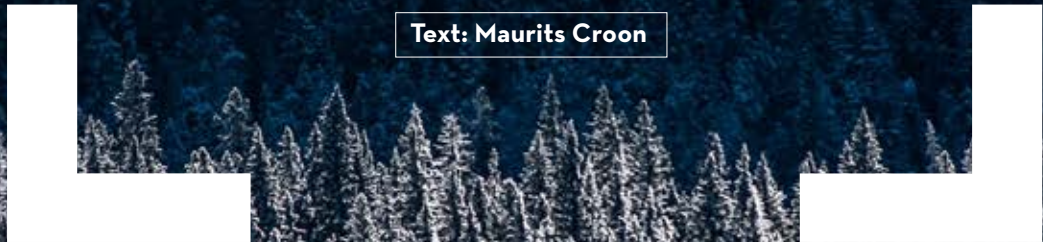




CUSTOMER FOCUS IN B2B

*Turning market challenges into
strategic advantage*

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Being better than the rest. That is what competitive advantage is about. And there is only one yardstick to measure that: customer preference. You can win industry awards, or rank well on competitive lists, but for the long term only one thing counts: do you create and maintain customers better than the competition?

Maintaining a customer focus is especially hard for B2B companies. They tend to stumble into three pitfalls that define this market:

- 1** B2B companies have no clear view on the customer, because their sight is blocked by the technical and operational emphasis of the company.
- 2** B2B companies focus on maintaining current relationships. Thus, they miss out on changes in the industry and on international opportunities.
- 3** B2B feedback loops are long and thin, so when customer satisfaction is finally measured, it's often too late to adapt.

If you want to know how each of these three pitfalls hurts your business and what can be done to turn that around, read on. As said, winning this game requires a focus on the customer. Not just by contacting them regularly to push your products or services. Customer focus is about showing a real interest in your (potential) customers, building understanding of their industry and gaining insight in what makes them successful, and maybe more importantly what is frustrating their progress. With that knowledge you can build products or services that align with what your customer really needs.





1 FROM A TECHNICAL AND OPERATIONAL FOCUS TO CREATING CUSTOMER VALUE

Technical and operational aspects dominate the focus of many B2B companies. Customer requirements are specific and detailed, placing high technical and operational demands on the organization. Companies that manage to meet these demands have developed a technically and operationally highly sophisticated workforce. Key staff is selected on their ability to standardize and optimize, zoom in on details and keep deviations to a minimum.

That type of focus makes it hard to identify new developments and disrupt the status quo. As technical and operational issues dominate the management agenda, this will also consciously or subconsciously influence the internal selection for management positions.

As a result, many B2B companies lean towards technical and operational aspects. This complicates maintaining a customer-focused organization. When the going gets

tough, the first reaction will be to turn to the technical and operational side of the business. This may bring short-term relief, but there is a limit to the reduction of cost through efficiencies.

Awareness of this organizational bias can help to give the commercial part of the organization a more prominent place on the corporate agenda. If top management makes the customer pivotal in all discussions, the mindset will change. Actions should be measured in how they contribute to creating customer value. The decision making process should explicitly be market and customer driven. In the long run, results can only be improved by growing the volume and especially the quality of revenues. And for that, customer focus is essential.

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2 FROM RELATIONSHIP MANAGEMENT TO INTEGRATION OF COMMERCIAL ACTIVITIES

Relationships play an important role in the commercial management in a B2B context; because close integration with the activities of the customer is key. This integration is only possible when direct communication, quick response and a smooth flow of information is secured. A good relationship is therefore in the interest of the customer as well as the company itself. In stable situations, these relationships can prove very valuable. And also in a dynamic context they form an important element of the commercial toolkit.

However, the company cannot rely on existing relations when entering new markets or in case of international expansion. And in situations where the market context changes rapidly, or where the customer organization is in flux, purely depending on a limited number of relations will not be sufficient for an effective customer-focused approach.

So, if you want to get ahead of the competition (and, by the way, even if you just want to keep up with the market) you need to boost your commercial process and organize for customer focus.

This requires organizing and integrating three commercial activities:

→ Market intelligence

Customers seek specific added value and select by weighing the cost of what they buy versus the specific benefits to their company. Truly customer focused organizations build insight in the needs of customers and as a result will better understand how to create benefits. This requires concerted market intelligence; first for defining comprehensive segments, which will consequently allow organizations to develop specific propositions for customers and perform targeted market research.

→ Market communication

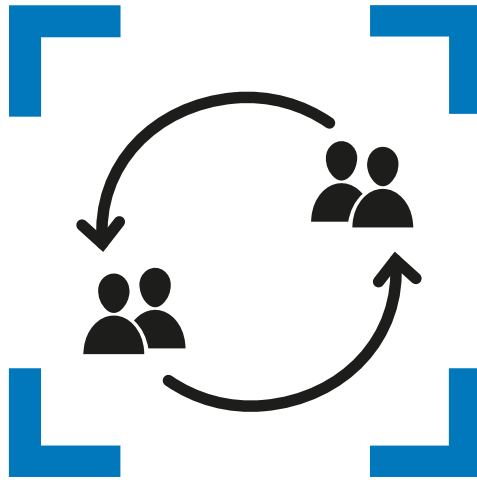
In B2B, procurement is a decision-making process involving multiple stakeholders. Market communication allows companies to develop clear messages that highlight the ability of the company to create value for individual stakeholders of the customers' organization. Aligning these messages with the specific needs of customers in target segment drives customer focus. Market communication changes the way stakeholders perceive the company and its value adding potential. That opens the door for a different type of dialogue.

→ Sales

A structured sales approach creates a platform for learning and improvement. With clear plans and objectives, sales activities can be better aligned with the customers procurement process. Prioritizing and organizing opportunities in the pipeline creates overview of performance and brings new insights. Input that is generated through intensified dialogue with customers contributes to a better understanding of customer needs and the different decision criteria that play a role in the procurement process. This in turn is valuable input for refined market segmentation.

As you see, market intelligence, market communication and sales need each other to build a customer-focused organization.





3 FROM LONG AND THIN FEEDBACK LOOPS TO GAUGING SATISFACTION THROUGHOUT THE PROJECT

Organizing feedback in B2B transactions is a challenge. First, because many different departments are involved in a typical project. Those making the deal are often not involved in the delivery of the product. Procurement may not know if operations was satisfied, sales may not be aware of experiences with past deliveries. Even when feedback is shared internally, it still needs to be in the interest of those involved in closing the next deal to actually bring that up. A procurement officer on a strict bonus scheme may prefer getting a slightly bigger discount over ironing out operational issues. Without timely feedback all companies struggle with meeting customer demands.

Feedback is further hampered because in B2B markets, the intervals between purchases tend to be longer. Capital goods have long lifespans, stretching the intervals. But consumables also have longer purchase intervals as they tend to be covered by longer-term contracts. Customer feedback is usually most intense during commercial discussions. The fact that the intervals between purchases are

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longer reduces the feedback frequency. In addition B2B markets are specialized. Therefore the number of potential customers is significantly smaller than with consumer products. Low transaction volumes and long purchase-intervals means feedback loops are long and thin. This complicates statistical analysis and identification of trends.

There are ways to shorten feedback loops and generate critical information timely. One is intensified after-sales involvement. Keeping sales in the loop throughout execution facilitates performance monitoring and extends relationship management. Customer satisfaction measurements will also help improve feedback quality, especially if all relevant stakeholders in the customer's organization are included. The organization should always strive to know where it can better align with the customer needs. And insights from positive feedback can be used to convince prospective customers. Timely feedback, whether negative or positive, is essential. If it lacks, adequate reaction is impossible and customer focus suffers.





RESULT: A CUSTOMER-DRIVEN STRATEGIC AGENDA

Customer focus is the number one priority; it is the only way to resolve the inward-looking focus on technical challenges, the only way to move from a pleasant to a meaningful customer relation, the only way to find out if you are really delivering what is needed.

Creating value for customers is challenging, but it is a challenge that everybody faces. Those who find a way to deal with this challenge can create a competitive advantage. Be it through higher margins, increased customer loyalty or better commercial efficiency, customer focused companies will benefit. Of course there are alternatives. Many companies opt for aggressively pushing volume. And that is very likely to boost results; in the short-term. But markets and customers will change, and so will results.

Customer-focus not only creates direct value for the company, it also creates a continuous flow of information on market and customer developments. Having that top of mind enables companies to spot changes and pro-actively deal with them. Customer focus drives the long-term development of the company. And that, in the end, is what strategy is all about. ●

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