

What's Next for Marketplaces:

How to Ready Your Business for a Fundamental Shift in B2B Sales Processes

CloudBlue

Powering what's next

Introduction

With B2B sales processes already on track to mirror the shift toward digital interactions in the B2C environment, the phasing out of traditional sales has suddenly and dramatically hastened in recent months. [Today's B2B customer sees digital interactions as twice as important¹](#) as they were pre-pandemic, and two to three times more important than traditional sales interactions going forward.

Tomorrow's business buyer, if not today's, is apt to demand from B2B sellers the very same outstanding digital purchasing experiences enjoyed by regular online consumers. Like regular consumers, business buyers searching out digitized interactions are increasingly drawn to online marketplaces, which strive to offer intuitive, full-service buying experiences that streamline research, contracts and the purchase itself.

These business buyers form no small component of the buyer behavior trend reshaping sales. With a whopping one-third of all U.S. business done through e-commerce, [63% of those e-commerce sales now occur on marketplaces.²](#) And with e-commerce penetration effectively [doubling between June and August 2020,²](#) B2B e-commerce in July was up by 20% since the onset of the pandemic.

As marketplaces continue to proliferate, the prediction that 17% of B2B sales would be through e-commerce and marketplaces by 2023 [is being revised upward](#)² for multiple reasons: evolving buying behaviors and demographics, companies transitioning to subscription and consumption models, the growing importance of ecosystems, and accelerated digital transformation catalyzed by COVID-19.

This white paper will delve deeply into this rapid shift toward marketplaces in B2B sales processes. By forecasting the implications of this shift and counseling ecosystem players on how to adapt, we'll consider:

- The likely trajectories of the growth and evolution of marketplaces
- The challenges being faced by independent software vendors (ISVs) and channel partners in light of multiplying marketplaces
- Recommendations for companies launching their own marketplaces and for those selling products through third-party marketplaces





I. Marketplace Momentum: What Lies on the Horizon

The era of the marketplace is on its way and it's arriving sooner than experts initially projected. In recent years, marketplaces accounted for 82% of global B2C e-commerce growth, and a recent [Forrester report predicts that trend to be replicated in the B2B arena.](#)²

The first step toward preparedness is understanding what's coming, and here we present the four most important changes to be on the lookout for:

Software companies will create their own marketplaces

In the B2C world, the evolution of marketplaces saw a defining moment a few years back. Eager B2C e-commerce retailers were losing sales to marketplace giants like Amazon and eBay, as resellers diverted inventory to those marketplaces and opportunistic sellers cut prices. Finally getting the picture, B2C retailers tightened their online referral relationships with manufacturers and started creating their own first-party marketplaces.

With Amazon and eBay now putting the heat on B2B companies, B2B software companies are due for a similar epiphany. Indeed, a number of industry behemoths are already blazing that trail. Microsoft Azure, Salesforce, AWS, Honeywell and IBM Red Hat now operate their own marketplaces.

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As third-party experts like CloudBlue provide solutions for software companies to deploy their own marketplaces more rapidly and efficiently, the barriers mid-size B2B software companies face in launching a marketplace will continue to fall. Change will follow fast: Even prior to the pandemic, [Gartner predicted³](#) that by 2023, 15% of digital commerce organizations with medium to high gross merchandise value (GMV) would deploy their own marketplaces, building a totally new digital ecosystem. That eventuality is now likely to materialize significantly sooner.

Creating a world-class customer experience will be a hallmark of success

Since the rise of B2C e-commerce, competing marketplaces have continuously innovated on streamlined, digitized customer experiences, constantly raising the bar for what will win customer loyalty. The same rising standards and ceaseless innovation can now be expected from B2B marketplaces, which have a lot of catching up to do.

Future business buyers will increasingly resemble regular online consumers. They'll demand outstanding digital experiences that are more visual, more intuitive and more relatable. As noted, business buyers are already forming these expectations: A [2019 survey demonstrated that suppliers offering superb digital experiences to buyers are twice as likely¹](#) to become the customer's primary supplier compared to those providing poor experiences—and 70% more likely than those providing only fair digital experiences.

To satisfy continually rising standards, many marketplaces are moving from browser-driven to multi-device marketplaces, making the tools of a classic e-commerce experience instantly accessible to salespeople during in-person meetings. Pulling up these marketplaces on virtually any device, the sales teams from Telecom Italia (TIM), a CloudBlue customer, can offer in-person sales experiences that simultaneously include digital perks like transparency and instant provisioning. In other words, these salespeople can enhance the digital experience by personally walking the customer through which solutions they should consider and why.

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Increasingly, B2B e-commerce professionals will borrow best practices from their B2C counterparts and investment in the marketplace's customer experience will be an absolute priority. Instead of starting with technology and building toward a quality experience, customer expectations will dictate designs for the buying experience from the drawing board onward.

Marketplaces will evolve toward full-solution offerings

In the next 5 to 10 years, [expect hundreds and eventually thousands of new B2B tech marketplaces.](#)² As these marketplaces launch and mature, many will evolve through two phases.

The first step up from a marketplace offering a limited number of services will require developing solution sets that cater to specific verticals. As barriers drop away and B2B marketplaces take off, specific customer needs across sub-industries, buyer types, regions and tech categories will drive the creation of niche-marketplace permutations.

These specialized, vertical-aligned marketplaces have already popped up beyond the IT world in a variety of industries. And in the coming years, vendors, distributors, retailers and associations will likely run a wide variety of these niche marketplaces. To launch them, managers will need to have a thorough understanding of the vertical they're targeting.



At some point, many of the larger companies will move beyond verticals and expand their addressable market even further. They'll learn the specific pain points shared across diverse verticals and they'll begin to focus on offerings for specific use cases. Much like CloudBlue's customer TIM, they'll eventually offer full-solution offerings consisting of bundled infrastructure, services and applications that have been tailored to the needs of particular business types.


The proliferation of marketplaces will coincide with more channel partners

The creation of more marketplaces will mean more service providers as well. Going forward, top SaaS and cloud B2B businesses will look to bring on a growing number of specialists, mainly consisting of providers that do not make transactions. Microsoft, for example, is [currently adding 7,500 new partners each month](#).⁴

These providers will adapt to changing responsibilities in this new ecosystem, playing a resale role less and less. Having cloud and e-commerce skills, they'll assist with higher-margin upstream and downstream services, such as SEO, merchandising or custom solution development.

Meanwhile, ISVs embracing channel marketplaces will have to be more selective in their choice of partners. They'll need to cultivate strategic relationships with channel partners that possess specific domain expertise and hold key contracts with target customers. Moreover, it will be essential for these ISVs to focus resources on their core product, resolve technical debt, avoid creating silos and ensure that the solutions they build are designed to fit within the multi-vendor aggregate cloud solutions that channel partners are offering.

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II. New Ecosystem, New Obstacles: The Challenges Awaiting ISVs and Channel Partners

With this new marketplace-oriented ecosystem swiftly taking shape, a host of obstacles for traditional channel players comes into view. For vendors and partners, the redesigned terrain of B2B sales will require careful navigation of new complexities.

Here are a few of the most imminent and critical challenges to have on your radar:

As all parts of the value chain launch marketplaces, relationships get complicated

In the coming years, vendors, partners, distributors and channels will increasingly look to deploy their own first-party marketplaces. This shift in B2B sales processes will translate into a morphing of the channel's web of interdependencies. Parts of the value chain that have traditionally collaborated will now find themselves in direct competition with each other.

For marketplace owners, this adds up to the difficulties that come from increased competition. On the other hand, the fragmentation could create distance between the ISV and their customers. Both will need to be certain they have their ecosystems and marketplace strategies locked in.

At the same time, the chance for ISVs to be among the first to launch their own marketplaces and claim market share presents a big opportunity. In early 2019, [only 56% of B2B companies had an e-commerce site while only 11% had a marketplace.](#)⁵ At the same time, small vendors in particular benefit from the profusion of marketplaces by capitalizing on more chances to get their products in front of an audience.

Lastly, the new landscape also complicates the efforts of technology vendors selling on different marketplaces. These vendors will have to choose the best places to sell their products from the multitude of marketplaces available. Aiming to maximize sales, they'll likely try to launch products on as many marketplaces as possible. This will mean determining the best way to automate and scale their integrations to ensure their ability to swiftly and effectively launch on multiple platforms.

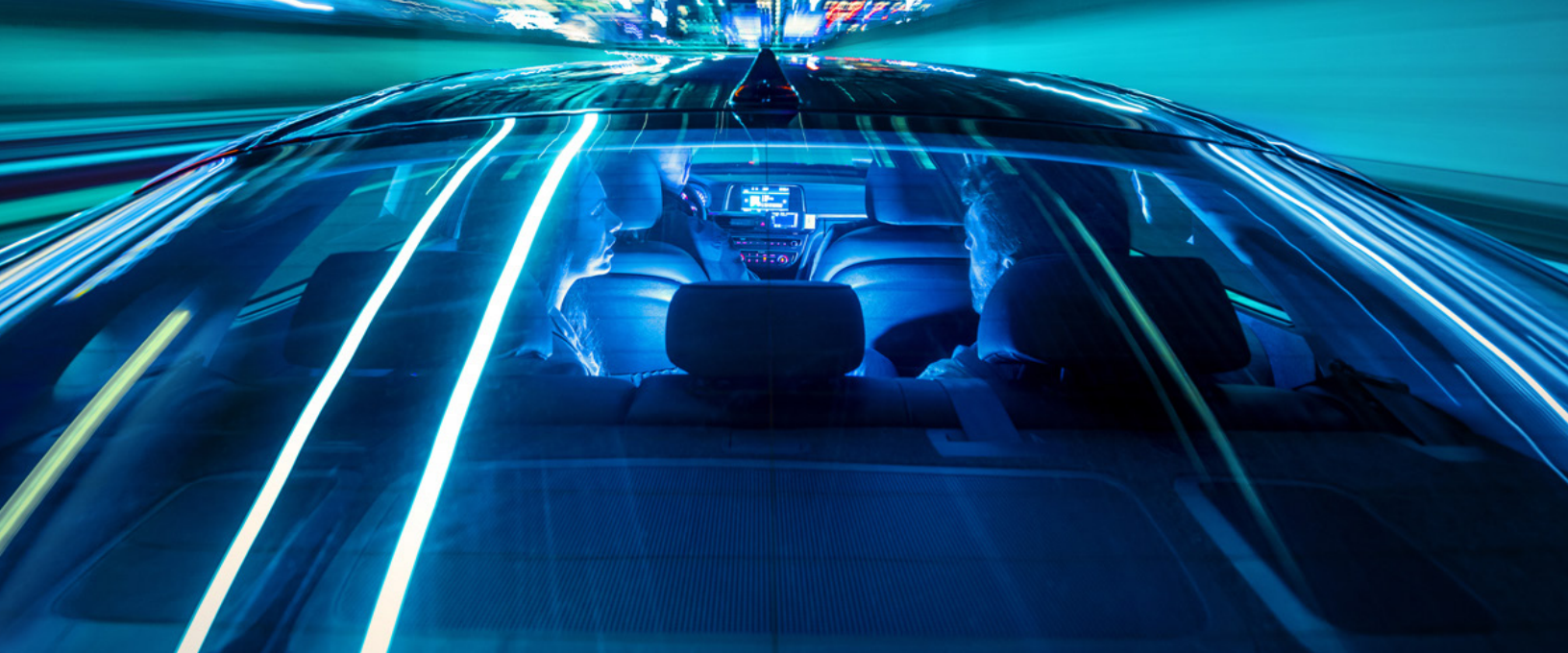
Having others sell on your marketplace makes you vulnerable to brand damage

The ISVs and partners that launch their own B2B marketplaces should be wary of seller risk. Any instance of incomplete or inaccurate product information as well as orders that don't arrive on time can reflect poorly on your marketplace and thus on your brand. The risks here can be mitigated: Set explicit expectations and standards for all sellers, and make certain dissatisfied customers have a way to contact you directly.

Tax compliance risks increase as your marketplace expands globally

B2B marketplaces entail using a sales process with an expansive reach. In many places, the marketplace operator—not just the third-party seller—bears responsibility for processing sales tax on transactions. As more marketplaces launch nationally and internationally, the ISVs and partners operating them must take special care in complying with nuanced and changing local, regional and national tax regulations.

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These players can minimize risk by placing trust in the right tax and accounting experts as well as the right software. Some software vendors—including OneSource Indirect Tax, Oracle NetSuite, Savos, Thomson Reuters, Vertex, Avalara and CCH—offer tools for managing tax-exempt certificates.

With more transparency, some tricks of the trade won't cut it

To a great extent, consumers love marketplaces for their transparency. By skipping the traditional, in-person sales interaction, products are at least in theory arranged side-by-side on the “same shelf”—laid bare to objective assessment by easy price comparisons, product reviews and complete feature information.

This transparency is already shaking up B2B sales strategies. In the past, through in-person interactions, sales representatives could selectively highlight the most flattering product differentiators and offer account-specific discounts to certain customers while raising prices for others. Now, ISVs and partners are being forced to find new approaches.

For marketplace owners, increased transparency means customers will inevitably shop around. To keep them loyal, these companies will need to offer everything their customers are seeking, find ways to highlight product differentiators, develop customer relationships and serve up an industry-leading customer experience.



III. Making way for the marketplaces: how to minimize risks and maximize potential

Clearly, the rapid expansion of marketplaces means a rapidly evolving set of new challenges in a market of drastically heightened competition. As the number of channel partners increases, [up to one million software vendors are set to crowd the \\$528 billion cloud services market by 2027.⁶](#) With COVID-19 driving trends toward digitalization, e-commerce and marketplaces into even higher gear, B2B business success will depend on a B2B company's ability to adapt to marketplace-oriented sales.

Explore three critical recommendations for organizations launching their own marketplaces and those selling products through third-party marketplaces.

If you're launching your own marketplace:

Design marketplaces for increased immediacy and convenience

From the very beginning of the design phase, B2B businesses striking out on their own should be cognizant of just how high B2C companies have set the bar. It's crucial to understand that building your brand will necessitate a commitment to offering digitized, end-to-end processes that are remarkably intuitive, instant and expedient.

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Hosting third-party products requires mastering e-commerce. It means accommodating customers seeking to purchase at odd hours and get instant answers to questions. B2B businesses must design their marketplaces to return search results in fractions of a second, and to initiate, track and confirm same-day delivery or provisioning. Swivel chair provisioning is no longer sufficient. Instead, scalable marketplaces are expected to ensure instant provisioning of products, including cloud and digital solutions.

Another feature that's now nearly mandatory is user-generated content. Social media tools like Bazaarvoice and PowerReviews offer ratings and reviews functionalities that allow your marketplace to feature comments from global communities of experts who are posting and replying to questions about specific technologies. This is a growing driver of context-specific and solution-centric B2B buying.

Use out-of-the-box technologies to optimize marketplace automation

Committing yourself to creating your own top-notch marketplace should not blind you to the fact that there's already an abundance of tools at your disposal for helping you manage your marketplace. Rather than pouring time and money into developing proprietary tools to help automate your marketplace, managers should leverage out-of-the-box technologies to optimize marketplace operations whenever possible.



There are two main types of tools B2B businesses should focus on. First, companies will want to invest in partner and channel management software. These include automated end-to-end order processing tools, custom offer creation capabilities, customizable forms, in-panel marketplace, and tools for offer, reseller and global discounts. These offerings enable your marketplace to deliver cloud products and services to a multitude of customers and indirect channels quickly and efficiently.

Subscription management software can also be invaluable to those new to marketplaces. Operators will find that homegrown systems are rarely optimal for bundling the numerous types of products and services into subscription models. Functionalities for managing the subscription lifecycle, which includes renewals, suspensions, upgrades/downgrades and cancellations, in combination with the variable periods and different pricing models means the process can frequently become manually time-intensive.

Shrewd marketplace operators lean on third parties for these management tools, freeing themselves to focus on performing and hitting their numbers—even as their sales processes undergo major transformations. Third-party experts like CloudBlue provide solutions to help software companies rapidly and efficiently deploy their own marketplaces while accelerating their digital maturity. For marketplace managers, this can be a worthwhile investment.

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Make marketplaces part of your overall sales strategy

The B2B business that's new to marketplaces should understand potential discord between direct sales forces and those spearheading your e-commerce strategy. You can ensure alignment between your e-commerce pros and internal sales teams by establishing precedents for synergy. For example, B2B digital touchpoints can expand and reinforce a salesperson's knowledge of deep catalogs. Sales teams can also leverage digital platforms to monitor customer buying patterns, receive orders and offer special customer promotions.

Additionally, there are several tactics you can use to better integrate marketplaces into your overall strategy from the start. First, be certain to



get top-down buy-ins from executives for incorporating marketplaces. Second, be sure to align overall sales metrics with the metrics your marketplace supports. And third, treat vendors on your marketplace as an extension of your team.

If you're selling products on third-party marketplaces:

Start creating solutions for industry verticals

In the next few years, you'll see the launch of hundreds or even thousands of specialized, industry-focused B2B marketplaces. As a result, businesses looking to sell on those platforms will be hard-pressed to make sure they're visible to their target customers. Their products may also struggle to compete among a growing abundance of intelligently bundled multi-vendor packages designed to fulfill specific customer needs.

As tech buyers in the automotive, healthcare and logistics sectors start zeroing in on trusted marketplaces to find tailored solutions, B2B businesses must carefully assess how to best align their products with industry verticals. They'll need to research and identify third-party marketplaces that cater to those verticals and ecosystems, and take steps to optimize relationships with the most capable partners on those marketplaces.

By working with specific vendors or partners in identified marketplaces, companies can succeed at offering and delivering the comprehensive solutions their customers require. And by using through-channel marketing automation, they can also streamline sales and marketing enablement.

Simplify marketplace integrations to streamline onboarding

Vendors looking to scale sales will aim to get their products on as many marketplaces appropriate to their buyer demographic as possible. However, their ability to do so efficiently will depend on how well they can streamline their product's integration with each marketplace.

- Vendors should additionally look to
- utilize ecosystem orchestration
- software designed to eliminate much of the burden of marketplace integrations.

To ensure simplified marketplace integrations, businesses should stick to using simple, flexible APIs that allow for quick, low-cost deployments. SaaS vendors lacking large in-house development teams should also focus on low-code or no-code solution designs, enabling less-experienced teams to rapidly integrate products across numerous marketplaces.

Vendors should also look to use ecosystem orchestration software designed to eliminate much of the burden of marketplace integrations. Platforms like CloudBlue Connect allow companies to instantly plug into third-party marketplaces through a single interaction. The benefits in time and cost can be substantial.



Embrace a total transparency mindset

One of the most important ways companies can ready themselves for this new world of marketplace sales is to acclimate to the prerequisites of a more transparent purchasing experience.

Designed to meet customer demands for total transparency, marketplaces are making many old-school, in-person sales tactics—from steering consumer attention exclusively toward a product’s strongpoints to selectively adjusting prices to fit the sales opportunity—obsolete. To be successful in launching a marketplace, it’s crucial to embrace a complete transparency mindset.

To adjust, sales teams must adopt a market education and product differentiation strategy that focuses on communicating the product’s unique selling proposition (USP). These teams will also be obliged to adhere to a more market-driven pricing model. In most cases, success will be earned in full view of the customer.

Looking forward to a new way of selling

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With the rapid expansion of marketplaces throughout the world, traditional channel players are facing a greater need to rethink their sales operations—and quickly. Already, [there's good evidence to indicate that bold strategic moves during any market cycle pays off.](#)⁷ Moreover, the upside of the current climate is the absence of the organizational inertia that typically thwarts these moves.

Fundamental changes to B2B sales process aren’t just on the horizon; they’re here. And while it’s difficult to resist them, you can harness their momentum. The key is gaining foresight, revamping operations and cultures, and perhaps most importantly, choosing the right tools and the right partners.

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