

# The future of E-commerce for wholesale; 5 mega trends to follow

Why change is only a threat if you don't embrace it



## Introduction

Technology has always been a great disruptor: the invention of the car destroyed the business model of the blacksmith, and steam engines made it cheaper to import cotton from India than spin it in the mills of Yorkshire. The digital revolution has destroyed many traditional retail brands, but created the price democracy, the convenience and greater choice of online shopping. Whether you regard this disruption as “creative” or not is irrelevant – it happened, and the tectonic plates are still shifting.

In our white paper, [How to Build a Great Shopping Experiences](#), we saw how B2B has to respond to change by embracing it. Retail commerce – B2C – has been pioneering a range of innovative and highly effective marketing techniques that absolutely have to disrupt the ways in which e-commerce for wholesale – traditionally, the B2B sector most resistant to change – structures its transactions. This is happening to a certain extent, but certainly not fast enough.

In this white paper, we want to explore the effects on B2B for wholesale of some of the other technological and market changes that are heading its way. One of the issues, Artificial Intelligence, is societal. AI will undoubtedly help B2C and B2B e-commerce dominate and exploit its data, just as robots are already speeding up the B2B fulfilment process. The invention of AI goes to the heart of what it is to be human, but a discussion of the philosophical disruption of AI clearly lies outside the scope of this paper.

Data, too, has begun to take on a life of its own. Big Data, as we now call it, is also posing challenging questions that reach far beyond how or what we sell on our wholesale portals. Data legislation is playing catch-up with data technology, but the law is at last beginning to make sense of what is happening. It is our contention that you don't avoid data issues by turning your back on e-commerce. On the contrary, a robust and thoughtful e-commerce presence and strategy is the best way to comply with the law, and protect your customers.

Another important development for wholesalers is the growth of B2B marketplaces. As we shall see, it is not useful to regard Amazon Business as an existential threat. The success of amazon.com has been the triumph of all retail – and B2B wholesalers have nothing to fear from marketplaces if they go in for the right reasons, as part of an overall e-commerce strategy.

There are still many B2B wholesalers that have not yet (fully) transitioned to an e-commerce platform. They might say: “This white paper is not for us.” But we would say: “There are challenges ahead for e-commerce wholesalers, but also great opportunities. If you do not confront these challenges and use these opportunities, you are cutting yourself off from what lies ahead, from the future.”

# Don't be afraid of marketplaces – not even Amazon!

Your loyal customers expect you to have an online presence which also makes you visible to many thousands of potential customers. However, without an e-commerce presence and strategy behind your online identity, you will not grow your wholesale business. Marketplaces amplify this effect, because they provide easy access to large new audiences. In this section, we shall consider if you should go down the marketplace route. Your first instinct might be to say: "We'll be lost in a crowd. Potential customers will look at our offering, but they'll also check out those of our competitors." But consider the counterintuitive phenomenon of a street where almost every commercial outlet is a restaurant. All these restaurants have chosen to compete with each other for the same hungry diners on the same street because the increased footfall outweighs the disadvantage of increased competition.

## Advantages and disadvantages

There are many benefits for B2B wholesalers to joining a marketplace. You can be up and running quickly at a low cost. The marketplace takes care of the look and feel of the platform, and this drastically cuts the time and money you spend on marketing. Just as the customers walking up and down that street with many restaurants are all hungry, the audience on a marketplace is already engaged with your product. You don't have to build the audience yourself, and your reach is global. Striking out internationally on your own is complex so marketplaces are a great way to dip your toe in the water.

But you have to know what you are getting into. Expanding to more sales channels makes your business more complex. You'll have to share more data across more systems. On your own web store or in print, you have full control of how you list your products, but a marketplace will have its own style and requirements about product listing, and you'll have to abide by these.

You'll also have to think about your inventory management – a linchpin in the operations of a wholesaler. You may end up having the same products listed in multiple places. If your inventory isn't updated in real-time, you run the risk of overselling and creating a poor customer experience in the process.

In other words, the decision to take your B2B wholesale business to a marketplace should not be taken lightly – and never out of convenience, as an easy option. Rather, it should be part of a carefully considered, overall e-commerce strategy in which marketplaces have a role to play.



## The unstoppable rise of Amazon

Most large B2B marketplaces are in China, India and Korea. The US is "home" to ThomasNet, which has 500,000 suppliers, Joor, the global wholesale marketplace for fashion, and of course Amazon's B2B platform, Amazon Business.

Amazon is one of the symbols and great success stories of the digital revolution. Launched in 1995, the B2C website invented, pioneered, trialed and perfected many of the marketing techniques we all use today, also in B2B. Success breeds success: Amazon has a huge customer database which it is exploiting to fine-tune its personalized offers. And this works a treat: the company's sophisticated up-selling and cross-selling campaigns now

account for a jaw-dropping 35% of total sales. Amazon's B2C turnover is soon expected to reach an annual \$1 trillion, considerably more than the GDP of Switzerland.

It was only a matter of time before Amazon started leveraging its marketing and logistics prowess to enter the B2B wholesale market, first in the US, where it now serves more than 400,000 businesses, followed by the major economies in Europe: Germany, the UK, Italy, France and Spain.

There are significant fulfillment synergies between Amazon's B2C and B2B divisions. In Europe, Amazon has a network of 31 fulfillment centers, spread across seven countries. In 2017, the company announced it was planning a total of 1,300 warehouse units near major cities across Europe to function as last-mile centers.

Should you be scared of AmazonBusiness? Again, it is instructive to consider amazon.com, that \$1 trillion retail site, where you can buy iPads from

the world's most paranoid and self-protective brand, Apple. There can hardly be a successful retail business around that doesn't also list successfully on Amazon. For them, Amazon is just another – albeit very important – sales channel.

In our white paper; [Why the Shopping Experience is leading for b2b platform](#), we saw that B2B has to adopt (and adapt) many of the marketing techniques that drive sales on B2C: personalization, great design, ease of search, ease of payment, smooth navigation. Many of these techniques were first introduced by Amazon, and curiously, the way to thrive on AmazonBusiness (or any other marketplace), is to embrace what made Amazon so successful.

To return to our analogy about the street with many restaurants. If you offer the customer a great experience – good food, honest prices, relaxed yet attentive service – they will come back again soon.

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**Find what you need**

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- Business-only products
- Purchasing-system integration

Source: Amazon Business

# The robots are good for you:

## B2B and the rise of AI

The digital revolution is about to make its next big leap forward with Artificial Intelligence (AI). The technologies powering it are reaching critical mass, which means that after years of “thought pieces” and a film by Steven Spielberg, we will finally begin to see AI change our lives, and the way we do business.

B2B was slow to adapt to the brave new world of online; but e-commerce wholesalers cannot afford to be late adopters of AI because the technology is uniquely suited to the wholesale environment. Below we set out where we see AI having the biggest impact on your enterprise.

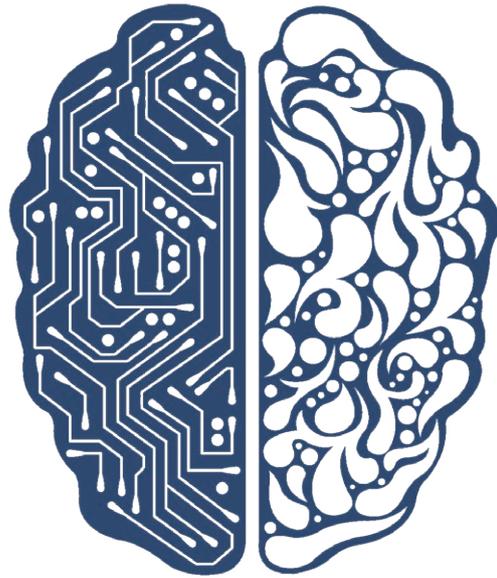
### **Robotics.**

A lot of the anxiety around AI centers around the notion of robots “taking over” from humans – but that’s exactly what you want to happen in your warehouses. Robotics will improve the speed of task completion dramatically, allowing wholesale distributors to expand their order fulfillment capabilities, improve efficiencies, and reduce costs.

### **Networks**

B2B networks generate untold amounts of data but just 2 percent of that is used to monitor and improve the Quality of Service across those networks. AI unlocks the door to that other – wasted – 98%.

At the moment, B2B wholesalers have to respond reactively to an issue but AI gives them the power to (almost) predict the future. Algorithms crunch vast amounts of data to identify patterns and build a predictive model of your network (a model that will get more accurate over time). This model will alert you when the network is likely to have a reduced service, and carry out a far more efficient root-cause analysis of any problems.



### **Know your customer**

In our white paper, How to Build a Great Customer Journey, we saw how important it is to base your marketing messages on detailed profiles of customer types, your “buyer persona”. These persona aren’t actual customers, but they are based on actual customer data. Because it can read so much more deeply into data, AI will revolutionize what B2B wholesalers know about their buyers.

Customers give us information about themselves through many channels – online, the traditional call center, social media – yet very often these channels are poorly integrated and so your customer knowledge remains fragmented, incomplete. AI, however, can make sense of all this disparate data, allowing wholesalers to better understand and dynamically profile their customers, tailoring their services accordingly.

Historically, B2B has not been good at knowing its customers – or seeing B2B buyers as anything but rational, “business-like” decision makers. But if you don’t personalize, you miss out on great upsell and cross-sell opportunities. The more you know about your customer, the more accurately you can target him – and the more successful you will be. AI presents a great commercial opportunity for B2B wholesalers.

# Privacy, security and GDPR

Every technological advance has the potential to improve our lives and grow our business – but there are always challenges. For B2B e-commerce, the most important are: cyber crime and data breaches. Legislation to contain data breaches and protect privacy are always going to lag technological innovation, but the recently enforced European Union security directive, known as GDPR, redressed the balance and created data protocols fit for the digital age. So before we discuss cyber crime, we shall look at what GDPR means for e-commerce wholesalers.

## GDPR

The directive came into force for all European Union companies (and all companies trading with the EU) on May 25 2018. Broadly speaking, GDPR requires organizations to implement reasonable data protection measures to protect the personal data of consumers and employees against data loss or exposure. To achieve that goal, the law regulates all areas related to data management and processing, from obtaining user consent to setting up company-wide data protection practices and handling data breach incidents. The EU wants its new directive to have teeth and infringement of GDPR is subject to a huge maximum fine of €20m or 4 percent of global annual turnover. There are some interesting legal battles ahead: Facebook and Google became the targets of the first official complaints of GDPR noncompliance, filed on the day the privacy law took effect.

What business needs to do to comply with GDPR has been very well trailed ahead of May 25 2018. For the purposes of this white paper, we shall confine ourselves to some of the important focal points for B2B wholesalers.

- You need a privacy statement – not the copy of someone else’s privacy statement but one that reflects the style and culture of your company. It is meant to be read, so you write it in a style that is authoritative yet approachable.
- Anonymize Google Analytics. If you still want access to the (personal) information collected by Google, include a clear cookie statement on your site. The statement: ‘By using this site, you accept cookies’ is no longer compliant; visitors have to actively agree with your cookie policy.
- GDPR does not explicitly require every site to have an SSL certificate, but as SSL keeps the data for which you are responsible secure and protected, it is a bit of a non-brainer. Some B2B buyers – especially the older generation – are wary of digital, especially for reasons of data security. So do what you can to reassure them.
- A ‘noreply@’ email address is incompliant with GDPR. Don’t slip up over details!



GDPR is a law that wants to instill (and enforce) a culture of privacy protection. Its demands are complex and onerous, but B2B – much more than retail – is based on trust and personal relationships. The transparency and clear accountability required by GDPR are good for e-commerce wholesaling.

### **Security**

Criminals never take long to spot an opportunity and no sooner was B2C or online banking invented or cyber crime started to flourish. B2B – and even B2B e-commerce – was long seen as relatively immune to fraud, because B2B has a much longer sales cycle, with multiple decision makers involved and a payments process that most often ended with an invoice and a check. However, as we saw in our white paper, *Why the Shopping Experience is Leading for B2B E-commerce*, a new generation of B2B buyers is demanding the kind of intuitive, inspiring and personalized experience they are used to on B2C. Increasingly, B2B research and transactions are being done on mobile devices, even for wholesale, with B2B buyers expecting both a frictionless experience and the highest levels of security.



E-commerce is an inevitability for even the most resistant, ‘old-school’ B2B wholesaler buyers. You will have to reassure these late adopters in particular that your site is safe. This means your B2B e-commerce strategy needs to be built not only on inspiring and personalized shopping experiences and intuitive navigation, but also on a rock-solid payments platform.

It is a balancing act only the most complete and advanced e-commerce solutions can pull off.

# Integration, integration, integration

## Think ahead

'Fail to prepare, prepare to fail' – never was a cliché more true, especially when applied to e-commerce projects which are doomed to fail unless there is adequate focus on integrating the e-commerce solution with the ERP system.

## Not just a techie's job

The problem is that this job of integrating ERP and e-commerce is often regarded as a purely technical part of the project. However, for an effective implementation of a new e-commerce strategy, such a view is too narrow. By its very nature, ERP is linked to all kinds of business processes, especially for wholesalers, so coupling it with e-commerce will have a ripple effect throughout the organization, making the challenge much more far-reaching than purely technical.

You would expect your e-commerce provider to be knowledgeable about its application and how it should be integrated with your ERP. The APIs are there, they've been evaluated by your colleagues in Technology, and you even have an outline budget agreed. But – and it's a big but – the data model, the business logic and the implementation on the ERP side are for a large part a black box. This isn't a reproach, but a simple statement of fact.

So it's a sensible idea to take your time planning the integration phases of the project, and not to rely blindly on your knowledge in-house or the expertise of your e-commerce provider. Better still, use a third-party who specializes in back office processes and implementations, and who can also drive your integration so that when your new e-commerce system goes live, you will have achieved a seamless integration of front and back office processes.

## ERP-functionality: rebuild from the ground up or use as is?

Wholesalers have to operate complex ERP systems with powerful price calculation and stock functionalities.

To assess the current availability of a product, the system takes account of the stock position, delivery times or sales contracts. The same goes for the calculation of a price. Wholesale price structures can be extremely complex and are usually based on a combination of variables such as customer (group), volume, combinations of products, product groups, and so on.

Because you want to offer your online customers the same conditions and availability as you are offering on wholesale 'analogue' orders, you need the processes around price and availability to work in the same way (and get the same results). In this context, it is important to bear in mind that most wholesalers starting out in B2B e-commerce won't necessarily want to overhaul their pricing models.

You can opt to have the price and delivery functionalities rebuilt in your e-commerce system, or you avoid this considerable investment by re-embedding within the new system the functionalities in your existing ERP on which your current arrangements with the market and your customers are based.

It is important to make this choice from the outset, and look at the practical implications of this choice for the technical and process integration of your ERP with your e-commerce platform.

### **Avoid customization**

ERP-systems have been around for decades and have grown into rich, integrated applications that automate a lot of business processes. That is why they are regarded as rigid and difficult to adapt. Changes in functionality mean bespoke adaptations of standard functionalities. And this can get very expensive, because ERP systems are so deeply embedded, one adaptation can have implications for a cascade of business processes.

Too much customization in your ERP system – and that includes customization with an end to integration – tends to put the brakes on innovation. In the mid to long-term, the accretion of new releases will mean that your ERP system begins to fall behind both technically and functionally, and all the benefits of that (expensive) customization are lost.

This was probably less important five or 10 years ago, but in today's very rapidly changing environment, with the emergence of new markets and business models, e-commerce wholesalers that stand still technically will be soon be struggling to keep up with the competition.

### **A flexible integration platform between the systems**

All this argues for an architecture with an application landscape and connections that are as flexible as they can possibly be. Especially as the expansion of the digital economy is creating ever more interconnections.

The mapping and transport of your data from one system to the other will be (and stay) flexible by using an integration platform.

You can deploy standard connectors for a range of applications, and rely on the platform to take care of the data coupling, enrichment, validation and transport. You are creating a kind of interpreter that simplifies the communication between the systems. This removes the need for expensive customization in core systems that derive their very power and usefulness from the ERP system already in place.

### **Multi or omni-channel**

But the need to ensure flexible connectivity to an integration platform responds to a much wider need. Sooner or later, digital strategy will go beyond your own e-commerce system. Data feeds into data pools, market portals and powerful data platforms are impossible to ignore in your own sales and marketing strategy.

You will want to connect these channels to your back office processes, and from the back office you will generate availability, root data and customer or channel-bound pricing.

The creation of a hub that feeds these channels from one central source, or possibly a range of sources, is an important ingredient of the success of your digital strategy.

### **More information**

This content is powered by our business partners [Wholesales Consulting](#). For questions about integration or in general about this publication, please contact Jeroen Philippi.



# The continued rise of Product Information Management (PIM)

Any e-commerce business stands or falls with the quality of its product content. In a recent B2C survey, 53% of consumers said they were unlikely to buy from a brand again after an experience with inaccurate [product information](#). Similar research is not available for e-commerce wholesalers, but it's a fair bet that this figure would be at least as high, and probably a fair bit higher, because wholesalers have very complex product catalogues. The stakes are higher.

Your product pages are crammed with information from multiple sources. Product specifications have to be detailed, and come complete with information on safety regulations and compliance standards. More often than not, products are configurable, or sold in kits and bundles, so customers need more from your e-commerce wholesale store than just point-and-click. And if a specification changes on one product, you might have dozens of pages and sales channels that have to be updated.

In short, if your e-commerce platform does not have a powerful PIM functionality, you do not have a complete solution.

Increasingly, B2B wholesale buyers are using mobile devices to research a product; if the

content displayed on a smartphone or an iPad does not tally 100% with what your website or sales rep is saying, the customer or potential customer will move elsewhere.

The key trend for Product Information Management in the coming years? There will be a lot more of it, putting greater demands on your PIM functionality. We shall review the most important developments below.

## The future is on its way

In B2C, the way customers search is changing. By 2020, over 50 percent of internet searches will be voice-activated. This means product data management has a crucial role to play in aiding a seller to remain visible when the search culture transitions from being organized text phrases to fragmented and more conversational voice searches. "That won't happen in wholesale!" I hear you say. But the experience of the last few years has shown that if it's happening in B2C today, it'll come to B2B tomorrow.



Source: <http://maggi.locustdesign.co/>

### **Bridging PIM with the internet**

Your PIM platform needs strong APIs to push product data into the right format for your (potential) customers and to serve the internet, mobile apps, and other channels. Is your e-commerce and PMI solution cloud-based and accessible? This strengthens collaboration, product commercialization, and speeds up omnichannel selling.

### **Consolidation. Who owns your product content?**

Marketing has the images, Sales has the product details, R&D holds key information about ingredients and composition, while only the compliance department has the complete certifications data. What you need is a centralized product information hub that can be accessed by all departments to launch your campaigns instead of manually transferring the data.

And not just this, every stakeholder has a vested interest in being able to collect and provide high-quality product content which is not only accurate but also standardized. Consolidating and creating a single source of information across the organization will remain an area of focus for B2B wholesalers.

### **Self-service**

There's an increasing trend for DIY apps in every industry. Look at how Über has redefined traditional cab bookings through a DIY easy-to-use app. The wholesale purchasing cycle is of course much more involved and complex, but in time the sector will look for and adopt technologies that make PIM a complete self-service product, cutting back on time spent with support services. Something for the long-term, yes. But, remember, the digital revolution has an uncanny way of foreshortening the future.

## Conclusion

Many of today's digital buzzwords – think of 'lean and agile' and 'intuitive', and all those 'platforms' – don't seem to sit well with how wholesale has traditionally liked to do business. Customer relations in wholesale tend to be based on long-standing mutual trust. You could be forgiven for thinking that the tricks of the 'Instagram generation' would not work for B2B wholesalers.

But you have to look beyond the buzzwords. Forget that 'frictionless experience' (important though it is), and think instead of 'real-time stock and delivery updates' – how useful would that be to you and to your loyal customers? B2B buyers across the board are increasingly demanding this real-time information, presented to them clearly and accessibly, without the website giving them the runaround (which is what the digital brigade means when they say 'frictionless').

B2B enterprises that have expanded their business model to include e-commerce are seeing growth, in the same way we collectively spend more money on retail the more ways we have to buy. That is the success of B2C. Wholesale e-commerce is coming to the party late, but the sentiment of wholesalers is always: "We should have done this years ago."

One of the takeaways of this white paper is: change is happening now, and now is the time to use that change to benefit your business. The other message is to do that coherently, as part of an overall e-commerce strategy – not a trivial ask, especially in wholesale, which has so many moving parts.

To return once more to that street with many restaurants: we have all walked down such a street and thought, "No, I'm not eating there again, they messed up a creme brulee" or, "They take ages to serve you there" – before moving on to a place that has consistently given us what we want. That's the kind of wholesale business you want to be.

# The cornerstone of your e-commerce strategy

CloudSuite is an e-commerce platform for B2B and B2C. It was built from the ground up by a group of digital obsessives who had set themselves the task of reinventing B2B, and make it fit for the digital era. We did not make a single decision – nor write a snippet of code – that did not get us closer to an e-commerce platform that drove innovation, rivalled B2C for customer experience, and had a smart back-end.

Our work is never done, but the CloudSuite platform is ready to support and implement any e-commerce strategy – ground-breaking for B2B, broad and flexible enough for B2C and B2B2C

CloudSuite has three core competences. It is agile. It creates great shopping experiences. It is smart.



### Business agility

CloudSuite changes the way you work – not only with your customers, but also with each other as a team, where everyone has ownership of your e-commerce strategy. CloudSuite drives innovation – whether you want to take your products global, sell through marketplaces or acquire a rival B2B or B2C business. Agility means nothing more or less than to be open to change, and make change happen fast. And if you aren't agile, you will soon be overtaken by the competition.



### Shopping experience

B2B has been 'digital' for a long time, but its mindset has been stuck in analogue. For a long time, e-commerce sites were little more than a long, detailed product catalogue that you could access on your PC. The thinking was: 'We are B2B. We don't need these frills'. But design is never merely window dressing, it is a way of communicating your brand identity. With CloudSuite you create shopping experiences that are as elegant and frictionless as the best of B2C. You can personalize your product catalogue, capture complex pricing structures, increase spend per basket and speed up payment. If you don't deliver these, you make yourself irrelevant.



### Smart performance

An e-commerce platform is only as smart as the IT behind it. For both back- and front-end, CloudSuite delivers complexity that is transparent and simple to manage. Through our API Connect module, our e-commerce platform integrates seamlessly with your existing ERP system, payment providers, shopping feeds, accounting tools and email marketing software. CloudSuite lets you set up and run multiple webshops from a single server. The platform is stable and secure, but has the virtuosity to put you in control. The CloudSuite e-commerce platform is there for just one reason: to showcase your brand and to make your vision of it come alive in e-commerce.

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