Businesses and Consumers as Online Customers

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INTRODUCTION

The emergence of e-commerce as a way of doing business has created an environment in which the needs and expectations of businesses and consumers are rapidly evolving. Marketing managers must decide how often and how radically to adapt to the dynamics of the marketplace. Firms may simply offer a Web site, or they may embrace change as evidenced by frequent and/or major updates to obtain the maximum potential from e-commerce activities. Managers need to continuously evaluate their marketplaces to assess how much adaptation makes sense. The more managers know about customers' expectations and their likely reactions to e-commerce activities, the better they will be able to attract, satisfy, and retain online buyers.

BACKGROUND

Early adopters of innovation provide revenue needed to pay for research, development, and launch costs involved in bringing a new product to the market. This is true for adopters of a new e-commerce channel, as well. Further, although it is necessary to acquire new customers continuously to replace those who leave, attracting new buyers is not enough. Firms must retain at least a portion of first-time purchasers to remain viable. Loyal, satisfied customers add value for the firm because they tend to increase spending over time, spread positive word-of-mouth, and provide valuable feedback regarding the Web site (Reichheld & Schefter, 2000).

How are companies using Web sites to reach potential and current customers? Liu, Arnett, Capella, and Beatty (1997) examined the Fortune 500 to identify motivations for adopting e-commerce: the results include reduced costs of market coordination and improvements in efficiency, communication, and information processing. The presence of a Web page and revenues are often related (Liu et al., 1997)—this makes sense because, typically, homepages provide overview information about the companies and descriptions of products. The Web sites of smaller sized firms tend to focus on direct selling and immediate revenue generation, while larger firms' Web sites focus on communications, with apparent goals of building awareness and relationships. A focus on selling may neglect the need to communicate and assist potential customers in developing a relationship with a firm—this may be part of the reason so many smaller firms failed in the dot-com bust of 2000.

Although many of the critical issues are the same in business and consumer marketplaces, customer needs and behaviors differ for each of these types of markets. Pertinent observations are summarized in Figure 1 for convenient reference.

Characteristics of Business Online Buyers

Potential business online customers need to obtain specific information, including pre-sale support, delivery conditions, pricing options, documented quality, and post-sale service (Gattiker, Perlusz, & Bohmann, 2000). Search attributes (including product price, brand name, and warranty) and recommendations from others have greater influence online than in a brick-and-mortar retail store where other product features can be readily evaluated. As Web sites began to provide more of the necessary information, the business-to-business (B2B) marketplace exhibited phenomenal growth, far surpassing consumer online revenues. According to *E-Stats* (2002, 2003, 2004, 2005), an online publication of the U.S. Department of Commerce, B2B e-commerce in the U.S. totaled $913 billion in 1999, $997 billion in 2000, $1.01 trillion in 2001, $1.42 trillion in 2002, and was projected at $1.57 billion for 2003. In sum, B2B exchange is typically 94% of all e-commerce activity.

Figure 1. Overview of online buyer attraction, satisfaction, and retention

| TYPE OF INTERACTION		
	Business-to-Business (B2B)	Business-to-Consumer (B2C)
Attraction	Marketing mix Customer demographics Convenience, efficiency Use of digital data transfer Availability of specific info Documented quality Support services Warranty	Marketing mix Consumer demographics Consumer psychographics (e.g., innovativeness) Positive attitude toward online buying Prefer online functionality Prefer online experience
Satisfaction	Lower prices On time, correct delivery Excellent communication Met expectations Lack of problems or opportunistic behavior	Positive online experience Outcome meets expectations Reduction of functional, financial, social, and psychological risk Recovery in case of failure
Retention	Repeated satisfying experience Consistent delivery Convenient re-buy Provide added value Customer relationship management (CRM)	Repeated satisfying experience Consistent delivery Post-sale support Frequent Web site updates Loyalty programs and CRM Building of trust

Some industries are more inclined to utilize e-commerce than others. *E-Stats* (2005) notes that 70% of all manufacturing e-shipments occur in only five industries, including transportation equipment, chemicals, computer and electronics, food, and petroleum and coal products. Merchant wholesaler e-sales were concentrated in only three industry groups, with drugs and druggist sundries, motor vehicle parts and supplies, and professional and commercial equipment and supplies explaining 61% of the total. There may be greater opportunities for increasing B2B e-commerce in industries that are not yet heavily represented.

Characteristics of Consumer Online Buyers

Shopping online has been adopted by increasing numbers of consumers each year, representing various demographic groups. Figure 2 relies on information from Lenhart et al. (2003) to provide a picture of Internet shopping behavior by demographic group.

Total business-to-consumer (B2C) online commerce, including services and retail trade, was $40 billion in 1999, $65 billion in 2000, $70 billion in 2001, $86 billion in 2002,

Figure 2. Online shopping by demographic group
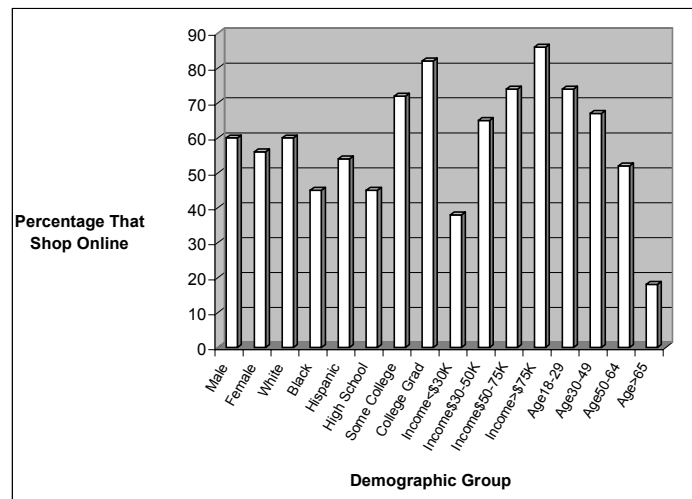
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