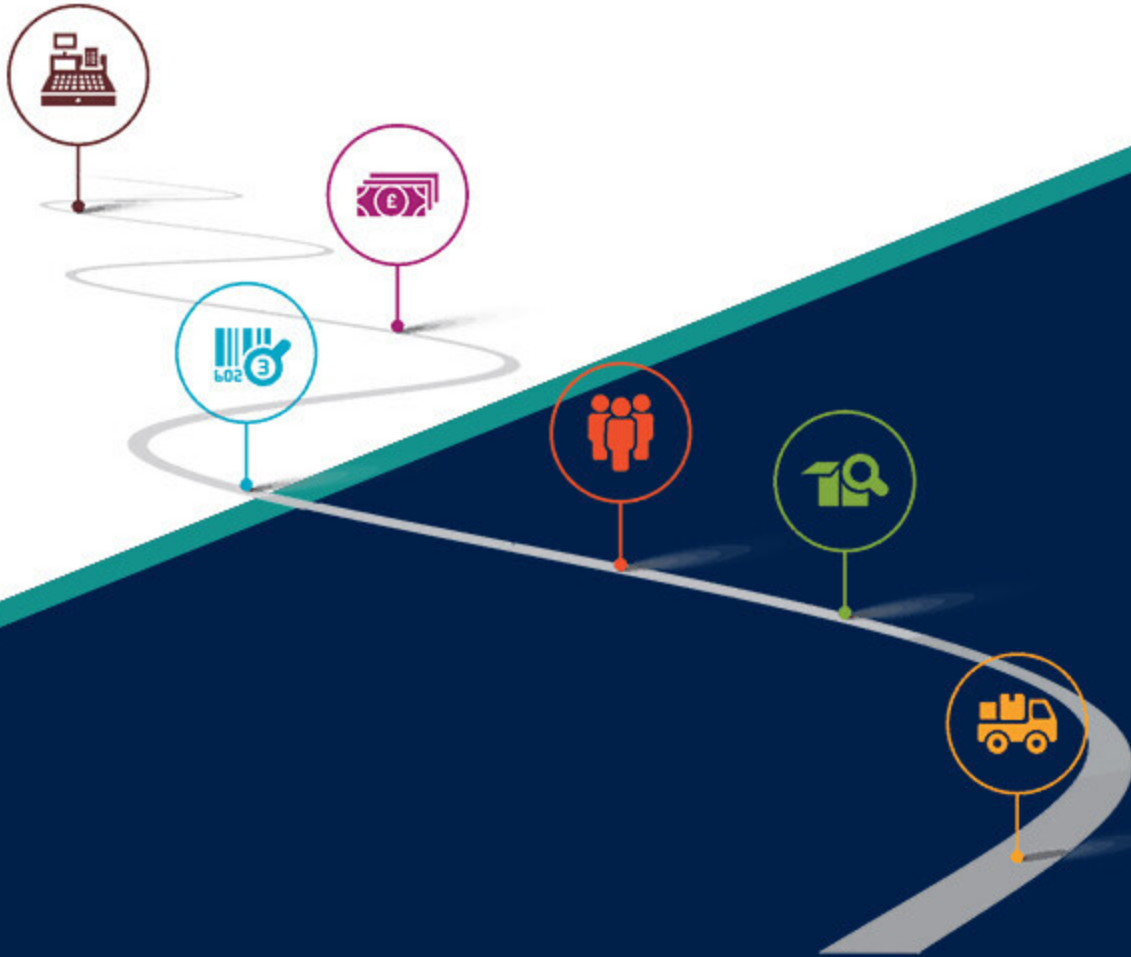




The Portal People
integrated ebusiness



What Is B2B eCommerce And Is The ROI Worth It?



Knowledge
Series

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What Is B2B eCommerce And Is The ROI Worth It?

Business-to-Business (B2B) eCommerce refers to online transactions between businesses. Unlike Business-to-Consumer (B2C) eCommerce, where companies sell directly to consumers, B2B involves transactions between manufacturers, wholesalers, distributors, and retailers. These transactions often involve bulk orders, long-term contracts, and complex procurement processes.

Types of B2B eCommerce

B2B eCommerce can be categorized into several types:

1. **Supplier-Oriented:** A marketplace managed by a supplier where multiple buyers can purchase goods or services. Examples include large suppliers like Alibaba.
2. **Buyer-Oriented:** A marketplace managed by a buyer that invites bids from various suppliers. This model is often used by large corporations to manage procurement.
3. **Intermediary-Oriented:** Third-party platforms that connect multiple suppliers and buyers, providing a centralized marketplace. Examples include platforms like Amazon Business and eWorldTrade.
4. **Direct-to-Business:** Companies selling directly to other businesses through their own eCommerce websites, enabling them to maintain control over the customer experience and pricing.

The Role of Customer Self-Service Portals in B2B eCommerce

Customer self-service portals are web-based interfaces that allow customers to manage their orders, view product information, track shipments, and access support without direct interaction with sales or support staff. These portals are integral to modern B2B eCommerce for several reasons:

1. **Improved Efficiency:** By automating routine tasks, businesses can free up their staff to focus on more strategic activities.
2. **Enhanced Customer Experience:** Customers gain 24/7 access to their accounts and can perform actions at their convenience, leading to higher satisfaction.
3. **Cost Savings:** Self-service portals reduce the need for extensive customer support teams and minimize errors associated with manual data entry.

ERP Integration and Customer-Specific Pricing

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One of the key advantages of integrating a customer self-service portal with an [Enterprise Resource Planning \(ERP\) system](#) is the ability to offer customer-specific pricing. ERP systems centralize business processes and data, enabling personalized pricing strategies based on factors like purchase history, order volume, and negotiated contracts.

Benefits of ERP Integration:

1. **Real-Time Data Synchronization:** Ensures that inventory levels, pricing, and order statuses are always up-to-date.
2. **Streamlined Processes:** Automates workflows, reducing the time and effort required to process orders and manage customer relationships.
3. **Personalized Customer Experience:** Tailors the buying experience to individual customers, fostering loyalty and repeat business.

In [B2B eCommerce](#), a good Return on Investment (ROI) is crucial for evaluating the success and viability of investments in technology, marketing, and operational improvements. Several factors can influence what constitutes a “good” ROI, and it often varies by industry, company size, and specific business goals. However, some general benchmarks and considerations can help determine a good ROI in B2B eCommerce.

Key Factors Influencing Good ROI

Industry Standards: Different industries have varying expectations for ROI. For instance, technology companies might expect higher ROI due to rapid innovation cycles, while manufacturing might have more moderate expectations.

Company Size and Scale: Larger companies may have different ROI benchmarks compared to smaller companies due to economies of scale, resource availability, and market reach.

Initial Investment Size: The amount of capital invested initially will impact what is considered a good ROI. Larger investments typically require higher returns to be deemed successful.

Time Frame: ROI should be evaluated over a relevant time frame. Short-term ROI might be lower due to initial setup costs, but long-term ROI is typically more indicative of sustained success.

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Competitive Landscape: ROI benchmarks can also be influenced by the competitive environment. Companies in highly competitive markets may need to achieve higher ROI to stay ahead.

General Benchmarks for Good ROI

While specific benchmarks can vary, here are some general guidelines:

Payback Period: A common goal is to achieve a payback period of 12-24 months. This means the initial investment is recouped within one to two years.

ROI Percentage: A good ROI percentage in B2B eCommerce can range from 20% to 40% annually. For highly successful projects, ROIs of 50% or more are not uncommon.

Cost Savings and Efficiency Gains: ROI is not just about revenue growth; significant cost savings and efficiency improvements can also constitute a good ROI. For example, automation and streamlined processes often lead to substantial cost reductions.

Customer Acquisition and Retention: Investments that lead to improved customer acquisition and retention rates can yield high ROI by driving repeat business and reducing churn.

Customer-Centric Approach: Focus on improving the customer experience through personalized service, seamless ordering processes, and responsive support.

Technology Integration: Integrate eCommerce platforms with ERP, CRM, and other systems to ensure data consistency and streamline operations.

Data-Driven Decisions: Use analytics to monitor performance, identify trends, and make informed decisions to optimize marketing, sales, and operational strategies.

Scalability: Ensure that the eCommerce platform can scale with the business, accommodating growth without requiring significant additional investment.

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Continuous Improvement: Regularly update and improve the eCommerce platform based on customer feedback, technological advancements, and changing market conditions.

A good ROI in B2B eCommerce is multifaceted, involving revenue growth, cost savings, customer satisfaction, and long-term sustainability. While specific benchmarks can vary, focusing on strategic investments, efficient operations, and customer-centric approaches can help businesses achieve strong ROI and drive long-term success.

Calculation Example

Manual Data Entry Cost:

Suppose a company processes 1,000 orders per month, with each order taking an average of 10 minutes to enter manually. If the average hourly wage for data entry personnel is £20, the monthly cost for manual data entry is:

$$\text{Total Hours} = \frac{1000 \text{ orders} \times 10 \text{ minutes}}{60 \text{ minutes per hour}} = 166.67 \text{ hours}$$

$$\text{Monthly Cost} = 166.67 \text{ hours} \times £20/\text{hour} = £3,333.40$$

Automated Data Entry Cost: With an integrated ERP and self-service portal, the time required for manual entry is eliminated. Assuming the cost of maintaining the ERP system and portal is £1,000 per month, the monthly savings would be:

$$\text{Monthly Savings} = £3,333.40 - £1,000 = £2,333.40$$

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Example ROI Analysis

To determine the Return on Investment (ROI) for implementing a self-service portal with ERP integration, project teams could use a formula like the following example:

$$\text{ROI} = \frac{\text{Net Gain from Investment}}{\text{Cost of Investment}} \times 100$$

Using the example above, if the initial cost to set up the ERP system and portal is £30,000

Annual Savings: = £2,333.40 x 12 = £28,000.80

Net Gain: = £28,000.80 - £30,000 = -£1,999.20 (in the first year, due to setup costs)

In subsequent years, the savings would be pure profit, leading to a significant ROI.

For example, in the second year: Net Gain: = £28,000.80

ROI Calculation Example

$$\text{ROI} = \frac{£28,000.80}{30,000} \times 100 = 93.34\%$$

Conclusion

B2B eCommerce is transforming the way businesses interact, offering various models to suit different needs. Integrating customer self-service portals with ERP systems enhances efficiency, personalizes customer experiences, and significantly reduces costs through automation. By carefully calculating the potential savings and ROI, finance directors can make informed decisions about investing in these technologies to drive long-term growth and profitability.



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