The Chemicals Industry
Getting Ready for Next-Generation B2B

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In the chemicals industry, electronic business-to-business (B2B) interactions between buyers and sellers typically rely on tools and techniques that have been in place for years.

Those tried-and-true approaches work, and they have brought greater efficiency and speed to transactions between companies and their business customers.

However, things are changing. Soon, the industry’s current approach to B2B—which traditionally focuses on sales transactions—may not be enough. Evolving technology and business practices and the changing expectations of chemical-company customers are quickly raising the bar for the industry’s B2B practices.

Soon, electronic commerce interactions in the chemicals industry will need to be richer, offer broader functionality, and encompass the end-to-end process of selling products—and they will need to be more customer-focused. To move to this next generation of B2B, chemical companies must adopt a broad range of digitally enabled processes and practices. Indeed, in the not-too-distant future, nearly all B2B processes will be digitized. This shift will enable companies to more effectively hone marketing efforts and reach customers.

And just as it has dramatically changed the business-to-consumer (B2C) world, extensive digitalization in B2B will disrupt business as usual in the chemicals industry—and recast the competitive landscape.

Accenture research shows that a number of chemical companies are already pursuing this next generation of B2B capabilities—and that is especially true of high-performing companies. However, Accenture believes that in the near future, adopting and mastering digital B2B business techniques will be a fundamental imperative for all chemical companies. A growing number of companies understand this. In a recent Accenture survey, 94 percent of chemical companies said that they expect to increase their investment in digital capabilities in the next three years—and 58 percent said that they are embracing digital to gain a competitive advantage over industry peers. If done right, these changes will give companies a powerful opportunity to differentiate their offerings, increase customer satisfaction and compete more effectively.
Meanwhile, the systems used by consumers in their personal lives have evolved to enable a variety of richer, more targeted interactions. Today, online consumers can search for products, compare features, view videos of product demonstrations, track the progress of orders, and request service and manage returns—and other things. Consumers have become accustomed to convenient, easy interactions as they shop—and they are starting to demand the same kind of experience at work.

Furthermore, demographic change will accelerate the spread of such customer expectations. The chemicals industry is beginning to cope with large numbers of retirements. Within a decade, perhaps half or more of a typical company’s traditional workers—those who grew up with paper-based invoices and product information—will be out of the workforce. Their younger replacements will be “digital natives” for whom rich, electronic-based interactions are the norm. As this demographic shift continues, these will be the buyers that chemical companies must reach—and these customers will likely have limited patience with vendors that cannot work effectively in a digital world.

Finally, adopting new approaches to B2B will be critical to keeping up with fundamental business change in the industry. Experience has shown that an increased focus on technology is likely to lead to new and disruptive business models—just as it has in B2C commerce, with everything from Uber in the taxi business to AirBnB in the lodging industry.

Chemical companies need look no further than the example of AmazonSupply. Since its launch in 2012, this online marketplace has increased its offerings from about 500,000 to more than 2.2 million products, and it continues to expand into new product categories. While it is unlikely that AmazonSupply will make inroads in the sale of propylene and ethylene, it could find success in categories such as paints, varnishes and additives, flavors, fragrances, reagents, surfactants, etc., thereby disrupting important segments of the chemical industry value chain. Chemical companies that enhance their digital B2B capabilities will be in a better position to adapt to a changing competitive landscape—or to develop innovative approaches of their own.

By strengthening their approach to digital B2B, chemical companies have the potential to take advantage of several important opportunities, including building stronger and deeper customer relationships, extending the company’s reach, and streamlining lead qualification. These opportunities are discussed below.
Building stronger and deeper customer relationships

For chemical companies, the use of more sophisticated B2B capabilities can not only help them keep up with potential new competitors, it can also help them build stronger, richer relationships with customers. For example, approximately 70 percent of the time that customers devote to interacting with a company is spent prior to any communication with the sales force, as they explore product information, competitors’ offerings, etc. (Figure 1).

With current B2B processes focusing on the purchase transaction, chemical companies have been missing a tremendous opportunity to find and nurture customers leading up to the sale.

Chemical companies can take advantage of packaged solutions—already used by many online consumer retailers—to link product finders and catalogs to broader digital commerce capabilities. All of this can add up to a better customer experience and larger sales. For example, by implementing an intuitive, more comprehensive customer portal, a leading materials and life sciences company expects to increase online sales from 10–20 percent of all sales to at least 40 percent.

It is important to remember that traditional channels are by no means dead. Rather, chemical companies need to bridge the physical and online worlds. This will entail tying contact data management into digital prospect profiles, and taking a more systematic approach to feeding leads from trade shows, sales calls and other person-to-person interactions into the digital pipeline.

Figure 1. Percentage of customer time spent across the B2B journey.

Source: Accenture
In general, chemical companies have not been reaching these end customers effectively. To a large extent, that is because their content is not differentiated for various audiences. Instead, they often take a one-size-fits-all approach.

Today’s online tools make it possible to provide different experiences for different audiences. Using customer research, audience analyses and journey maps that track movement through eCommerce sites, companies can develop “personas” that represent different types of customers (and customers’ customers), and then deliver tailored content designed for each persona. Thus, OEMs could be guided to one set of tools and information, while end customers could be guided to another set—allowing the chemical company to communicate with each group in the most appropriate way. Over time, companies can use analytics to track the effectiveness and accuracy of these personas, and keep adjusting them to better reflect the customers.

But today’s technologies can enable chemical companies to automate these efforts, and seamlessly collect and feed high-value leads into the sales pipeline.

Companies can begin by defining the behaviors that make a good digital prospect. For example, a company may determine that customers who download a cost calculator or view a certain product video have high potential. These actions can be automatically tracked, scored and weighted to identify the best leads, which can then be routed via workflow software to the sales force or the appropriate online sales channel. Progress with these leads as they move through the sales process can then be tracked automatically, as well. Overall, this type of approach means that fewer leads fall through the cracks, and sales efforts are systematically focused on the right opportunities.

Many chemical companies today recognize the value of reaching not only their customers—the various suppliers and original equipment manufacturers (OEMs) they serve—but also their customers’ customers.

Streamlining lead qualification

With traditional online B2B’s narrow focus on sales transactions, the ability to understand the potential value of leads and pursue them accordingly is largely a manual process.
By adopting a more digitally enabled approach to their customers, chemical companies can explore new possibilities in customer interactions. They can, for example, differentiate their offerings by providing increased visibility into the real-time status of orders and deliveries, or by working closely with customers to quickly customize products.

In short, digitalization can do more than help companies keep up—it can enable them to get ahead. Several years ago, for example, a specialties chemical company established a web site to efficiently handle the sale of commodity silicones at a discount. This channel was designed to reach cost-conscious customers who wanted to buy product, but who were not interested in associated services. This allowed the company to expand into this customer segment, extend the business into new countries and cut logistics costs by 60 percent. The investment in the online channel was recouped in just three months. Since then, the company has continued to add products and customers. Now the web site is a true customer-centric portal where customers can customize their product requirements.

While various companies’ approaches to digital B2B may differ, all are likely to find that the effective use of these technologies will be critical to competitiveness. Today, there is a tremendous amount of data flowing along chemical company value chains—and that data holds tremendous value for those that can make use of it.

Accenture research has found that high-performing chemical companies exploit digital technologies to a greater extent than their peers. Similarly, those with higher levels of digitalization have a higher total return to shareholder. In a very real sense, the effective use of digital technology is rapidly becoming a strategic imperative on a par with, for example, using world-class manufacturing technology. (Figure 2).

The right approach to digital B2B will differ from company to company and industry segment to industry segment. For example:

- Service providers are likely to benefit from B2B solutions that enable customer intimacy and better customer support, and that allow them to develop excellent, customer-centric services.
- Specialty companies can leverage next-generation B2B to customize products, and enable the technical sales force to collaborate more closely with customers to shape those products.
- Commodities companies can link customer-facing processes with supply-chain processes to give customers enhanced visibility into orders, provide delivery assurance and shorten lead times. These companies may ultimately take advantage of B2B exchanges to provide these services, which could enable them to not only simplify the buy/sell relationship, but also optimize the supply chain.

Figure 2: High-performing chemical companies are using digital technologies.

Chemical company high performance business (HPB) score vs. digital index score

Chemical company total return to shareholders (TRS) index (2008=1) vs. digital index score
Getting started

Making the shift to a more sophisticated B2B approach will, of course, require new technologies. Perhaps more important, companies need to define a digital operating model and strategy—and typically, they will have to make changes in the organization to support those. As a rule, a next-generation B2B approach will require working across functional silos.

Next-generation B2B will also require a different perspective on technology itself. Chemical company IT groups have traditionally focused on reducing costs, moving all processes onto enterprise systems for efficiency, and “bleeding” technology assets for as long as possible—often, well past their intended lifecycle. But with customer-focused B2B, the IT departments will need to look beyond those goals, and factor in the larger benefits of value creation, growth and delivering the right customer experience. To help, companies should consider establishing a separate group within IT that is not part of ongoing enterprise system operations, but is instead charged with agile development in the support of B2B commerce.

To get started on the road to next-generation B2B, chemical companies should define what digital commerce means in the context of their specific situations. What problems need to be solved? Which part of the value chain should be addressed? Companies may want to consider using B2B to drive growth through improved customer acquisition and marketing. They may want to reduce costs through automation and the handling of more customer interactions in the online channel. Or they may want to pursue innovation, and use B2B to help drive product improvement and enable new business models and processes.

Next, chemical companies can assess their current B2B capabilities—their online properties, processing, organization structure, analytics and so forth—and determine what needs to be changed to reach their eCommerce goals. Those insights can then be used to develop a roadmap for moving ahead and taking action.

The importance is to get started on these efforts in the near term. Developing the capabilities needed for next-generation B2B will take time, and customer expectations for a richer digital experience are rising rapidly. Chemical companies that seek to meet these expectations will be in position to stay close to their customers, which is an increasingly critical asset in a competitive industry.
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