

It's Time to See E-commerce Differently



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Executive Summary

E-commerce is unquestionably in an age of ascendancy. Virtually anything that has been made in the last 100 years can be found for sale somewhere on the Internet. This reality is confounding traditional retailers, wholesalers, distributors and more as their facilities can't match the scope of offerings found in the electronic showroom of the worldwide web.

In a growth constrained economy, businesses are rushing to create new online channels for their products and services in order to improve top line revenues. But, woe to the wholesale/distributor or manufacturer that thinks e-commerce is simply an adjunct to their current processes, systems, and customer management strategies.

Online buying expectations for both B2B and B2C customers are changing as the market evolves. Customers have grown accustomed to polished e-commerce user experiences like those offered by Amazon.com. They are beginning to expect the same level of experience from all sellers – even B2B websites. Unfortunately, most companies' e-commerce architectures, if they exist at all, are limited in their ability to capitalize on this growth opportunity.

To compete effectively in this changing environment, companies should begin with the vision of a single customer experience that is based on an understanding of the changing buying processes, then develop the technology strategy to support this experience that is enabled by an integrated technology platform.

As for specific solutions, some businesses are leveraging a foundational ERP solution that brings together e-commerce, CRM, production and financial systems into an integrated system. Others are utilizing robust platforms that are capable of sharing and managing data integration within the back-end systems while providing a contemporary front-end customer experience.

Cloud-based solutions have emerged as leading alternatives since they can meet the functional and technical needs of the solution and provide the operational flexibility and future scalability for companies of all sizes. They provide current technology and allow in-house personnel to focus more on innovation than IT housekeeping.

Companies can then go one step further by utilizing data collected internally and externally to gain insight into their customers and continue to evolve the experience to better meet their needs.

Growing Permanency of E-Commerce

E-commerce is here to stay and the proof points are staggering.

Companies like Amazon.com and eBay did not exist until 1994¹, yet the two firms have grown into e-commerce powerhouses and have ushered in a world where virtually anything is available for sale – anytime, anywhere. This reality is confounding traditional retailers, wholesalers and distributors, as their facilities can't match the scope of offerings found in the electronic showrooms of the worldwide web. Wall Street has clearly grown enamored with the growth of Amazon.com and eBay and has rewarded each with significant stock prices and market capitalizations. eBay's revenues are over \$13 billion and its market capitalization exceeds \$65 billion. Amazon.com now has revenues of \$54+ billion and a market capitalization of over \$110 billion².



Forrester Research provides an even more sobering data point. Forrester predicts that by 2013, businesses, not consumers, will purchase more than \$559 billion in goods and services via the web – more than double that of consumer web expenditures³. At Baker Tilly, we continue to ask our clients “Are you getting your share of this commerce?”

Business customers are purchasing via the web for its convenience. Business sellers like it for its improved efficiency, reduced employee costs, and order entry error reductions. Sellers can also offer high-touch personalized services to their largest or most profitable customers, while implementing online purchasing tools for their lower revenue or margin customers.

But, these benefits can be elusive for some sellers – particularly sellers with limited, inefficient, or outdated e-commerce technologies.

“By 2013, businesses will more than double consumer web expenditures”

¹Source: Wikipedia.org

²Source: Yahoo Finance, 10/18/2012

³<http://www.internetretailer.com/2012/10/18/consumers-businesses-are-buying-more-online>

The Agents Powering E-commerce

E-commerce has grown due to the confluence of several technologies and their rapid growth globally.

Let's look at each of these briefly.

Mobile technology has become a great democratizing technology and is enabling the next generation of e-commerce consumers. Over the next 5 years, 1.2 billion smartphones will enter the market, about 40 percent of all handset shipments.⁴ During the same span, enterprise tablet adoption is expected to grow by almost 50% each year.⁵

This influx of new smart devices is arming consumers with more knowledge through price comparison applications, product reviews, and social networks; leading to a savvy and better informed purchase decision. This is also creating problems for traditional retailers. More and more, consumers are taking to 'showrooming' activities: where consumers browse, touch and feel products in traditional stores while simultaneously comparison shopping with other e-tailers. Some even buy products online while standing inside a traditional brick and mortar shop. How widespread is this phenomena? In a recent Chicago Tribune article, we see that "more than 40 percent of smartphone or tablet owners have showroomed, and one-third plan to wield their phones for good deals this holiday season".⁶

The glue that holds this all together is the speed and accessibility of the internet across so many wireless and mobile networks across the globe, reaching all but the most remote parts of the world. Accessibility has shifted the balance of power (information) to the consumer. Businesses must decide how to interact with the savvy buyer and fast.

The Power Behind E-Commerce



- Each technology brings new capabilities to the e-commerce world
- These capabilities, combined with a consistent vision of the customer experience, create the foundation for explosive growth

⁴<http://www.forbes.com/sites/markfidelman/2012/05/02/the-latest-infographics-mobile-business-statistics-for-2012/>

⁵http://www.vertic.com/blog/year_of_the_enterprise_tablet_infographic/

⁶"Can retail stores avoid showroomers' web?", Corilyn Shropshire, **Chicago Tribune**, October 19, 2012

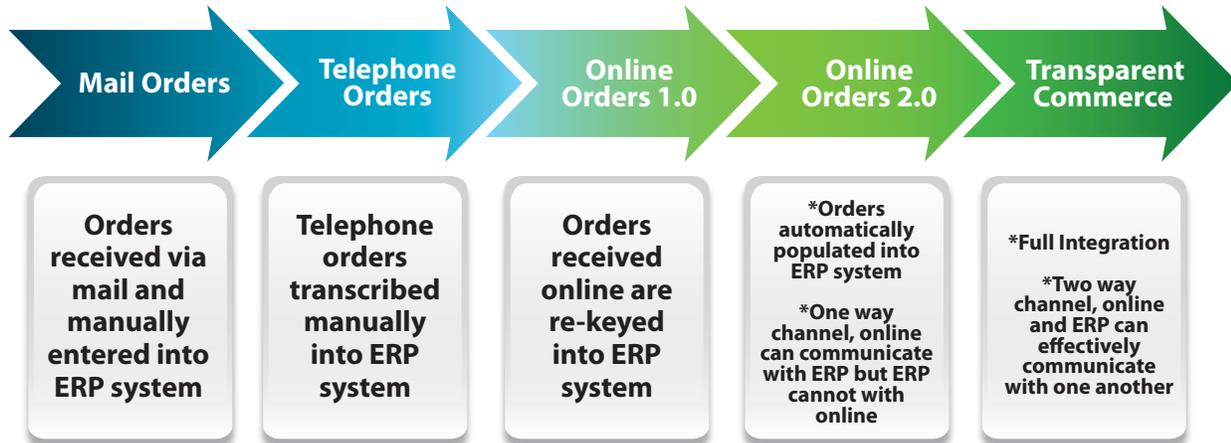
Evolution of Retailing and Ordering

Innovation and commerce have been linked together for centuries. It's logical. Sellers have always sought to deliver more value to their customers, and innovation provides the means to do so. These advantages often translate into greater sales.

Businesses have incorporated innovation and technology to take customer orders by mail, telegraph, telephone, fax and online. But, it turns out that the most recent transition to online ordering is actually more complicated, more nuanced, and multi-faceted. Done well, the latest transition can be economically rewarding. Done poorly, and companies could be faced with painful declines.

Why is this transition so difficult?

Buyers and other channel participants have increased expectations regarding the buying experience. In the Online Order 1.0 world, buyers often place orders online only to learn that someone at the seller's firm re-keyed the order into an ERP system. Re-keying and latency in getting orders entered often introduces errors. Buyers also face discouragement as the items they thought were in-stock often are not as the ERP inventory balances failed to reflect the sales that are already in-process but not yet entered. The world of Online Orders 1.0 will eventually disappear as it hurts the seller's brand, creates customer dissatisfaction and is highly inefficient.



Many companies in the Online 1.0 world are using "bolt-on" e-commerce solutions within their enterprise ERP and CRM solutions. These solutions often times lack the level of integration required to provide the best possible customer experience. As a result, changes in inventory, pricing, billing, order status, special instructions or shipping terms in your enterprise systems are not always immediately reflected on the e-commerce website. Consider the following customer issues as a result:

- > A customer places an order and expects delivery tomorrow, but instead receives a delayed email that the item is out of stock
- > A company understands a competitor is offering a special price on an item, but cannot make pricing changes fast enough to match the offer
- > A customer makes a change to shipping address, but the product ships before the updates to the customer record take place
- > A customer on the website seeks an in-store pickup, but it cannot be confirmed because inventory cannot be confirmed

In the Online Orders 2.0 world, buyers are entering transactions directly into the seller's ERP system. However, this communication is often one-way and the commerce engines are still rudimentary in look, feel and content. Yes, these systems are an improvement in that they are more efficient and less error-prone, but are not a huge improvement from the user experience. Customers are increasingly demanding that the systems are designed for them and their shopping needs. They do not want to use the seller's ERP software. They want to use a system that has a great user interface, provides an easy route to products and other content that helps a buyer in the decision making process. The customer wants a solution that is designed for their wants and needs – not just those of the seller.

Now comes the most significant inflection point in commerce: the adoption of the fully integrated e-commerce model to enable transparent commerce. This latest evolution requires a number of capabilities that were designed to serve customers and sellers equally. Rather than utilizing bolt-on e-commerce capabilities to an ERP, these solutions provide an experience that simultaneously serves both buyers and sellers. It has shifted the paradigm and shattered conventional rules of commerce.

The Significance of an Integrated Technology Platform

To achieve transparent e-commerce, companies need to establish an integrated technology platform. Companies should begin with a vision of a single customer experience based on an understanding of the changing buying processes and then develop the technology strategy to support this experience. In the current e-commerce landscape, companies need to take a proactive approach in understanding the ever changing online buyer (business or consumer), to evaluate their expectations against the company's existing buying experience and IT infrastructure. They need to remove the distinction between B2C and B2B expectations. For example, mobile consumer technologies are appearing in virtually every business process today. Companies need to do research that helps them understand what competitors are doing in the e-commerce sphere, the kinds of technology they use and the metrics that drive their actions.

With many large companies, e-commerce solutions were developed separately for each business unit. Yet customers often buy from several divisions, and are understandably frustrated when there is inconsistency or poor coordination amongst the sites. Regardless of the nature of internal operations, customers will see you as one company and a common experience is expected.

E-commerce solutions comprised of multiple, cobbled together technology products, not acting as a single "system", are no longer sufficient. The cost and effort to run and maintain them is too high, and they do not deliver the consistent experience required for today's customer. There are a couple of clear choices:

1. A fully integrated ERP system incorporating e-commerce, CRM, operational, and financial functions
2. An integrated technology platform, connecting application components for e-commerce, CRM, operational, and financial functions

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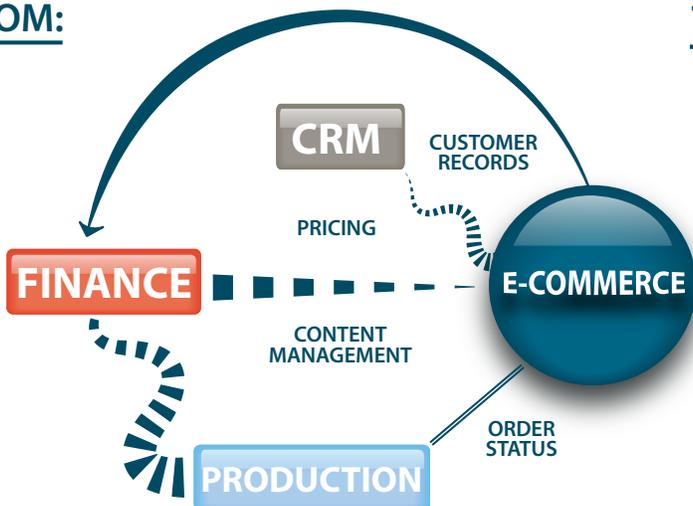


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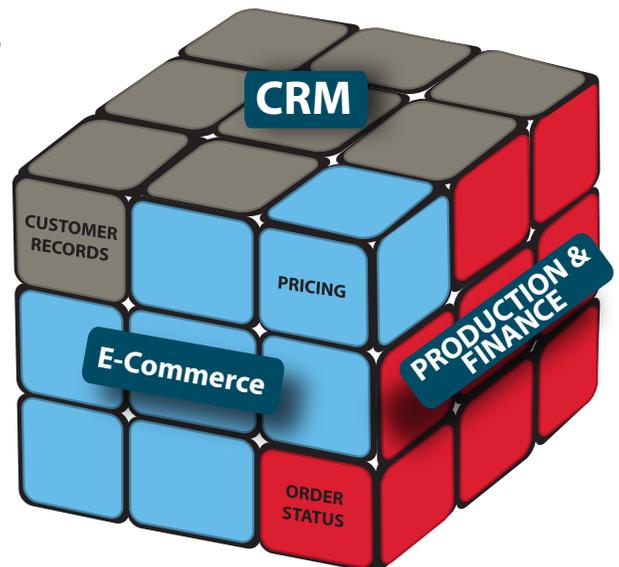
Early generation ERP solutions were designed for a different time. They focused on internally generated transactions and have an accounting-centric focus. Those capabilities will still be needed, but for companies to compete in the e-commerce world, the old ERP model may not be up to the task.

Today's cloud-based ERP systems such as NetSuite are designed with integrated e-commerce built into the core of the system. They operate with e-commerce as an integrated function, creating a seamless flow of business transactions and customer experience regardless of customer touch-point. These systems dramatically simplify the IT infrastructure and skills required to support the system.

FROM:



TO:



In other scenarios, the best solution may be to utilize a robust platform that is capable of sharing and managing data integration in the back-end while providing a contemporary front-end customer experience. Salesforce.com's Force.com and Site.com platforms are good examples of where companies can utilize e-commerce solutions which integrate seamlessly with other platform applications such as Customer Relationship Management (e.g. Salesforce CRM), ERP (e.g. Rootstock) and Social Media Analysis (e.g. Salesforce Marketing Cloud)

In both cases, cloud technology provides the operational flexibility and future scalability for all companies of all sizes. It provides all the latest IT technology and allows in-house personnel to focus more on innovation than IT housekeeping.

And One More Thing

With an integrated platform in place, companies can begin to leverage multiple data sources, including Point of Sale, CRM, and social media metrics, to better understand customer performance and preferences. This information will not originate within your ERP or e-commerce software, but rather in unstructured data that exists outside your organization. The next step would be to use powerful tools such as Salesforce Marketing Cloud to better understand what customers are saying about the brand and further understand the customer. See our whitepaper “Speed, Big Data And Analytics. Your Company's Three Must Haves” for further information on using big data.

Conclusion

E-commerce is no longer a ‘thing’ that businesses attach to their older enterprise software and platforms. If you treat e-commerce as an afterthought or bolt-on extension, you'll likely miss the increasing opportunities that online channels represent to most businesses.

Smart businesses are creating holistic, easy-to-use, accurate e-commerce experiences for their customers. They use data to anticipate customer needs and wants and guide the buyer to better purchasing outcomes.

The same savvy that consumers are using when making personal purchases is being requested and demanded in the business commerce realm. Business buyers want content-rich solutions (e.g., customer reviews of products, competitive pricing data, etc.) at their fingertips, too. And, they seek sellers who present the best overall web experience for them.

We believe a sea-change in business web commerce is underway and the dividing line between the winners and losers is getting clearer and clearer. Are you prepared to make the change?

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We believe that exceptional client service comes down to a single idea...trust. The trust that comes from working with people dedicated to understanding your business needs. People who respond to the challenges you face today and anticipate the opportunities of tomorrow. Our clients recognize the differences that set us apart.

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- > Team approach that ensures continuity and access to partners and managers
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We bring our skills, integrity, and energy to each client engagement.

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