

AS FEATURED IN

DIGITAL B2B
COMMERCE 360

BUILDING BETTER B2B MARKETPLACES

As B2B marketplaces serve more markets and supply more products and services, their operators are figuring out new ways to be more valuable to both buyers and sellers.



Compliments of



INSIDE AT AMAZON BUSINESS

How the B2B marketplace behemoth is flying with the trends.

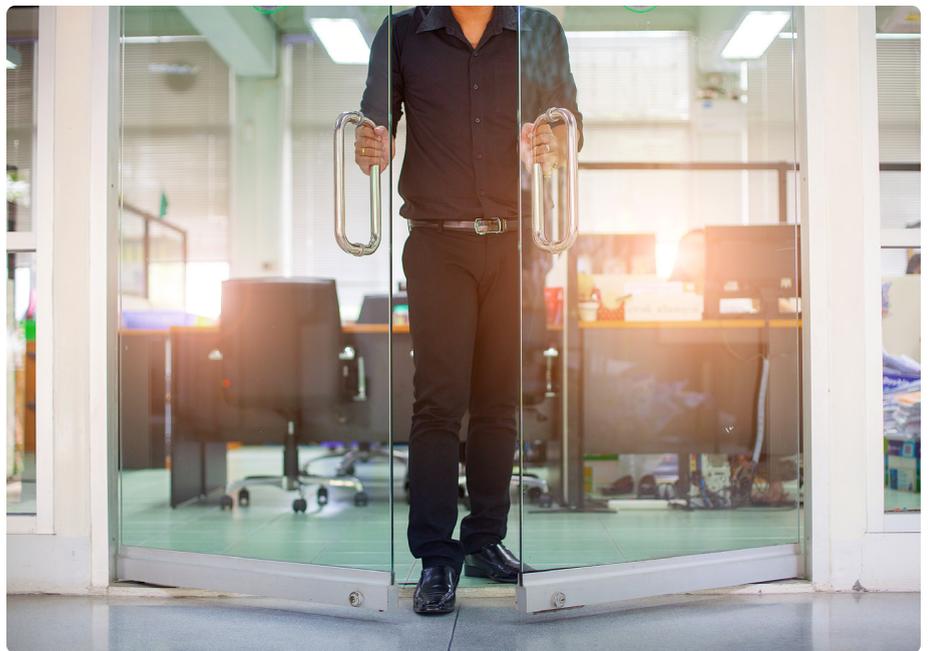
Even with its unparalleled financial position in B2B ecommerce — having surpassed \$25 billion in reported annualized gross sales a year ago, with Wall Street analysts estimating it will reach \$80 billion by 2025 — Amazon Business can't do it all when it comes to online B2B products and services.

But it keeps trying. As Amazon likes to say, "It's still Day One."

The company has no choice but to keep evolving to satisfy business customers — a trend already bringing significant changes to the dominant B2B marketplace.

At the Amazon Business Reshape 2022 event last fall, Amazon executives said the ongoing improvements at the Amazon Business marketplace include expanded free-shipping deals and the application of artificial intelligence and machine learning to better match customer demand with available products from suppliers.

In addition, Amazon Business has increased its sales and account services with large enterprises, including the procurement of direct



goods used as components in manufacturing as well as the more common indirect goods like office supplies companies purchase for their internal operations.

The companies that use Amazon Business, meanwhile, are leaning more toward new ways of connecting with the marketplace that include avoiding its dot-com interface altogether.

“That’s exciting — and that’s where we’re headed,” says Chris Costello, executive vice president of worldwide strategic accounts.

‘WHAT WE NEED TO DO FOR BUSINESS CUSTOMERS’

At its launch in 2015, the goal for Amazon Business was to go beyond the established Amazon.com experience of providing a massive product selection at competitive prices and delivery services.

“When we started building Amazon Business, it was really about what do we need to do on top of that for business customers,” says Todd Heimes, director and general manager of Amazon Business Worldwide, who has been with Amazon since 1999.

The initial B2B services Amazon Business offered at launch included features that let account holders maintain multi-user accounts, share payment methods, and access and review analytics data on what a company’s buyers were purchasing. Since then, Amazon’s B2B marketplace has expanded services to include free shipping for Business Prime members, which can extend to thousands of buyers from the same company, and the Guided Buying program, which lets companies establish spending rules for its employees — for example, where all employees would be cleared to purchase laptop



Amazon Business' Guided Buying program lets companies establish spending rules for employees.



"We're constantly trying to improve our algorithms to show the best products to customers at the right time."

—Todd Heimes, director and general manager, Amazon Business Worldwide

accessories but where only department heads would be authorized to purchase laptops.

The Guided Buying program also supports the ability of companies to direct more of their purchasing to sellers on Amazon Business who meet their diversity and sustainability requirements, including minority- and women-owned businesses and sustainable products shown to be environmentally friendly.

RELYING MORE ON AI, ML AND SERVICES

Amazon Business is also using data with artificial intelligence and machine learning to understand customer demand and, in turn, order hot products from suppliers and display related online content.

"We use machine learning and AI to determine what we should surface on the website based on inputs we get from customers on what they're interested in ... and input from what similar customers have searched for," Heimes says. "We're constantly trying to improve our algorithms to show the best products to customers at the right time."

One area where competitors set out to differentiate from Amazon Business is by offering specialized services geared for B2B products, such as machinery calibration.

For Amazon, that's an area worth targeting, Heimes says.



The right marketplace technology helps meet tax requirements

An executive conversation
with **Mary McNeer**,
senior product manager, Vertex

The rise of the B2B marketplace is forecasted to continue, providing opportunities for businesses to have a more prominent online presence, reach a wider audience and connect their products with new buyers. To discuss how marketplace technology can help B2B companies, Digital Commerce 360 spoke with Mary McNeer, senior product manager at Vertex.

What challenges do B2B companies face when launching marketplace initiatives?

The B2B space covers many industries, which may be governed by specific regulatory and compliance requirements — adding complexity. The tax outcome can have significant impact, from the margin on the sale to the invoices produced. Several challenges include:

1. Getting the design right. The design phase is crucial to the success of the B2B marketplace. It is imperative that the solution design is considered from an end-to-end perspective, and that the right stakeholders are at the table — including tax and compliance — to ensure their needs are considered up-front as part of the overall solution design.

2. Staying on top of regulations. The ecommerce space is constantly evolving from a regulatory perspective. The marketplace must be able to address current regulatory requirements and adapt to future needs as the business expands or new regulations are introduced. E-invoicing, knowing your seller and the introduction of marketplace facilitator rules in various regions across the globe are some examples of regulations companies should consider.

3. Managing large amounts of data. Marketplaces must capture and manage large amounts of data (sellers, products and transactions), which factor into the right tax treatment for a B2B sale. While the reporting needs of both for the marketplace is dependent on the availability of the right data, in the right format, at the right time.

How can they overcome these challenges to succeed with marketplaces?

The solution is twofold: A holistic design that considers both the seller and buyer needs from an end-to-end perspective and the right technology to support that design. These can transform the current way of doing business by streamlining and automating what were previously manual tasks and improving operational efficiency.

It's important to implement the right tax technology solution — one like Vertex. It's scalable, can automate and simplify complex processes and ensures the right data is available to the right system at the right time. Vertex has the solutions and integrations that can help businesses meet their tax requirements, streamline their business operations and support their future growth.





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“We’ve seen so much demand by large, multinational companies, we decided to spin up an entire new business unit.”

—Chris Costello, executive vice president, worldwide strategic accounts, Amazon Business

“There a lot of products that business customers buy that do require services,” he says, adding, “We’re always looking at what do our customers need? What are they asking for? Services is definitely one of those. We don’t have it today, but we recognize the importance of that in the future of our company. So, stay tuned.”

Another potential growth area, Heimes says, is private-label B2B products, which Amazon Business may consider introducing to complement its AmazonCommercial line of janitorial and other products.

TAKING ON MORE ENTERPRISE CUSTOMERS

As Amazon Business eyes more business, it also expects to maintain the recent grow with large companies that has led to a new — and expanding — strategic accounts unit that supports their online purchasing efforts.

“We’ve seen so much demand by large, multinational companies, we decided to spin up an entire new business unit,” says Chris Costello, a former AT&T executive who joined Amazon Business in May 2021 to lead the unit as the executive vice president, worldwide strategic accounts. In her first year in that role, she notes, her team more than doubled, following Amazon’s plan to “start small and grow into a very, very, very sizable team.”

Costello notes that Amazon Business' strategic accounts include as customers nearly all of the Fortune 100 and more than 470 of the Fortune 500. The industries most widely represented in her unit are heavy industrial manufacturing, oil-and-gas, retail, insurance and financial services, among others. While such businesses do most of their purchasing through Amazon Business for indirect goods — including the maintenance, repair and operations (MRO) products and materials that companies use internally — some companies, including auto makers, also use Amazon Business for procuring direct goods used in manufacturing.

To foster purchasing of complex products, Amazon Business developed and launched within the past several months a Custom Quote Engine, which lets buyers connect directly with Amazon and its third-party sellers to request a price quote for a customer order, then complete the purchase either through self-service ecommerce or with a sales rep.

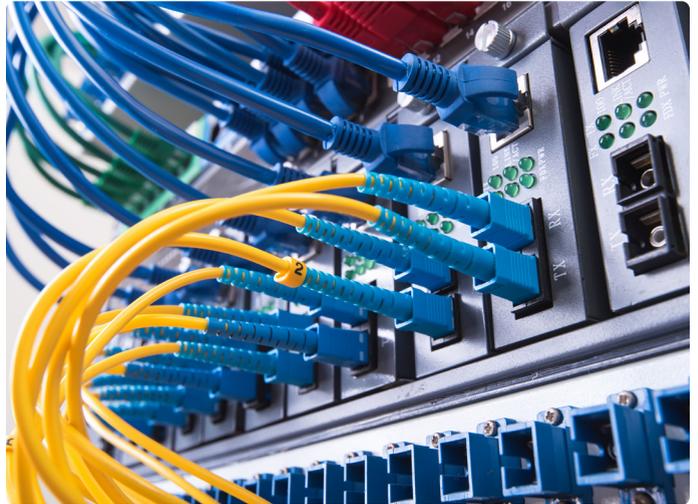
In addition to other spend-management tools under Amazon's Guided Buying service, Costello notes that Amazon Business has also developed a multi-legal entity application designed for companies operating with many units as part of a centralized or franchised business model.



Amazon Business' strategic accounts include as customers more than 470 of the Fortune 500.

“It allows our customers to have associated accounts and get all the benefits of what they’ve negotiated in a contract, but still operate with autonomy.”

Another tool called Account Authority lets companies manage spending by all the buyers associated with their corporate online domain.



GOING AROUND THE DOT-COM: 'WHERE WE'RE HEADED'

What’s “really exciting,” Costello says, is that more companies want the option to skirt the Amazon Business dot-com interface — and Amazon Business is fine with that.

Instead of using the Amazon Business ecommerce site to find and purchase products, some companies are using the marketplace’s direct-ordering application programming interface (API) to connect their internal business software with Amazon’s product catalog.

“This is where we’re headed, and it’s going to become even more critical in demand,” she says. “This gives customers more control — the ability to customize their purchasing systems where they may not want to use our dot-com.”

Costello notes that Amazon Business also provides many APIs for customization projects, such as setting up automatic re-ordering of supplies once they reach a minimum threshold.

“A lot more customers will take advantage of things like our direct-ordering APIs because it gives them more flexibility,” Costello says. ■■

Some companies are using Amazon Business’ direct-ordering application programming interface (API) to connect their internal business software with Amazon’s product catalog.

COVER STORY

HOW BAY FASTENING SYSTEMS IS BUILDING A BETTER B2B MARKETPLACE

Bay Fastening Systems Inc.'s chief operating officer, Michael Eichinger, says the value of online marketplace BaySupply.com is in helping people work more efficiently.

Marketplaces aim to bring many buyers and sellers together. If they do, they provide value to both parties, as buyers can find lots of sellers in one place and sellers can offer their goods to many potential buyers.

But that's not enough to provide long-term value, says Michael Eichinger, chief operating officer at Bay Fastening Systems, a distributor of products that make things stick together, such as screws, bolts and adhesives.

"People want to make their jobs easy," Eichinger says. "The value proposition of a marketplace has to be more than just bringing buyers and sellers together. It has to help them work more efficiently."

That's what Bay Fastening Systems is attempting to do with its BaySupply.com marketplace that it launched in December 2021. The marketplace already offers many features designed to improve ordering efficiency, and more are on the way. And there's complexity every step of the way, Eichinger says.

For starters, BaySupply.com has to import into its system information about all the products that its sellers — 120 distributors



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—Michael Eichinger,
chief operating officer,
Bay Fastening Systems

and 130 manufacturers, with more joining weekly — want to offer to the 45,000 buyers registered with the marketplace as of September 2022. That includes product attributes, SKU numbers, pricing (including tiered discounts for buying in large quantities), available inventory and minimum order quantities.

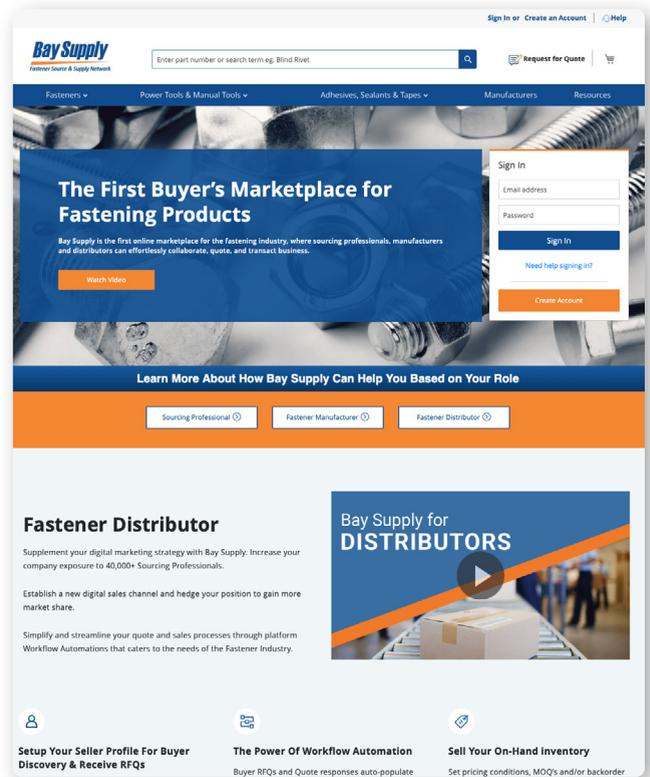
Then, when a buyer asks for bids on an order, the request for quote goes out to all the sellers that can fulfill the order, and the system automatically populates information like the seller's price, inventory on hand and minimum order size. That saves the buyer from having to go to multiple websites and inputting all that data into spreadsheets, Eichinger says.

That quote-management system has gone through a half-dozen iterations, Eichinger says. A final version was released in late October 2022.

AUTOMATED INVENTORY FEEDS

Another project underway will enable automated uploads of product data from sellers to BaySupply.com. That includes digital assets like images as well as price, product attribute data and inventory.

The project, called BayConnect, will allow sellers to automatically send data feeds from their internal systems, including their enterprise resource planning (ERP) accounting and inventory systems, product information management (PIM) software that tracks all the information about each product, website databases or electronic data interchange (EDI) pipelines.



BaySupply.com is working on multiple web site features to improve efficiency for customers, including BayConnect for sellers.

“The only efficient way to onboard product long-term is to do automated connections,” Eichinger says. BayConnect is due to go live in the first quarter of 2023.

BaySupply.com provides many other features designed to improve efficiency for sellers. For example, manufacturers can upload all their distributors to the platform and ensure that correct product information goes to each one’s listings on the platform. In addition, the supplier can designate which distributor is authorized to sell to customers in a particular geography so requests for quotes are routed to the correct seller.

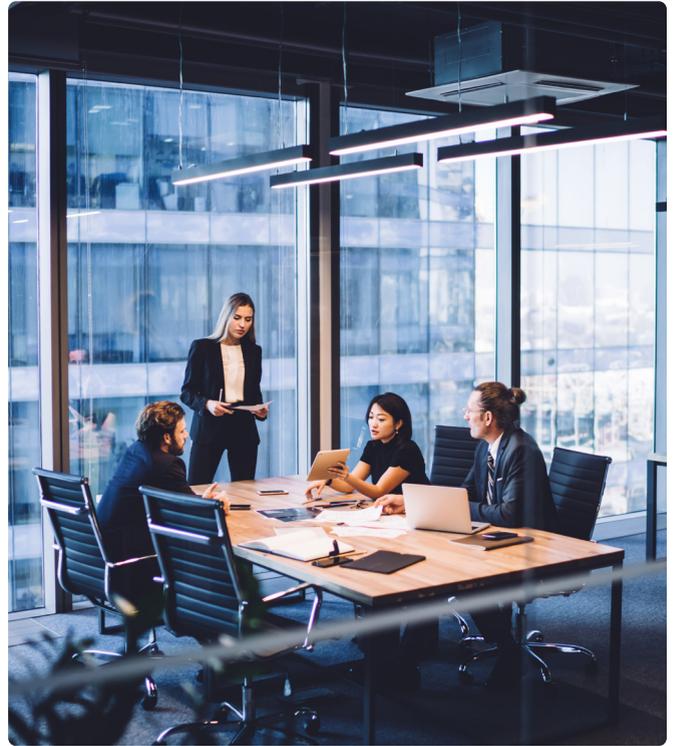
The marketplace also must properly deal with a range of other requirements, including sales tax, regulatory compliance, order changes and cancellations. It has also built an online chat tool to facilitate communications between buyers and sellers.

“It’s a monster of a task,” Eichinger says. “Every week is a new challenge.”

McFadyen Digital Inc. handles the development work for BaySupply.com, which is built on Magento software from Adobe Inc. McFayden Digital is an IT firm that specializes in ecommerce marketplaces.

A LONG-TERM VISION

It has taken a big investment to develop BaySupply.com. Eichinger says it will be five to eight years before the parent company gets that money back.



It will be five to eight years before the parent company recoups its investment in BaySupply.com, says Michael Eichinger, chief operating officer at Bay Fastening Systems.

Part of the ROI will come from the 9% commission BaySupply.com takes on sales closed through the platform. In addition, there is a 2.9% payment-processing fee that goes to the bank that either handles the credit card transaction or extends a line of credit to the buyer.

But, Eichinger says, Bay Fastening Systems also benefits in other ways. The marketplace boosts awareness of the company and helps drive offline orders.

The key to success is offering convenience, he says. Surveys show B2B buyers prioritize convenience over price. A marketplace that makes it easy for buyers to get quotes from many sellers, find inventory that's available when it's needed, and complete transactions quickly makes life easier for procurement agents, Eichinger says.

And it will aid sellers, he adds, by avoiding a scenario where price is the only determining factor. Buyers often need products in a hurry. If they decide BaySupply.com is the place to quickly find available inventory, they'll start their buying journeys there. They'll then make decisions based on factors like availability, ease of getting quotes from multiple suppliers and automated approval workflows, as well as price.

Once many buyers and sellers participate in any digital marketplace, it becomes more valuable for all participants, creating the network effect that Eichinger sees as the key to success. He compares it to Uber and Airbnb, which now have so many buyers and sellers that they're convenient for buyers while providing big sales opportunities for the sellers.

“No one's going to remove Uber or Airbnb because they've created that network effect,” Eichinger says. “That's the end game for any marketplace.” ■■

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Bay Fastening Systems

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