

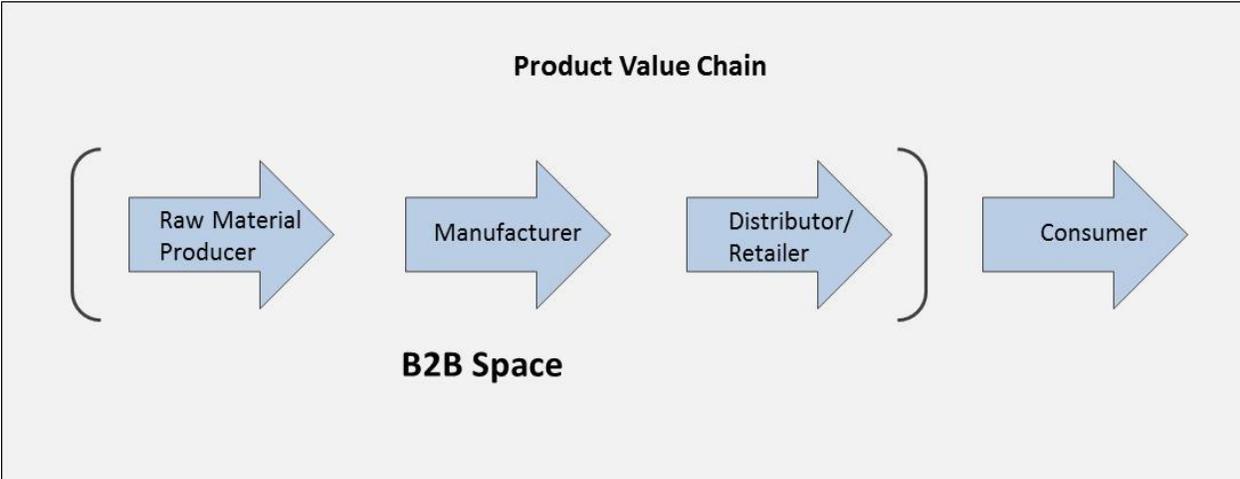
# B2B Customer Surveys



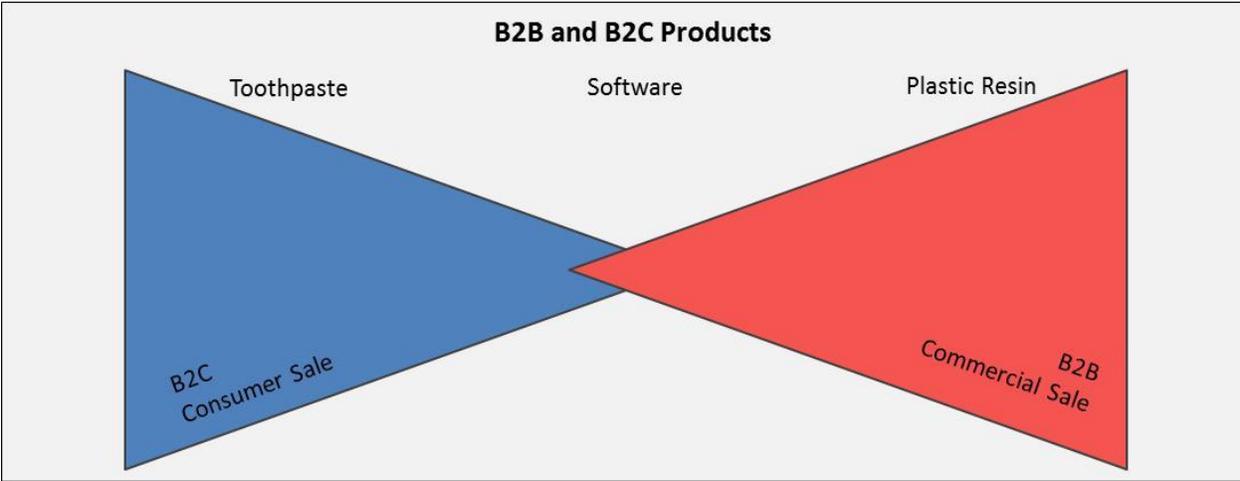
## Unique Aspects of B2B Marketing and Research

The Business-to-Business (B2B) sector is different in fundamental ways from the Business-to-Consumer (B2C) sector. This paper explains those key differences and draws implications for B2B marketing research.

In many cases, B2C transactions occur through an intermediary such as a retailer or agent. B2B refers to transactions that take place between businesses. As such, they are typically upstream from consumer transactions. If we envision the value chain for any product from raw material through consumer, the B2B space includes transactions within the first three steps: raw material, manufacturer and distributor or retailer.



Depending on the form, many products or services are virtually always sold at one step in the value chain. Toothpaste, for example, is essentially a B2C product although the components of the toothpaste – the chemicals comprising the paste itself and the package it is contained in – would be captured in the B2B space. Plastic resin is essentially a B2B product. Software is a good example of a product that can go either way.



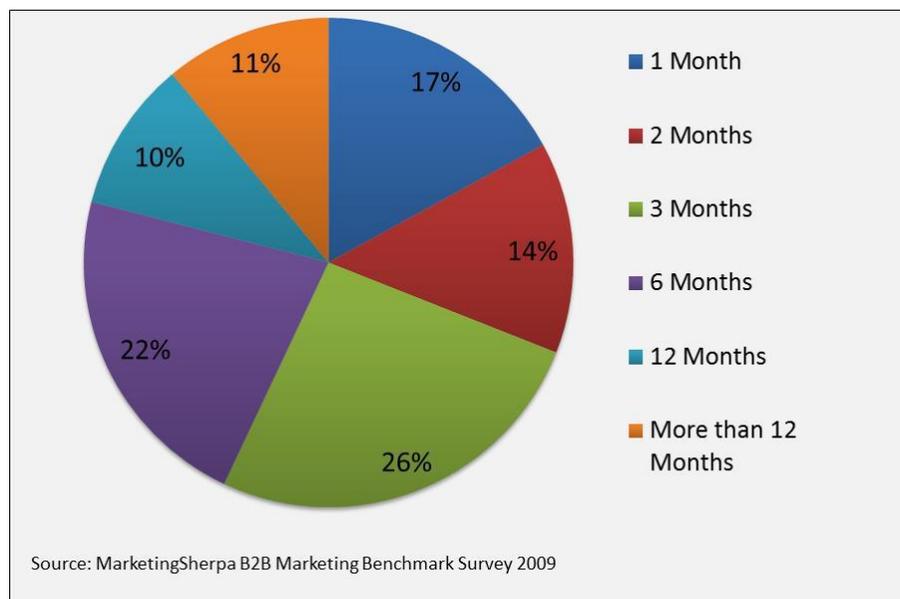
There are eight key criteria that distinguish B2B and B2C markets. These criteria also have implications for how research is conducted:

- Length of sales cycle,
- Product complexity,
- Size of market,
- Pricing,
- Marketing approach,
- Buyers' product knowledge,
- Use of market research,
- Channel complexity.

We will discuss each of these in turn.

### 1) Sales Cycle

The B2B purchase cycle is an extended process, often lasting several months or longer. Marketing to B2B prospects requires different actions, depending on what stage of the buying cycle your prospect is in.



Using the Marketing Sherpa results, the average B2B sales cycle is 5.7 months. For consumers, the cycle is often measured in moments. According to a recent study completed by Daedalus Millward Brown, an average of 56% of consumers knew the brand they wanted to purchase before leaving home for a range of products from soft drinks, beer and milk through sausages, chocolate and mineral water. The balance of 44% decided on the brand choice in front of the shelf.<sup>1</sup>

Researchers should recognize this difference in the construction of questions. For example, it is critical to understand how the decision process evolves for a B2B product, how information is gathered on potential vendors and products and who selected the vendors to include, who is involved at various

<sup>1</sup> [http://www.daedalus.ro/files/decision\\_process\\_2010\\_eng.pdf](http://www.daedalus.ro/files/decision_process_2010_eng.pdf)

stages, who makes the final decision, how does the process change after a vendor is selected the first time, and so on. These questions have a different relevance in the B2C space.

## 2) Product Complexity

B2B products are frequently elements or components of products that will be further processed and they are being purchased at a scale that greatly enhances the risk of a poor decision. Consequently buyers are concerned about technical details such as product composition, raw material sourcing, type and cost of production processing, inventory methods, quality control procedures, etc. While consumers are free to have the same concerns about the toothpaste or any other product they buy and accumulate the same level of technical knowledge, they do not have the communication channels nor the purchasing leverage to act on these concerns.

While both types of buyers may consider a similar set of high-level attributes in the purchase decision, the level of detail and complexity differs markedly.

**Typical Attributes of Concern: B2C Compared to B2B**

	<b>Attribute</b>	<b>B2C</b>	<b>B2B</b>
Product Attribute	Brand	Familiarity	History, Corporate Commitment
	Product Form	Preference	Market Demand, Supplier Quality
	Packaging	Function, Appearance	Protection in Transit, Cube, Billboard (Shelf), Regulatory Req'mts
	Benefits	Meet Expectations	Market Demand, Product Formulation
Value	Price	Retail Price	Competitive Price, Negotiations
	Promotion	Coupons, Specials	NA
Customer Service	Consumer Access	Toll-Free Number, Website	Order Entry, Order Status, Shipment Information, Customer Advocacy
Delivery	Availability	In Stock or Out of Stock	Lead Times, On-Time, Paperwork, Back-Orders
Technical Support		NA	Availability, Knowledge Level, Effectiveness
Sales		NA	Availability, Professionalism
Overall	Satisfaction	Satisfaction	Satisfaction
	Loyalty	NPS	NPS

B2B products are often linked with services. In some B2C markets (for example consumer electronics and durable products such as appliances or automobiles) consumers will frequently be offered supporting services and warranties. B2B buyers are more likely to expect or even demand these services. It is costly if a machine used in production is not functioning properly so technical support and

on-site services are critical. If a raw material does not combine or process as it should, the result can be downtime, poor quality or returned product so sales and technical support are expected. B2B buyers expect the right product and the correct amount to be delivered on time. Customer support, delivery status and communication are expected to make sure this happens and to keep the customer informed.

As a result, B2B value propositions are complex. These differences should be articulated and delivered through targeted and compelling communications. Research must reflect the product complexity through detailed and properly worded performance attributes that capture key aspects of product performance and service support.

### **3) Fewer Identifiable Buyers**

According to the 2008 US Census, there are 5.9MM employer firms – firms that have a payroll. 3.6MM have 1 to 4 employees and another 1.0MM have 5 to 9 employees. It is likely that at these firms, one person is making most of the purchase decisions. At the 1.3MM firms with 10 or more employees, if we assume an average of 3 people involved in the purchase decision process for a given product, that equates to 3.9MM decision makers. Added to the decision makers for the smaller firms, that leaves us with a total of 8.5MM B2B decision makers in the US.

Also from the 2008 Census, there were 299MM non-institutionalized residents of the United States. Of those, 238MM were 15 years of age or older, representing 80% of the population. Assuming that these are the consumer decision makers (although certainly children are the sole decision maker or influencer on many products), B2C decision makers outnumber B2B decision makers 28 to 1.

B2B buyers are also more challenging to locate. The Pareto Principle states that 80% of effects derive from 20% of the causes. In this case, the Principle suggests that 80% of revenue comes from 20% of customers.

In the B2B world, all customers are not equal – some are more important than others—and unlike B2C sampling, B2B surveys sampling designs should be biased. Samples should include a proportionately large percentage of large customers to more accurately reflect the revenue mix of the customer base. Secondly, research must recognize that some individuals within a customer have more influence in the purchase decision than others. It is not enough to identify customers, we must identify the purchase influence within each customer.

### **4) Pricing**

The price of the same size and brand of Colgate toothpaste may vary by 10% depending on the store, perhaps a bit more in c-stores or in remote locations. Prices of B2B products can, and often do, differ by segment, geography, distribution channel and by customer. B2B products are less standardized and the price varies by volume, purchase history, associated services, importance of the customer, other products purchased, degree of customization, and many other factors. It should also vary by external or factors such as switching costs and market dynamics such as competitive intensity.

B2B buyers tend to buy on value as opposed to price. They are better evaluators of life-time cost, cost-in-use or systems cost than consumers, and as such are generally willing to pay a premium price if it can be demonstrated that the product will last longer, reduce costs, be more productive, or otherwise lead to a healthier bottom line.

Data collection should reflect these differences incorporating questions on competitive pricing, negotiations and value. Analysis should offer corresponding insight into the multiple dimensions of price and value and do so by market segment.

## **5) Marketing Approach**

Marketing is concerned with creating and maintaining demand – that does not differ between B2B and B2C markets. How that demand is created and maintained differs substantially. End consumers frequently buy based on emotion or impulse, particularly in the world of fast moving consumer goods (FMCGs). In the B2B world, buyers tend to be more logical, evaluating a product on a defined set of criteria against competitive offerings. But other factors also influence the B2B buyer – for example, fear of making the wrong decision (and the potential impact on career), the level of confidence in stated performance, and personal relationships and perceived obligations.

Secondly, to the B2B buyer, corporate brands (e.g. DuPont) are typically more important than product brands (e.g. Tyvek). Brands convey critical information to the buyer such as integrity, trust, confidence, history, fairness, quality, and professionalism.

Lastly, B2B marketing messages are communicated more in person than through indirect means. The sales force, customer service and technical support personnel all have explicit and implicit roles in conveying key messages such as those associated with the brand. Because of the smaller number of buyers and their relative importance, personal communication is cost-feasible and justified in the B2B sector.

Research recognizes and addresses these realities by including relevant attributes in questionnaire design, focusing data collection efforts on key decision makers, varying questions and data collection methodology by the respondent's role in the purchase decision process, and conducting analysis that recognizes the subtleties of B2B decision making.

## **6) Product Knowledge**

The volume of B2B products purchased, their relative complexity, and the importance as a component or element of the final product often results in the need for buyers to have substantial technical and operational expertise. It is not unusual that purchased products represent 60-70% of the final selling price of a product. Consequently, B2B buyers also have detailed understanding of the cost structure of suppliers' production processes.

Because of these realities, B2B buyers seek a greater volume and detail of information, understand company capabilities and capacity in detail, develop scenarios of potential problems and likely response,

and thoroughly research alternative products. With such a formidable set of tasks, buying decisions are frequently group or team decisions in which each member carries specific responsibilities and is included on the team for their unique experience and knowledge.

Effective and accurate research must include the various influencers in a purchase decision and seek to confirm and develop further insight into their respective roles. It is not unusual to gather survey input from 5, 10 or even 50 individuals at one company to fully understand the customer-vendor relationship. A further important element for B2B surveys is a company-level analysis that – because of the small size of the universe – may not be a highly significant sample. In fact, statistics should be essentially ignored at this level. If key individuals are included in the survey, great insight can be gleaned even when the sample size is not large enough to ensure statistical significance. If those same key individuals are not included in the survey, the results may be rendered effectively useless.

## **7) Use of Market Research**

For a producer of FMCGs, market research is a requirement to understand the potential sales volume for a product or the impact of a change in product formulation or package design. Retailers closely monitor sales volume of every SKU (stock-keeping unit) in their inventory. If a product is not generating sufficient volume to justify the shelf space allocated to it, its shelf space allocation will be reduced or the product may even be pulled from the shelf altogether. In fact, many product categories and retailers will demand payment for placing the product on the shelf – so called slotting fees. For these reasons, FMCG companies regularly conduct extensive market research – the cost of failure is too high.

This is not the case with B2B marketers. Products are frequently introduced to the marketplace or existing products modified with little or no formal market research. Often a new or modified product is the result of one customer's request and so the demand is already effectively ascertained.

Market research in the US is a \$20B industry<sup>2</sup>. According to ESOMAR, B2B market research firms comprise approximately 8 percent of all market research firms and those with an industrial focus comprise only 25 percent of those.<sup>3</sup> If the number of firms corresponds to the revenue that suggests that B2B research in the US is a \$1.6B industry. Spread across the 1.3MM firms with 10 or more employees results in an average annual company expenditure on market research of \$1200.

Valuable research can be conducted with a very small number of informed respondents. However, B2B research does demand well-crafted, articulate and thoughtful design that reflects the knowledge and experience of the respondent.

## **8) Channel Complexity**

Although the internet has created an alternative to the traditional brick-and-mortar retail channel for many B2C products, B2B marketers routinely manage much more complex distribution channels. It is

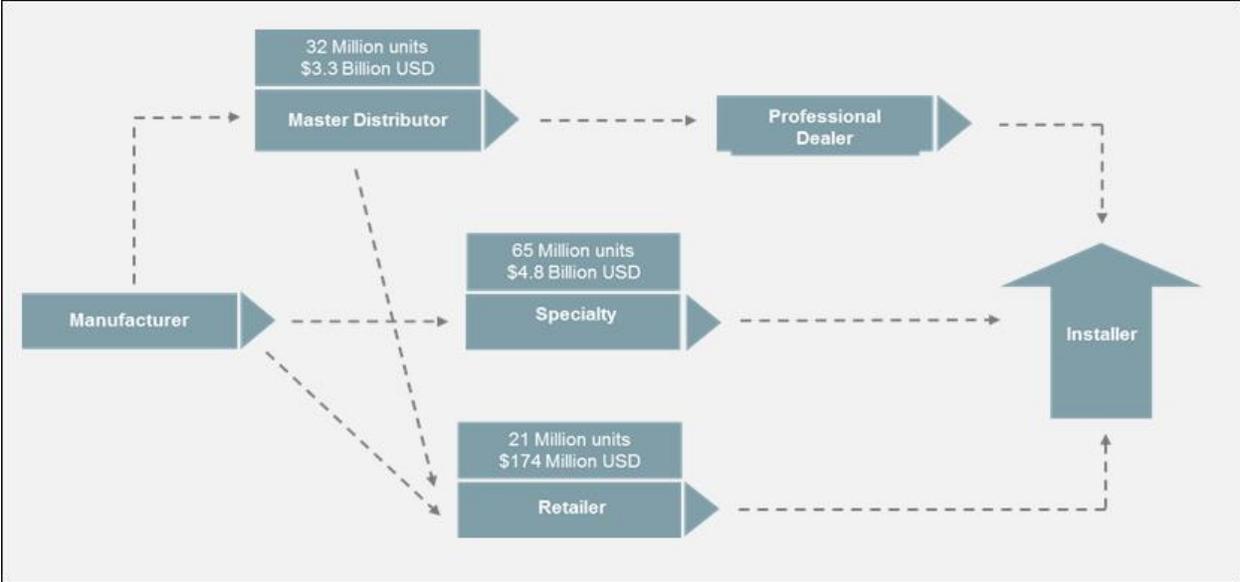
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<sup>2</sup> Market Research in the US: Market Research Report, IBISWorld, December 2014

<sup>3</sup> <http://researchindustryvoices.com/2014/11/11/b2b-vs-b2c-takeaways-from-esomars-first-b2b-research-forum/#sthash.iaKc4RZe.dpuf>

not unusual to sell the same product line through master distributors, distributors, agents or brokers manufacturers' representatives, and even direct to end users. Each of these channels has different inventory and service requirements, may have different packaging or delivery requirements, and will almost certainly have different price structure.

### Typical Distribution Channel Structure



To understand and communicate with channel members, B2B marketers will frequently work with or through industry experts, trade organizations, trade shows, industry publications, data accumulators, and other third parties.

It is incumbent that researchers understand a company's channel structure to be able to provide accurate and insightful results. Data collection should accommodate channel members' position and relative understanding of the product. For example, some channel members do not take title and may not even physically handle the product. Others may take title and/or modify the product by breaking bulk quantities into smaller amounts suitable for resale, repackaging, holding inventory or other value-added services.