Chapter 15

B2B eCommerce:
Current Practices

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ABSTRACT

This chapter discusses the use of Internet by businesses in marketing products and services to other businesses. The chapter starts with the well-known technology adoption model and the relationship between technology adoption and firm profitability and then expands into how businesses market to other businesses using a variety of methods and examples. Most businesses targeting their products and services to other businesses or distributors have developed web sites where purchasers can obtain information and place online orders with little or no human involvement. In addition to company specific web sites, there are also web portals where business customers and sellers meet to buy and sell products using auctions and bids. The chapter then discusses how to increase online traffic using search engine optimization as well as identifying potential customers using electronic databases. The chapter ends with a discussion on the importance of relationship marketing for B2B businesses using Customer Relationship Management software or other means.

INTRODUCTION

Business-to-Business (B2B) eCommerce is the buying and selling of products or services through computer networks (such as the Internet) where transactions are performed electronically. B2B eCommerce predates the Internet and was then known as Electronic Data Interchange (EDI). The types of organizations participating in B2B eCommerce include Manufacturers, Distributors, Retailers, Government, Non-Profit organizations, and Service Organizations. By sales volume, B2B eCommerce dwarfs Consumer B2C eCommerce. Jupiter Communications Company estimates the B2B eCommerce to be more than $6 trillion in the U.S (Ecommercetimes.com 2007). Of that 92% of

the total dollar value of electronic transactions is B2B. The dollar volume estimates for electronic commerce also includes EDI transactions that make up about 73% of the B2B eCommerce (United States Census Bureau, 2010).

Business use of the Internet can be explained by theories of innovation and technology adoption. The Technology Adoption Model (TAM) (Davis, 1989; Davis, et al., 1989) is especially fitting. TAM, widely used and tested by researchers, has its foundations in the Theory of Reasoned Action (Ajzen & Fishbein, 1980; Fishbein & Ajzen 1975). TAM examines the mediating role of ease of use and usefulness of new technology as they relate to the currently used technology in a firm, considering the impact of external variables. Several scholars (Moore & Benbasat, 1991) introduced a variation of the TAM and the new product adoption process (Rogers, 1962) and applied it to information systems. This application produced eight perceived characteristics of innovation: relative advantage, compatibility, and trialability, image, ease of use, result demonstrability, visibility, and voluntariness. The underlying reasons for adoption of new technology, innovation or e-commerce are to improve firm profitability. Research has show that businesses that innovate are rewarded in higher profit margins (Keskin, 2006). Other studies also suggest a positive relationship between technology adoption and firm performance (Ian, et al., 2004; Karakaya & Shea, 2008). However, there are exceptions. Many companies experience problems operating their business successfully even after they enter eCommerce markets and establish themselves. A recent study (Karakaya & Stahl, 2009) examined 27 barriers to successfully operating an eCommerce business and determined four underlying factors impacting firm profitability. These four factors are competitive advantages of rival firms, sustainability, capital requirements, and eCommerce resources.

While there are many of similarities between marketing B2C and B2B, B2B marketing has unique challenges that have to do with the way products are bought and sold. First and foremost, B2B customers buy in large quantities and often make purchasing decisions collectively using a committee system. Therefore, it is not a single individual, but multiple individuals in organizations working in a "buying center" that make the final decision on purchasing. This makes targeting multiple persons in organizations important. Most B2B companies also have professional purchasing agents who play an important role in purchasing decisions. And, because B2B organizations buy in bulk, the cost is often the most important factor in decision to select vendors. If a purchase is conducted for the first time, buyers conduct extensive research and call for bids or proposals. There are many eCommerce portals that bring buyers and sellers together. For example, Mfgtrade.com is an international site designed to bring companies around the world. Despite the increasing use of eCommerce portals, it is always a good idea to supplement online marketing efforts with traditional selling methods such as face to face-to-face, telephone, and direct mail sales methods. This is because of buyers need to be able to trust the vendors. Once trust is established, buyers can reorder their purchases online. Considering that most B2B purchases are repeat purchases, trust, cost, quality, delivery, and service are important elements of B2B online marketing.

In using the Web, most companies try to promote their products, accept online purchase orders, and communicate with customers, distributors, employees, suppliers, and strategic partners. Through automation, lowering of human resource needs, and much less use of telephone, copying and printing, companies save money. In addition, use of the Internet speeds the process of purchasing and ordering and reduces the chance of making mistakes because much of the ordering work has now been passed on to customers. Cisco is a good example of a company using eCommerce. Almost all of Cisco's products are made to order and Cisco's customers now do the ordering process online. This speeds up the process of purchasing

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