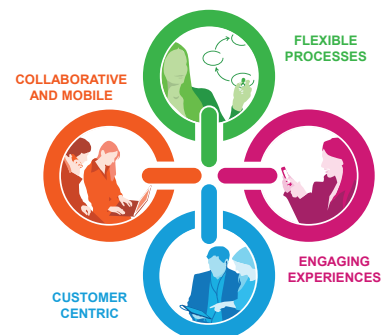




Global Survey: B2B is the New B2C

The Consumerization of Enterprise Sales
November 2013

Work Redesigned:
Seizing New Opportunities in a
Changing Workplace



Executive Summary

Imagine a company is embarking on a significant upgrade of its assembly line equipment. Can it shop for the equipment in an online marketplace of third-party sellers ranked by quality and price? Can it buy new options directly from a company's sales staff or turn to real-time auctions for refurbished ones? Is there a network of peer customers available to review and help configure parts – and increase cross-selling in the process? Are there video reviews of the equipment, links to expert advice on social media, and one-click access to a host of installation and maintenance services?

Not yet – even though the same resources are available to every consumer browsing Amazon.com. Avanade's latest global research results show the "consumerization" movement is changing how businesses buy and sell goods. Enterprise buyers are beginning to mimic consumer shopping behaviors and the value of the customer experience is now more important than cost in the buying process.

The study of 1,000 C-level executives, business unit leaders and IT decision-makers shows that widespread availability of mobile and social technologies is complicating relationships between businesses and their customers. As buyers are growing more demanding, sellers must be more flexible. Notably, Avanade found that businesses embracing this complexity report longer-term and more lucrative relationships with customers.

Key findings of Avanade's large-scale research indicate the following trends:

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- **Enterprise buyers are mimicking consumer shopping behaviors.** The relationship between B2B (business-to-business) buyers and sellers is expanding far beyond the reach of a company's salesforce. Similar to how consumers purchase a car today, 61 percent of B2B buyers report third-party sites and feedback from business partners, industry peers or social channels as more important than conversations with a company's sales teams when making a purchasing decision for their company. B2B is next in line in the consumerization movement.



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- **Technology is seen as the cause and the cure.** A sizable portion of companies are responding to technology-driven changes in their sales process by modifying organizational roles and making technology investments. Nearly half (45 percent) of respondents say that IT plays a greater role in the overall customer experience than it has in the past. Further, 40 percent say IT contributes significantly to the strategic direction of a company.



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- **Companies can monetize customer experiences.** The value of the customer experience surpasses cost as the top factor in a B2B purchasing decision. Customers report they are willing to pay up to 30 percent more for a superior experience. In fact, more than half (56 percent) of those surveyed report paying more for a product in the last six months because the customer experience was better than other less expensive options.



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- **Those businesses that embrace these changes are outperforming peers.** Sixty percent of companies that have built new business processes and technologies to accommodate shifts in customer interactions report increased revenue – while 60 percent also report a larger customer base and 61 percent report a growth in customer loyalty.

Additional data, analysis and commentary from peers in the industry are included in the following pages.

More than 50% of buyers consult third-party sources before consulting a company's salesforce. These sources include third-party sites, feedback from a business partner, social channels and conversations with peers who already have experience with the product or service.

The consumerization movement comes to business buyers

The B2B buying process is not only growing more complicated – it's following patterns first seen in consumer shopping. Social networks and mobile technologies are [invading the workplace](#) and contributing to a decentralized sales process. Information about a company and its products or services is available everywhere – whether the product is manufacturing equipment sold to businesses or a refrigerator sold to consumers. B2B buyers are shopping at work like they do at home. They are proactively informing themselves about enterprise products and services in wide-ranging marketplaces of peer customers, industry experts and, of course, salespeople.

More than half (61 percent) of buyers consult third-party sources before consulting a company's salesforce. These sources include third-party sites, feedback from a business partner, social channels and conversations with peers who already have experience with the product or service. These sources beyond the reach of a company's salesforce are a factor for 89 percent of buyers when making B2B buying decisions.

Not only are B2B customers seeking information about products from a wider variety of sources, they are also communicating about their business purchase decisions publicly. A bad customer experience has long-term and far reaching implications. After purchasing a product or service for their company, 42 percent of buyers reviewed a company on a third-party

website. Roughly one-third (32 percent) posted a review on social media channels such as Facebook or LinkedIn and nearly one in five (19 percent) posted comments about the company on Twitter.

This creates an ongoing cycle for purchasing decisions. The information posted publicly by one B2B buyer will likely be used by a peer in another decision. So goes the cycle. In October 2013, Forrester's David M. Cooperstein summarizes this trend in the [Competitive Strategy in the Age of the Customer](#) report: "With online reviews and mobile web access, your customers know more about your products, your service, your competitors and pricing than you do."

Will technology replace salespeople?

Companies recognize the dramatic changes in the way they interact with customers. What's surprising is the breadth and depth of changes they're making to redesign technology priorities, business processes and organizational roles as a result of the evolving marketplace.

A wider variety of people in companies are responsible for managing relationships with customers today. The new path a customer follows in seeking products and ongoing support from companies, or the "customer journey," requires non-sales departments, especially IT, to play expanded roles. 83% of businesses say departments such as IT, marketing and manufacturing now play larger roles in directly managing customer experiences than they did three years ago.

The IT department is at the epicenter of this changing relationship between buyers and sellers. Nearly half (45 percent) of respondents says that IT plays a greater role in the overall customer experience than it has in the past. Further, 40 percent say the IT department contributes significantly to the strategic direction of a company today. According to Accenture's [High Performers in IT: Defined by Digital](#) report, high performers allocate 55 percent of their IT budget to deliver strategic business capabilities compared to 37 percent allocations in other organizations. That's a far cry from a department built to support desktops and answer helpdesk calls.

Processes and technology investments are also changing alongside people's roles. More than 80 percent of companies have changed at least one business process in the past three years to better interact with customers. Top business process changes include:

- **Increased investment in customer sales and support technology (44 percent)**
- **Increased the number of employees interacting with customers (40 percent)**
- **Increased automation in the sales process (32 percent)**

Additionally, more than half of companies who report making new investments in customer sales and support technologies are investing in mobile devices (55 percent), social media (54 percent) and mobile applications (53 percent). Businesses report that they are also looking to their employees to use their own personal devices, such as mobile

phones, to engage with potential customers. In fact, nearly half (45 percent) of companies surveyed expect their employees to use their personal devices to interact with customers during the sales process. In Accenture's recent [report](#) they also concluded that high performers let their employees use their own mobile phones and tablets, access their own mobile apps, and self-manage almost 70 percent of their interactions at work, compared to just over one-third for other organizations.

Most striking, Avana's research revealed that seven out of 10 executives believe that technology will mostly replace human interaction with customers in the next decade. These findings are also consistent with Avana's "[Work Redesigned](#)" study conducted in January 2013, which showed that the majority of businesses (71 percent) have changed at least one business process to better accommodate emerging work trends like the use of mobile and consumer technologies.

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Avanade's research shows that cost is not the top factor. Buyers reported prioritizing the customer experience over the price of a product or service when weighing a purchase decision.

Businesses learn to monetize experiences

Sure, product cost is a major factor when making a purchasing decision, but Avanade's research shows that it's not the top factor. Buyers reported prioritizing the customer experience over the price of a product or service when weighing a purchase decision.

We already know the importance of experiences to consumers. According to the American Express [2012 Global Customer Service Barometer](#), two-thirds of consumers state that they are willing to spend more with a company they believe provides excellent customer service. Likewise, they react more vocally if they have bad experiences. Consumers are twice more likely to share a bad customer service experience than they are to share a good one. As B2B buyers increasingly mimic consumer actions, enterprises can expect similar behaviors from enterprise purchase decision makers.

In fact, our research reveals that purchasing decision makers, similar to consumers, are paying more for products and services in the name of a better customer experience. In the last six months, 56 percent of purchasing decision makers within companies report paying more for a product or service because the customer experience was better than other, less expensive options.

Avanade's global study also quantifies how much more they're willing to pay. Decision-makers buying products and services for their business are paying on average 30 percent more for an improved customer experience.

Walt Disney understood this principle perfectly, saying, "Do what you do so well that they will want to see it again and bring their friends." It's no wonder families from around the world will pay \$100 or more per person to experience a day in Disneyland when plenty of cheaper carnivals and fairs exist.

Companies that are making smart changes and embracing new sales processes to improve their customer's experience see similar positive results. Those companies that have built new business processes and technologies to accommodate shifts in customer interactions are experiencing:

- Increased customer loyalty (61 percent)
- Increased revenue (60 percent)
- Increased customer base (60 percent)

While not every business has embraced these changes, more companies are headed in this direction. The research shows more companies (83 percent) plan to invest in technology aimed to improve their customer experience in the next year. These new findings reinforce Avanade's past [Work Redesigned](#) research, which found companies that are embracing this new style of work are also seeing positive impacts on sales, profits, product development and employee satisfaction.

Views from an IT advisor

The value of a customer relationship is no longer defined by a series of transactions, but rather the complete experience a seller offers a buyer at the time of purchase and throughout their time with the product or service. New technologies, business processes and information sources can lead to deeper as well as more profitable relationships for businesses, and more rewarding experiences for customers.

However, not all businesses are catching on. Our research shows that some businesses are still ill-equipped to handle this new customer journey and are struggling to manage various information sources that customers now rely on to inform their buying decisions. Those businesses that have not implemented new business processes or made investments to support sales don't plan to make any changes in the near future. These technology skeptics will miss the boat in creating a more customer-centric enterprise.

Interestingly, the higher up the corporate ladder one is the more positive the perception around the buying experience a company is providing its customers. For example, Avanade's research revealed that 86 percent of C-level executives believe their customer experience is better than that of their competitors. However, outside of the C-suite, the view isn't quite as positive. 77% of business unit leaders and 66 percent of IT decision makers believe their customer experience is better than their competitors.

Keys to improving your customer experience:

- Assess your current customer buying experience and identify areas for improvement.
- Anticipate future customer needs by looking at both internal and external data sources to predict behavior patterns, market trends, customer demand, etc.
- Create a seamless customer experience across all channels of communication and customer touchpoints.
- Leverage new technology trends such as mobile and social to provide a truly unique experience for customers and enabling self-service across a number of channels.
- Empower employees with the tools, processes and information they need to delight customers and solve issues proactively.

Survey methodology

Avanade's survey was conducted in October 2013 by Wakefield Research (www.wakefieldresearch.com) an independent research firm. It surveyed 1,000 C-level executives, business unit leaders and IT decision makers, at the top companies in the following countries: U.S., Australia, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Italy, Malaysia, the Netherlands, Norway, Singapore, South Africa, Spain, Sweden, Switzerland and the U.K. The industries surveyed include: aerospace, defense, telecommunication, energy, healthcare, financial services, government, non-profit, media, entertainment, logistics and manufacturing.

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About Avanade

Avanade provides business technology solutions and managed services that connect insight, innovation and expertise in Microsoft® technologies to help customers realize results. Our people have helped thousands of organizations in all industries improve business agility, employee productivity, and customer loyalty. Avanade combines the collective business, technical and industry expertise of its worldwide network of experts with the rigor of an industrialized delivery model to provide high quality solutions using proven and emerging technologies with flexible deployment models—on premises, cloud-based or outsourced. Avanade, which is majority owned by Accenture, was founded in 2000 by Accenture LLP and Microsoft Corporation and has 20,000 professionals in more than 20 countries. Additional information can be found at www.avanade.com.



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