



## **The New "B" School: B2B Takes a Class in Consumer Marketing**

By John Gaffney

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Customer loyalty. Customer experience. Data analysis. Marketing measurement. All of these strategies have typically been reserved for business-to-consumer marketing. But today business-to-business marketing is taking more than a few pages from the textbooks authored by its consumer-based cousins. In fact, effective B2B marketers have centered themselves around customer strategy as a competitive advantage and a profit-driven necessity.

Look no further than the auto industry. An April AutoNews survey found that car manufacturers that scored the highest in dealer relationships (Nissan, Toyota, Honda) showed a direct correlation between profitability and future business outlook. More than 80 percent of Nissan, Toyota, and Honda dealers said their B2B relationships were "great." As Ford and GM struggle, it's no surprise that more than half of their dealers say relationships are "strained."

### *Customer experience: the working lunch*

Until recently many B2B customer relationships were based on schmoozing and spiffs. Now some B2B marketers say they've moved toward efficient customer experience planning and designing customer experiences that replicate consumer experiences. "The experience B2B clients have had in the consumer area has led them to expect more as businesspeople," says Lindsay Smith, director of marketing and business development for Motorola Connected Home, which provides broadband technology to cable systems and wireless networks. "There is a much more dynamic connection between us and our B2B customers."

B2B marketing is today more about ordering in a working lunch than discussing the next big client order over steaks and cabernet at Morton's. An April 2006 Harvard Business Review survey of 120 major B2B sales executives and 200 B2B purchasers found that command of "subject matter and solution expertise" was the most desired quality from B2B sales and marketing companies. That was followed by "understanding of a customer's business and industry." At the bottom of the list was "social and communication skills."

"If there's one principle we live by it's that we must understand the challenges of the business our client works in," says Greg Mayfield, enterprise marketing vice president for Cisco Systems. "If we understand that, it will lead to consistency in our communications and it will enhance the value of the solutions we offer." Cisco is among the world's largest B2B marketers. Of the \$24 billion the company generated last year, more than 90 percent of it came from enterprise networking solutions. (Only its Linksys division markets to consumers.) The company is well known for meticulously surveying its major clients at every turn, looking for clues about improving the customer experience. According to Mayfield, these surveys have led to numerous tech support improvements. "We do worry about the customer experience," Mayfield says. "All our sales tools and messaging are built around it. We do not work myopically with our customers."

Cisco has made another B2C lesson work with its B2B clients. It has a customer advocacy division. Its purpose is to retain and acquire customers using Cisco's experience with networks, connectivity, and telephony to help its B2B customers enhance their productivity. This group guides Cisco in its evolution from a company that simply provides technology and

hardware to one that offers proactive thought leadership and expertise, as well as more individually customer-focused solutions.

Smith's division of Motorola, a Cisco competitor, also uses surveys and customer advocacy to improve the client experience. In September 2003 the company reevaluated what was the most sensitive and dominant part of the customer experience: the service call. Surveys showed that regardless of how long an account had been with the company, and regardless of how positive the experience was, service disruption could be an emotional turning point. "It went way beyond an IT issue," Smith says. "We found out that it was an emotional rather than technical issue and went straight to the heart of customer trust and security."

Smith's team has spent the past three years implementing systems and support that enhance the customer experience and address customers' needs for security and trust. It added online service and reporting capabilities. It formed customer account teams headed by managers who are well-versed in sales and technology issues. Service issues are now addressed with a ticketing system common to most consumer-based help desks. On the IT side, the company developed account-specific custom diagnostic tools embedded in account servers that can alert Motorola about service disruption trouble signs.

Since the new approach was implemented, Motorola has increased both customer satisfaction scores and revenue. Additionally, it used the insight gained from its B2B relationships to develop the first digital set-top to integrate HD and DVR capabilities, and in 2004 it delivered its 20 millionth interactive digital set-top shipment.

#### *Customer groups: the new org chart*

Many experts in this area say B2B marketers need a new organizational chart. Hierarchy is not as important here as it is in a traditional org chart; influence is. Title is not as important; role within the organization is. "If you want to be a customer-centric B2B marketer, at some point you must understand roles within your clients and understand who the influencers are," says Forrester senior analyst Elana Anderson, who has written several reports on B2B marketing. "But that's proving to be a pretty high level of sophistication."

No longer can companies address traditional groups such as executives, sales, marketing, purchasing, and operations with customized marketing. The key customer groups now are influencers, decision makers, planners, and they exhibit behavioral traits such as cost-cutters and market-share mavens. "We understand that within each company there are different needs and concerns from the procurement manager to the CIO to the CFO," says Jeff Pulver, CMO of B2B content portal Reardon Commerce. "Different people get a different value proposition. You have to attack different areas differently."

Like Reardon, some B2B marketers have found ways to recast customer needs and value groups by segmenting their customer base, as well as segmenting within their biggest customers. For example, Time Warner Telecom, an independent unit of the media and entertainment giant, has customized its marketing approaches and customer experience strategies by customer needs and value groups. Mike Rouleau, senior vice president of business development and strategy at Time Warner Telecom, says it rolls out various stages of customer experience elements, such as account managers, service access points, and customized information packages, depending on size, industry vertical, buying behavior, and technological needs. A Fortune 500 company that is interested in Voice over IP systems will get a very different treatment from a small company that is trying to upgrade from cable modems to T1 lines.

"One of the things that make us very different from one of the big phone companies is that we diversify our customer experience based on customer needs," Rouleau says. "Not every company is an early adopter. Not every company is interested in new technology. And those kinds of different characteristics can appear within each company. So we educate as many people as we can within a company about how we work and we try to understand the different ways in which they work."

According to Patricia Seybold, CEO of her eponymous business consultancy, B2B marketers should subject themselves to two tests to determine whether they understand the different roles played within each customer company. First, ask yourself if your company addresses individual customers or intermediaries that lead to end customers. If a company looks at B2B clients only as a path to the end customers, it's likely that it is not considering some of the lessons that smart B2B companies are learning from B2C, she says. Second, and this is a basic question for B2C marketers, ask who your customers are.

"If the answer is 'Fortune 1,000 companies,' that's the wrong answer," Seybold says. "B2B marketers need to identify the important customer roles that will drive purchases of their products or services. If it's a big account it's probable that it's not just one purchasing decision. Maybe there are several influencers of the purchase decision. If you're not mapping the roles within the biggest B2B accounts, if you're not mapping customer scenarios, it's hard to win consistently."

#### *Loyalty: the leading edge*

Customer loyalty is one of the most talked about elements of consumer marketing and now one of the biggest attention getters in the B2B arena as well. Contracts, pricing, and personal relationships often made switching B2B supply-client relationships difficult. But that's changing. Take the relationship between Wal-Mart and Coca-Cola, for example. Coca-Cola had a dominant market share at Wal-Mart stores until the uber-retailer implemented retail tracking and management technology that supplanted its personal relationships. A willingness to explore new opportunities and embrace new technology opened the door for Coke's competitors.

Today, B2B loyalty is built through a blend of product focus, customer segmentation, customer service, and fact-based management, according to Harvard Business School professor Das Narayandas. Purchasing methods, as seen in the Wal-Mart example, are more streamlined. Decisions are more objectified and much less emotional. This is all part of creating customer value, measuring the increase in that value, and effectively communicating that value. In other words: Show clients how your company can make money for them in the long term.

However, customer advocacy and maintaining a human touch will separate winners from losers. Narayandas' research has found that companies that cultivate long-term individual relationships and at the same time communicate the benefits of their products or services outperform competitors. "It's still necessary to schmooze," Narayandas says. "At the end of the day personal bonds are still important. People still deal with people. But if you're going to play golf, make sure you precede it with a meeting that centers around value communication."

Research from Omega Management supports Narayandas' assertions. Its work highlights the sales, service, and loyalty initiative excellence of several companies over the past seven years. Many of the survey's top performers, including Waters Corp., Haemonetics, and HR provider Kronos Inc., outperform the S&P average by more than 100 points. "Service is an important loyalty tool if you understand who in the B2B client to provide the right service to," says Omega general manager Tony Santilli. "Perform above expectations, and make sure different people at the client have different experiences, and you'll build loyalty."

Expect in a year or two that lead generation technology, customized online relationships, and increased online marketing will be the touchpoints to watch out for in B2B marketing. Not surprisingly, all of these follow the best practices and trends set by B2C marketers. A study from SVM E-Business Solutions has called Web sites "the hub of industrial marketing" and predicts that manufacturing companies will increase their online marketing budgets by 75 percent during 2006.

"Understand that customer loyalty in B2B markets is still hard to define," Narayandas says. "It's complex but worth spending time and effort on?. If you lose a customer in a B2C environment the company can replace that customer. If you lose a major B2B customer, generating revenue to replace it is not so easy."