

# Future Ecom

## Interreg Europe



### GLOBAL B2B E-COMMERCE IN THE US & EU

#### The new ways of working—Digitally

With a revolution in working practices that has been forced on us by the enforced restriction of movement across the world there has never been a more important time to review the new ways we will have to work. Future Ecom has been looking at these over the past two years and we will be bringing you some of the ways that digital technologies can be embraced that have inspired us most.

This is the second of a series of four Newsletters that will, between them, cover digitization challenges in the whole of the Ecommerce process, from Innovation through to payment and future currencies. These will review how we can change the ways we work and face the ways in which they will change we work when are finally able to return to the new normal.

In this Newsletter we look at some of the main factors driving the need for change.

Future Ecom is funded by Interreg Europe with partners in 8 countries.



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## Global B2B e-commerce in the US & EU

At the 29<sup>th</sup> and the 30<sup>th</sup> of October 2019 a partner meeting in the project Future Ecom was held in Aalborg, Denmark on the topic “Global B2B e-commerce in the US & EU”. This newsletter sums up the findings and barriers and opportunities from the partner meeting.

### More Than Product Sold, Target Achieved

In B2C commerce, the motto is simply "product sold, target achieved". B2B customer relationships, on the other hand, are traditionally more long-term. The purchasing process is generally much more complex and variables such as delivery conditions, logistics or assembly services come into play. There is often a long-term, personal and service-oriented relationship between suppliers and companies. Up to now, B2B has been relatively safe: once a customer has been acquired a long-term business relationship will likely develop.

If we do a global B2B e-commerce overview most companies don't know the B2B marketplaces and platform possibilities even though the B2B marketplace is at least twice as big as the B2C marketplace. Predictions for the future are the B2B platforms/marketplaces will follow the development and growth of the B2C platforms.

When we investigate B2C business, online platforms and marketplaces are already established business models. Online platforms and marketplaces are becoming more and more important in the B2B sector. Why? Because for the purchasers, procurement via the platforms is easy and practical. For retailers, the B2B marketplaces are a good way to open new markets and opportunities. The growth of B2B e-commerce makes complete sense because B2B buyers are essentially B2C buyers who expect seamless, high-quality online purchasing experiences.

Amazon and Alibaba, for example, have similar platforms/marketplaces to both B2C and B2B customers. Currently the B2C market is developed but B2B is still in its start-up phase. The marketplace of Alibaba does run its own stock, so it is a true marketplace platform. Amazon on the other hand has products owned by themselves, however the majority is third parties' products.



If we look at the status of the major e-commerce markets Asia is dominated by players with huge market penetration and global reach. In the EU we see many legacy players that provide a high level of service for their clients and still have a window of opportunity to launch their own marketplaces. In the US the service level has been low in traditional B2B e-commerce leading to marketplaces gaining momentum.

B2B is growing continuously worldwide and predicted to be worth **US\$12.2 trillion** in 2019 corresponding to a 13% increase since 2013. Expected volume in 2019 for Asia/Pacific (concentrated in China) is **US\$ 9.8 trillion**, USA **US\$ 1.4 trillion** in 2019 up from US\$606 billion in 2013. The size of the European market was US\$255 billion in 2013

and is going to increase to **US\$355 billion** in 2019

## The Challenge of Finding Partners



Key facts of B2B companies is that European B2B companies lean on e-commerce efforts to drive customer satisfaction, revenue growth, and productivity goals. 50% of European B2B leaders say that their e-commerce efforts specifically help them to capture, engage, and keep customers. The B2B leaders specifically look for reliable, flexible, and complete technology solutions. Nearly 50% admit that they face challenges finding third-party partners that can help them integrate these solutions.

The expectations of B2B purchasers in the US are like the consumers and the best practices from B2C selling can be translated into B2B. Digital natives are becoming purchasers for companies. Over 50 % of manufacturers in the US don't have e-commerce sales channels in US but their customers are expecting it. Site search and navigation, user experiences, product images/video & payments checkout needs to be at the same high level.

B2B is experiencing the same challenges that B2C was experiencing 10 years ago thus the following barriers to US B2B e-commerce namely processes needs to change, sales force is often resistant, executives have been successful without e-commerce and many companies try e-commerce half-heartedly and is not fully successful because it is not done right.

Some key findings are that new technologies, growing competition and changing customer demands will further blur the boundaries between B2B and B2C in the future. What used to be innovative in B2C is now regarded as standard, the market as saturated and more or less divided among the large platforms.

The US has the advantage of being one uniform market. EU is more fragmented as some platforms are working only in one or few countries, and there are barriers such as culture, language, payments methods, tax systems, etc.

Another barrier for B2B e-commerce is the need of digital competences in many SME's. Digital competences are very important for the companies if they want to be successful in B2B e-commerce. The challenge is that many companies have outsourced their IT competences in the last years and therefore it is difficult for them to incorporate the new digital technologies in their companies as they no longer have this competence in house.

## Digital force of imagination

Reimer Ivang claims in his presentation that the greatest force of change today is digitization. Why? Because digitization **grows exponentially** and because digitalization power just becomes **faster** and **cheaper**. That is why digital imagination is important for the B2B company as it improves the ability of the companies to innovate and develop the value propositions of the future. We need digital imagination because **companies can't use, invent or implement what they can't imagine!**

Reimer introduces a concept which he calls **"Digital force of imagination"** - but what is it? It is defined as the capability to think with technology and to change the known to the possible. The capability to imagine and improvise within a narrow framework, with existing elements and thus create something new.

The Digital imagination impact on B2B is potential large as companies are facing e-commerce toolboxes in large numbers and the challenge for being successful is redefined. There are great benefits to the companies that can utilize the new tools, but the competition will be even harder for all others. The outsourcing of IT is a trend that will provide short-term savings but will hurt the long-term digital imagination. The big question is – how do we develop the imaginative competences of managers and boards to utilize the digital opportunities of the present and the future?

## Co-Creation Fuels Transformation

Together with the concept "Digital force of imagination" the concept of "Co-Creation" was introduced by Karina Burgdorff. Co-Creation means openly and transparently engaging customers and suppliers in the product offering development hereunder sharing data. The co-creation paradigms are "Purpose over Profit" and "Involvement". It is a facilitating forum and process of jointly (digital) value creation by the company's, the customers and the suppliers in the product and service offering development.

The value creation will ideally fuel the transformation of the e-commerce eco-system and enable companies to cross the barriers and enter the e-commerce market place. The value creation will also enable company's and suppliers to exceed current customers' expectations and reach new customers.



## **Barriers for B2B ecommerce**

1. One size does not fit all because there are different product lifecycles and features to take into consideration both in EU and in EU versus US.
2. The mindset of people is different in EU versus US among others with respect to shopping methods and payments which are more advanced and accepted in US (for instance in US you have been able to shop online voice controlled using Alexa (Amazon), use of credit is more accepted in US).
3. Currency and exchange rates inside EU (advantage in US with common currency).
4. Logistic cost and time challenges (same day (or next day) delivery is becoming a requirement and the de facto standard).
5. IT-solutions and the interconnection between different systems and platforms are challenging and a digitalization challenge.
6. Agility of the employees (ongoing change and the management of these changes).
7. Culture differences within EU (besides EU and US) for e-commerce.
8. Legislation differences within EU (besides EU and US).
9. Payment conditions differences within EU (besides EU and US).
10. There are 24 different languages in EU – official language in EU is English.
11. Digital imagination is important for the B2B company as it improves the companies ability to innovate and develop the value propositions of the future therefore it is a problem, that most companies have been outsourcing their IT competences.

## **Opportunities**

1. E-commerce platforms such as Amazon (Amazon Business) – makes the entry barrier low in order to get started with E-commerce
2. “Online” that is E-commerce is the future – the market is growing (all by itself)
3. Flexibility and innovation in e-commerce options.
4. Improve the digital imagination of company management and the board of directors in order to make them able to see and implement the digital possibilities in their companies.

## The Future Ecom Project

It is estimated that in 2020 B2B e-commerce in EU will be twice as large as B2C in terms of sales which proves a huge unreleased potential for EU SMEs. There is a risk of being surpassed by frontrunners as most SMEs have not even taken the first step in this direction.

Succeeding with B2B e-commerce requires a huge turnaround within a company's internal processes as this may scale up the turnover dramatically. Digitising and automating the internal processes of the SME is key to manage and keep up with the huge upscaling due to global e-commerce while ensuring the economic profit.

Creating a Digital Single Market (DSM) is one of the top ten priorities of the European Commission. The overall objective is to bring down barriers, regulatory or otherwise and unlock online opportunities in Europe to create one borderless market with harmonized legislation and rules for the benefit of businesses throughout Europe.

Future Ecom addresses policy makers and business support agencies across EU who need to fully understand the key barriers for SMEs to exploit and benefit from a global internet driven market place in general and enhance digitisation and automation in particular. This is done by the exchange of experiences and good practices across 8 EU regions in Future Ecom initiatives will improve the impact from the regional policy instruments addressed by the Future Ecom partners and the results will be disseminated across EU.



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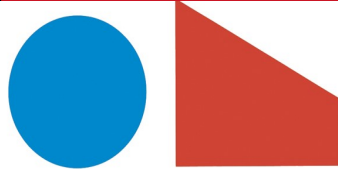
**The Future Ecom Partnership**

**Business Association of Santarem, Portugal**



**North Denmark Region, Denmark**

**ART-ER, Emilio Romagna Region Italy**



**GILDE**

**Business and Innovation Centre, Lippe-Detmold, Germany**

**Coventry University Enterprises Ltd, UK**



**Chamber of Magnesia, Greece**

**Cursor Oy, Finland**



**Lithuanian Innovation Centre, Lithuania**

**The Regional Council of Kymenlaakso, Finland**

