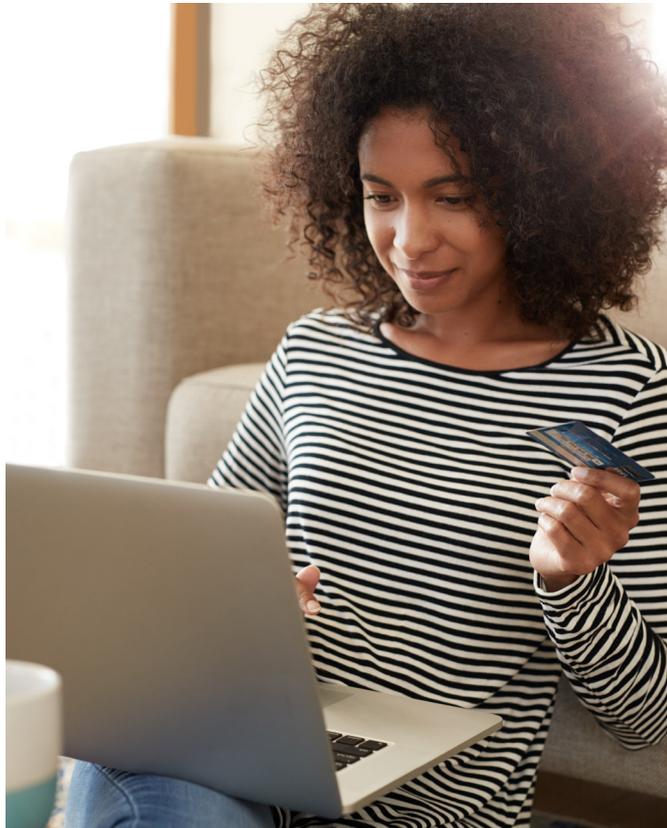


SUPPLY CHAIN INSIGHTS

BUZZING B2BS: HOW E-COMMERCE IS PUSHING COMPANIES TOWARD NEW MEANS OF MEETING CUSTOMER DEMAND IN THE DIGITAL AGE

As both B2B and B2C companies prepare for the coming growth of e-commerce, they must ready new strategies for their supply chains or be left behind.

E-commerce is a ubiquitous part of modern life. From booking plane tickets to purchasing groceries, refreshing our wardrobe or updating the technology on our company's desktops or factory floors, many of us click, collect and consume via computer and mobile phone every day. According to research firm Forrester, 15 billion e-commerce orders were delivered to U.S.-based customers last year. In fact, their findings say the average U.S. household receives one package every three days. This selling style has become so vital that even the World Trade Organization is discussing new rules for overseeing global electronic commerce.



And it's not just about selling to consumers anymore. Although B2C e-commerce has been around longer, B2B is catching up, and is now used by all kinds of industries selling things from audio equipment to automotive, from pharmaceuticals to peanuts.

Another **report from Forrester** shows that, across Germany, France, Italy, Spain and the U.K., B2B e-commerce will make up 17% of sales by 2024, reaching €2.8 trillion. In the U.S., Forrester forecasts that B2B e-commerce will rise to \$1.8 trillion and account for 17% of all B2B sales by 2023. Their research says that 73% of business buyers find it more convenient for their firms to make purchases on the web than using traditional methods.

Despite the rosy outlook, a surprising number of companies have not brought their businesses up to speed in the sector. A **recent study from DHL Supply Chain** indicates that only around 30% of B2B and 40% of B2C firms surveyed felt they had fully implemented their e-commerce strategy. So why is this growing powerhouse not being prioritized?

Small but mighty

One reason might be that, in terms of absolute numbers, e-commerce is currently responsible for a much smaller percentage of sales than all the email newsletters, online sales promotions and media coverage would have you think. In a mature market, estimated online sales for retail (the strongest category) run from 15% to 17%, explains Nabil Malouli, Vice President, Global E-Commerce, DHL Supply Chain. And only 5% of consumer goods purchases are made digitally. "It's still a relatively small percentage if you look at the entire sales of an organization," he notes.

Yet these modest figures represent maximum impact. E-commerce isn't just about selling. Online activities like social

commerce, web presence and in-store digital tools help build brand reputation, broaden name recognition and strengthen corporate DNA. They also ensure you're out there to be found.

"This is definitely not only about growth, it's also about companies' survival," says Nabil Malouli. "They look at this as, 'Well, if we're not claiming that sales channel, we're going to lose our customers'."

The customer is kingmaker

Navigating e-commerce successfully means skillfully managing escalating consumer expectations, from easy ordering to flawless delivery – or else.

A 2019 report from e-commerce platform Big-Commerce says 77% of consumers (surveyed in the U.S., U.K. and Australia) abandoned purchases out of dissatisfaction with the available shipping options. A further 39% stopped shopping with a retailer solely due to a poor shipping experience.

On top of all this, same-day shipping will soon be the expected norm – within two or so years, estimates Malouli.

But, he counters, the best way to please your customer is to know your customer. And that means acting locally even when selling globally.

"The geographical landscape of the city plays a critical role in how effective a company can be in e-commerce. So what we are seeing now is, we're not talking about a nationwide strategy," he points out.

That means knowing and tailoring your service to local customs and expectations – for example, not just dropping packages outside the door in Germany, whereas in the U.S. that practice is perfectly acceptable.

Luckily, customer service is a key priority for 57% of B2C and 53% of B2B firms cited in the 2019 DHL survey "The E-Commerce Supply Chain: Overcoming Growing Pains."

New ways of working

Some companies are doing it right – by thinking outside the mailbox.

In June 2019, Shopify – a multichannel commerce platform used by firms across industries large and small, from Unilever to Kylie Cosmetics – announced a \$1 billion investment in supply chain activities. This includes its own geographically dispersed network of fulfillment centers powered by a system that uses machine learning to forecast demand. It then predicts the closest fulfillment centers and optimal inventory quantities per location to ensure fast, low-cost delivery, available for partner merchants in the U.S.

"Shopify's real power comes from the variety and strength of our ecosystem," said the firm's CEO Tobi Lütke **in a statement**. Just a month earlier, Shopify invested in Handshake, a startup that offers a commerce platform for businesses selling wholesale goods, thus strengthening its position in the B2B arena.

Grocery has also become a growth sector for online business, with supply chain and delivery integrated. In a program launched in June 2019, Walmart is working with WhatsApp in Mexico – customers receive grocery orders from Walmart's Superama stores within 90 minutes for a **fee of about \$2.50**. Retailer Target impresses industry insiders like Malouli with omnichannel initiatives such as mobile coupons and digital store interfacing. The company bought internet-based grocery delivery service Shipt in 2017 to offer same-day delivery of food and more after previously purchasing transportation technology company Grand Junction.

Pick your partners

For the best e-commerce strategy, you can no longer go it alone, says Malouli.

"I think the idea that companies can do it all by themselves is outdated. And at the speed technology is evolving, you really need to find strong partners – in technology, in execution, in research – that can help you through the process."

That means joining up, acquiring new technology and working with third-party or fourth-party logistics specialists (3PL, 4PL) to aid supply chain and distribution. Even more importantly, says Malouli, make your moves now – before someone else does.

"It's not a 10-15 year time frame that you have. It's probably five or at most eight years that you have, if you don't transform your business. And let me just be clear on this too: This is not just about selling online, it's really about transforming the business to meet that consumer expectation."

— **Susanne Stein**

This article was first published in Delivered. The Global Logistics Magazine
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