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## How B2B Integration Drives Superior Supply Chain Performance

### IN THIS WHITE PAPER

IDC Manufacturing Insights recently conducted a worldwide study of over 270 enterprises, across multiple manufacturing sectors (automotive, high-tech, and CPG) covering eight countries, on behalf of OpenText, a global provider of enterprise information management solutions and services. The objective of the study was to understand the role B2B technologies can play in today's manufacturing organizations and to evaluate the impact on their supply chain processes. The key findings of this white paper are highlighted here:

- Today's challenging marketplace is exposing the limits of many manufacturers' supply chain practices, which fail to properly address market demand variability and the need for more agile business operations. In particular, manufacturers are realizing these issues will only worsen going forward and they are ready to launch transformational initiatives in their supply chain strategies.
- As manufacturers strive to develop globally optimized supply chains that are more reliable, responsive, and agile, they are aware that real-time data exchange with trading partners can only increase in volume.
- Despite the growing need for information exchange, only less than 50% of companies can be defined as "high adopters" of electronic information exchange processes.
- However, survey results show that a number of best-in-class organizations are taking B2B to a new level as the key integration tool supporting value-chain collaboration. This entails adopting a more dynamic process that is collaborative, in real-time, and based on modern technologies such as cloud, mobility, Big Data analytics, and the Internet of Things.
- Our research demonstrates that this can bring real benefits to manufacturers; an analysis of supply chain metrics shows that evolving the B2B process significantly impacts business performance, regardless of the industry. In particular, metrics such as customer order delivery time, perfect order, inventory turnover, time to market, new product launch failures, cash-to-cash cycle, days of sales outstanding, and invoice processing time are all positively impacted by a more mature approach to B2B that entails more collaborative processes supported by modern technology.

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*It is essential to gain mindshare among all types of customer by providing the best possible consumer experience and service.*

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## SITUATION OVERVIEW

### *Aggressive Sales Strategy in Times of Growing Competition*

Manufacturers have to face a "multipolar" economy. Rapidly shifting economic developments demonstrate how today's business environment is globally interconnected, and the traditional divide between low-cost and established economies is disappearing. The growing middle classes of the emerging markets are driving global demand, presenting a formidable opportunity for worldwide manufacturers, while the stalling mature western markets merely provide opportunities for product replacement. In particular, manufacturing output in many Western European countries is still suffering due to the tough economic conditions, and Japan faces similar problems due to the high value of the yen.

But emerging nations are not simply boosting the global economy with new demand; they are also creating a new set of global enterprises able to compete with the more traditional western organizations. Indeed, a number of assertive multinational organizations are now competing in global markets as peers to the most established enterprises of the "old" world.

Our research shows that to counter the challenges of this world of growing competition for emerging markets and from emerging markets, companies are focusing on exploiting new markets and customer segments to increase revenue. In particular, they realize that it is essential to gain mindshare among all types of customer by providing the best possible consumer experience and service, and they understand that to serve customers efficiently, speed is essential. This is particularly evident in Western European countries where companies often focused on home markets and are unable to react quickly enough to new market growth.

### *The Need to Restructure Supply Chains*

Previously, companies looked at emerging Asian or Latin American nations as the standard source of low-cost services for their established markets, but they failed to anticipate the resulting complexity of supply chains and cost structures, and many are now struggling to remain competitive. To begin with, these investments created aggressive local competition in these manufacturing hubs, but they also created new challenges to supply chains, which are unable to manage today's business complexity.

In fact, the increasing and fluctuating costs of raw materials, most notably in China, are having a significant effect on overall production and shipping costs, making estimates of total network costs a guessing game. At the same time, many low cost countries themselves saw the greatest increase in operational costs due to the significant increase in wages, and this factor alone is impacting future inward investments. Add to this the shortage of skilled workers in countries such as Brazil and China, where the local job market can't provide enough talent to match the requirements of Western companies setting up operations there.

Due to the truly global nature of today's manufacturing operations, it is no surprise that survey results highlight supply chain complexity as the common issue across all countries. Complex and elongated supply chains create the following pain points:

- Customer service metrics can be severely impacted in a marketplace with volatile demands, given increasing delivery lead times from countries with low labor costs and the decreasing delivery lead times demanded by clients.
- There is an increased risk of supply chain disruption, including natural disasters, wars, pandemics, political instability, strikes, and transportation overload.
- At a time when products have to be available in markets quickly, complex supply chains decrease product values, as they slow down the design and introduction of new products.

Manufacturers will therefore restructure their supply chains to acquire the following characteristics (Figure 1):

- **Dynamic** — Allowing supply chains to be quickly reconfigured depending on volumes and the geographic source of that demand.
- **Variable cost** — To take fixed costs out of the network, so that the supply chain profitably operates whatever the demand level.
- **Local market understanding** — Particularly of emerging economies to improve service levels in those markets.

Based on a comparison of costs and risks, supply chains have to blend offshoring, nearshoring, and local or in-house manufacturing. The design is heavily influenced by supply chain risk officers, whose role is to assess and mitigate the risks listed above. In addition, new models will emerge, such as shared capacity and collaboration innovation. This is creating far more responsive, resilient, and dynamic fulfillment networks, but only for companies that actively tackle the dynamic of supply chain collaboration.

Figure 1  
Worldwide Leading Business Initiatives

Q. What business initiatives do you expect your company to undertake over the next three years?



Source: IDC Manufacturing Insights, 2014

*To comply with the speed of today's market, companies need to continuously share information with all their trading partners.*

## THE APPROACH

### *The Status of B2B Collaboration Today*

As companies attempt to mitigate supply chain disruption, it is becoming essential to enhance collaboration further with their business partners.

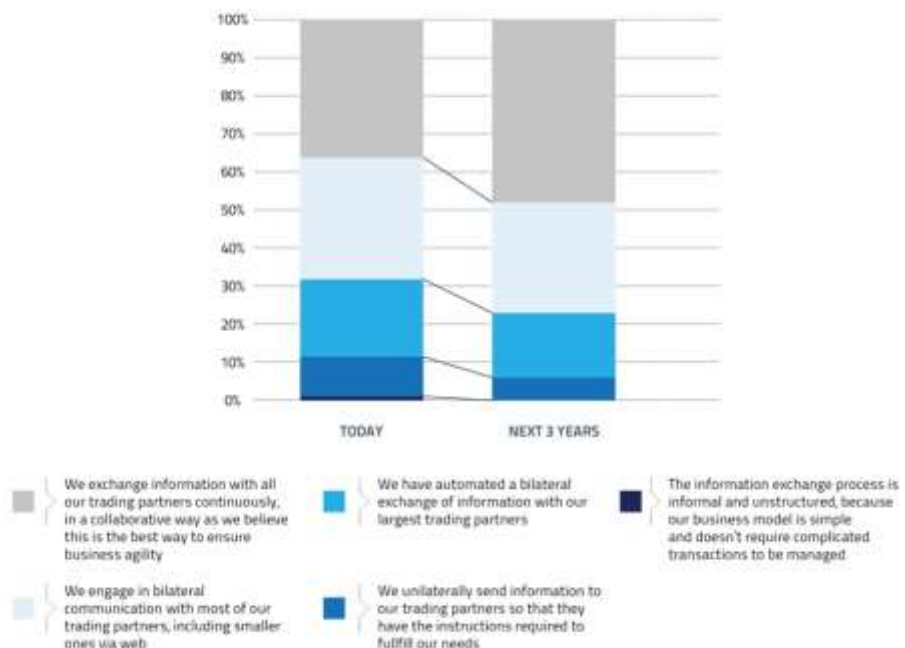
To comply with the speed of today's market, companies need to continuously share information with all of their trading partners. Information exchange among trading partners is — by its own definition — a mutual and collaborative process. About 70% of companies understand there is no space for informal, unstructured information exchange processes, or at the opposite extreme, processes that are too hierarchical (Figure 2).

Figure 2 illustrates that manufacturers understand that the volume of real-time information will continue to rise; almost half of the respondents will need to manage a continuous and collaborative — and consequently very complex — flow of information across their value chains.

**Figure 2**  
Information Exchange Process

*Q. What is the approach your company is currently using to exchange information with trading partners?*

*Q. What is the approach you expect your company will use to exchange information with trading partners in the next three years?*



Source: IDC Manufacturing Insights, 2014

We believe that better integration across the business network, including suppliers, third-party logistics (3PL) providers, and customers, will help reduce "coordination waste." This is the cost of manually managing and using information along the supply chain that is estimated at 5%–10% of market revenue (source: "Economic

Impact of Inadequate Infrastructure for Supply Chain Integration," National Institute of Standards and Technology, 2004).

To determine which collaboration processes are currently used by manufacturing companies, we asked survey respondents about the percentage of transactions that are currently performed electronically and their economic value. Figure 3 provides a combined overview of the results, grouping surveyed companies into three segments.

- **Low adopters** — These companies don't typically exchange much information electronically, and therefore both quantity and value of electronically exchanged information is low.
- **Focused** — Companies in this group electronically exchange a lot of information with a limited number of preferred trading partners.
- **High adopters** — These companies exchange information with most of their trading partners in electronic formats and this constitutes a major part of their total transactions.

The results show that electronic trading has much lower penetration than is typically expected, as less than 50% of companies can be defined as "high adopters" of electronic information exchange processes.

This is particularly surprising when considering today's need for collaborative information exchange processes. It exposes the limits of current electronic networks, which are neither pervasive nor structured to be able to support manufacturers in their day-to-day activities.

This result also points out a strong perception vs. reality issue; many companies that believe they are trading in a collaborative and synchronous way are not actually adopting electronic transaction methods and technologies. This is due to the variable quality and stability of global networks, which in turn reduces the adoption of these technologies.

The more established manufacturing markets such as the U.K. and the U.S. have the highest levels of electronic transactions; these countries also have a high number of industry bodies that are driving B2B adoption.

Low cost markets, such as China and Brazil, have the lowest levels of electronic trading due to poor infrastructure, low-skilled workers and limited understanding of western B2B best practices and standards. New government-driven mandates — e.g., e-invoicing usage in Mexico and Brazil — will lead to growth in the volume of electronic transactions.

This situation is expected to change as investments in infrastructure from governments worldwide create new opportunities in the market. For example, the rollout of new 5G mobile networks in South Korea is making this country potentially one of the most promising B2B markets in the world and will help to drive increased levels of electronic transactions.

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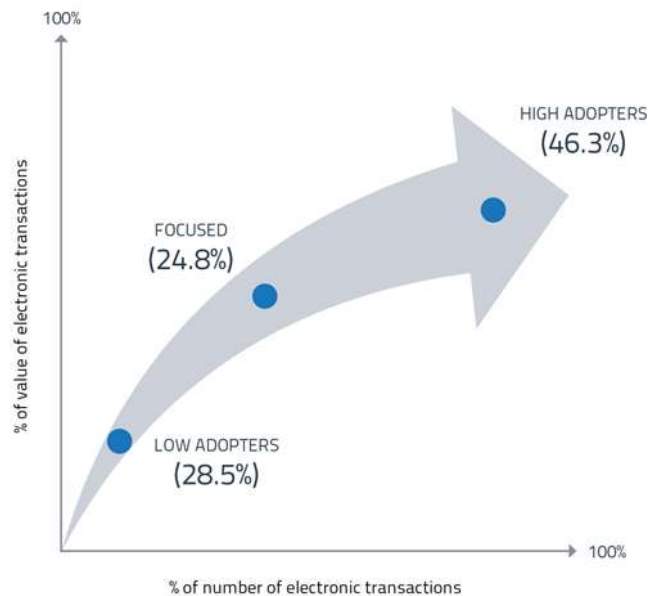


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*Many companies that believe they are trading in a collaborative and synchronous way are not actually adopting electronic transaction methods and technologies.*

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Figure 3  
Electronic Trading Intensity Model



Note: The negligible amount of respondents showing a high number of electronic transactions paired with a low overall value has been removed from the figure.

Source: IDC Manufacturing Insights, 2014

## FUTURE OUTLOOK

### *The Big Transformation in B2B*

In the past the majority of companies have invested in B2B technologies just to comply with external requirements and they were not seeing a specific return from that investment. This is highlighted in Figure 4, which shows how the majority of manufacturers have invested in B2B technologies to fulfill customer or even 3PL provider requirements.

Furthermore, these companies didn't look at those investment efforts as an opportunity to reap strategic business benefits. In fact, survey results demonstrate how reported business benefits from past B2B investments are mostly tactical and oriented at controlling business costs: a reduction of logistics and procurement costs, inventory reduction, and also mitigation of business risk.

The crisis-oriented approach to the marketplace, where lower prices and discounts are viewed as the only way to go to market, has been quite prominent over the past few years. But companies are realizing this is a very short-term strategy. Companies are striving to tackle new business opportunities in emerging markets, and therefore have to think about how improved B2B integration can support "revenue enhancing" benefits such as improved time to market.

Improved ROI will therefore be a significant driver to B2B integration in the next three years, along with two emerging drivers:

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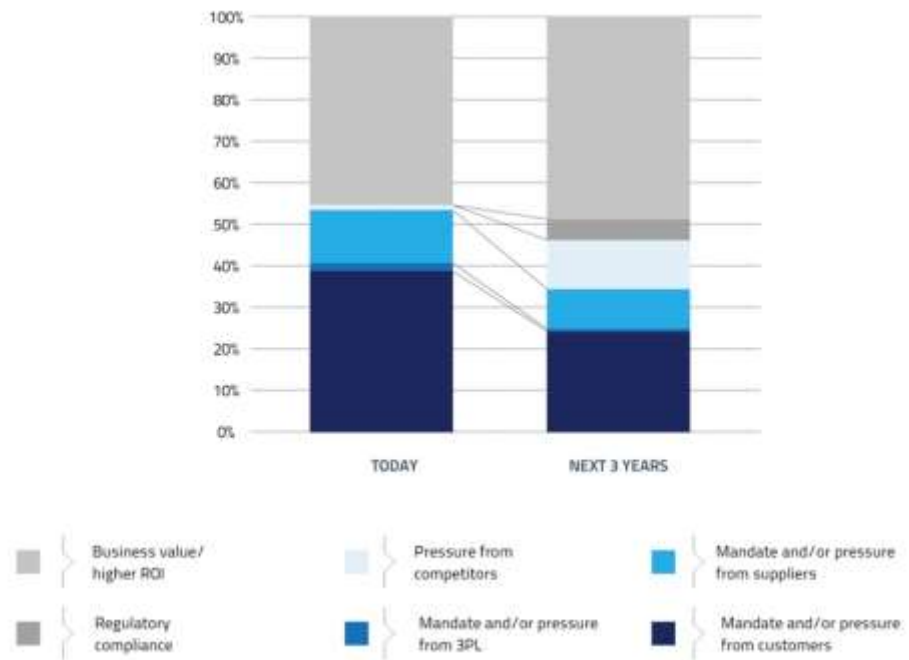
- Pressure from worldwide competitors is increasing, and as the competition becomes better able to integrate with a customer, the customer will switch suppliers. On the other hand, tight integration can significantly help a company to lock-in the relationship and avoid customers moving to competitors.
- Regulatory compliance also increases pressure significantly. In fact, the need to expand in new and emerging markets and comply with local regulations heightens the need for integration.

Overall, more and more companies realize they need to further invest in B2B practices and tools as they see more business benefits from their investment.

**Figure 4**  
Past and Future Drivers of B2B Adoption

*Q. What are the business drivers that have led your organization to invest in achieving better B2B integration so far?*

*Q. What are the business drivers that will lead your organization to invest in achieving better B2B integration in the next three years?*



Source: IDC Manufacturing Insights, 2014

As supply chain applications become central to business strategy, the weaknesses of today's dedicated IT applications are becoming a daunting problem for manufacturers to solve.

Figure 5 shows the supply chain processes that manufacturers believe bring more value to their business.

Traditional B2B is perceived as highly commoditized. This doesn't necessarily mean that it is not useful; it is actually essential, but as yet it is not seen to add value.

*Manufacturers are striving to improve supply chain integration, and this is where B2B can bring more value in the long run.*

Indeed, companies have been successfully harvesting the low-hanging fruit of these technologies, such as the ability to connect with key customers and secure their market position. However, they are overlooking the true potential of these technologies and are unable to use these technologies for their long-term strategic purposes.

Manufacturers are striving to improve supply chain integration, and this is where B2B can bring more value in the long run. Bigger companies of more than 5,000 employees have a particularly pressing need for this end-to-end enterprise application integration. They grew out of past crises in an inorganic way through M&As, and achieved headcount reductions and operations consolidation. As a result, they are now finding themselves with scattered and poorly integrated organizations. The integration of ERP, B2B, transportation, and warehouse systems offers a prime opportunity to create a single view into the information inside, outside, and across the extended enterprise.

Improved supply chain integration is also related to improved supply chain security, such as enabling single sign-on for cloud-based applications, or information governance for suppliers' score cards and evaluation, or monitoring supply chain risk and identifying weaknesses across the supply chain. It also enables end-to-end processes, including collaborative forecasting with suppliers and supplier scorecards. Effectively managing change orders is also believed to be a key way to improve supply chain efficiency and performance, further highlighting the need for integrated end-to-end supply chain processes.

**Figure 5**  
Different Supply Chain Processes, Different Impact

Q. What is the relevance of the following supply chain process steps in terms of impact on your company business performance?



Source: IDC Manufacturing Insights, 2014



*The biggest barrier currently comes from the competition with other IT projects, such as ERP system implementations.*

*IT is the Solution — and the Barrier*

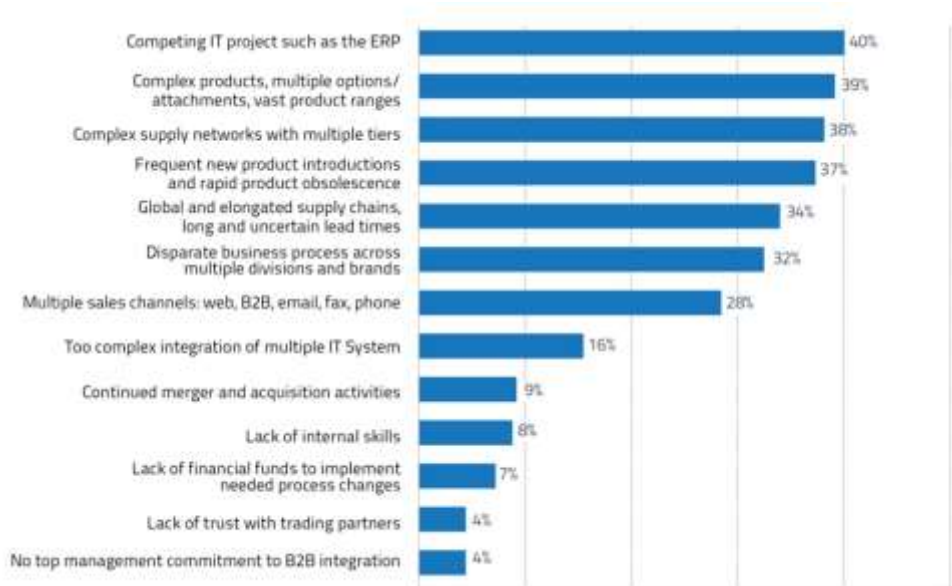
We have shown that the adoption of electronic trading is still not widespread. Figure 6 presents the main barriers companies are encountering on their journey towards fostering more B2B integration. It is encouraging to see how top management commitment is not a barrier at all, showing the commitment organizations are giving to integration with business partners.

The biggest barrier currently comes from the competition with other IT projects, such as ERP system implementations. For most if not all manufacturers, ERP is the essential system to run their business, but it often requires money and effort to be implemented, and therefore companies tend to adapt it to manage inter-enterprise transactions as well. As a result, ERP implementation and support processes require time and resources that are consequently unavailable for other projects such as B2B. As ERP is usually the number one project undertaken by the CIO, speeding up its implementation can make integration much more effective.

Another set of barriers is encountered in current B2B systems. Survey respondents reported that the complexity of business processes, including elongated and multi-tiered supply chains, are key barriers to improved integration. This may sound counter-intuitive as common sense suggests technology should be applied to support companies in working out their business issues. If business challenges are the barrier to technology adoption, it simply means that today's B2B systems are inadequate.

**Figure 6**  
**Major Barriers Towards B2B Integration**

*Q. What are the barriers, in your mind, that your organization has identified while improving B2B integration?*



Source: IDC Manufacturing Insights, 2014

We increasingly see leading companies implementing collaborative, shared, and synchronous processes with cloud-based collaborative tools and social technologies which helps to improve the real-time exchange of business information.

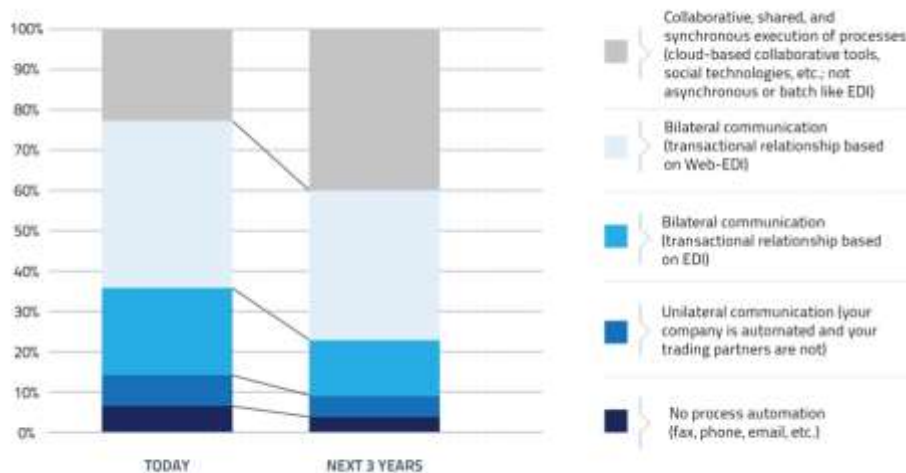
So, technology is the solution, but also part of the problem. Survey results show that manufacturers think current B2B technologies are not yet adequate to support their business needs. At the same time, this permanent resource constraint and conflict may generate delays in ERP projects as well, further hampering business results.

*Toward More Collaborative B2B Systems*

Most companies now rely on bilateral communication (transactional relationship based on EDI or web-EDI). However, to manage more complex information processes, companies have to adopt technology that supports rather than inhibits the flow of information that is in essence collaborative. Therefore, we increasingly see leading companies implementing collaborative, shared, and synchronous processes with cloud-based collaborative tools and social technologies (Figure 7), which helps to improve the real-time exchange of business information.

**Figure 7**  
Tools Adopted to Exchange Information with Trading Partners

Q. Which tools is your company currently using to exchange information with your trading partners?  
Q. Which tools do you expect your company to use to exchange information with your trading partners in three years?



Source: IDC Manufacturing Insights, 2014

Having a B2B application that is integrated with ERP can, meanwhile, bring a number of benefits, such as improved visibility of the information flowing between these systems, and higher quality information entering ERP due to less manual reworking of data. Indeed, many of the companies we surveyed have already fully integrated their B2B applications with the ERP system.

However, more than 40% of companies surveyed have yet to progress with this fundamental step, and the vast majority of these companies' systems have a transactional B2B system in place (i.e., not based on modern technologies and not web-based). In addition to being inadequate to manage the complex flows

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*As companies become aware of the need to establish more collaborative B2B systems, there is a strong perception of the importance of new technologies.*

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information we see today, traditional B2B is also difficult to integrate with ERP, and therefore exposes the organization to the inefficiencies generated by poorly integrated information flows.

#### *The Role of Modern Technologies in Supporting B2B Processes*

As companies become aware of the need to establish more collaborative B2B systems, there is a strong perception of the importance of new technologies, such as cloud, mobility, and Big Data analytics, in supporting future B2B processes (Figure 8). In particular, this is expected to involve important processes such as enterprise application integration (EAI) and supply chain integration as well as supply chain visibility and collaborative forecasting with suppliers.

The evolution of technology plays an essential role in helping manufacturers adopt a modern B2B approach. The IT industry is in the midst of a massive structural shift — from the PC and client/server-based 2nd IT Platform to the "3rd Platform" built on Big Data analytics, cloud, mobility, and social technologies. Many components of this 3rd Platform constitute the essential technology support for a more collaborative approach to B2B integration. This will increase the number of participants, create a truly multi-enterprise integration, and achieve business value by breaking a number of traditional barriers to multi-enterprise integration:

- **Big Data** — Which overcomes barriers linked to the accessibility of a vast range of products and product variants and the difficulty of analyzing B2B participant behavior and trends
- **Cloud** — Which overcomes the economic barriers created by the cost of scaling infrastructure
- **Mobility** — Which overcomes barriers to the accessibility of consumer, business customer, and supplier data

IDC Manufacturing Insights believes that social networking, which overcomes barriers to the recruitment of consumers, business customers, and suppliers, could also yield significant benefits. However, among manufacturers there is not enough recognition yet of the potential of these technologies. This could be because manufacturers simply do not understand how to embrace today's generation of social media tools or they simply do not fit in with today's relatively complex manufacturing processes.

Another technology perceived as breakthrough across the board is the Internet of Things (IoT). The promise of IoT is to improve visibility and risk management, helping organizations to move toward "intelligent value chains."

Manufacturers have to operate in real-time over an information-based value chain. The integrated decision-making environment supporting this real-time and "intelligent value chain" will need to have the following capabilities:

- **Instrumented** — Information is captured at any point of activity and made available in real time (e.g., tracking the shipment of goods in real time or getting real-time data from the factory shop floor).
- **Interconnected** — Information seamlessly flows through departments, plants, organizations, and partners in the same shared network.

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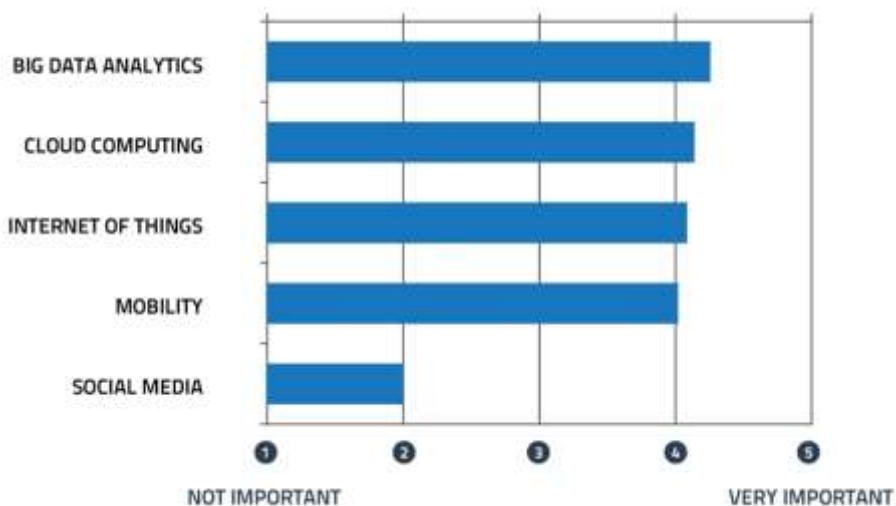
- **Intelligent** — Information is analyzed and correlated in real time, allowing timely corrective actions to take place to support faster decision making.

This ubiquitous data collection paradigm will be enabled by the evolution of IT architectures geared toward new technologies supporting IoT, such as mobility technologies, smart sensors, RFID, and cloud. The main benefit of cloud computing is that it better supports a fast changing business environment with common real-time data, workflow, and alerting capabilities, enabling rapid on-boarding of third-party manufacturers, new suppliers, and channel partners, as well as quicker integration with new and legacy applications.

The value chain business network will therefore become an open functional space where single capabilities can be dynamically added, refined, and changed on-demand.

**Figure 8**  
**The Role of Modern Technology in Supporting B2B Processes**

*Q. How much do you think the following modern technologies are going to change the way B2B processes will be managed three years from now?*



Source: IDC Manufacturing Insights, 2014

*Industry-Specific Analysis*

When it comes to different subsegments, survey results show significant differences between high-tech, automotive, and CPG sectors (Figure 9).

**High-Tech**

The high-tech industry clearly has the highest level of electronic trading, with almost 80% "high adopters," due to the fast-paced nature of the industry and the need to have a highly responsive supply chain network that can adapt to continually changing market dynamics. This is amplified by the diverse range of trading partners involved across the high-tech supply chain, from contract manufacturers to distributors, and from fabless semiconductor manufacturers to raw material providers. One of the key business initiatives for high-tech companies

is in fact to improve collaboration with suppliers. The high adoption of B2B technologies has rapidly brought key benefits to companies as almost 60% of them reported a reduction in procurement costs. However, many companies are still facing issues such as customers' payment delays, and this suggests a further effort is required to adopt electronic business integration.

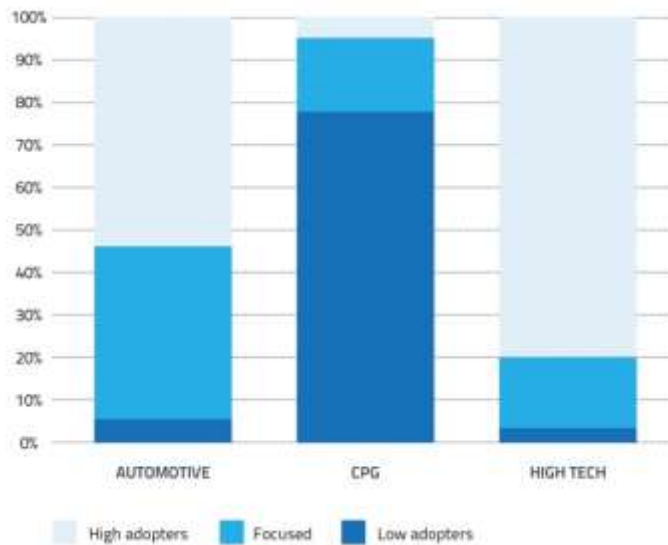
**Automotive**

Companies manufacturing complex and highly customized engineered products such as cars are heavily reliant on just-in-time practices and need to have full visibility of material availability to the assembly line and so on. The automotive industry therefore has a high proportion of focused adopters. The focus on "preferred relationships" has driven a significant improvement in the quality of IT systems over the years, and 66.7% of automotive companies are exchanging information collaboratively and in real-time with their key trading partners. This is an essential feature to help them reduce inventory costs and speed up their time to market.

**Consumer Packaged Goods**

Despite operating in a very fast-moving market, consumer packaged goods (CPG) companies (e.g., food and beverage or health and beauty) generally lag behind in terms of B2B adoption compared with other industries. The vast majority of CPG companies are "low adopters" and more than 40% of surveyed companies in the sector trade electronically with less than 25% of their partners. This is mostly generated by the relatively low budgets dedicated to this area, but industry mentality has to be taken into account as well. Almost 50% of CPG respondents declare their main adoption driver was simply pressure from their customers. It is no surprise therefore that companies in this sector perceived fewer benefits from their installed B2B technologies. This, however, highlights the opportunity for savvy companies willing to take their B2B infrastructure to the next stage.

**Figure 9**  
Electronic Trading Intensity, by Industry Sectors



Source: IDC Manufacturing Insights, 2014

### *A Tale of Four Performance Groups*

So far, B2B technology adoption has mostly been driven by the need to comply with external requirements. However, one of the major findings of this study is that companies are progressing in their understanding of how modern B2B technologies can provide superior business results.

In order to fully assess the impact of the evolution of B2B processes on business performance, we measured a number of key supply chain metrics, such as:

- Average customer order delivery time in days
- Average delay (in days) responding to an internal or external unforeseen event impacting customer orders (e.g., late production)
- Share of perfect orders delivered (i.e., orders delivered in full, on time, in perfect condition, and documented accurately)
- Monthly inventory turnover (i.e., number of times inventory is sold or used in a month)
- Average time to market in days (i.e., time required to develop a product to the point that it can be sold to customers)
- Share of new product launch failures out of total new product launches
- Cash-to-cash cycle time in days
- Days sales outstanding (DSO)
- Invoice processing time

The average values for many of these metrics vary significantly across the board for the industries we surveyed. For example, the average reported order to delivery time for the CPG industry is about four days, compared to more than 14 days for the high-tech industry.

Time to market also greatly differs between the extremes of the CPG industry, which is able to launch new product in less than 60–90 days with a significant share of product failures, and automotive, where the time extends to more than 180 days in many cases, but the product launch pipeline is much more solid.

Acknowledging this variability by industry, we have calculated average metrics for each industry and identified which aspect of electronic B2B trading impacted most on the metrics. The analysis shows how:

- Average customer order delivery time and perfect order metrics are particularly impacted by a combination of factors including the pervasiveness of B2B technology in place and the technology supporting underlying collaboration processes.
- Monthly inventory turnover and time to market are mostly impacted by the number of performed transactions. This highlights how companies with a

more dynamic B2B network than the industry average are able to significantly speed up their businesses.

- A metric such as the share of new product launch failures is particularly impacted by the value of electronic transactions performed. This is particularly relevant in the automotive industry, which has a focused approach of B2B based on "preferred relationships."
- Financial metrics such as cash-to-cash cycle time, days of sales outstanding (DSO), and invoice processing time are more impacted by IT systems supporting real-time, synchronous, and collaborative information flows.

Building on this analysis, we identified "Top Performer" companies — companies with a performance that significantly exceeded the industry average for each metric. We have also created four groups according to the frequency with which each company outperformed the industry average:

- **Leaders** — Companies that are top performers in four or more metrics
- **Experts** — Companies that are top performers in two or three metrics
- **Beginners** — Companies that are top performers in just one metric
- **Laggards** — Companies that are never top performers

The results of this analysis highlight that manufacturers can achieve solid benefits by improving their B2B processes. What is clear is that there is a strict correlation between having a pervasive, more modern, and collaborative B2B platform in place and being a leader in supply chain metrics, as shown in Figure 10.

Survey results underline that most leaders in supply chain metrics are also high adopters of B2B technologies. In particular, this increases the probability that they will be a sector leader by 17.8% compared with the average. The benefits of modern B2B further increase if adopted applications are collaborative, shared, synchronous, and based on 3rd Platform technologies.

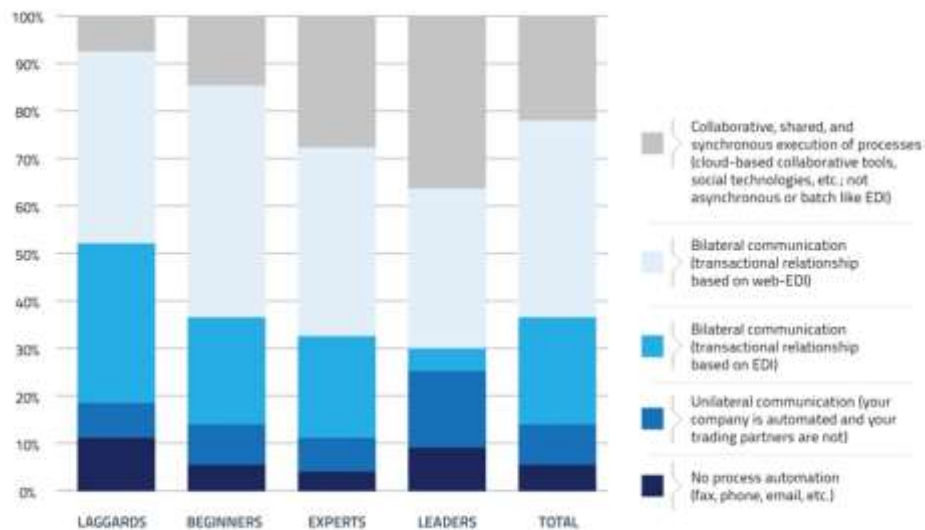
In fact, companies adopting cutting edge information exchange tools in a pervasive way are 48.8% more likely than the average to be sector leaders. The strongest conclusion from this analysis is that adopting technology is important, but adopting the right technology is essential.

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*Most leaders in supply chain metrics are also high adopters of B2B technologies.*

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Figure 10  
The Role B2B Technology in Achieving Superior Business Results



Source: IDC Manufacturing Insights, 2014

#### *A Closer Look at the Integration Benefits*

The analysis highlights a number of key benefits that lie ahead for companies willing to increase their business network integration. IDC Manufacturing Insights cross-tabulated survey replies in order to understand — industry by industry — the main benefits provided by the following three types of B2B process improvements enabled by technology:

- The way the process is carried forward (transactional or collaborative)
- The number of transactions performed electronically
- The number of electronic trading partners

The following paragraphs highlight the impact on different metrics that was confirmed by the statistical analysis.

#### *High-Tech*

The high-tech value chain needs to move at lightning speed because products and components rapidly lose value as underlying technology cycles rapidly evolve. Therefore the industry places a key focus on simplification and streamlining the whole value chain to bring down time-to-market.

- Reduction of average invoice processing time is linked to a collaborative, shared, and synchronous execution of processes. This time is halved in the high-tech industry.
- Time to market is reduced as the number of electronics transactions performed electronically rises.



- Improvements in average customer order delivery time are linked to the number of trading partners. A bigger network allows for easier fulfillment in an outsourced world.

#### *Automotive*

This industry demonstrates a strong focus on integration to deliver process efficiency (for example, supporting just-in-time initiatives) and on business network expansion to augment customer fulfillment.

- Average invoice processing time improvements are linked to a collaborative, shared, and synchronous execution of processes. According to research results, this time is halved in the automotive industry.
- Average customer order delivery time and perfect order metrics are related to the number of electronics transactions performed electronically in the auto industry, where tightly integrated business networks allow for a more streamlined supply chain (including procurement, JIT and delivery).
- Perfect order metrics improve as the number of trading partners increases.

#### *Consumer Packaged Goods*

The main benefits companies in the CPG industry achieve through better integration are around a process improvement and in particular the reduction of the "bullwhip" effect, fostering more optimized inventory processes.

- Improvements in average invoice processing time are linked to a collaborative, shared, and synchronous execution of processes. This time is brought down to a quarter in the CPG industry.
- Monthly inventory turns are increased as the number of electronics transactions performed electronically increases.

## ESSENTIAL GUIDANCE

It is encouraging that our analysis of the end-user market clearly shows a strong need to change the current approach to B2B practices. Many manufacturers are starting to realize that a number of business benefits can be attained through adopting a modern B2B approach that goes beyond cost reduction and achieves the business value that better integration and collaboration can bring to enterprises. Manufacturers realize that B2B integration is essential to reduce cycle time and inventory, but also to improve processes and productivity and gain superior business results such as on-time delivery or the perfect order. There are also a number of intangible benefits, including enhancements in customer experience, customer retention, and speed of business. Manufacturers are also starting to acknowledge that these benefits can be achieved only by establishing a two-way collaborative B2B that is focused on more than just connectivity. This entails having customers and suppliers share a mutual and comprehensive view of the extended supply chain and being able to integrate and synchronize their strategies.

#### *Advice to Manufacturers*

IDC Manufacturing Insights offers the following advice to manufacturing enterprises willing to improve their B2B processes:

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*B2B integration is essential to reduce cycle time and inventory.*

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- **Deploy a bold business strategy** — Move away from a cost-controlling business strategy and start focusing on increasing business revenue by tackling new markets and customer segments. To do so you should establish a fulfillment network that can satisfy variable demand across global markets.
- **Redesign supply chains** — This will be essential to manage extended product ranges, variants for differentiated segments, and disparate quality and compliance requirements. You should ensure they are resilient in the face of volatile demand and still deliver fulfillment excellence. This requires an evolution in thinking that sees collaborative information exchange as central to controlling the effectiveness of supply chain processes as well as reducing coordination waste among companies operating along the same value chain.
- **Start from business integration to achieve collaboration** — To have a comprehensive view of the extended supply chain and collaborate with business partners you should first be able to integrate with them. Consider that not all partners have to be treated the same way, as some companies may be better suited to more tactical electronic data interchange, others to process orchestration, and yet others to shared strategy initiatives.
- **Acknowledge the opportunity of elevating the role of your B2B infrastructure** — B2B infrastructure is in many cases still considered a commodity tool, but manufacturers will need to make it the central information exchange layer of the organization.
- **Balance B2B with ERP** — To this end, you should consider that ERP projects are the key competitor to the initiative of upgrading B2B applications because these two applications increasingly share a similar space. This conflict makes it difficult for organizations to manage the coexistence of a strategic and business-critical B2B infrastructure with enterprise applications without the need for external support from a trusted partner.
- **Adopt a new generation IT platform** — The extraordinary advancements in IT are an opportunity to support and speed up B2B processes, which are today among the most critical ones in a manufacturing enterprise. This has to be built upon the 3rd IT Platform based on cloud, mobility, social business, and Big Data analytics.

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