The digital transformation of B2B marketplaces - Making the switch
Digital technology is revolutionising B2B sales and marketing, and early digital adopters are significantly outpacing their competitors.

Research by McKinsey & Co. found that B2B companies that have invested in and mastered a “targeted set of digital capabilities and approaches” are generating 8 percent more shareholder returns and a revenue compound annual growth rate that is five times greater than other companies in their field. However, the majority of B2B companies have yet to embrace digitisation in their sales channels. They are not effectively targeting customers online, they don’t have a sufficient B2B digital infrastructure, and they’re not providing the consumer-like customer experience that B2B buyers are increasingly demanding.
It’s not that B2B companies haven’t taken advantage of digitisation, but for many, the focus has been on improving back-office efficiencies, internal planning, and existing IT infrastructure. Their websites remain digital brochures, without an effective selling mechanism. When it comes to using digital technology and channels to increase revenue and create sales efficiencies, they are lagging far behind B2C companies that have set the standard for how digitisation can result in more customers served at a lower cost.

The reasons that B2B companies are failing to take advantage of the power of sales digitisation range from a complacent belief that they are already being innovative, to internal fear of change and cost concerns. Whatever the reasons, any delay in taking part in the digital transformation of B2B sales is a lost opportunity. Early adoption is a clear path toward short-term advantages and long-term value.

**The B2B Digital Landscape**

Digitisation aimed at improving the online B2B customer experience has become vital because the B2B customer has changed. Digital channels provide today’s customers with a multitude of information, giving them insights into products and services like they’ve never had. In this environment, customers have come to expect transparency, and they don’t want to deal with sales people until after they’ve done their own detailed research. Interacting with sales is viewed as a last step in the buying process.

In addition, the success of online B2C marketplaces in creating personalised customer experiences has raised the bar of what B2B buyers expect. They want an experience similar to what they get on Amazon, eBay, or Alibaba. This is particularly true about Millennials, who already make up a good portion of B2B buyers and whose influence on spending will only continue to grow.
Taking into account 18 management practices related to digitisation, such as strategy, capabilities, culture, and organization, the average DQ score for the 50 B2B companies in the study was 28, well behind the average score of 35 for B2C companies, although some of the B2B companies scored very highly.

This DQ score isn’t just an abstract measurement, McKinsey found. The top quarter of B2B companies generated 3.5 times more revenue and were 15 percent more profitable.

Research by Forrester also reveals the importance of digital maturity in B2B sales. Launching and managing an online B2B marketplace can potentially save sellers up to 90 percent on sales and operating costs, Forrester determined. The research firm also found that 56 percent of B2B companies say they have some customers who they can only profitably serve through an online channel.

The reality in the digital age is that B2B buyers have more power than they did in an offline world, and B2B sales has become pull-oriented. Buyers want to be able to search, find ratings and reviews, and get personalised recommendations — all on a consistent, easily navigable platform.

Meeting these customer desires isn’t something that can wait. B2B buyers want modernised, smooth, customer-oriented B2B sales channels now. They want to be able to easily find what they want and know they are getting the best price available. A lack of such a customer experience can immediately eliminate a company from consideration before its sales force ever has a chance to interact with the buyer.

The importance of being in the vanguard of digital transformation is highlighted by McKinsey & Co., who over the past three years measured the “Digital Quotient” (DQ) of hundreds of B2C and B2B companies globally.
The digitally top-performing B2B companies are succeeding by transforming their sales and marketing functions into online, data-driven marketplaces that engage customers and make it easier for them to buy. These marketplaces allow for a personalised customer experience and targeted selling, while providing efficiencies and customer-centric practices such as smart contracts, end-to-end settlement, and worldwide logistics.

The implementation and management of an online B2B marketplace can be complex and highly technical, but with solutions such as we offer at NovaFori, the shift from offline selling to an online marketplace can be made with relative ease.

Without building their own marketplace platform or analytical tools, companies can become leaders in the digital transformation of B2B sales that is already occurring and is becoming the table stakes for success in B2B markets.

In many cases, B2B marketplaces are very specialised, filling a niche need — as opposed to more generalised B2B marketplaces such as Amazon Business, or even Thumbtack or Home Advisor. These niche marketplaces are providing industry-specific products and services to the unique businesses that require them. This targeting of niches brings together the buyers and sellers that most naturally pair together.

What Digital Transformation Looks Like: Case Studies

To illustrate the benefits of online B2B marketplaces, we’ll look at two B2B companies that have succeeded using NovaFori’s online marketplace platform.
Case Study - Global Dairy Trade

Global Dairy Trade (GDT) is a subsidiary of Fonterra Co-Operative Group who sells dairy products around the world. GDT has been traditionally holding twice-monthly trading events, but the co-op quickly realised it could benefit from a reliable and transparent online sales channel that would enable 24/7/365 trading of dairy products.

GDT turned to NovaFori to provide enterprise-grade auction and trading technology and trading mechanism design capability. GDT has* more than 319 active buyers from more than 70 countries, with an annual sales of more than 600,000 metric tonnes of dairy commodities.

The GDT platform is built upon NovaFori's flagship auction and trading platform, which includes numerous, flexible trading and resolution mechanisms that maximise competitive tension and ensure compliance through price discovery.

Key features of the platform we developed for GDT include:

- Support of multiple trading models (Sealed Bid and Fixed Price)
- Advanced filtering and contextual search
- In-app messaging and private comments
- Ability to nominate which businesses are approved to bid on a listing
- SSO integration with GDT systems
- Integration with GDT’s Bidder Contracting Info to determine shipping destinations and rates
- Full API support for user and business management.

In June 2017 (a year after launch) they had attracted registered sellers from Europe, USA, Asia and Oceania on GDT Marketplace. They also reported 165 new registered buyers, transacting with five major sellers, with more than 1,500 listings completed across a broad product range including generic ingredients like whole milk powders and cheese to name a few. Following on these results, GDT Marketplace has* 319 active buyers and 11 registered sellers from USA, Western Europe, Oceania, and Asia.

* as of March 2021
Case Study - CarNext

LeasePlan (LP), CarNext’s parent company, is the world’s largest vehicle leasing company, managing more than 1.7 million vehicles in 30 countries. Its vehicle fleet management ranges from vehicle purchasing to the remarketing of vehicles at contracts’ end, and every day up to a thousand vehicles are remarketed — with the majority of its European vehicles being sold through online auction.

CarNext was clearly taking advantage of digitisation already, but its existing auction platform was nearing end-of-life status, and the company wanted more user functionality and a more modern look and feel to its new platform. They also wanted to enable cross-border trading, so that they can achieve the highest price for their remarketed vehicles, regardless of which country a vehicle is located in.

Due to the cross-border trade capability and our auction mechanism, they can confirm that they are achieving the highest prices possible.

Key features of the platform include:
- Support of multiple trading models (English Forward, Sealed Bid, and Fixed Price)
- Multiple concurrent auctions, auction progress tracking, international auctions, and auction management
- Saved-search functionality, allowing easy retrieval of search results
- Extensive bid management, including bid placement, bidder information, bid automation and an easy-to-use bidder UI
- A view of the total exposure of a users’ bids
- Third-party integration via APIs
- Automated cross-border sales, with multi-language and country-specific workflows
- Full integration with inventory management and CRM systems

CarNext turned to NovaFori to build their new auction platform using our technology platform, and thousands of traders can now bid concurrently, 24/7/365, on their vehicles in 15 languages across more than 20 countries.
Overcoming the Challenges of Digital Transformation

With success stories such as GDT and LP, as well as research such as the one from McKinsey and Forrester mentioned earlier, it’s clear that digital B2B marketplaces that combine customer-centric platforms and advanced analytics are a highly desirable and effective tool for B2B sellers.


From the respondents, a clear majority (60 percent) believe that digitising sales is crucial to the success of their business — a belief driven by the realisation of 57 percent of respondents that the purchasing decision has virtually been completed before B2B buyers ever contacted a sales representative. The clear consensus was that digitisation is the inevitable future of B2B sales. Yet most B2B companies are far from being digitally mature.

While early adopters are embracing online marketplaces, most B2B companies are still largely stuck in an offline or analogue selling mode, with some (33 percent according to the Berger/Google survey) not even offering an option to buy through their website, much less providing trading and auction mechanisms.

If the majority of B2B providers aren’t underestimating the importance of digital sales and the potential of online marketplaces to raise revenue, why aren’t more of them making the transformation to digitally focused sales? Why is B2B still in an early adopter stage?

All too often, the answer relates to internal issues and misperceptions, and the following hindrances are common:

- A belief by company leaders that the business has already digitally transformed because it has taken steps to improve back-office processes with digital tools and/or invested in internal IT infrastructure improvements — failing to understand that the real growth opportunity is not in internal cost saving but in using digitisation in sales and marketing.
- An “If it isn’t broke, why fix it?” mentality, often driven by people who have been in key decision-making roles for a long time.
- An irrational resistance to change by a top decision-maker (e.g., CEO/CFO/CTO).
- A lack of internal resources for digital transformation, perhaps leading some to fear losing control (or maybe even their job) if third-party companies are hired to help with the transformation.
- Concerns about the short-term costs of making a change (without regard to the possibility of impressive ROIs).
- A belief that sales digitisation is a change that can be put off for a while longer.
- A lack of time, resources, or authority by those who realise the opportunities presented by sales digitization.
- A notion that digitisation isn’t appropriate for a company’s offerings and sales strategies.
- Concerns about integration with existing IT infrastructure and systems (e.g., CRM, accounting, inventory management, marketing automation).
- A complacent comfort with existing sales technology solutions, without looking for more advanced options.
- A belief that switching to new digital solutions will be time-consuming and take an unacceptably long time.
Without question, these obstacles are real, but none are satisfactory reasons for not pursuing the increased revenue and heightened sales efficiencies that digital online sales platforms can offer.

There’s also no doubt that the technical challenges of designing, building, and executing an effective, optimised, online marketplace can be daunting for many B2B companies. Left to their own resources and expertise, many companies would develop less than-optimal digital marketplaces, and the development could take unduly long months, perhaps even years.

Online B2B marketplaces are complex, both technically and in the structure of the markets themselves. The data that is available is intricate and complicated to collect and mine.

Fortunately for B2B companies, the solutions NovaFori offers — auction and trading technology coupled with data science — are superior marketplaces that are effective, tailored to your industry, compliant, scalable, and secure — in a matter of weeks.

We work with significant market makers in their respective industries to either create or improve upon their current route to market:

- The need to disrupt themselves before someone else does;
- Declining sales;
- Margin erosion;
- High cost of sales;
- Lack of market access;
- Being relationship driven, rather than being data-driven, lacking an understanding of new market opportunities.

With our expertise and technology toolset, we can help any B2B company make a digital transformation and manage the many variables of an online B2B marketplace. We are unique in solving these problems because we understand complex product and buyer dynamics.

Our background in auction theory and in deploying supply-demand matching mechanisms for price discovery, means we deliver value in these complex markets that represent the majority of the B2B marketplace opportunity.

B2B sales digitisation is inevitable, and early adopters of online B2B marketplaces are gaining a distinct competitive advantage by making it easier for customers to buy, increasing price transparency, and using data to provide targeted, tailored sales offers and recommendations that increase sales, maximise prices, and provide B2B buyers with a consumer-like buying experience they are lacking.
**Conclusion**

B2B sales digitisation is inevitable, and early adopters of online B2B marketplaces are gaining a distinct competitive advantage by making it easier for customers to buy, increasing price transparency, and using data to provide targeted, tailored sales offers and recommendations that increase sales, maximise prices, and provide B2B buyers with the consumer-like buying experience they are lacking.

Given the complexities of B2B markets and the technical challenges of online marketplaces, many companies can benefit from an expert technology partner, such as NovaFori. Our solution make the customer experience easy, frictionless, and anticipative, while increasing conversions and maximising revenue for the marketplace.

Our digital marketplaces keep pace with user expectations and give clients actionable insight. Buyers and sellers are better understood and can be automatically matched using data science and machine learning, so fair prices are established and trade is simplified.

And with deep, configurable functionality designed with speed of execution in mind, we can get your marketplace operational sooner rather than later. We can be the change agent you need as you make your digital transformation. We can help you get started and then help you grow and evolve.
Checklist of considerations when making a digital transformation

Whether you are setting up your first online B2B marketplace, or replacing, enhancing an existing solution, the following questions are useful to answer before proceeding:

- What is the size of your market?
- How much more market penetration could you achieve with an online marketplace? What is the marketplace opportunity?
- Can sales inefficiencies be corrected or improved via an online marketplace?
- What are the priorities, needs, and interests of your market players?
- Are you targeting a niche market or a more general segment?
- What customer experience improvements do you need to make?
- How can you enhance the user experience?
- Are you making full use of customer data, and if not, what data do you need to capture and analyse?
- Are you able to provide customers with tailored, targeted offers, recommendations, and services based on their profiles and buying histories?
- Is your pricing transparent, with pricing mechanisms that provide fair prices for buyers and maximum profits for sellers?
- What internal resources do you have to design, build, and execute an online marketplace?
- Do you have internal expertise on auction theory, trading mechanisms, global digital trading, and other areas vital to the success of an online marketplace?
- What internal resistance to moving toward marketplace digitisation exist? How can you overcome the challenges? Is upper management on board, and if not, what can be done to get their buy-in?
- Do you have a formal business plan that makes the case for investing in an online marketplace?
- If you need a technology partner to help developing an online marketplace, what criteria (expertise, technology capabilities, speed to market, etc.) will you use to evaluate potential partners?
- Do you need a platform solution, an analytics solution, or both?
- Can you reduce cost by bundling solutions? (e.g., auction technology and data science can be bundled together).
- What integration issues will you face when implementing an online marketplace?
- What operational issues may arise due to digitising sales?
- Is your company ready culturally for a digital transformation?
About NovaFori
We are a cutting-edge technology company based in London and Malaga, with a decade of experience in combining business analysis, marketplace design, development and data science. Our technology supports B2B and B2C clients in Europe, North America and Asia, with over $11 billion GMV transacted through our platforms since inception.

Our Platform
Our auction and trading platform, powered by data science, is deployed across multiple industries, including commodities, financial services, logistics and procurement. The technology platform is flexible, scalable and modular, designed with a B2C user experience and complex product attributes of the B2B world in mind.

Data Science
We leverage data by using machine learning algorithms to understand what’s happening in the market, predict future trends and optimise marketplace performance.

For further information, please contact our Sales & Marketing team at:
0800 033 7815
sales@novafori.com

www.novafori.com