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WHITE PAPER

Navigating the B2B Marketplace Payment Ecosystem

The marketplace is evolving

The future of B2B purchasing is making the experience nearly indistinguishable from a B2C purchasing experience, and we're on the cusp of realizing it.

B2B marketplaces are no longer listing or "matchmaking" sites where real transactions are taken offline. Today's marketplaces are fully digital, and analysts predict they will continue eating into more traditional B2B sales routes.

This is no surprise. Marketplaces have emerged as an accessible and valuable channel to add to a B2B company's mix of digital sales properties. Compared to traditional B2B sales processes, marketplaces can offer a more seamless purchasing process for both the buyer and the seller.

There is always opportunity to improve. Today, many B2B marketplaces feature standard credit card-based transactions that limit purchasing power for the buyer and create risk for the seller. However, advances in modern payment technology and promising initiatives from existing marketplaces are disrupting marketplace payment routines. B2B sellers who can rise to the occasion and match buyer expectations will greatly improve sales and grow their customer base. And the marketplaces and technology partners that help them do so will also enjoy success.

This white paper is designed to help B2B sellers realize the potential for sales via marketplaces, break down the complexities of a B2B sale, and discuss how technology like Credit as a Service® (CaaS) improves the payment process for buyers and sellers. As a major player in the B2B payments space, MSTS is fully aware of the capabilities and limitations of existing marketplaces. Whether you're new to selling on marketplaces, had a negative experience with them in the past or operate one of your own, we hope this white paper serves as a guidepost as you explore your digital sales strategy.

Sincerely,
Brandon Spear
President, MSTS

An overview of B2B marketplaces

More B2B transactions are happening via eCommerce and marketplaces than ever.

By definition, marketplaces are simply digital spaces where a buyer connects with sellers to purchase products. But the opportunity they represent is massive. In 2018, digital B2B sales exceeded $1 trillion for the first time, with analysts forecasting significant growth over the next five years. Yet, nearly half of all B2B transactions are still manual and mostly invoice based, another practice analysts predict will fade in the future.

As this growth trend continues, we will likely see existing marketplaces mimic the B2C buying experience for B2B products — the Amazon Effect — particularly in the area of payments.

Payment advances in B2B marketplaces

As B2B buyers seek more B2C-like purchasing experiences, major marketplaces have tried to keep up by experimenting with new features in their B2B offerings.

01 Amazon Business

Launched in 2015, Amazon's rebranded B2B portal made $10 billion in annualized sales by 2018, when it launched terms-based payment options.

02 Alibaba

The Chinese marketplace giant launched a flexible payment option for B2B sellers through MSTS, allowing sellers to offer flexible payment terms payment.

03 Overstock

The furniture and home products online retailer was one of three marketplaces selected by the General Services Administration to pilot a B2B purchasing program that allows government employees to make purchases below $10,000 through the marketplace, helping fast-track the procurement process.

The Amazon Effect has led B2B buyers to expect a B2C experience, and sellers and marketplaces should rise to this challenge. Sellers who make the right adjustments can sweep the competition and gain new clients, while marketplaces that adapt can increase loyalty and market share.

01

Buyer loyalty is up for grabs

Three out of four B2B buyers say they would switch to a competitor for a better buying experience.

02

Preferred payments options are crucial

Almost half of B2B buyers have not completed a purchase for their company because their preferred payment method was not an option.

03

Credit cards limit buying power

Credit card payments give buyers significantly less buying power than net terms. Terms allow buyers to make larger purchases up front and help them launch their own products sooner — meaning more income for buyers and the potential for more business from the seller.

04

Buyers opt for vendors with net terms

Most B2B buyers say they prefer vendors that offer net term options at checkout because it increases their buying power by reducing the required payment upfront.

Niche and custom B2B marketplaces

The reemergence of B2B marketplaces is fueled by more dynamic buyer tools, evolving buyer behavior and the sheer volume of new vendors and brands. Analysts predict modern marketplaces will continue to multiply and offer more end-to-end digital buying experiences. As technology makes it easier than ever to set up a marketplace, specialty and niche marketplaces have emerged to fill just about every demand.

Aerospace marketplace

GoDirect Trade

Honeywell's aerospace marketplace offers an Amazon-like experience for very large purchases, like $100,000 jet engines.

Equipment marketplace

Conrad Electronic

This German marketplace helps companies source hard-to-find and specialty electronic components.

Logistics marketplace

uShip

The freight marketplace connects shippers and carriers, and simplifies shipping large cargo.

The complexity of a B2B marketplace purchase

How B2B transactions work

Marketplaces are an important part of the B2B sales ecosystem, and the "matchmaking" function they once served has evolved. Now, capabilities ranging from vendor research to checkout and everything in between are digital. However, payment options on B2B marketplaces lag behind the rest of the experience, are remarkably limited and do not match customer expectations. Too often, B2B purchases via online marketplaces can be challenging for buyers and leave businesses with little control. Ultimately, marketplace and seller struggles become a burden for buyers as well. The lack of better payment options has created a complex, tangled web of challenges within the B2B marketplace, leading to interconnected challenges for buyers, sellers and marketplaces.

The complex B2B marketplace ecosystem

Friction during purchases

	Buyer	Seller	Marketplaces
Current challenge	Buyers don't want surprises during the purchasing process — even the most expensive or highest volume orders should be filled easily.	Sellers have little control over the buyer experience within a marketplace, which impacts their ability to satisfy buyer demands.	Marketplaces are serving two masters, they want to keep sellers happy and buyers coming back.
Change demanded	Less friction gives buyers more confidence in the seller and makes them more likely to recommend the marketplace.	Sellers can add value within the purchase process with options like term-based payments, consolidated invoicing and organizational purchase controls.	Marketplaces should provide buyers with a user experience free of glitches, time-outs and checkout issues. Buyers also want suggestions and advice based on historical sales and buying data. Marketplaces must play a more active part guiding the buyer through purchasing, which includes the payments process.

Navigating terms and invoicing

	Buyer	Seller	Marketplaces
Current challenge	B2B buyers expect a B2C-like experience even for large, complex purchases.	On the majority of marketplaces, sellers assume all risk if a buyer is unable or unwilling to pay, and often face unpredictable chargebacks on credit card transactions.	Marketplaces lack A/R departments who are traditionally responsible for managing NetTerms and may not want to use its capital to settle with sellers before payment is received.
Change demanded	Buyers want the ability to choose payment terms to purchase more at once, or help them launch multiple product lines. Credit-based transactions can significantly hinder buyers' ability to scale, especially smaller buyers.	Sellers want a reliable way to collect payment as soon as possible. More flexible payment options in the marketplace will allow sellers to launch additional lines of business or scale to handle increased volume. They also significantly reduce burden on the A/R function.	Marketplaces need a FinTech partner to handle crediting, onboarding and invoicing processes that can pay sellers immediately and offer credit to buyers so they can pay as they expect.

Standing out and capturing loyalty

	Buyer	Seller	Marketplaces
Current challenge	Large, complex purchases often require multiple people and approvals. Many repeat purchases may leave the accounts payable team swimming in thousands of invoices to pay.	Limited payment options in marketplaces leave sellers wishing they could capture more share of wallet by offering dedicated credit to qualifying customers.	As new marketplaces continue to enter the market, competition for both buyers and sellers will continue to increase.
Change demanded	Buyers need purchase control features based on spend and SKUs. The accounts payable team wants consolidated invoicing and the data necessary to process the payable.	Sellers require more flexible tools and features within their marketplace ecosystems, like CaaS options at checkout and departmental purchase controls.	Marketplaces providing a buyer and seller driven experience will result in loyal buyers and increased sales for merchants.

Solving for the complexities of the B2B buying process is important. First, eliminating friction in payments is an investment in the future. An MSTS survey found that more than half of millennial B2B buyers (54%) are seeking alternative ways to pay, and more than a third (40%) are looking for better purchase controls. The traditional marketplace model doesn't allow much room for either, yet the demand remains.

With a growing number of B2B marketplaces available to sellers, it's important to constantly evaluate whether your payment process is satisfying buyers' needs. Here are some questions to ask yourself:

01

Are my payment options flexible?

Selling in a marketplace that only offers credit card-based transactions severely limits your ability to compete. Buyers want the modern B2C experience with traditional B2B payment flexibility.

02

How much control do I have?

The way a marketplace looks and functions for a buyer is an important factor to consider. Are you able to establish department-level purchase controls or consolidated invoicing for larger clients? Can you access any customer's spend and remaining credit at a moment's notice? How easy or difficult is it to make changes to product listings?

03

Am I capturing valuable data?

Just as the front-end experience is important for buyers, sellers must have dynamic controls on the back-end of the marketplace. Anemic sales data and insights negate many of the benefits of selling on a marketplace. If this sounds familiar, consider a modern marketplace that provides real-time data about your customers, orders and listings on the platform or advanced features like sales analytics and forecasting.

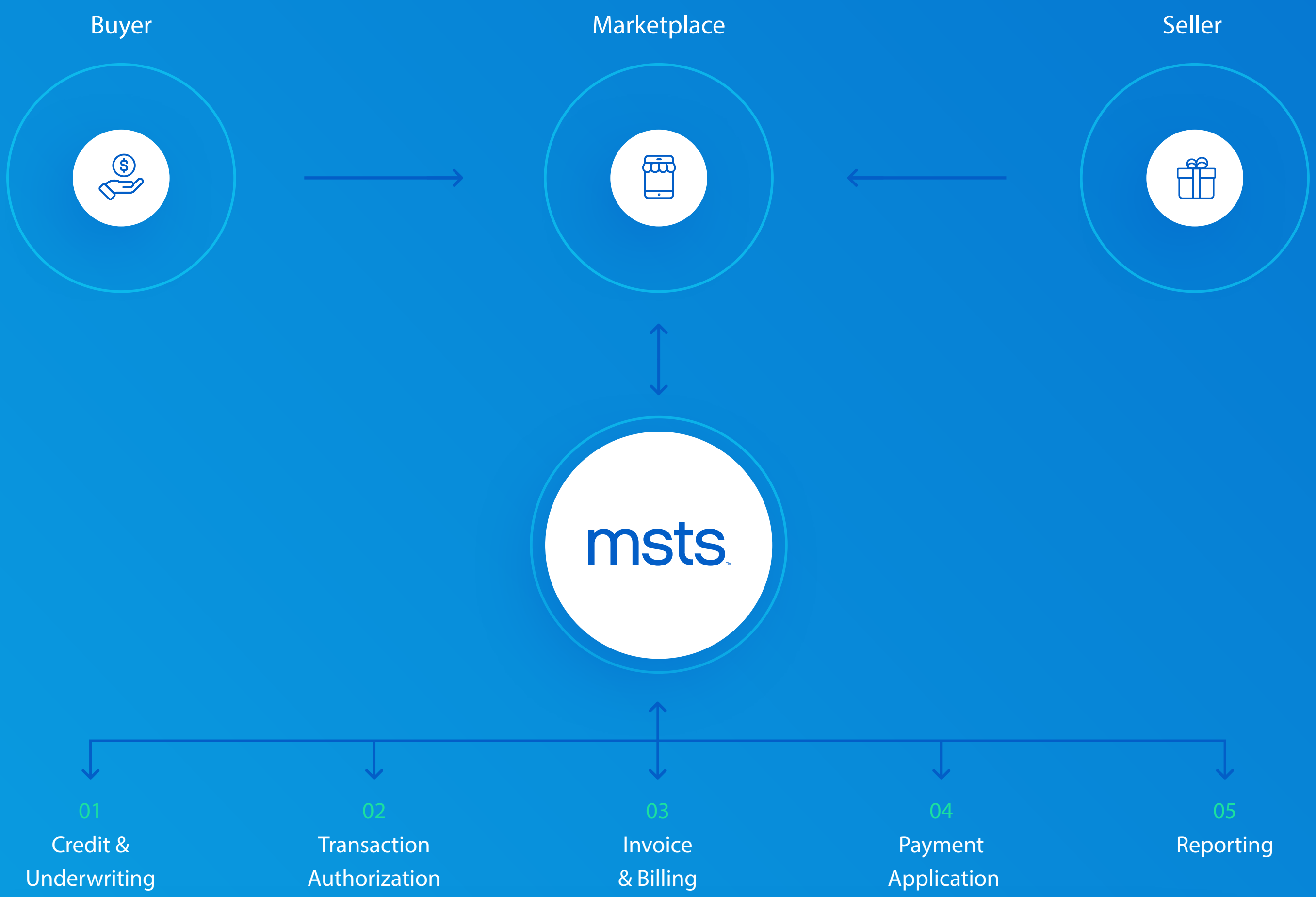
Amazon's B2B terms experiment

In 2018, Amazon Business introduced Pay by Invoice, a service that allows buyers to purchase on terms. A/R is augmented by Amazon, vetting and extending buyer credit. However, many sellers found the system inflexible. For one, Amazon opted all sellers in by default, instead of giving them control over which buyers could take advantage of the program. The sudden influx of invoiced orders caused financial strain for many sellers, especially those within smaller operations.

Building better payments for B2B marketplaces

B2B marketplaces present sellers too many opportunities to ignore. But there are better ways to make them work for your business.

The solution:
Making B2B marketplaces work for your business.



CaaS defined

CaaS makes the B2B buying experience as simple as B2C transactions. With CaaS, much of the time and effort your A/R team spends onboarding, maintaining and vetting new accounts is handled by MSTS. MSTS also assumes the risk of non-payment.

CaaS has numerous benefits for sellers

Growing the addressable market

Improved brand loyalty
Easier payments and less friction encourage return customers. Offering larger lines of credit can enable buyers to purchase from more than one product line at once.

Decreased risk
Everything from vetting of new credit lines to collections is handled by MSTS, eliminating the risk of non-payment to sellers.

Landing new customers

Invoicing at checkout
Tools like InvoiceMe within Credit as a Service® integrates with eCommerce technology to allow invoicing at checkout.

More consistency
A familiar and stable purchase experience is available across all channels.

Expanding your share of wallet

Increased conversion rates
Customers are more likely to check out when they can be approved for up to $250,000 worth of credit instantly.

Better controls
Sellers control buyer credit, even to the point of limiting credit options to certain product lines or service areas.

> "MSTS allows Alibaba to have similar capabilities to Amazon."
>
> Allen Bonde- Vice President, Research Director at Forrester
>
> Source:
> Fintech collaborations focus on fixing pandemic-struck supply chains, PaymentsSource, June 11, 2020

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Learn more about how MSTS empowers buyers and sellers in the marketplace.