

B2B commerce drives new revenue streams to enhance ERP upgrades

Recent research shows that modernizing customer-facing and back-office systems in tandem reduces implementation costs and streamlines operations.

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B2B customers want easier, faster ways to discover and purchase products and services. They're vetting B2B sellers on the basis of not only product specifications, pricing and other traditional factors, but on the digital experiences they deliver.

Many sellers recognize this—and are adapting to the increasingly digital landscape shaped by customers' changing preferences and behaviors. Deloitte Digital recently conducted a study of more than 500 B2B executives at US companies and discovered that 77% of B2B executives agree that digital transformation is critical to their company's success (*see Research methodology, page 5, for details on the study*).

The crux of digital transformation, however, isn't simply doing digital, but *doing* it right. In recent years, many B2B companies have focused on only upgrading back-office or enterprise resource planning (ERP) systems. For many, this has been reactionary—a response to looming deadlines after which legacy ERP support will expire. Fewer companies have heeded the pressing need to modernize their front-office systems to support customer-facing interfaces like B2B commerce, instead opting to kick that transformation can down the road.

Our research found that the most effective B2B companies (we call them *front runners*) are now addressing the dual transformation needs of front-office and back-office systems not as disparate challenges, but as interconnected opportunities in which new digital sales through B2B commerce are helping fund both sets of upgrades.

By upgrading and interconnecting front- and back-office systems concurrently, front runners realize significant financial and operational advantage. This strategy reduces overall implementation costs by

helping ensure compatibility between the two systems. Additionally, by gaining the ability to correlate customer and operational data in real time, companies glean valuable insights that bolster stronger decision-making and foster meaningful customer experiences.





B2B commerce revenues bolster the case for broad modernization.

Many B2B companies face the need to upgrade their back-office systems (particularly ERP platforms) to the latest versions. Not only is support and maintenance for older on-premises systems phasing out soon, but newer cloud-based systems can offer far more powerful and adaptable features and functionality.

Our research found that almost half of surveyed companies had upgraded or planned to upgrade their ERPs in 2023, and another 35% said they planned to upgrade in 2024. Among the companies that were upgrading or actively planning to upgrade their ERPs, 90% said the upgrade was part of a larger digital transformation initiative.

Historically, when leaders have felt pressure to modernize their back-office systems, investment in front-office systems including B2B commerce has often been pushed back.

But that's changing.

Customers today prioritize sellers that offer digital sales tools—and they're spending more with those sellers. The increased revenue from B2B commerce is bolstering the business case for doing *both* front- and back-office digital transformation at once.

As B2B sellers evaluate their return on investment for digital transformation initiatives, they're finding that **modernized front-office systems require a smaller investment than do back-office systems such as ERPs, but—thanks to new revenue streams generated by B2B commerce—drive a larger share of the value case.**

That helps explain why nearly half of surveyed B2B companies said they had integrated or planned to integrate B2B commerce with their cloud ERPs in 2023. **And for good reason: front runners are almost 3x more likely than less-effective sellers to have done so—and are reaping the benefits through increased revenue from B2B commerce solutions.**

Many B2B companies face the need to upgrade their ERP platforms. By integrating front-office systems that include B2B commerce at the same time, it not only streamlines operations but drives financial benefits—and can even help pay for ERP upgrades.

Modernizing customer-facing and back-office systems in tandem has many advantages over postponing the upgrade of front-office systems until back-office transformation is finished (which can take several years). From a financial perspective, this tandem approach lowers the total cost of overall implementation because it helps ensure that front- and back-office systems are compatible from the outset. Conversely, B2B companies that defer front-office transformation until later often find they must make significant and costly changes plus retest across back-office systems to ensure compatibility.



Tandem transformation also helps streamline operations. It allows B2B sellers to make faster, smarter decisions by triangulating the customer and operational data that flows through their organizations. With real-time insights, companies can deliver the kind of responsive customer experiences that drive stronger sales and deeper loyalty. For example, by linking supply chain systems with front-office systems, companies can provide customers with a real-time understanding of product availability and shipping times—allowing them to make informed, confident choices about which products to order and when to expect them.

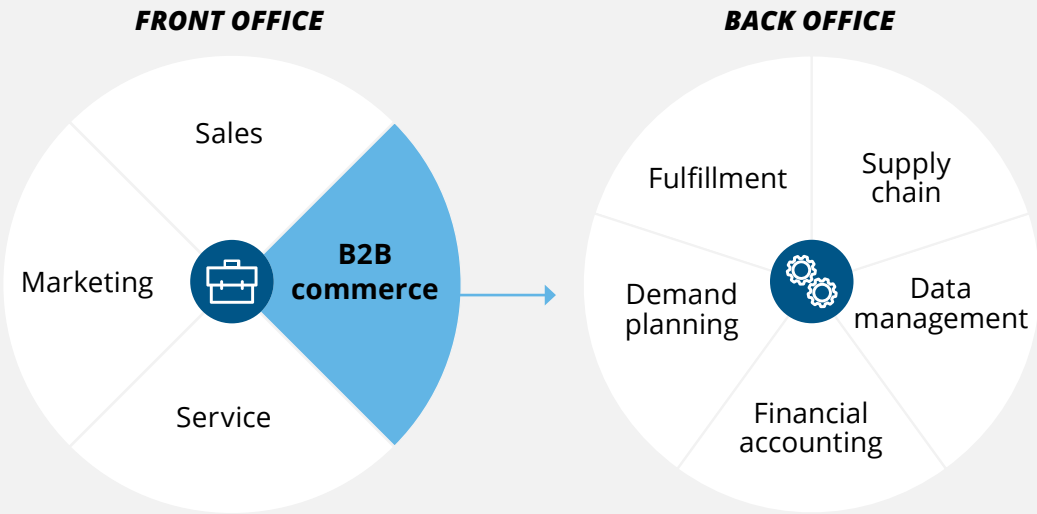
Integrating front-office and back-office systems also supports more responsive order management and helps eliminate manual processes. For instance, by linking B2B

commerce to back-office systems a purchase order placed online automatically triggers warehouse fulfillment, saving time and reducing the possibility of mistakes. This can mean fewer costly returns and order corrections.

In addition, having such an integrated view of inventory levels can provide sales teams with important input into pricing and promotions. When excess inventory of a product sits for too long, sales teams can proactively discount it. Similarly, they can maintain strong pricing on products when inventory is low.

SEIZING INTERCONNECTED OPPORTUNITIES

45%
of surveyed B2B sellers planned to or had already integrated B2B commerce with their cloud ERPs in 2023.





To win in the new B2B environment, you need to anticipate what your customers need—and then deliver it ahead of competitors. When you embrace B2B digital commerce, it leads to stronger customer relationships all around: higher satisfaction, stronger spending, better retention, deeper trust ... the list goes on. And it's not just your customer relationships that improve with B2B commerce, your organization itself grows stronger and more resilient too.

Our research shows that synchronous front- and back-office transformation is one of the most powerful ways to do all that.

COMPARED TO LESS-EFFECTIVE SELLERS, B2B FRONT RUNNERS ARE REAPING THE BENEFITS OF THEIR B2B COMMERCE STRATEGIES:

1.8x

as likely to cite improved customer satisfaction.

1.4x

as likely to cite improved customer trust.

70%

customer retention rate, compared to 49% for less-effective sellers.

1.5x

higher year-over-year growth in B2B commerce revenues.





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RESEARCH METHODOLOGY

Original research results in this report are based on a blind survey conducted in April 2023 by Lawless Research on behalf of Deloitte Digital. Respondents were 530 director-level or above executives at US B2B companies with 1,000 or more employees. Company revenues ranged from \$1B or more for 295 respondents, \$500M to \$999.9M for 112 respondents and \$50M to \$499.9M for 123 respondents. Based on this research we developed a maturity model to define and score B2B commerce effectiveness, based on degree of digitization, purchasing ease, personalization, service and commercial team collaboration. In this report, we refer to the most effective 16% of respondents as “front runners” and the least effective 28% as “less-effective sellers.”

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