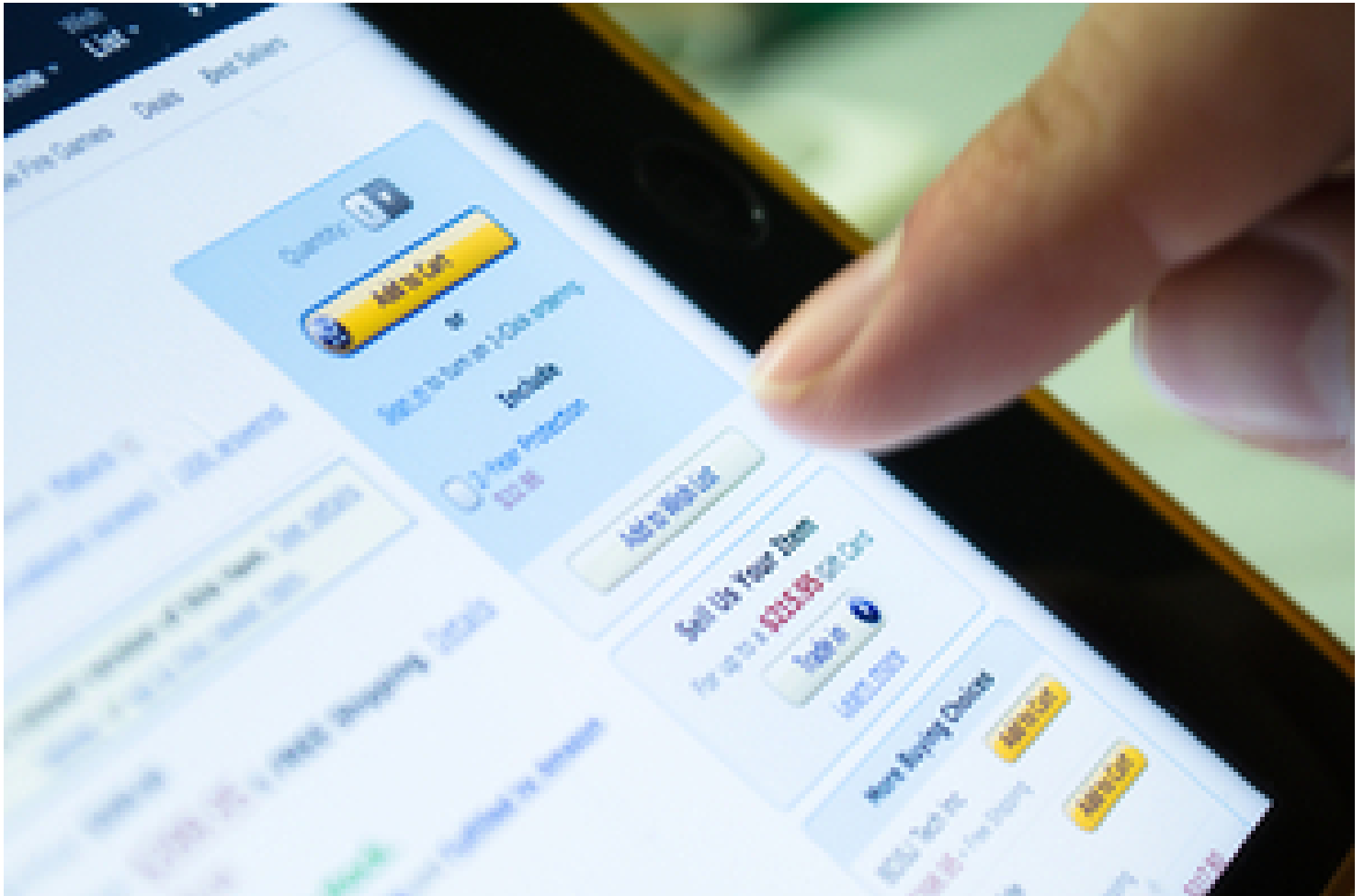


# The digital buyer: Design your website to allay customer doubt.

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Thursday, 28 Apr 2016  by James Narus

*In this guest post, [the third in a series](#), Procurement Leaders invites James Narus and Michelle Steward from Wake Forest University to share findings from their research into the digital buying process and discuss how online marketplaces are changing the approach to B2B procurement.*

When it's time to shape their websites for marketing and sales purposes, many firms take a highly descriptive, product-centric approach. They describe their products and applications. They discuss their features, advantages, and benefits. And they occasionally document and demonstrate their value. Yet, technology pundits today claim that buyers routinely complete anywhere from 50% to 90% of the buying process online before they contact a supplier representative.

Thus, a supplier's website must provide most of the critical information that a purchasing manager needs to determine whether or not to buy a supplier's product or service. Unfortunately, our research indicates that far too many product-centric supplier websites do not provide the information that purchasing managers actually seek.

To learn more about how this new, digital buying process works and buyers' information needs, we completed 48 personal interviews with supply managers, gathered 220 online questionnaires concerning digital tool usage in

procurement today, and conducted an online controlled experiment related to the use of online reviews and communities with 290 US purchasing managers in a wide variety of industries ranging from chemicals to electronics to education to theme parks. In this blog, we will discuss one of the most frequently cited “gaps” in suppliers' website content – risk mitigation.

## **A Low Price Can Cost Too Much**

Growing margin is not enough for procurement and purchasing professionals. Power through “delivering pennies” is no longer the path of success for these sourcing professionals. As one purchasing manager told us, “a low price can cost too much”. While price is certainly a key factor in decision-making, before the conversations with the suppliers even begin sourcing professionals scour the web and their professional network to learn about potential suppliers.

They are focused on learning about the supplier's financial standing and credit risk, past and present litigation, and the overall stability of the supplier as assessed through third parties. The thirst for assessment companies has been great because currently these risk factors and metrics are buried within suppliers' websites.

Suppliers have been slow to incorporate these risk factors in an easily accessible fashion on their websites. That, too, has become a signal to sourcing professionals. While general customer testimonials are often quickly found on a supplier's website, rarely is even the most basic ROI data from across customers available to a potential customer without in-depth conversation with the supplier. When buyers are building consideration sets, the last conversation that they wish to have is with a supplier.

## **What Data Can Suppliers Offer “At a Glance” For Potential Buyers?**

When selecting a supplier, purchasing managers are building a mental image of what working with a particular supplier will involve. A key part of that portfolio is the financial health of the supplier. Purchasing managers assess a supplier's profitability, growth, valuation, working capital management and debt management.

Suppliers should offer a snapshot of these key metrics on their websites and social media sites for purchasing managers to quickly access and examine in dashboard-like fashion, rather than having potential customers go through the tedious and time-consuming task of digesting annual reports.

### **1. Profitability Metrics**

A portfolio of metrics painting a picture of how profitable a supplier might be includes COGS/Sales, Gross Margin, SG&A/Sales, EBIT Margin, Net Margin, ROA and ROE. Purchasing managers understand that profitable businesses have a higher likelihood of staying in business in the long-run and investing in the buyer-supplier partnership.

### **2. Growth Metrics**

Purchasing managers are examining suppliers' Sales Growth, Assets, Net Income and EPS. These indicators help a purchasing manager assess the innovative hunger that a supplier might be pursuing that can have substantial benefits for the buyer. Additionally, purchasing managers are interested in how efficiently suppliers are achieving their current outcomes (thru Sales/Employee [\$] and Net Income/Employee [\$]).

### **3. Valuation, Working Capital Management and Debt Management Metrics**

Purchasing managers do not want to go through all the time and cognitive energy, negotiations, and in-house persuasion to secure a particular supplier only to have the supplier go bankrupt after a short period of the partnership and the cycle of supplier selection start again. For this reason, purchasing managers examine potential suppliers' current valuation (P/E, P/B, P/S, dividend-yield and market capitalization), working capital (DSO, ITO, DPO, TAT) and debt management (TIE, Tax Rate, Fixed Charge Coverage, EBITDA/I, D/A, D/E, Total Debt).

## Battling FUD

Previous generations of sales representatives often used the FUD (fear, uncertainty, and doubt) Model to dissuade a prospect from patronizing a competitor. They did so by subtly implying that it was highly unlikely that the competitor would be able to meet its promises and obligations to the customer firm.

Offering a supplier's profitability, growth, valuation, working capital management and debt management metrics in an easily accessible fashion on a supplier's website can go a long way towards allaying a customer's FUD and paving the way for a successful sale. If done masterfully, it can provide a supplier's website with a meaningful and persuasive "point of differentiation" over the competition.

*Stay tuned for the rest of this series on Procurement Leaders. Find the previous post [here](#).*

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