



Revolution in B2B Retail: From Perfume to Platform Economy

In the digital age, where consumers and brands are connected like never before, B2B retailers need to embrace new business models and pivot into platforms.

The brand behind the brands. For 65 years, that's the business premise of luxury goods distributor Bluebell as it brought Western brands including Louis Vuitton and Jimmy Choo into Asian markets. It was a trailblazing business model that has helped the company, which traces its roots to a *parfumerie* in Cannes, notch up annual revenue of US\$1.5 billion.

But, like other B2B companies founded generations before the internet came into being, Bluebell was increasingly at risk of becoming marginalised in the digital economy. Game changers on three sides of the business – brand, consumer and market – have converged to erode the core competitiveness of B2B firms.

To stay ahead of the game, Bluebell – in many ways exemplary of B2B actors facing similar challenges caused by digitisation – is transforming itself to adapt to the digital disruption and pave the way for the industry. My new case study, ***Transforming Luxury Distribution in Asia: Bluebell's Makeover in the Face of Digital Disruption***, co-authored with Frederic Godart and Jean Wee, charts how the family-owned firm turned its business model upside-down to tackle digital disruption. Its experience offers lessons on how B2B firms in general could respond to the game changers.

Rethinking B2B value proposition in the digital age

Those challenges are now familiar to many companies. Brands can easily access and analyse unprecedented granular **information about consumer preferences** and trends while reaching out to customers directly through platforms such as social media and search engines. Sales increasingly take place online rather than in physical stores. Traditional B2B intermediaries like Bluebell can no longer leverage their grasp of market information and customer data.

Consumers, likewise, are bypassing intermediaries. People share knowledge or opinions about products among themselves, weakening the impact of brand messaging or advertising campaigns. Online influencers who have anything from a few hundred to a few million followers are increasingly the purveyors of luxury.

Further pressure comes from the market, in the form of new actors. Private equity groups rival companies like Bluebell as a source of funding for brands. E-commerce players like Alibaba open **brick-and-mortar stores** and squeeze the middleman. Large groups like LVMH acquire smaller brands that could have potentially engaged the services of a conduit like Bluebell to enter and operate in markets.

Faced with such disruptions, B2B companies need to formulate and operate their transformations along two lines of thinking:

Stand up: Recreate advantages by beefing up the brand; become a content or solution provider, rather than just a service provider. Bluebell, for instance, launched its in-house Bluebell Retail Academy in 2016 to train brand partners' frontline staff.

A similar approach in the IT sector led Intel to create a content-first strategy as early as 2015. The microchip processor maker tasked their internal analytics unit with facilitating social selling and supporting the B2B sales force. This content-first approach blurs the frontiers between B2B and B2C and brings Intel new business opportunities involving technologies such as artificial intelligence and drones. Examples include **drone-led fireworks** – a US\$2 billion market – and drones that **monitor production and crops** for wine makers. Intel's strategy demonstrates **vertical value creation** which helps firms regain market share and influence by **remonetising the brand**.

Lean in: Engage the marketplace by designing platforms and building communities. Squeezed between customers who have an increasing amount of information, and producers who have wider and easier access to the market, B2B companies need to think about reclaiming their competitive advantage by emulating the giants of the platform economy such as Uber and Airbnb. A platform need not be fully fledged; it can be small and experimental.

Take, for example, Accent Group, a major distributor and retailer of footwear brands including Timberland and Sketchers in Australia and New Zealand. Five years ago, the group created an online shop for The Athlete's Foot brand, for which it was the franchisor with about 100 franchisees. Initially, the **franchisees were resistant** to the e-commerce website as they saw it as a competitor to their businesses, but their attitude changed after Accent tweaked the model so that all orders were fulfilled by franchisees' shops. Accent's move is an example of **horizontal value creation** through which firms regain market centrality by (re)creating links among disparate actors around industry-specific skills and expertise.

Accent has since embarked on a successful, group-wide digital transformation that has seen post-tax net profit **surge to a record US\$47.1 million** in 2018.

Aim high, start small

The greater complexity, formality and longer-term nature of B2B businesses means any digital

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transformation firms undergo would be more difficult than that of B2C companies. Here are a few suggestions on how to make it work:

- Don't change overnight. Introduce the digital culture into the organisation slowly and progressively. Firms can start by having weekly conferences where online influencers are invited to meet executives or bringing in digital experts and slowly integrating them into the organisation. Such first steps can help to demystify "digital" and foster acceptance of disruption with a long-term perspective.

- Have a champion. Ideally, the CEO. My advice to participants of INSEAD's executive seminars is: If the CEO is not 100 percent convinced that digital disruption demands a shift in thinking – and budget – coupled with a profound transformation of the company, change the CEO (of course, I also point out how participants can help their CEO to change). Bluebell's Ashley Micklewright epitomises a CEO who is spearheading a B2B company's digitalisation drive.

- Winners in the digital world are companies that see themselves as learning agents. Firms should learn and take what works for them from the digital model, especially the platform economy, by starting with small scale experiments, then slowly building their way up. Obviously, all firms are not going to turn into Amazon overnight, but elements of the platform economy can certainly add value to their business. Sometimes the experiment will fail, but it's also good to understand why something doesn't work.

From reassessing their value to customers, building their own content, to creating platforms and communities, B2B players can take advantage of successive waves of new digital tools and gradually transform themselves to stay relevant in increasingly competitive markets.

*The Bluebell case study is available from **INSEAD, Harvard Business Publishing** or **The Case Centre**. Instructors who register on the **INSEAD Case Publishing** site also have access to interviews, a detailed teaching note and a slide deck.*

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