific insights on e-commerce in the automotive B2B aftermarket space

Key coverage in future of B2B Online Retailing

The Future Market Potential



Analyses the market potential and dynamics of B2B ecommerce in the 7 key economies by 2025.

The Future Technologies at Play



Unfolds the future emerging technologies at play leading to transformative growth in B2B ecommerce industry by 2025

Business Model and Success Stories



Explores various types of business models and best practices in a comprehensive B2B market place

Disclaimer: This research service contains both Frost & Sullivan-calculated and externally derived data. The reader should assume that all numbers are rounded. Additionally, some numbers are adjusted to accommodate variations in data from multiple sources. Some percentages may not sum to 100% due to rounding.

Source: Frost & Sullivan

Frost & Sullivan's Recent Research

Trend, Economy, and Sector Coverage in the Future of B2B eCommerce



Key Consulting Capabilities & Experience in eCommerce

Frost & Sullivan covers all key aspects of eCommerce from strategy to implementation



Category Management

- Market sizing, forecast
- Product trackers
- Portfolio optimization
- Product sensing
- Growth strategy



Market Entry

- Global market assessment
- Go/No Go strategy
- Emerging markets



Parts Pricing

- Retail, WD-level price benchmarking
- Competitive analysis
- Pricing optimization
- TCO analysis



Distribution Analysis

- Channel development
- Margin analysis
- Supply chain analysis
- Product positioning



Business Strategy

- Financial analysis
- Business model development
- Positioning strategy
- Feasibility analysis



Competitive Benchmarking

- Participant profiling – suppliers, OEMs, distributors/retailers
- Portfolio analysis



Customer Strategy

- Surveys
- Focus groups
- Qualitative/quantitative



New Business Models

- eRetailing
- Market disruptor assessment
- Service technology

10 Recent Consulting Engagements

- 1 Analysis of the UK Aftermarket and its Impact to the UK Economy – SMMT Executive Study
- 2 The Future of Automotive Retailing – Supporting a European Leading OEM In Developing 2020 Retail Vision and Strategy
- 3 The Future Customer Journey – Design and Facilitation of a Corporate Workshop for a Global top 3 Leading OEM’s brand in Europe
- 4 Implement a Dealer Performance Improvement Programme for a German Luxury OEM
- 5 Strategic Analysis of Aftermarket eCommerce Opportunity in Selected Global Markets for a leading OEM to develop its eMarketplace Strategy for Parts
- 6 Develop a Front End IT strategy for Targeting SMEs with a self service Internet Platform Based Concept for a Leading OEM’s Leasing arm
- 7 Build a model demonstrating the business value that can be generated from improving Customer Satisfaction in dealerships for a German OEM
- 8 Sole Distribution Rights & Franchise Proposal, M&A Feasibility + Business Plan for a Large Middle East Distribution and Dealership Group
- 9 Create a Future Bricks and Clicks Retailing Strategy for a Middle Eastern Distribution/Dealership group which included setting up their eMarketplace Strategy
- 10 Accessory Business Performance Benchmark and Optimisation

Case Study 1: eCommerce Platform Benchmarking and Customer Analysis to Support Development of B2B Installer Program

The Client: eBay

THE CHALLENGE



- Client is a pioneer and leader in global e-commerce and has been instrumental in developing a highly successful automotive parts retail platform. The client now wants to expand its focus from B2C to B2B sales but has been struggling to understand the logistics, pricing, product portfolio and platform requirements for attracting installers to its portal for direct parts purchases..

PROJECT OBJECTIVES



- The primary goal of the project was to develop a growth plan around the following imperatives:
 - Develop a deep understanding of aftermarket logistic models
 - Understand installer attitudes toward digital transactions for parts and their perception of client's platform
 - Create the strategic framework of a B2B parts platform – products, features, discounts and go to market strategy

OUR APPROACH AND WORK



Frost & Sullivan's automotive aftermarket and customer research experts created a multi-workstream approach to tackle the project objectives:

- **Logistics and Aftermarket Benchmarking:** Development of addressable market size for B2B part sales, deep benchmarking of developing logistics solutions and aftermarket margin / discount analysis
- **Installer Survey:** Development of a phone-based survey targeting 200 independent installers across the US market to understand their digital purchase behavior and response to client's platform

OUTCOME AND BUSINESS IMPACT



The client has since implemented a B2B market penetration strategy that has included new product roll outs, alliances and acquisitions and is using the US as a test bed to launch into other regions later in the year

Case Study 2: Strategic Analysis of Aftermarket eCommerce Opportunity in Selected Global Markets

The Client: US-based Global Automotive OEM

THE CHALLENGE



- Client was developing its parts and accessories ecommerce in key global markets (**including China**) and wanted to have an in-depth understanding of the market and customer dynamics and readiness of aftermarket ecommerce.
- Client wanted to create a clear prioritized strategy that would outline how to target these markets and define the key elements of its long-term ecommerce toolkit, that would maximize its brand and revenue.

PROJECT OBJECTIVES



- Define the macro factors influencing development of market
- Define B2C and B2B revenue potential for client
- Evaluate competitive strategies in each market
- Understand customer preferences (consumers, IRFs and fleets) for online parts shopping and future potential/propensities
- Suggest a Market Place strategy for B2B and B2C

OUTCOME AND BUSINESS IMPACT



The resultant data was utilized to create a decision model that determined the strategic priorities by country. Client is currently in the process of deploying the recommendations across target markets and developing a Marketplace strategy that they will launch in 36 countries over next 3 years

Case Study 3: Competitive Analysis of Dealer Margins for Select OEM's

The Client: Leading Global Passenger Vehicle Manufacturer



THE CHALLENGE

- Client would like to conduct a competitive analysis of dealer margins for select OEM's in India. They have been carefully studying the passenger vehicle market and wishes to make business decisions based on thorough competitor understanding
- To provide detailed margins and cost heads for dealer operation of selected OEM's
- To provide margins/costs of sales, service and training at Maruti, Hyundai, Tata Motors, Toyota, Honda and VW

PROJECT OBJECTIVES

- To provide sales/service operation parameters
- To provide other details for dealer operations e.g. training
- To provide OEM policy on test drive car, credit billing of cars, sales and service incentives, labor rate, lubricant margins
- To assess competitive sales margin by variant and by model and spare parts by city and category
- To study the competitor strategies for efficient dealer network operations



OUR APPROACH AND WORK

Information collected from multiple sources had to be analyzed in its entirety before any benchmarking was designed. Frost and Sullivan summarized the relevant information on the basis of interactions with key personnel of sales, service and human resource with competitor dealers. Based on the knowledge gained from the market studies and coupling it with OEM interviews a market snapshot was prepared for the client in order to equip them to make a more informed decision regarding business operations at dealerships



OUTCOME AND BUSINESS IMPACT

- Frost & Sullivan's study provided crucial insight in terms of competition dealer margins, training policies, company billing policies, that helped the dealership increase the profitability by 5% , 6 months after completion of project

Why should you partner with Frost & Sullivan?

F&S has established itself as a thought leader in B2B eCommerce and has supported a number of organisations' in developing their eCommerce strategy



1. Frost & Sullivan has over 55 years experience in research and consultancy covering a wide range of industry sectors. This expertise gives us a deep understanding of a client's major product markets, the intricacies of key customer segments and the potential opportunities and challenges in its markets in the future.
2. The potential for eCommerce was identified by Frost & Sullivan through our Mega Trends research. Since then we have authored a number of pieces of significant research analysing the industry ecosystem, its evolution, and identifying how companies will shape their eCommerce operations in the future. A selection of our key thought leadership titles are shown below:
 - Digital Marketplaces—Identifying the Growth Opportunities in Connected Commerce
 - Unveiling the Top Global eCommerce Business Models
 - From Cannibal to Cornerstone: The Changing Role of eCommerce
 - Global and ASEAN eCommerce Outlook
 - Enabling Successful eCommerce for Small Midsized Businesses
 - Strategic Analysis of eRetailing in the Global Automotive Aftermarket
3. Frost & Sullivan has been selected as a trusted advisor on numerous high-value consulting and advisory services engagements, from traditional strategic sourcing and pricing strategy work to specific eCommerce focused projects. Amongst our key projects are conducting an eCommerce platform benchmarking and customer analysis to support eBay in the development of its B2B installed program, a strategic analysis of the aftermarket eCommerce opportunities for an automotive OEM and developing a Go-to-market automation solution strategy for leading instrumentation player.
4. F&S has an experienced global network of consultants and analysts that have the relevant sector expertise for any engagement.

About Frost & Sullivan



About Frost & Sullivan

50 years of global expertise in over 40 offices

- 50 years+ of experience
- 40+ offices worldwide ⇒ global coverage & local expertise
- Sector-based organisation ⇒ 9 divisions, including Environment
- 1,500+ employees across the globe, of which >800 consultants & analysts



Industry Convergence

Comprehensive Industry Coverage Sparks Innovation Opportunities



Aerospace & Defense



Measurement & Instrumentation



Consumer Technologies



Information & Communication Technologies



Automotive Transportation & Logistics



Energy & Power Systems



Environment & Building Technologies



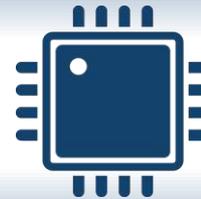
Healthcare



Minerals & Mining



Chemicals, Materials & Food



Electronics & Security



Industrial Automation & Process Control

Contact Details for more information...

FROST & SULLIVAN

Archana Vidyasekar

Research Director, Visionary Innovation

+44 208 996 8575

archanav@frost.com

FROST & SULLIVAN

Jonathan Robinson

Principal Consultant

+44 208 996 8543

Jonathan.robinson@frost.com

FROST & SULLIVAN

Livio Vaninetti

Director of the Accelerator

+39 02 4851 6135

livio.vaninetti@frost.com