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New Study reports That B2B's Lack of Marketing Dwarfs B2C's Mismarketing

Companies can improve their performance by applying Old Economy marketing disciplines to the Web

ATLANTA / NEW YORK – May 10, 2001 – While B2C companies are spending too much money on fundamentally flawed marketing campaigns, the opposite holds true for B2B where there is little to no marketing being done according to an Accenture study. The study also reports that in their effort to grab a piece of the B2B pie, companies rushed to gain first mover advantage without truly understanding what drives value in online B2B brands suggesting a blind spot by executives to the importance strategic marketing plays in achieving corporate objectives.

Published today, the study titled "Was it an illusion? Putting more B in B2B", reveals online purchasing decision-makers preferences, myths, marketing lessons and mistakes. The key finding in the report underscores that a familiar, reputable brand is the single most important buyer preference by a wide margin followed by service, price and variety. Moreover, for 80 percent of the buyers in B2B, price is even less important in online buying decisions.

"The findings in our study were counter-intuitive to what we would believe to be the case in B2B which is that price matters first," said Stephen Dull, partner in Accenture's Convergence Marketing practice and author of the study. You can't compete in B2B if your only differentiator is price or any of the four Ps of marketing for they are mere commodities (price, product, promotion and place of distribution). Focusing your attention on the customer is where companies will rise above the noise."

Further, the study reports that the level of customer satisfaction online is lower in B2B than in B2C, symptomatic of a failure to identify and respond to the real demands of the market. According to the study, less than half of B2B customers' say they are very satisfied with their online purchasing experience compared to 52 percent of B2C buyers.

"It appears that some of the lessons learned in B2C do have relevance in B2B like adhering to the fundamental principles of Marketing 101 which is to deliver a superior online experience that is relevant and targeted. However, as our study reveals this has not been the case. Albeit not apples to apples, certain truths in B2C do apply to B2B and to ignore the common ground is myopic," said Dull.

Additional findings from the B2B study debunk certain myths regarding its space. For example:

Myth #1: B2B is big but don't jump on the bandwagon yet because like in B2C, it has been dramatically over-hyped.

Reality: In fact, the backlash in B2C has caused the pendulum for B2B to swing too much the other way. For not only will B2B continue growing, it will be very big.

Currently, more than half of all business is not purchasing goods online. Of those, 45 percent of them buy less than 5 percent over the Internet. Part of this is experience: of those businesses that do buy online, 69 percent have been purchasing through this channel for less than two years. Purchases tend to grow (and rapidly) as buyers become familiar with the medium and the seller's offering, suggesting that the market is trending to be very big.

"B2B is still in its infancy. Imagine if industrial marketers spent half as much effort as their B2C counterparts in creating a rewarding online experience for their customers, the adoption rate of e-commerce in B2B would skyrocket. The numbers speak for themselves as to the role marketing plays and more importantly the price this blind spot is costing companies in untapped opportunities not to mention efficiencies said Mark Wolfe, partner in Accenture's Customer Relationship Management practice.

Myth #2: The Internet has made B2B in the New Economy easier than in the Old Economy. Also, because the Internet is borderless, global commerce is a mouse click away.

Reality: In fact, New Economy B2B is much more complex than B2C because there are so many more variables to manage. This finding suggests that it's more important to take the time to do it right than to be the first one out of the gate.

Additionally, whereas a benefit of B2B is to facilitate global commerce, the reality is that doing business globally is also very complex. As the study reports, 19 percent of global companies (operating in more than 5 countries) do 25 percent or more of their purchases online versus 34 percent of international companies (operating in less than 5 countries) do 25 percent or more of their purchases online.

"First mover advantage is overrated in B2B as it was in B2C. B2B is about many things - however, speed at the cost of getting it wrong is not one of them. e-Right is more important than e-Speed in B2B," said Dull.

Myth #3: In terms of presenting easy open access for companies large and small to come together to buy and sell, the Internet levels the playing field.

Reality: In fact, in terms of execution, it's widening the gap.

Supporting eBranding research findings suggest that large companies conduct more of their purchasing online than do small and mid-size companies. Of the roughly half of companies purchasing online, 23 percent of large companies conduct over a quarter of their purchases online compared to 18 percent of small and mid-size companies. Moreover, only 34 percent of small to mid-size companies are very satisfied with their providers whereas 52 percent of large companies are very satisfied. It may simply be because few B2B providers are satisfying small companies adequately.

"Our study revealed that whereas in B2C there was too much marketing, we found that B2B did very little marketing if at all. The fact is that neither approach is correct with a lack of marketing being the worse of the two because of the sheer size of the space," said Brian Johnson, partner at Accenture's Customer Relationship Management practice.

The study categorized B2B buyers into five groups based on their attitudes, preferences and needs. They are:

Traditionalists - with 28 percent of buyers, traditionalists are so brand-sensitive that brand reputation and familiarity overwhelm any other factor in the scale of values, accounting for almost one-quarter of the total e-brand value.

E-Service Seekers - this group constitutes 23 percent of the online B2B market and customer service is the single most important value factor for them. They are the least price-sensitive B2B buyers identified in the study, ranking price level dead last in importance behind all other factors.

Price Sensitives - members of this segment (21 percent) derive more value from price than from any other single factor and they put less emphasis on customer service than do members of any other segment.

E-Skeptics - comprising nearly 18 percent of the overall market, the E-Skeptics may be the last adopters of online buying. They consider brand tenure the single most important factor with brand familiarity a close second. Information privacy is the next highest ranking with brand reputation fourth.

E-Vanguard - this group is the natural target for exchanges and e-marketplaces. They are comparison buyers. In fact, supplier variety and category selection combined account for almost 20 percent of their value set. They represent the smallest group comprising 11 percent of the market. Of all B2B buyers, this group put the lowest priority on brand reputation and privacy.

Accenture Research

In November 2000, Accenture released a study on B2C Internet marketing spending called "Beyond the Blur: Correcting the Vision of Internet Brands". It was the first in a series to collect empirical data about the value of brands in the New Economy and the impact of the Internet on the total consumer experience and their chosen brands.

The second study in the series released today uses the same methodology, conjoint or trade-off analysis, to gauge the value of brands in B2B. The study polled close to 1000 purchase decision makers, specifically screening for those who purchase or transact online. The online purchasing respondents represent companies or business units across eight industries, totaling $700 billion in revenue.

About the Study

The study was conceived by Accenture's Convergence Marketing practice and conducted jointly with Online Insight, a technology company that provides customer insight solutions. It sought to evaluate the impact of eBranding levers across eight B2B industry segments that included computer hardware, energy services, paperboard, industrial chemicals, asset management, cash management, health care insurance and services and communications hardware and services.

About Online Insight

Online Insight provides technologies and services that help increase profitability by understanding how customers think. Unlike most technologies used on the web today, Online Insight uncovers the "why" behind purchase decisions by engaging the consumer in a real-time dialogue that captures their explicit trade-offs and preferences at the individual level. Online Insight's technology was used to uncover the insights in this study and the prior study in B2B. By understanding the exact needs and motivations of each buyer, companies can effectively drive sales, marketing, product planning and customer care systems. Founded in 1998, the company is based in Atlanta, Georgia. Its home page is www.onlineinsight.com.

About Accenture

Accenture is the world's leading provider of management and technology consulting services and solutions. More than 70,000 people in 46 countries deliver a wide range of specialized capabilities and solutions to clients across all industries. Under its strategy, Accenture is building a network of businesses to meet the full range of client needs - consulting, technology, outsourcing, alliances and venture capital. Accenture's home page address is www.accenture.com.

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Executive Summaries of "Beyond the Blur: Correcting the Vision of Internet Brands" and "Buyer Values in the Internet Age" are available upon request.