

# Was it an Illusion? Putting More B in B2B

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accenture



"The future ain't what it used to be." Yogi Berra\*

### People caught in storms are the least reliable judges of the weather ...

They're too busy boarding up windows, tying down boats or running for cover to collect sound data. Wind gusts look stronger, waves higher and fog thicker when each seems an omen of worse to come. Fear distorts perspective.

So it should come as no surprise that we were so wrong about the New Economy. It hit the business world of the 90s like a storm threatening to blow away everything in sight. One bestseller predicted that the Old Economy would be "Blown to Bits." Conference rooms buzzed with chatter about first-mover advantage and network economies. The disciplines of marketing and finance seemed dated and doomed. Exhortations ran wild: act at e-Speed, cannibalize your own business, rebrand on the Web, form an exchange, move to Web 'self service.' Businesses reacted by doing many things without facts, sometimes merely from fear of doing nothing. No one could really tell what was working and what wasn't: no one knew for sure which way the wind was actually blowing.

As a result, many companies were seduced into abandoning ship – abandoning the very things that made their businesses successful to begin with. Like asking customers what they wanted. Or forcing investments to earn their cost of capital.

The storm isn't over yet, but the clouds have dispersed enough to give us a clearer view of the B2B landscape. A new study conducted by Accenture and Online Insight illuminates this landscape, bringing new facts to bear where none existed before. It points the way to strategies for thriving in the 'new era', many of which are surprisingly 'Old Economy.' Customary rules and traditional ways are as important as they ever were.

Not least of them, the rule that says you need to understand the market before you can succeed in it. Marketing – old fashioned, research-driven marketing – matters more than anyone imagined it would. For business-to-business e-Commerce, marketing may in fact matter more than it ever has. Personalization hasn't made understanding customer needs obsolete, and the myth of automated insight technology as the replacement for human marketing skill is belied by the resulting market meltdown. Told the Web would commoditize everything, eager venture capitalists funded thousands of electronic marketplaces and exchanges and staffed them with the enthusiastic vanguard of the new economy. Told they had to get online at e-Speed, many firms slapped up information sites just to establish a presence on the e-frontier; others hired new-edge Web consultancies and poured mega-millions into flashing interactive goulash. Who doesn't remember an internal debate about putting today's weather/sports/news on their business website to encourage all those important eyeballs to stick? Very few, it turns out, actually talked to customers about their new e-offerings. But though Web technology is new, the truth about what makes it work turns out to be as old as Ovid – the customer is always right. And customers weren't very pleased at all. B2B customers want more than just information. Digital bells-and-whistles don't wow them and certainly don't make them buy.

\*Yogi Berra, a member of the Baseball Hall of Fame, played in 10 World Series with the New York Yankees and holds World Series records for games played (75), bats (259), and hits (71). He may be even more famous for his torture of the English language, a few examples of which are cited herein.

# illusion

## So where does that leave us?

B2B e-Commerce is still in its infancy, but it's likely to be huge. Although we didn't set out to predict the future size of online B2B, our data suggest that, if today's adoption and experimentation continues apace, the B2B US e-Commerce market could grow to a minimum of \$2.5 trillion by 2004. That's the same as one published estimate and below some others. By any measure, that's still huge – at least five times today's online B2B. But the way business is done will change greatly. Competitors will harness technology to achieve dramatic competitive advantages. It will all happen. It just won't happen overnight.

So there's time for companies to do it right. Which is a good thing, because doing it right won't be easy.

The dotcom storm is history now, gone to join tulip mania in the annals of mass hysteria. It was fun and sexy while it was happening. But nothing is clearer than the fact that it's time to get to work; and time to blend a little of the old reliable with the new. Reading online, but downloading Kotler.

And girding for the next wave of change.

### "A nickel ain't worth a dime anymore." Yogi Berra

Let's make three things perfectly clear. First, marketing is key to doing online B2B in the New Economy. The bubble of the 90s has broken for good. Forget about going back to the heady hyper-hype of that fantastic era. The Internet and Web technology can, and will, radically change the opportunities and options for competitors in almost every business. The job of the marketer is to understand those changes and devise strategies for success.

Second, don't spell "evolution" with an "R." Online commerce is growing and will certainly continue to grow to be immense. But it won't turn the world upside down in the blink of an eye. Traditional needs still matter and there remains too many barriers preventing online commerce. Companies must better bridge between the Old and the New Economy, for example, by blending Old Economy needs for brand and service with the New Economy desire for greater site functionality. They must also be more aggressive in removing barriers to e-commerce for their customers.

Finally, the benefits of e-Speed have been grossly misunderstood. Yes, speed has value. But most online business efforts would benefit from a little less e-Speed and a little more e-Right. There's no point in getting there fast if you wind up in the wrong place. Let's take these points one by one.

#### **Marketing is king.**

The key to success in the B2B online market is not a new business model – it's old-fashioned marketing. And by marketing, we don't mean advertising. We mean the lost discipline of marketing: asking customers what they want and providing it at a profit. Most businesses haven't been buying online for long, don't buy much, and aren't very satisfied with the channel. In fact, over 50% of B2B buyers are not very satisfied with their online purchasing experience. The cost? Failure to purchase is the least of it. Millions of dollars in capital invested with no return is a start. But the dissatisfaction suggests most companies are actually destroying hard-earned brand value and loyalty on the Web. And are still doing it. Although many millions were invested building all those websites, millions are still being spent maintaining and upgrading them. This is symptomatic of a failure of marketing – a failure to identify and respond to the most important needs of customers.

Let's start with the biggest marketing miss. The 4000-plus B2B e-Marketplaces and exchanges were among the hardest hit by the recent market meltdown. Why? Because most couldn't attract buyers or, for that matter, sellers. Their success depended on securing lots of price-driven transactions, but Accenture's study clearly shows that a deal on price ranks fairly low on the list of what B2B customers value. Instead, by an overwhelming margin, B2B buyers say their single most important need is a strong brand – their guarantee of quality, reliability, and trust. In fact, buyers that value lots of supplier variety, Web purchasing, and e-Service (and care least about brand reputation) make up only 11% of the B2B buying population. That's very few customers for a business model that was going to transform everything. As for the failure to attract sellers, no one wanted to sell at those low prices. And, if they did, they didn't need the Internet to do it.

Another marketing miss, adopted by most companies, was the 'one-size-fits-all' approach to the Web. Yet, when we looked at B2B online buyer needs, we found buyers differ greatly in the degree of importance they place on each of these needs. Our study identifies five distinct needs-based segments in the B2B online market and, to give an example of how needs differ, only one of these segments considers price the single most important factor in the purchase decision. Another segment values e-customer service above all. The point is, different needs suggest a different Web experience is required to satisfy those needs. (See the explanations of Needs-Based Segments in Section IV.) Without a clear understanding of the target customer, the 'one-size-fits-all' Web site is bound to make most of the market unhappy ... and highly unlikely to satisfy those customers that matter. Little wonder that satisfaction levels on B2B sites are so low.

## Five B2B Needs-Based Segments

28%

### Traditionalists

Care most about brand reputation. Value customer service, variety, and good prices.

23%

### e-Service Seekers

Value customer service the most. Concerned with site functionality and information privacy. Care least about price.

21%

### Price Sensitives

Care most about price. Care least about customer service.

17%

### e-Skeptics

Looking for a trusted provider. Care most about brand familiarity, tenure, privacy. Care least about site functionality and supplier/category breadth.

11%

### e-Vanguard

Care the most about supplier/category breadth and a fully functioning site. Care least about brand reputation and privacy.

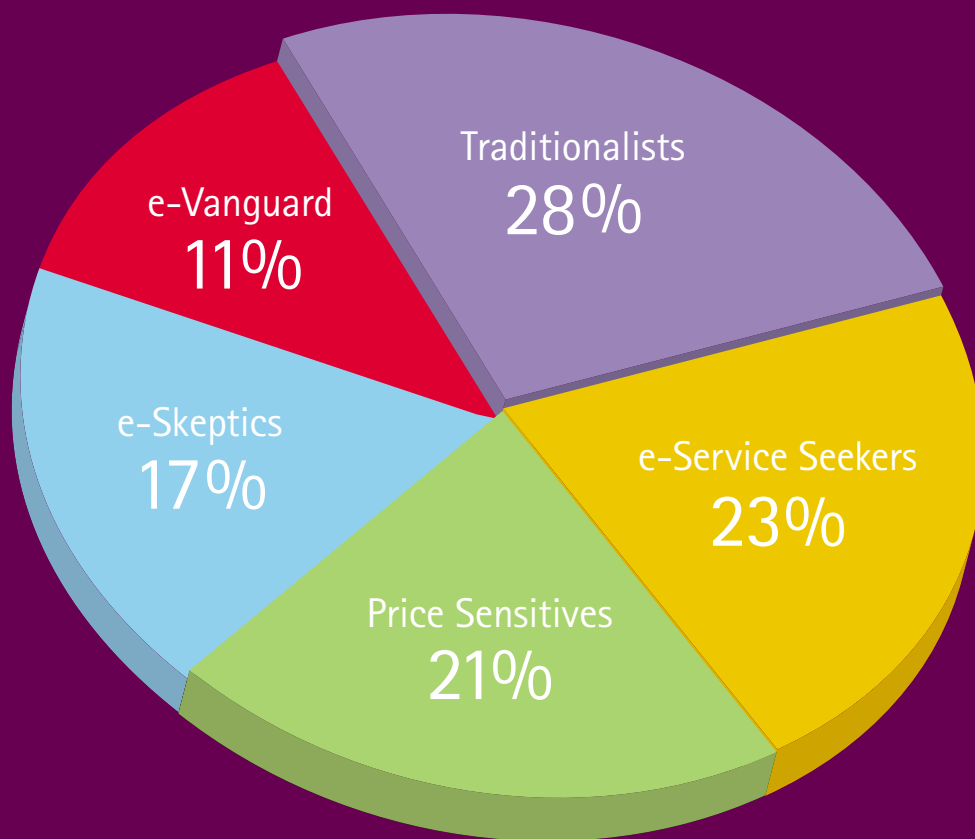
The next biggest marketing miss was that online competition would be mainly about lower prices. But across the total market, brand and service are the highest priorities for online buyers. Business buyers – especially global and multi-location companies – want the reliability, performance, service, and other advantages of a respected brand ... and they are willing to pay for them. Therefore, improving brand or customer service will satisfy more customers than lowering prices will. Even for the most price sensitive segment, price level only accounts for 12% of their measured online needs. Moreover, in the small, e-Vanguard segment whose needs most fit with e-Marketplaces and exchanges, low price is the ninth most important need: it's variety of supply and e-purchase and service capability that drives these buyers. On the whole, business buyers seem to believe that "you get what you pay for" and to view low prices with caution. The implications are enormous: price is the single most powerful measure for raising (or lowering!) profit. The strategy of offering low prices on the Web is not only NOT what customers say they want most, but it's also very damaging to profits.

In fact, for at least half of the market, pricing strategy or method is more important than the absolute price level. We measured buyer preferences for % transaction fees, \$ transaction fees, and flat fees. The results are quite startling in that demand for different price types is very different by segment, suggesting that many businesses are leaving money on the table if they don't understand these different customer needs, and how they differ dramatically by segment.

Not to pick on exchanges and marketplaces, but the buyers most interested in these value price type more than price level.

Ironically, the need for better marketing skill is probably more critical to online B2B success than it is in B2C, where skills are generally stronger. Why? We found markedly different needs when online tenure, industry, and firmographics (company demographics, e.g. sales & employees) are considered, suggesting that choosing and satisfying target segments is a more complex challenge in B2B. For example, those with three-plus years of online purchasing experience rate brand and service much higher than average, and price much lower. Once burned, twice shy. Also, the more experienced buyers are much more interested in sites that provide more than information: they want purchase and service options as well. That alone sends a strong signal to the roughly 80% of businesses that still have information-only Web presences.

So building brand value in the online B2B space is largely a marketing job - a challenge begging for the application of basic marketing skills. It's not a challenge that can be delegated to personalization technology. Overall, site personalization is what buyers want least. That's not to say personalization tools don't add value... of course they do. In Accenture's study *'How Much Are Customer Relationship Management Capabilities Really Worth: What Every CEO Should Know,'* personalization tools are shown to be profit drivers in industries where they are used the most. But customers are telling us they want personalization, and much, much, more from the online experience.



So yet another myth about the New Economy is dispelled: technology hasn't yet replaced the art and science of marketing. Personalization and insight tools have become an important contributor to the bottom line, but not a substitute for basic skill. The age-old question is still relevant: what do your customers want? Your marketing skills will determine how well you answer that question to get both preference AND profit.

## Don't Spell Evolution With an "R"

Relatively speaking, B2B is still small potatoes. More than half of all businesses don't purchase anything online. Of those that do, nearly 40% do little of their buying over the Internet (5% or less). Part of this is experience: of those businesses that do buy online, 69% have been purchasing through this channel for less than two years. Purchases tend to grow (and rapidly) as buyers get familiar with the medium and the seller's offering. So today, total online B2B purchases make up only 3-4% of total B2B in the US.

This isn't to say that customers don't want to make transactions over the Web. Most B2B buyers want to transact business at some level through this channel. But only 18% of B2B websites offer purchase capability. The overwhelming majority are information-only sites and, unfortunately, many of these don't provide information that is organized and delivered to help customers make purchases. Aside from the fact that these sites are eroding hard won brand loyalty with their unsatisfying experiences, the sites themselves are a huge and obvious barrier to the spread of B2B e-Commerce.

In truth, there hasn't been a New Economy revolution. Instead, there is a slow and steady New Economy evolution. There's a world of difference between the two. In the evolutionary world, the traditional mixes with the new. It's not the latest whizz bang Internet features that will draw customers and profit. It's the right mix of the whizz bang with the familiar.

In fact, we found that online buyers overwhelmingly endorse the importance of traditional business needs. Three areas account for over half of what B2B buyers want:

- 1) Brand (Reputation, Familiarity, and Tenure)
- 2) Customer Service
- 3) Price (Level and Type)

The less traditional Internet-related needs, i.e. breadth of suppliers, site functionality, ERP integration, personalization, and privacy, only account for about 40% of B2B buyer needs. Of course we didn't measure everything related to the Internet ... no study could. But traditional needs predominate except for the small segment we named the 'e-Vanguard,' where traditional needs are ranked lowest.

The message to those struggling with B2B commerce is clear: your value proposition on the Web needs to incorporate the right mix of traditional and Internet benefits demanded by your customers. Improving brand reputation, for example, presents the single largest opportunity for attracting customers to your e-offering long term. That's not a problem that advertising will solve, although it could be for some. Ironically, it's about improving the consistency of your execution in general, 'e' or not. It's your 'orders shipped complete or on-time.' It's quicker, more satisfying problem resolution.

A little wiser, a lot chastened, we realize succeeding at online B2B commerce is no cakewalk. Devising the right Web experience for customers demands not only tech-savvy but also deep industry knowledge, and very deep marketing skill.

It's all the things every company should be doing anyway. It's also about providing service for those segments that want it. Customers are quite clear: the Internet should supplement your approach to service... not replace it.

Another clear message for B2B sellers: it's your job to remove the barriers to e-Commerce. We already mentioned the most obvious. The information-only site of many companies is the single largest barrier to B2B growth. But not just for the obvious reason. The fact is, most information-based sites don't do a very good job of providing the information that customers want. Most aren't designed to support or service a purchase. This is especially true in industries with multi-tiered distribution. It's easy for companies to say they can't let customers purchase off the Web without angering their distributors. Here, B2B needs to take a page from the B2C playbook: the best examples of information-only sites in the B2C world support the purchase decision, then direct the customer to the right distributor. Easier said than done, but a critical difference in approach. And one that has competitive value as well: almost half of B2B buyers say they're likely to switch suppliers to get better information. Even if only a fraction of those expressing such views acted on them, the business benefits could be great. Who wouldn't want an extra share point?

Adding purchase and service capabilities is expensive. No doubt that's a barrier in itself. But companies need to take heart. Our data suggests that customers start out small, purchasing very little in their first year online. But over three years time, 43% of those purchasing online are buying over 25% of their needs in the new channel. That strongly suggests that there's an evolution going on: both customer and seller working to get it right, both getting used to how to do this. And again, the hint of competitive advantage: more than half say they'd switch suppliers for better transaction processes.

Another way to remove a barrier involves broadband. This study shows that broadband is strongly linked to B2B buying

patterns. B2B broadband users do proportionally more online buying than the narrowband set, and broadband users are also more satisfied customers. This makes perfect sense. A slow experience eliminates customers at all stages of the marketing funnel. A decision to subsidize broadband, especially for the most desirable customers, could be an effective spur to e-Business growth - a strategy probably best suited to penetrating the many small- to medium-sized businesses which don't yet benefit from such service. Moreover, our study suggests how this new bandwidth should be used: to provide quicker, more interactive on-site service. Everyone recognizes the benefits of speed, but getting help and advice is the new feature most businesses say they want that speed to deliver.

#### **A Little Less e-Speed, a Little More e-Right**

Perhaps the most overrated strategy in the New Economy has been "first-mover advantage." Yeah, it's good to be first. But that first move has also got to get it right. Our study shows very strongly that companies need to take more time to do it right. Customers are clearly dissatisfied with the first-to-market exchanges and e-Marketplaces, a lot of which were paragons of e-Speed virtue. Our study shows that only 15% of customers gave favorable ratings for dotcom-only brands.

A big part of this issue is the lack of relevant industry experience among the builders, funders and designers of the typical e-Marketplace, many of whom lacked deep expertise in the very industries they were aiming to revolutionize. Most also lacked marketing skill and marketing experience in those industries. The result? Too few actually took the time to learn how customers behave today, how they would behave in a new environment, or what they wanted. Key features of their value propositions - low prices and a wide selection of suppliers - are not even in the top three values for the B2B market overall. Brand reputation and service, which most of these online marketplaces lacked, are the top B2B customer needs.

Old Economy techniques would have revealed a lot earlier that demand for a high variety of products at low prices from an unfamiliar source is really quite small. How many times did we all hear "we don't have time to do marketing research!"? The result? The market meltdown. And ironically, despite the many millions of investment (and billions of ephemeral market value), the prime target customer for this kind of offering, our 'e-Vanguard', is the least satisfied with what's been offered to them. Providing only the top needs of a target segment won't satisfy those customers. The top needs only represent part of the total brand experience: there are other elements, such as customer service and site functionality, that also have to be addressed.

Brick and mortar companies (or bam.coms) did better, but not much. Half of bam.com sites get favorable ratings, but very few get very strong ratings. Smaller businesses are especially dissatisfied. The fact is, many of us were running both blind and scared. Not very many managers had the courage to run into the gale force wind encouraging e-Speed. To do so was to risk being branded 'Old Economy.' The 80/20 rule got hauled out with greater force and frequency, though in retrospect, it seems like we did only 20% of the required work, not 80%.

A little wiser, a lot chastened, we realize succeeding at online B2B commerce is no cakewalk. Devising the right Web experience for customers demands not only tech-savvy but also deep industry knowledge, and very deep marketing skill. We already mentioned the bewildering complexity of B2B buyer needs. Buyers have a surprisingly broad spectrum of intensity in their preferences, e.g. the most price sensitive segment is twice as sensitive as the least. Needs also differ from industry to industry and even buyers in the same industry may have different preferences depending on the type of products they are buying. Even company size matters. Large companies are much more brand-sensitive than small companies, and the more experience buyers have with online commerce, the more

brand-sensitive they become. Such complexity rarely yields to grand vision: it yields to grunt work, i.e. getting a detailed customer understanding and customer feedback along the way. That takes time.

The good news is that the Internet has cut that time substantially. Old techniques for understanding customer needs that used to take four months can now be done in six weeks or less online. And whole new companies have sprung up to help. Developing the online experience itself is ideally suited to a rapid cycle of 'rough and refine' using customer input, i.e. taking rough concepts to customers, letting them help you refine them and repeating the cycle until you get it right. But Internet or no, cutting out the basic collection of facts on needs, preferences and profitability is a recipe for disaster.

We think the message was clear at the time, but is even clearer now. There is real economic value to speed, but it's hard to capture that value if you don't get it right. e-Speed doesn't mean cutting out the fundamentals, it means figuring out how to get them done faster, with 80% accuracy.

A photograph of a fork in the road, with a quote overlaid. The scene is captured from a high angle, showing a light-colored, textured ground surface. A dark, rectangular path splits into two paths, creating a 'Y' shape. The quote, "When you get to a fork in the road, take it." Yogi Berra, is written in a reddish-orange font across the center of the image. There are four small, light-colored, speckled objects, possibly stones or pebbles, scattered on the ground: one in the upper right path, one in the lower left path, one in the lower left foreground, and one in the lower right foreground. The overall lighting is soft and even.

"When you get to a fork in the road, take it." Yogi Berra

## III. Where Do We Go From Here?

If you've made it this far, you've no doubt got our 'back to basics' message. What we haven't touched on is why we're so passionate about that message. Like all studies, ours suffers from a bit of the rear view mirror syndrome. Hindsight is truly 20/20. And while we think the message is relevant for today's struggling e-Brands and bam.com brands, we think it's even more important in the context of what's coming. We're not in the prediction business, but we are in the technology business. And we know from our work that today's technology is going to continue its rapid evolution. In fact, we strive to lead that evolution. But it doesn't take long to conclude that, as many new technologies, like peer-to-peer or m-Commerce, gain ground, that ground is likely to shift again, as radically as before and as suddenly as before. Unfortunately, if businesses don't develop better coping skills, the consequences will also be the same as before. So we've tried to get to the heart of the matter: what should companies do? Not just about today's mess, but to prepare for the future as well. **Five lessons emerge:**

### Choose Target Customers and Aim at Them

Our study shows clearly the importance of understanding customer needs for e-Commerce and the benefit and value of understanding the different needs of different segments. There is great benefit to targeting the customers you want with the benefits they want.

### Build Marketing Muscle

Many businesses, especially in the B2B sector, are marketing neophytes. But the online world puts a premium on understanding customers. Understanding customers means knowing how to find out what they want, how they want it, and what they think of what you're offering. All of which depends on good, solid (and unfortunately, time consuming) work. Companies need to build these basic marketing skills to ensure

the organization can get it right: customer preference for their e-offering at a profit. Such skills will continue to pay dividends when the next technology wave breaks.

### Integrate the Traditional with the Non-Traditional

Too many businesses have tried to create a new customer experience on the Web that bears little resemblance to the way its most valued relationships are nurtured. Traditional needs take the back seat or are absent. Firms that integrate the familiar with the unfamiliar – for example, with Web-integrated telephony – enable customer interactions and thus, do more to build brand value. Also, companies should take care not to throw the baby out with the bath water. All too often, firms are building a new e-Brand experience without leveraging existing brand attributes (e.g.

customer service, familiarity, and reputation). Again, our accent is on the future: customer needs will evolve with new technologies. The trick will be to continually integrate the traditional with the new and the new.

### Focus on EBIT Not Bits of 'E'

Companies need to focus their online efforts on things that contribute to the bottom line – whether by lowering costs or raising revenues. Too many e-Commerce efforts do neither. Even if you decide to mount an information-only site or m-Commerce message system, take the time to figure out what information people need and at what point in the buying decision they want it.

Don't invest in technology for technology's sake: recognize the trade-off between impact to preference and to profit.

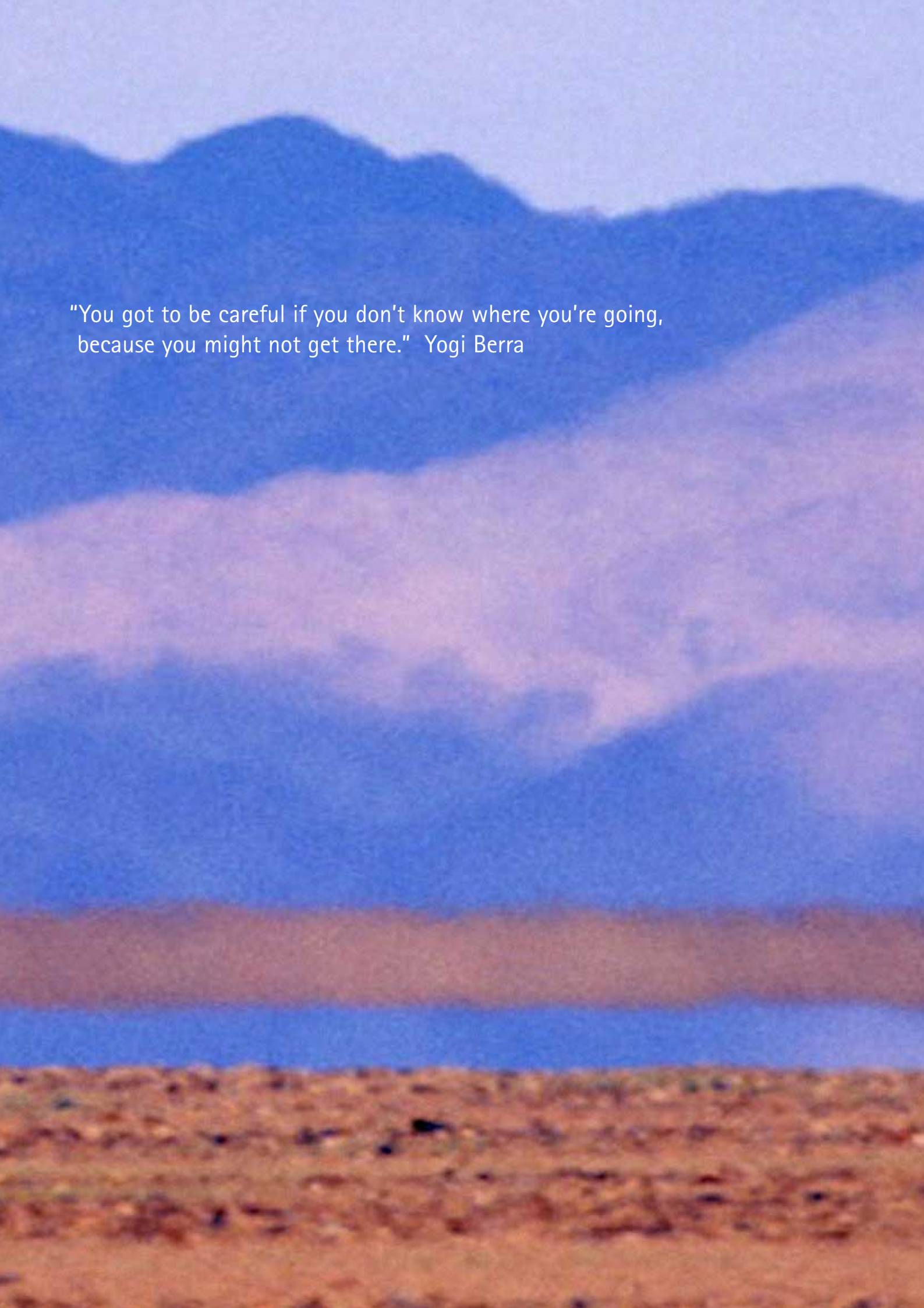
### Use 'E' to Build Brand Value

Measure how customers perceive you in this channel and in emerging channels, e.g. mobile commerce. Use the Internet to reinforce the distinctiveness of your brand, that is, those things that you do better than your competitors. Prioritize resources and activities to deliver the e-Brand needs that your target customers really value. When creating – or re-designing – your website, or your new m-Commerce or peer-to-peer offering, use a company that understands your industry... and your customers. Building brand value via the Web is not about technology. It's about using technology to improve the customer experience of your product and service.

## IV. B2B Needs-Based Segments

This section outlines the characteristics and attitudes of each of the five online needs-based segments identified in this study. For a more detailed explanation of the study's methodology and sample selection process, see Section V below.

By the way, it is important to note that people do not always belong to the same segment. The same buyer may value site functionality very highly when purchasing asset management services, but put more stress on brand familiarity when purchasing computer hardware. Since preferences differ depending on the product or service purchased, when faced with five different purchasing decisions the same purchaser may behave like a Traditionalist, an e-Service Seeker, a Price Sensitive, an e-Skeptic, or an e-Vanguard.

A landscape photograph featuring a blue sky, blue mountains, a blue lake, and a brown foreground. The text is overlaid on the blue mountains.

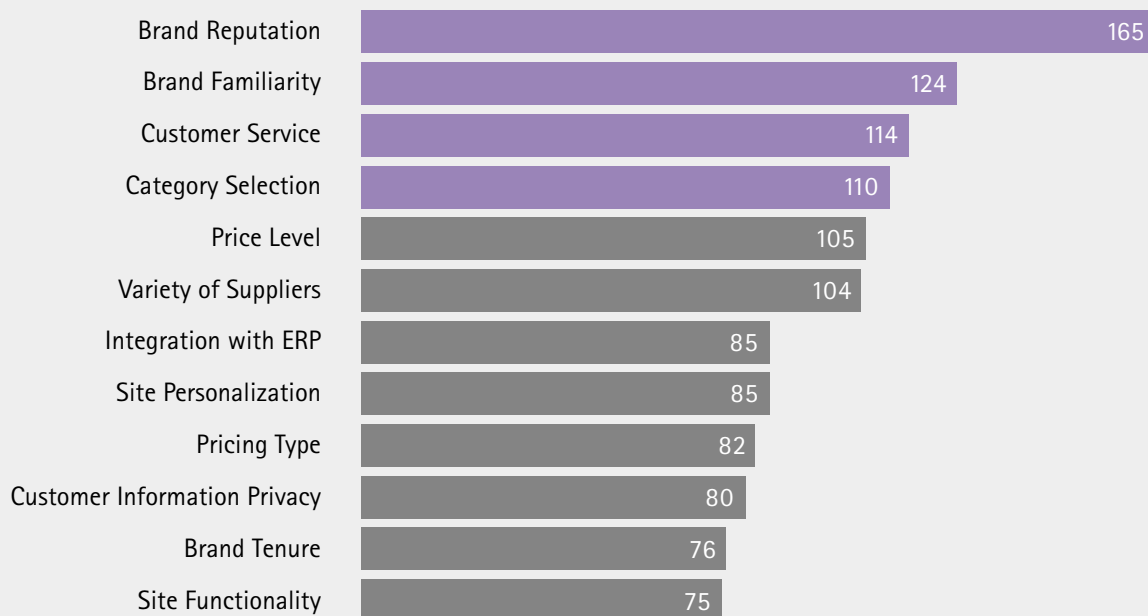
"You got to be careful if you don't know where you're going,  
because you might not get there." Yogi Berra

## Traditionalists

With 28% of buyers, this is the single largest of the five segments. Traditionalists are so brand-sensitive that brand reputation, familiarity, and tenure account for almost one third of total e-Brand value. Site functionality, information sharing policies, site personalization, and ERP integration all matter less to Traditionalists than to any other segment. Surprisingly, Traditionalists are even more dominant in computer hardware than any other segment.

### Buyer Needs for Traditionalists

Relative Importance Indices

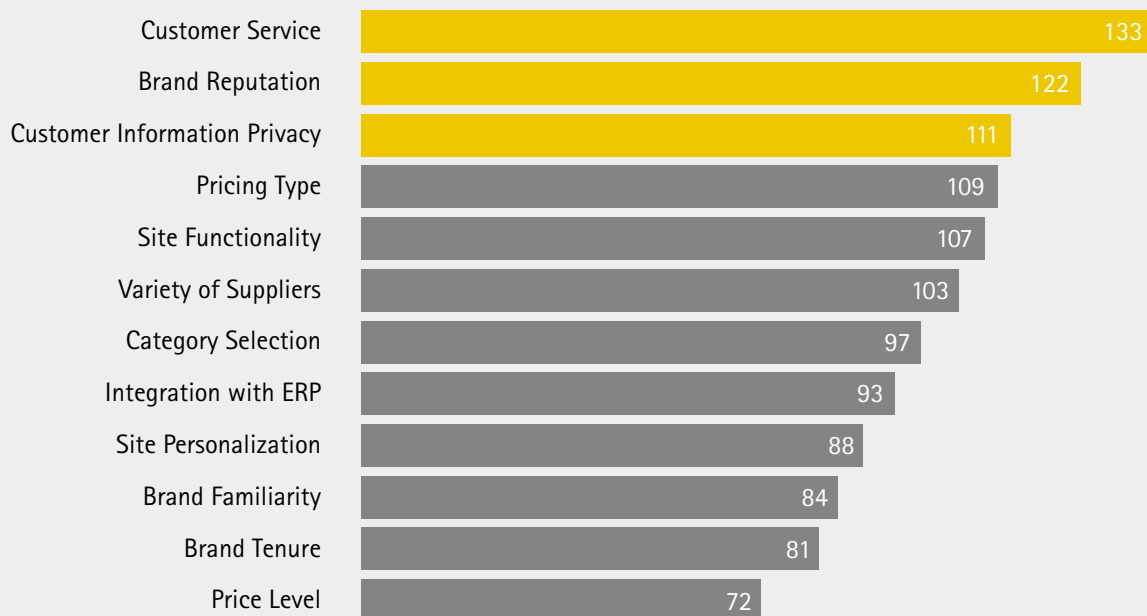


## e-Service Seekers

e-Service Seekers constitute 23% of the online B2B market, though they dominate in asset management, healthcare, and communications hardware and services. Customer service is the single most important value factor for them (index = 133). They are the least price-sensitive B2B buyers identified in the study, ranking price level dead last in importance behind all other factors. However, they do want price policies that treat different types of buyers differently – such as volume discounts, for example. Web site features, e.g. site functionality, site personalization, ERP integration, customer information privacy, and supplier variety, are also important to these e-Service hounds. Combined, these values contribute about 42% of what they prefer in a B2B brand.

### Buyer Needs for e-Service Seekers

Relative Importance Indices

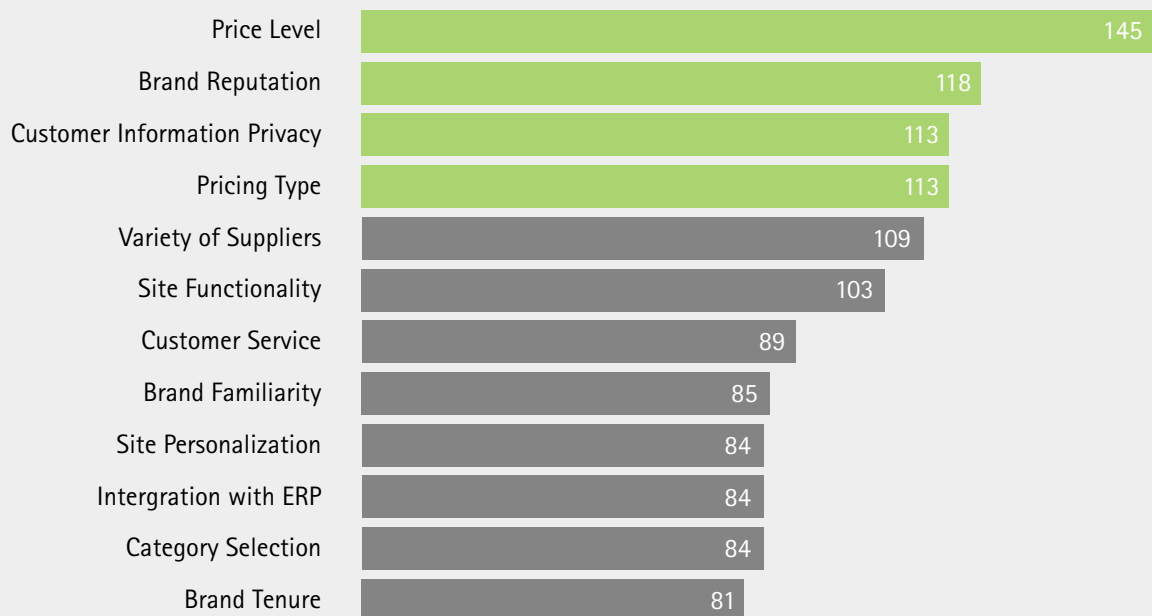


# Price Sensitives

As the name strongly suggests, members of this segment 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. Price level and pricing type, respectively their first and fourth most important factors, account for over 20% of what the Price Sensitives value in a B2B e-Brand. Brand reputation (index = 118) is an important but far from overwhelming consideration, ranking on their value scale just ahead of information privacy issues. The Price Sensitives segment includes 21% of B2B purchasers, but they dominate in cash management, energy services and forest products.

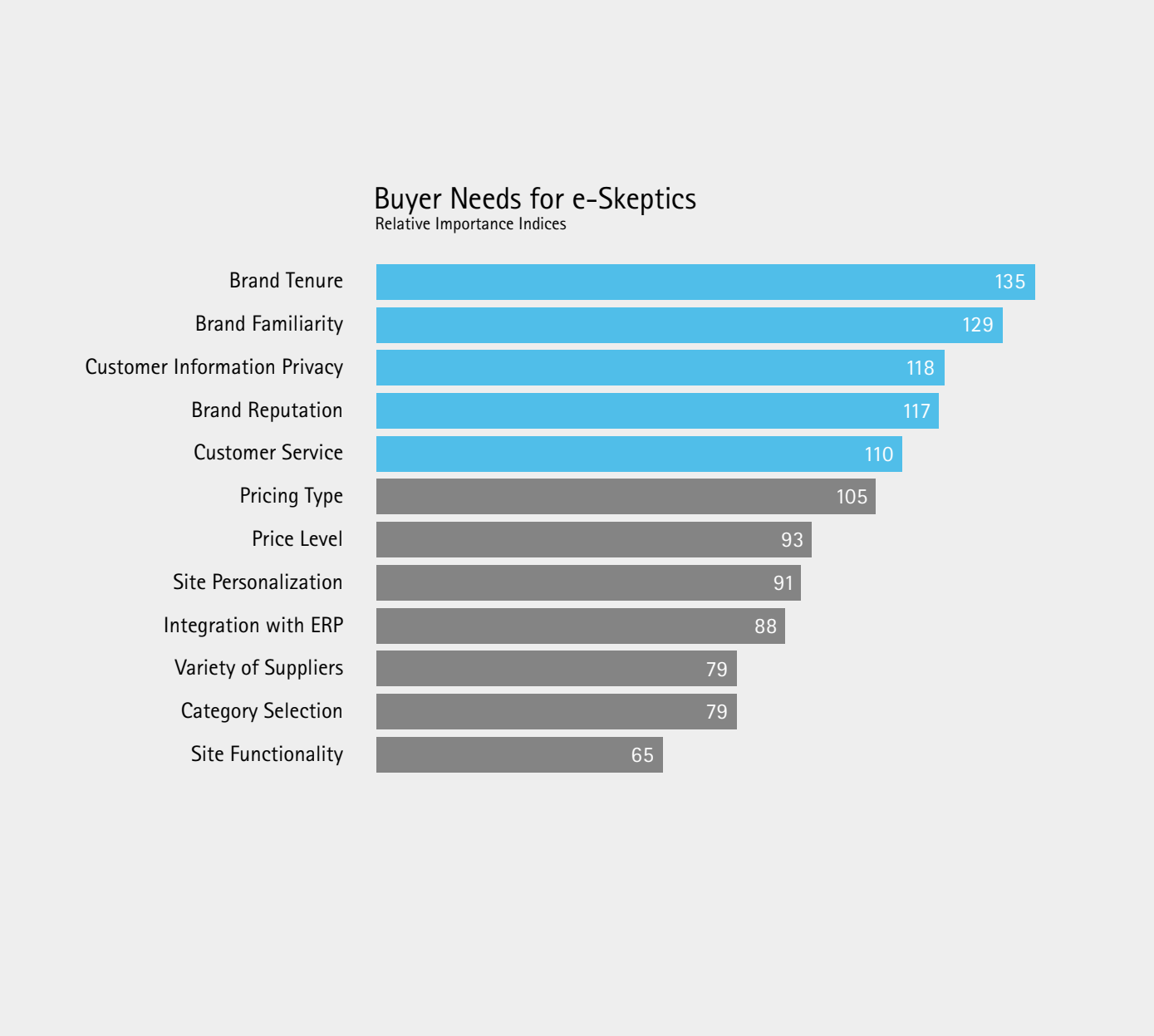
## Buyer Needs for Price Sensitives

Relative Importance Indices



e-Skeptics must all be from Missouri.\* They contradict the old saw that "familiarity breeds contempt." Most B2B purchasers don't care how long a brand has been around, so long as it is reputable and somewhat familiar. But for e-Skeptics, brand tenure is the single most important factor in their scale of values, and brand familiarity is a close second. Combined, these two factors account for 22% of the total value e-Skeptics derive from a B2B brand. Information privacy is the next highest ranking, and brand reputation fourth. Of all online B2B buyers, e-Skeptics care least about variety, i.e. range of suppliers and product categories, and site functionality. Accounting for approximately 17% of the market, e-Skeptics are the true hold-outs for the New Economy. They're willing, but they want you to show them first. Not surprisingly, they're a dominant segment in chemicals and cash management, and surprisingly strong in computer hardware.

\* With apologies to non-US readers! Missouri is fondly known as 'The Show-me State'.



## e-Vanguard

The e-Vanguard values what the Internet is great at: they are comparison buyers. In fact, supplier variety and category selection combined account for almost 20% of their value set. Customer service is the second most important factor for this segment, but site functionality ranks near the top (index = 114). Indeed, the e-Vanguard cares about this type of experience so much that they are willing to trade these needs over price, brand reputation, and customer information privacy. They're a small segment (11%), but almost twice as large in cash management and healthcare insurance/services.

### Buyer Needs for e-Vanguard

Relative Importance Indices



"You better cut the pizza into four slices because I'm not hungry enough to eat eight." Yogi Berra

### This study proposed to answer several important questions about B2B e-Brands:

- What is "value" in a B2B e-Brand?
- What factors create and build that value?
- Does a B2B e-Brand add or detract from a related offline brand?
- How do price level and pricing strategy affect B2B e-Brand value?
- What are the relevant needs-based segments for B2B e-Brands?
- What are the best marketing strategies to address these segments?
- How do the answers to these questions differ across industries?

With the assistance of Online Insight, Accenture used both questionnaires and personal interviews to screen potential US respondents in order to select survey participants representing companies with \$700 billion total revenues, across the following eight industry segments:

- Computer Hardware
- Energy Services
- Forest Products – Paperboard
- Industrial Chemicals
- Asset Management
- Cash Management
- Healthcare Insurance/ Services
- Communications Hardware/Services

Most of the respondents represented entire companies or a single business unit across a diverse range of company firmographics and online behavior. Just over 60% only operate in the US, and half have been in operation for more than 20 years. Over 30% do not have broadband access at work and 70% have been buying online for over a year. However, the sample was not a mirror image of the total US business population. By comparison, companies earning less than \$1 million account for 81% of US businesses, versus 25% of the online survey panel. Similarly, companies with less than 20 employees account for 88% of US businesses, versus 40% of the online survey panel.

The sample size was sufficiently large to allow us to generalize about the B2B online population within acceptable statistical confidence levels. Although the study over-sampled large companies, the results were not weighted to adjust different groups' impact on the results. Since large companies (i.e. with revenues in excess of \$1 billion) drive the majority of the B2B economy in the US, over-sampling for large companies would ensure that these customers received a greater voice with respect to their e-Brand views and preferences.

The Web-based study included both traditional survey questions on Internet purchasing, Internet behavior, firmographics, industry perceptions, etc., and an extensive conjoint (trade-off) exercise. In a conjoint study, survey participants trade off groupings of paired needs indicating the strength of their preference for particular combinations of needs. This study focused on the following buyer needs:

#### **Brand**

- **Brand Familiarity:**  
The extent to which the respondent has heard of or had experience with the provider
- **Brand Reputation:**  
The extent to which the respondent views the provider's reputation to be above or below average
- **Brand Tenure:**  
The number of years the brand has been in existence

#### **Price**

- **Price Level:**  
The provider's price level relative to other providers in the same industry
- **Pricing Type:**  
The method(s) by which the provider charges its customers for its products and/or services

#### **Products/Services**

- **Category Selection:**  
The variety of product/service categories offered by a provider
- **Variety of Suppliers:**  
The variety of suppliers/manufacturers available for any given product/service category offered by a provider

#### **Service**

- **Customer Service:**  
The extent to which an account representative is available or dedicated to an individual customer or company

#### **Site Capabilities**

- **Site Functionality:**  
The range of activities that a customer can perform on a provider's web site
- **Integration with ERP:**  
The degree to which the provider enables end-to-end integration with customers' ERP applications
- **Site Personalization:**  
The extent to which the provider's web site can be personalized either by the user's choice or in response to learned user behavior

#### **Privacy**

- **Customer Information Privacy:**  
A provider's policies and practices regarding the collection and use of its customer information.

Since eight industry segments were covered, eight tailored surveys were presented to eight sets of respondents. The surveys were similar in format and style, but each contained questions pertinent to a distinct industry segment.

A statistical analysis of each response allowed us to determine the relative importance of each customer need and assign a "utility score" to each need. Further analysis allowed us to group participants who shared the same opinion of the relative importance of each need. The needs-based segments, therefore, describe a group of people whose attitudes and preferences are measurably similar.

In this study, the responses were also analyzed to determine whether company size, geographic coverage, company age, Internet access speed, online purchasing tenure, and online purchasing level influence customer preferences.

It is noteworthy that membership in these segments is not static. Thus, the same customer may be a Price Sensitive in one industry, an e-Service Seeker in another, and a Traditionalist in a third, etc. Moreover, the share of market among segments also varies from industry to industry.

## 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 <http://www.accenture.com>.

## Online Insight

Online Insight provides technologies and services that help increase profitability by understanding how customers think. By understanding the exact needs and motivations of each of their buyers, companies can profitably drive sales, product planning and customer care systems. Contact us at: [www.onlineinsight.com](http://www.onlineinsight.com)

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