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Business-to-Business Marketing

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1 INTRODUCTION

When a business markets its goods or services to another business and/or to governments or nonprofits (rather than directly to individuals), it is called a ***business-to-business*** (***B2B***) transaction. Think of the long list of items that go into the making of a single car: glass, upholstery, hoses, tires, paint, electronics, etc. The producers of these and other goods market their wares to large auto companies, among other kinds of manufacturers. Manufacturers sell products to other manufacturers or to wholesalers; manufacturers and wholesalers sell to retailers. These B2B transactions are wholly different in nature from those between businesses and individual customers, which we call B2C (for example, the customer who walks into a dealership to buy a new car).

And yet, as unique as transactions in the B2B arena can be, B2B marketing shares many of the same conceptual foundations as B2C marketing. For example, a maker of factory uniforms relies as much on segmentation—the process of partitioning markets into relatively homogeneous customer groups—as a designer of business suits. And often the same products are sold both to B2B customers for use in production or resale and to individuals and households for personal consumption.

But B2B marketers face distinct challenges that are rooted in the nature and needs of their customers' buying criteria and purchasing processes, as well as in the impact of B2B marketing choices on business strategy. A consumer market has large numbers of buyers, often with similar wants, while business markets typically have fewer customers, and many of these customers expect a customized product, application, or price. Purchase volumes may differ dramatically between business customers; for example, a chain of retail stores might buy several hundred times more commercial carpet than a mom-and-pop outlet. In consumer markets, retail salespeople interact with individual users whose purchases are usually smaller in size and value than for many industrial goods. Marketwide media advertising is effective in stimulating this consumer demand.

Moreover, B2B sellers often call on multiple company representatives, and aggregate B2B demand is ultimately derived from demand for consumer products. For example, when people eat out more frequently, restaurants order more ovens, oven manufacturers order more steel, and steel processors order more iron, carbon, and other alloy components. **Exhibit 1** compares B2B and B2C markets on some key dimensions.

EXHIBIT 1 Key Differences Between B2B and B2C Markets

B2B Markets	B2C Markets
Fewer customers	Many customers
Larger-value transactions	Smaller-value transactions
Customized products	Mass-produced products
Negotiated price	Fixed price
Lengthy, complex selling process	Brief, retail-focused selling process
Usage determines value	Multiple factors influence value
Multiple buying decision-makers	Individual buying decision-maker
Derived demand	Media-stimulated demand

Not surprisingly, given the sheer scale and numbers involved in many B2B transactions, the economic impact of B2B marketing is significant in most economies. As of 2010, B2B transactions made up 41% of US total sales revenues.[1] In the growing e-commerce arena, US B2B sales accounted for 85% of total e-commerce dollar volume in 2016,[2] and more recently, Forrester estimated that B2B e-commerce generated over $1.13 trillion.[3] And in the Chinese market, B2B e-commerce transactions reached $3.07 trillion in 2017, an increase of 22.75% year-on-year.[4]

In the Essential Reading, we will discuss five key steps organizations should consider when undertaking B2B marketing: (1) determining a strategy; (2) selecting markets; (3) knowing the buyer; (4) understanding and communicating product/service benefits; and (5) aligning the organization. That discussion will be followed by a Supplemental Reading that examines the myriad influences of the internet on B2B marketing.

2 ESSENTIAL READING

2.1 Determining the B2B Strategy

Many B2B marketing decisions explicitly or implicitly commit the firm to a strategic direction. Choices about market selection, pricing, distribution, and communication often have a more significant impact on resource allocation in B2B transactions than they do in consumer goods transactions. Each choice can mean allocating capital and people to a highly specialized endeavor, often over a long term and at great expense.

This section introduces the components of B2B marketing and business strategy and how they interact.

B2B Marketing Components

A B2B marketing effort involves four basic elements: market selection, pricing, distribution, and communication.

1. **Market selection:** A firm's decisions about how its products can serve specific target markets will tie it to certain customers, technologies, and processes—often irrevocably in the short term. Thus, market selection choices, discussed in Section 2.2, are strategic choices that express the firm's priorities and define its opportunities.

   For example, in 2012, IBM chose to focus its spending priorities around the needs of its business customers who handle high-frequency, high-volume transactions and interactions. The firm invested $2 billion in research and development (R&D) and acquisitions to develop PureSystems (a big data analytics and operational platform) for buyers like banks, utilities, credit card processors, and mobile phone carriers. The focus on big data also created opportunities to expand to serve cloud-based software vendors in markets including Malaysia, India, Brazil, and Hong Kong.[5] Many other firms are attempting to use data-analytic algorithms for targeting purposes, including market selection.

2. **Pricing:** In business markets, the same product may be worth considerably more to some classes of customers than to others. Several factors influence perceived value, including the availability of substitutes and whether or not the customer can pass along the cost of the product to another member of the supply chain. That, combined with widespread price customization and limited sharing of information about discounts, makes it difficult for B2B customers to comparison shop.

   Despite the importance of market selection and pricing, the most critical marketing decision in a B2B context often hinges on how the product is used. A firm that buys pipes for underground installations could be willing to pay a premium price for high quality to avoid the expense of digging up a defective product. Conversely, a user of pipes in surface irrigation systems might choose to trade off quality for a lower price, since its costs to replace a pipe are minimal. Some especially important aspects of pricing in business markets are discussed in Section 2.4, Understanding and Communicating Product/Service Benefits, in the reading. For more on this topic, see *Core Reading: Pricing Strategies* (HBP No. 8203).

3. **Distribution:** The most common distribution channels that business marketers use are direct sales personnel, distributors, manufacturers' representatives or agents, and brokers. A firm will choose to use *direct sales personnel* to maximize supervision and control of its sales force.[6] These salespeople are employees of the firm and are most often used when buyers are geographically concentrated. What they offer is complex and requires explanation, but sale prices are high enough to cover the fully burdened cost of a personal selling effort.

   Distributors are resellers who deal in goods from many producers. An organization will rely on distributors when markets are fragmented and average orders are small. This channel is standard in the industry (for example, plumbing supplies or small hardware items). *Manufacturers' representatives* or agents sell on commission, offering a limited number of product lines. They are generally used by small firms unable to afford the fixed cost of a sales force. *Brokers* sell on commission, too, but specialize in finding buyers for large lots of products from many producers, like agricultural commodities, commercial real estate, or machinery.

   Many B2B marketers develop multichannel distribution systems, sometimes relying on website links as their primary channel for handling routine, low-price orders. Because they are based on complex, long-term relationships and compensation arrangements, multichannel systems take time to develop and therefore, once established, can be difficult to change in many B2B markets.

   Another distribution avenue is through *channel partners*, which could include other vendors, consultants, systems integrators (SI), and other such organizations. In this case, the product might be bundled with the channel partner's offering, or sales leads might be shared among organizations. For solution provider Oversight Technology, one promising channel partner was Concur Technologies (a leading travel-and-expense management vendor, later acquired by SAP), as it shared many customers with Oversight. By 2016, Oversight was receiving referrals from Concur for interested clients, but also following up effectively with product demos and free trials that could access prospect's actual Concur data for a seamless look at how the two products worked together.[7]

   For more information about channel decisions and issues, see *Core Reading: Developing and Managing Channels of Distribution for High Performance* (HBP No. 8149).

4. **Communication:** Trade shows, direct mail, email campaigns, advertising in trade journals, and telemarketing are typically more prevalent in B2B than in B2C marketing efforts. In fact, event marketing (attending, hosting or exhibiting at conventions, trade shows, or other events) is often the biggest line item in many B2B firms' marketing budgets, after sales force costs.[8] Companies are now combining these live marketing events with social media

engagement through posts and networking as well as polls and contests. *Online advertising* by B2B marketers is growing steadily and includes a small but burgeoning presence in social media.[9] For example, when American Express OPEN, a company division focused on small business, launched a social site featuring a blog, shareable videos, and an "Idea Hub," the number of unique visitors to the site grew by 525% in one year.[10]

Content marketing in the form of white papers, tip sheets, and webinars are also typical in the B2B market. At one point, solution provider InsideSales.com designed seminars both to educate potential customers about the features of its software and to advise on improving sales strategy and organizational efficiencies, building thought leadership as it reached out to prospects.[11]

The workhorse of B2B marketing communication, however, is *personal selling*, where a company representative interacts directly with a prospective customer to influence the purchase decision. While internet-savvy customers are no longer dependent on B2B salespeople for basic information, personal selling still facilitates tasks at the heart of business customer management: tailoring custom solutions to solve buyers' problems, dealing with performance or delivery issues, and observing changes in customer needs and the value they perceive over time.

How B2B Marketing Interacts with B2B Strategy

The purpose of any strategy is to maximize the value of the capabilities that distinguish one firm from its competitors. Any strategy includes three components: objectives, scope, and advantage.[12]

Objectives or goals are the ends the strategy hopes to achieve. There can be any number of quantitative or qualitative objectives, though the firm will usually prioritize one objective over others. The most common goals relate to profit, market share, return on invested capital, and/or customer-based outcomes like satisfaction or repurchase.

B2B marketing decisions are affected by and, over time, affect strategic objectives and opportunities. For example, aircraft manufacturer Hawker Beechcraft was a leading supplier of private and business jets for over a decade. Unlike competitors with diversified product lines, Hawker tailored all of its brands to buyers of low-end jets. During the recession of 2008–2009, the market for budget aircraft collapsed. The firm had developed only low-end manufacturing capabilities because of its earlier targeting choice, so it was unable to make a strategic shift into the more stable markets for luxury corporate jets and precision military aircraft. And so Hawker Beechcraft went bankrupt, and eventually the Beechcraft brand was acquired and relaunched as part of a broader product mix.[13]

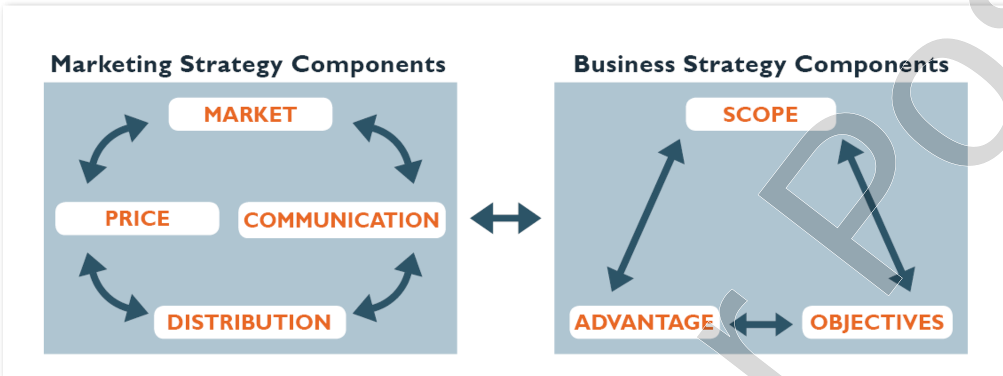
Scope, the second component in a B2B strategy, refers to where the firm plans to operate. It can be defined as a geographic area, or along other dimensions like segments or product categories. For example, the scope chosen by a manufacturer of safety goggles for chemistry labs might encompass both university and commercial customers—or not.

The nature of the firm's current products and customers may enable it to widen—or force it to narrow—its scope. WESCO, a distributor of electrical products as well as other items, offered energy audits and other expertise to help buyers reduce their electrical costs. This combination of offerings enabled the firm to satisfy contractors, who prioritized low prices, as well as industrial customers, who valued the supplementary services.[14] But other kinds of organizations choose to go narrower, shedding areas of their business that are not profitable or that undermine core business initiatives.[15]

Advantage, the third strategic component, describes what the firm does differently, better, or as well as the best. It can be tied to virtually any value proposition, including price, quality, service, speed, or innovation. A marketing decision is an advantage decision when it determines product attributes, builds in costs, and/or necessitates the development of specialized skills or resources.

In many B2B firms, the strategic choice may be inseparable from marketing choices. **Exhibit 2** summarizes the relationship between B2B marketing and business strategy. Any change to a component in one system has the potential to influence one or more components in the other, thus creating a dynamic, iterative process. For example, Ashok Leyland, India's second-largest maker of commercial vehicles, underwent a strategic realignment in 2013 after a period of offering significant price discounts. While the firm had recently expanded into testing and engineering services, the cost of the discounts reduced the resources available to support ancillary operations. Characterizing the situation as a strategic opportunity, the company announced a decision to shed these investments and refocus on its core manufacturing business.[16]

EXHIBIT 2 B2B Marketing and Business Strategy



2.2 Selecting Markets

The choice of which markets to serve is among the most important decisions B2B organizations make. Often, everything else follows: When a company chooses a B2B market, it also chooses which opportunity and customer needs it will focus on, as well as the wider competitive, technological, regulatory, and social context relevant to that market. This choice is not easily reversed, because the B2B firm must then develop skills, capabilities, and often, long-term contractual commitments around the market(s) it has chosen.

Market selection choices cannot be made in a vacuum and should not be made solely on the basis of a given market's growth forecasts. Business marketers must analyze the fits between markets, firm, and product, taking into consideration the links between the requirements of specific end users; how well the vendor's solutions will satisfy the needs of those users; and the vendor's competencies.

Segmentation criteria and data are vital to discerning and aligning the market, firm, and product factors inherent in strategically appropriate market selection decisions. B2B segments are commonly based on demographics (industry, size, location); operating variables (technology, user/nonuser status, customer capabilities); purchasing situations (urgency, quantity, product application); customer economics (profitability, cost-to-serve); and/or buyer characteristics (personalities, preexisting relationships, power structures). For more details on potential segmentation concepts and tools, see *Core Reading: Segmentation and Targeting* (HBP No. 8219).

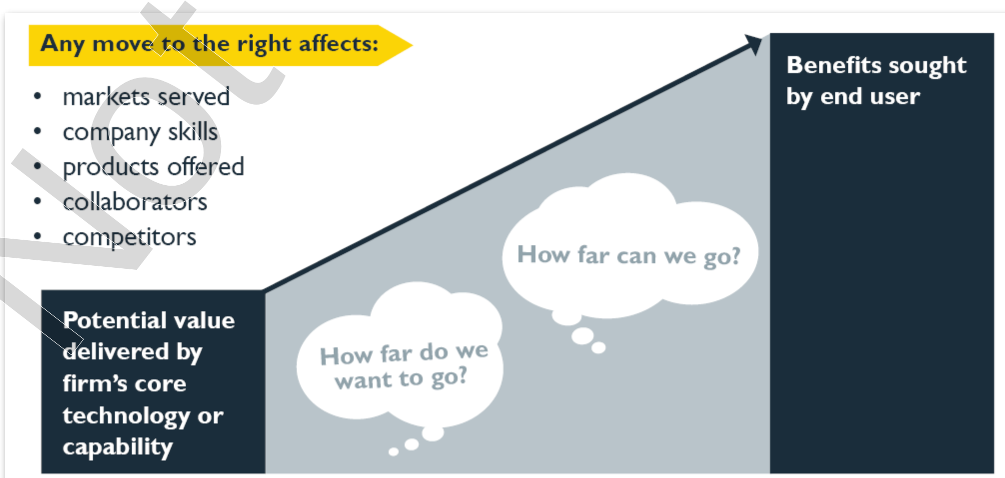
Within segments, B2B marketers must also make customer-level, strategic decisions that are generally irrelevant to B2C firms. For example, it may not be optimal for a single customer to "own" the lion's share of a vendor's revenue, profit, or volume—a situation that rarely occurs in consumer marketing, where an individual buyer accounts for only a small piece of business. This is a particularly serious concern in volatile industries, where sudden and unpredictable reversals in the fortunes of a large-scale buyer could devastate its suppliers. But overdependence on one purchaser can be an issue in stable segments, too. A potato processor, for example, that sells 90% of its product to a single fast-food chain could easily be forced to cut prices or yield to other costly customer demands.

On the other hand, some customers may be worth pursuing largely because of their prominent size and reputation within the industry. However, while being a supplier to a prestigious company can increase bragging rights and get the attention of other buyers, lowering prices to win such a marquee customer could backfire if other accounts demand similar discounts.

Questions of Fit

While the product's form and type are often fixed in consumer markets, B2B firms frequently have the flexibility—and the need—to determine the variables of products they choose to make for a given market. For example, a B2B firm might choose to bundle its core product with additional services and benefits its customers seek. Any move beyond its core technology or capability, however, affects its markets, skills, offerings, collaborators, and competitors, as shown in **Exhibit 3**. That is why B2B firms sometimes choose to retain a focus on their core product while engaging partner firms to jointly provide a total solution.

EXHIBIT 3 Managing Markets: Market Selection



Source: Adapted from Das Narayandas, "Managing Markets Module Note," 503-029, Boston, MA: Harvard Business School, 2002. Copyright © 2002 by the President and Fellows of Harvard College. Reprinted by permission.

Consider the case of Alpha, an industrial grease manufacturer that supplied grease to its customers in 55-gallon drums at a price of $5 per pound. Its largest customer was a distributor that repackaged the grease in one-ounce "ketchup" packets and sold it to equipment manufacturers, the product's end users, at just over $50 per pound.

It was tempting for Alpha to decide to repackage the grease itself and directly serve the end users. But this move would require investing in filling machines to make the packets. It would also mean a shift from a customer base of under 50 distributors to over a thousand manufacturers, requiring a vastly expanded marketing and sales organization. Alpha chose to stick with its core product.[17]

There is no cookbook approach to market selection, only a process of asking, answering, and often restating a series of questions. Once a promising segment is identified, these questions revolve around *market-product*, *company-market*, and *company-product* fits. Which customers value the firm's core competencies? Are its solutions competitive? If its product falls short, does the firm have flexibility in changing it? The factors that determine these fits can be market-related, product-related, and/or company-related.

Let's begin with *market-related factors*, which include the following:

- Which new market opportunities exist?
- Which markets value the firm's core capabilities?
- What benefits do end users seek?
- Who in the demand chain is willing to buy the benefits the firm intends to provide?
- What is the customer's purchase decision process?

New or emerging markets can be hard to resist. At any point in time, a new technology or social pattern will open up in a relatively untapped sector—consider the emergence of cloud computing or organic foods in the second decade of the 21st century. These can be significant opportunities, even as opening up these markets can also mean low entry barriers, many entrants, and market maturity or saturation.

Product-related factors in determining market selection present B2Bs with yet a different set of considerations, such as the following:

- Can the firm change its product form?
- What product provides the benefits the market desires?
- What alternatives are available?
- Who are the competitors?
- Does the firm need to develop alliance partners and collaborators to provide the total end-user solution?

For example, since 1907, when the firm began as a maker of shoeboxes, F.C. Meyer Packaging has proven adept at changing the form of its folding cartons. Meyer later shifted into gift boxes, serving retailers that desired customized lettering or finishes. When online shopping, especially the rise of gift cards, weakened that market-product fit because fewer and fewer stores needed their own packaging, Meyer began offering containers to the growing portable-food industry, competing on the basis of superior separation between sauces and solids.[18]

Finally, when determining the right market selection fit, B2Bs need to consider *company-related factors* such as:

- How easy is it to change the company culture and core capabilities?
- What changes does the firm need to make to its current capabilities?
- What benefits is the firm best able to deliver when compared with competitors?

For instance, when processing-equipment maker Hillenbrand began seeking acquisition opportunities, executives considered only those entities that shared its efficiency-focused culture. They also split off a health-care division because they deemed its emphasis on government regulation too deeply ingrained to change. (For another example, see the sidebar "Changes in the Medical Diagnostic Imaging Industry.")

Changes in the Medical Diagnostic Imaging Industry

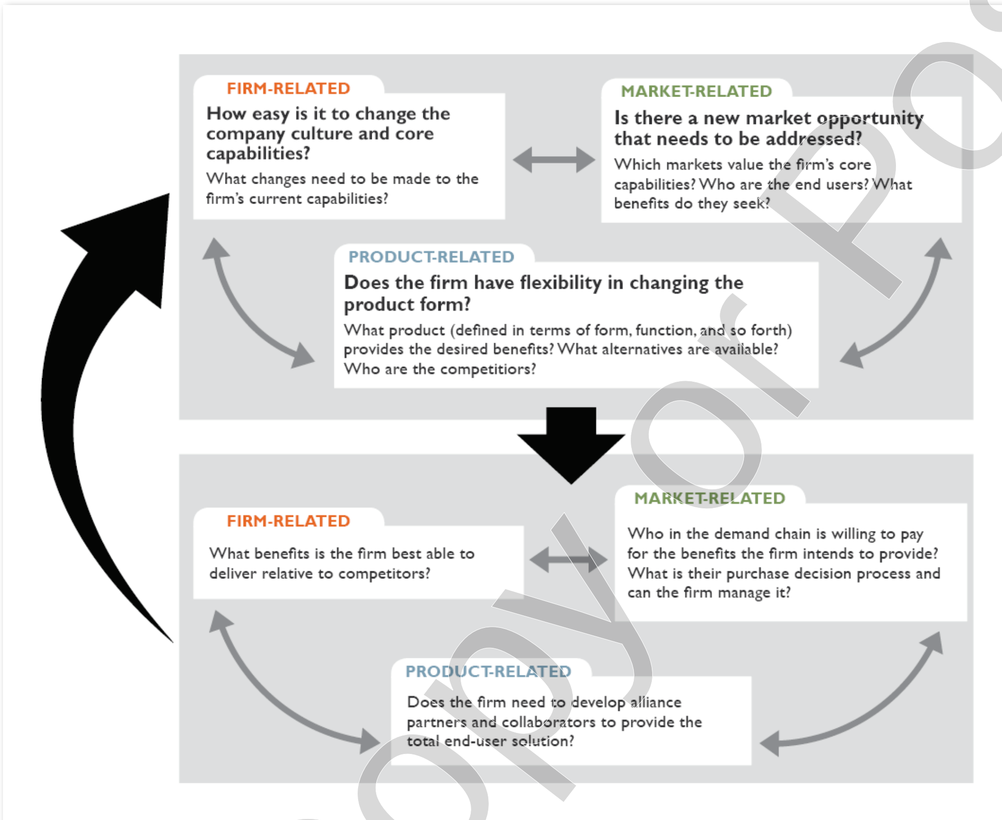
The medical diagnostic imaging industry offers a good illustration of some of the complexities and interdependencies of market, firm, and product fits. For decades, the most successful products, like magnetic resonance and computed tomography scanners, featured constantly changing, complex, and expensive technologies (product-related factors) sold to health-care providers that sought innovations and could pass on these costs to insurance firms or employer health-care plans.

But with the advent in the United States of managed care and other cost-containment measures in the 1990s, US demand flattened and prices declined. Many US vendors could adapt only by downsizing and outsourcing (company-related factors), reducing their ability to take advantage of surging opportunities in the developing world. Market, product, and company fits increasingly pivot around global alliances and price competition—a radical change for an industry long propelled by domestic buyer-seller relationships and R&D.

Source: Adapted from Chris Tilly with Michael Handel, "What Prognosis for Good Jobs? The U.S. Medical Diagnostic Imaging Equipment Industry," in *Corporate Governance and Sustainable Prosperity*, edited by William Lazonick and Mary O'Sullivan (New York: Palgrave Macmillan, 2002), pp. 141–182.

Exhibit 4 depicts some key questions surrounding the relationships and interactions when evaluating market, firm (company), and product fit.

EXHIBIT 4 Managing Markets: A Question of Firm, Market, and Product Fit



Source: Das Narayandas, "Managing Markets Module Note," HBP No. 503029, Boston, MA: Harvard Business School, 2002.

2.3 Knowing the Buyer

Although the previous sections discussed how business markets are defined and developed, "markets" never buy anything; only customers within markets buy. That is why it's critical that leaders of B2B organizations understand who their buyers are.

In B2B markets, buying can involve any number of individuals who come together in an ***organizational buying center (OBC)*** or *decision-making unit* (DMU). Some of the functional areas commonly represented include engineering, manufacturing, marketing, general management, and purchasing.

As shown in **Exhibit 5**, these functions can represent an array of priorities and interests. For example, in a company considering the purchase of new machinery, the manufacturing representative in the OBC is concerned with how long the vendor would take to train the machine operators; the marketing participant wants to know if the machinery can improve product performance;

and the purchasing representative is primarily interested in the price of the new machinery.

EXHIBIT 5 Examples of Functional OBC Participants and Their Priorities/Interests

Examples of Functional OBC Participants	Their Priorities/Interests
Engineering	Product performance requirements and technical specifications Screening and formal qualification of vendor pool Evaluation of alternative products
Manufacturing	Make-or-buy decisions Order and delivery patterns Evaluation of performance by existing suppliers
Marketing	Impact of product design and costs on promotability, functionality, and price
General management	Strategic or policy matters Building and maintaining relationships with suppliers, communities, governments, and other external stakeholders
Purchasing	Managing vendor performance Negotiating prices Accumulating information about the supply environment Coordinating input from functional participants

Sometimes these OBC roles are distinct people or functions, as in many purchases of enterprise software, and sometimes multiple roles can be played by the same person, as in many purchases of low-priced software-as-a-service (SaaS) products.

In addition to functions represented, Lewin and Donthu found that OBCs differ on two key dimensions: structure and involvement.[19] An individual OBC's structure includes its *size* (number of people actively involved in a purchase situation across its different stages); its level of *formalization* (how much the OBC emphasizes formal rules and procedures); and its degree of *centralization* (how much a few key participants influence the purchase decision).

An OBC's involvement in a particular buying process can vary in the following ways: *Lateral involvement* refers to the number of departments or other work-related groups involved in the purchase decision. *Vertical involvement* indicates the number of management levels involved in the decision. *Relative influence* refers to which participants take a lead role in the decision.

OBCs typically change along these dimensions depending on the nature of the purchase. For example, size of the OBC is likely to increase when the group is selecting major equipment, key components, and other important and/or complex products. OBCs facing uncertain or novel situations, like dealing with startup vendors or new products, are characterized by expansions in both lateral and vertical involvement.

In addition to fundamental economic concerns, buyers are also motivated by other factors. For example, Venkatesan, Reinartz, and Ravishanker found that buyers' attitudes toward a firm help predict their spending and can aid vendors in identifying those with strong potential for increased commitment and loyalty.[20] According to research by Day, and by Lambert and Knemeyer, some customers have a general preference for long-term, collaborative relationships and will come to identify with the culture and values of a partner, while others are more comfortable with single, arm's-length transactions.[21,22] Narayandas and Rangan showed that a buyer's feeling of trust in a seller's salespeople and other boundary-role individuals is a cornerstone of organizational commitment.[23]

Ultimately, a buyer's "customers" include her bosses and coworkers; her status and power within the organization depend on her success in making the right choices. This means that organizational buying decisions are both "rational" and personal, made in the firm's interests but also expressing the decision-maker's unique background, beliefs, experiences, and aspirations, as well as the perceived personal consequences of a decision.[24]

As marketers consider their customer profiles, they need to recognize the unique responsibilities and needs of each participant in the OBC. For example, Oversight Systems offers solutions to improve compliance for corporate travel and expense (T&E) spending. In Oversight's sales cycle, buyers might include a chief compliance officer or chief audit executives; T&E managers; and members of audit, legal, finance, and IT teams. If the product was a customized solution, the OBC might involve a completely different set of roles: the chief financial operator (CFO), controller, or other senior executives. Creating formal, detailed *buyer personas* (see **Exhibit 6**) can be a key tool for understanding each role and targeting marketing toward the unique responsibilities, pain points, background, and information sources for each possible buyer.

EXHIBIT 6 Building a B2B Buyer Persona: Assistant Controller

Source: Used with permission from Oversight Systems.

Key Influences on How Buyers Make Decisions

When making a decision in the B2B market, buyers take into consideration both the type of purchase being made and where they are in the buying process.

Type of Purchase

In any given year, a firm might replenish its existing stock of envelopes; update the mobile devices used by its field sales force; and invest in a new generation of SCM (supply chain management) technology. This illustrates the three general types of purchases that B2B organizations make: *straight rebuys*, *modified rebuys*, and *new tasks*. Often called "buy classes," each calls on different numbers of OBC participants and involves different levels of risk.[25]

Straight rebuys are routine reorders from current vendors of low- or no-risk items like office supplies. These decisions may be made with little or no consultation among OBC members; a purchasing agent may simply be designated to handle the paperwork.

Alternatively, *modified rebuys* occur when an organization decides to alter the specifications or purchasing terms for a product it is already using or has used in the past. The organization may choose to negotiate with a current vendor or it may consider switching vendors. In this moderate-risk situation, the OBC will seek input from any functional areas likely to be affected. In a clothing designer's decision to upgrade its fabric, for example, both manufacturing and marketing would have a voice.

Finally, a *new task* occurs when an organization considers purchasing something it has never used before, and this can involve considerable risk. Because it may be difficult and time-consuming to identify and evaluate potential solutions, new-task buying typically requires the largest number of OBC participants.

Stage in the Buying Process

Some factors in consumer buying are also relevant in organizational buying. (For a detailed discussion on consumer buying patterns, see *Core Reading: Consumer Behavior and the Buying Process* [HBP No. 8167].) But organizational buying also has a number of distinctive features not present in consumer purchasing behavior. Organizational buying comprises four generic steps or stages. Depending on the nature of the purchase, these stages can be combined, but most B2B buying processes will explicitly or implicitly proceed through these stages, and there are distinct OBC challenges and behaviors associated with each stage.

The first stage is *recognizing a need and identifying the benefits the organization seeks*. In this stage, generally someone in the organization recognizes a problem that could be solved by making a purchase. The nature of what is needed will influence the OBC's composition, tasks, and evaluative criteria. A critical issue at this stage is whether the company has the option of making instead of buying the needed product. If it can be produced in-house, there may be a need for new materials or equipment. Determining characteristics is easier in a modified rebuy than a new-task situation; in the latter, OBC participants will be more dependent on information gathered, often by the purchasing agent, from a range of potential suppliers.

Benefits are linked to value, and thus to price. Technical personnel tend to be less price-sensitive than other buyers, often judging price based on what they perceive as fair or on previous quotations. Marketers worry more about staying competitive in the marketplace and relatively less about purchase price. The manufacturing team worries more about how a component contributes to production efficiency or safety and less about price. (See Section 2.4, "Understanding and Communicating Product/Service Benefits," which discusses this linkage in more depth.)

The second stage is *establishing specifications and potential sources of supply*. This typically involves operationalizing benefits in the form of specified product or service features. OBC members representing technical functions like engineering and manufacturing play major roles in establishing specific product specifications, which may be very precise for existing products or more general if the customer is seeking to co-develop or jointly design a new product.

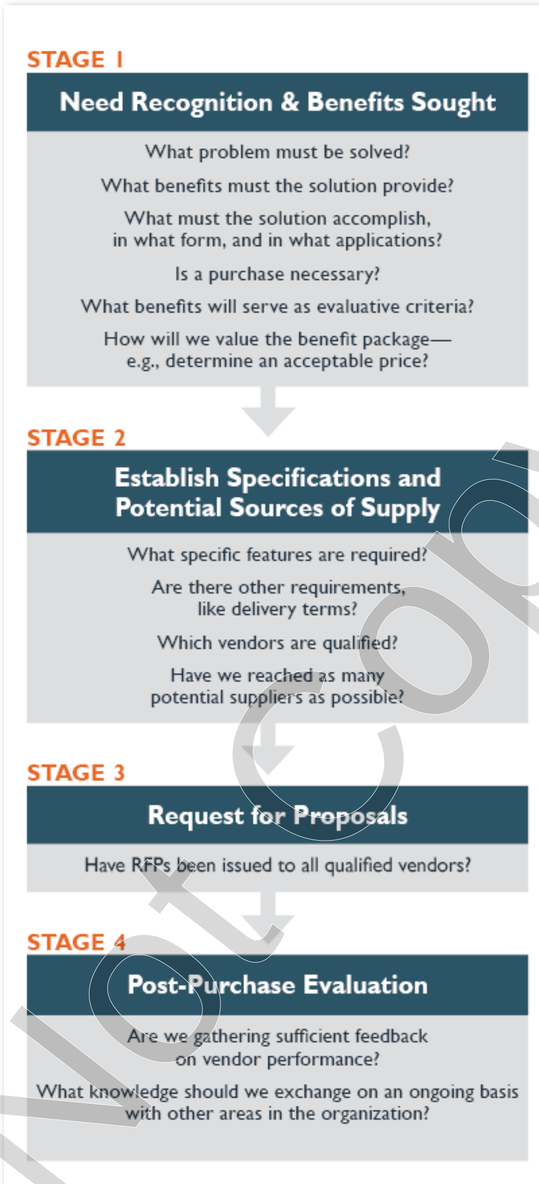
It is sometimes in the buyer's interest to identify and consider as many potential vendors as possible, using sources like trade shows, professional networks, and online procurement sites. However—and especially for companies involved with highly technical and complex products or systems—suppliers must be formally "qualified": there must be evidence that they meet certain criteria set by the firm, industry, or other entity such as a professional organization. These criteria may involve quality, delivery, and/or financial requirements. Sometimes vendors as well as products must meet certain qualifications. To enter the booming electronic health-record industry in the US, for example, prospective software purveyors must appear on the Certified Health IT Product List compiled by the Office of the National Coordinator for Health Information Technology.

During the third stage, the B2B customers often issue a ***request for proposals*** **(*RFP*)** to vendors on the qualified list. Typical RFPs require highly detailed information about the vendor's product, terms, and conditions, although requests may be informal, depending on purchasing policies and sometimes on existing supplier relationships. They may also be combined with other procurement approaches. For example, an expression of interest (EOI) solicits only preliminary proposals from vendors, along with other information about their capabilities and resources. From that pool, buyers choose the strongest candidates to prepare complete proposals.

Once the decision is made, a contract must be approved at various levels of authority, including the firm's legal counsel. Purchasing professionals often take the lead in establishing order routines and on getting these approvals.

The fourth and final stage is the *post-purchase evaluation*. The buying process does not end when a contract is signed. OBC participants play an important role in gathering and disseminating information about vendor performance. For example, a supplier may deliver improvements in product or price over time as a result of manufacturing efficiencies, design innovations, or lower-cost components. This information can significantly reduce the risk and uncertainty of future procurement decisions. **Exhibit 7** summarizes the key questions associated with each stage of the buying process.

EXHIBIT 7 Stages and Key Questions in the Buying Process



In many companies, the people involved in the buying center also form and maintain relationships with a range of external stakeholders. These "relational processes" help buyers expand their knowledge base, make personal connections, and identify opportunities for collaboration.[26] And because B2B buying is often protracted and complex, trusted partners can be as important as analytics. For example, in 2017 global chemical firm BASF, which uses coconut oil derivatives in many of its products, partnered with farmers' cooperatives in the Philippines and Indonesia, along with Cargill, Procter & Gamble, and the German government to build a supply chain program to enhance sustainable sources of this ingredient.[27]

2.4 Understanding and Communicating Product/Service Benefits

In B2B markets, benefits—be they real or perceived—determine value and, ultimately, price. As Stage one in the buying process outlined in the previous section indicates, a B2B marketer's understanding of and ability to deliver relevant benefits is crucial. Because business customers pay a price in exchange for the value of these benefits, business marketers must do more than satisfy the terms of the RFP. They must understand how the benefits of their offerings are perceived, communicated, and compared to competition.

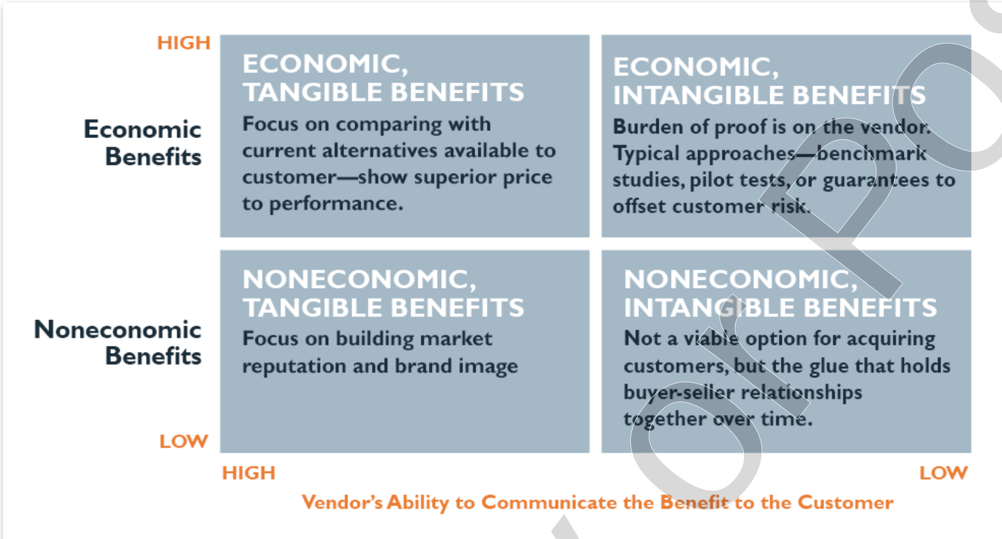
This section introduces four types of benefits, the nature of value propositions, and the link between value and price for buyers in B2B markets.

The Benefit Typology

In communicating and delivering customer benefits, more is not necessarily better. Buyers are often oblivious or indifferent to some of the benefits they receive from vendors, so those particular benefits are essentially wasted on them. On the other hand, buyers will often stop using benefits that cost extra.

But benefit perceptions are not random. Narayandas developed four categories of benefits, each with a different degree of potential for getting buyers' attention—and winning their accounts.[28] These four categories are economic, tangible benefits; noneconomic, tangible benefits; economic, intangible benefits; and noneconomic, intangible benefits (see **Exhibit 8**).

EXHIBIT 8 Typology of Buyer Benefits



Source: Das Narayandas, "Customer Management Strategy in Business Markets," 503-060, Boston, MA: Harvard Business School, 2003. Copyright © 2003 by the President and Fellows of Harvard College. Reprinted by permission.

Economic, tangible benefits can be readily measured, verified, and quantified in terms of price performance. For example, if a seller of refrigerated trucks can document superior temperature control, food shippers could calculate their savings in reduced spoilage costs. These benefits help open doors because they are easy to communicate. This makes them particularly attractive to B2B marketers serving orders and single-transaction customers. But unless an economic and tangible benefit is truly unique in the marketplace—say, a patented formula or proprietary process—there is a good chance that competitors will replicate it.

Noneconomic, tangible benefits include vendor reputation, scale of operation, or specialized capabilities that can command premium prices and brand preference. For example, organizations considering a merger or acquisition often pay top dollar for a firm with the reputation for the best-known, most experienced lawyers in that field. However, it is costly and time-consuming to create noneconomic, tangible benefits like image and reputation, which puts them out of reach for many B2B marketers. Nonetheless, the influence of these benefits on customer choices, particularly in specialty and commoditized markets, can justify a significant marketing investment.

Economic, intangible benefits are those that the vendor claims to be quantifiable, but nonetheless seem unverifiable by the customer, at least in the short term. For example, energy audit firms commonly promise that their assessments will enable prospects to cut electricity costs. But buyers are likely to be skeptical—especially since many power utilities offer at least a rudimentary audit for free. To sell the benefits of an in-depth, customized alternative, auditors could provide testimonials from satisfied customers or offer a short-term trial with a money-back guarantee. Another approach would be a pay-for-performance contract, where customers are billed only for a percentage of the savings they actually receive.

Economic, intangible benefits can sometimes be validated through benchmark studies performed by independent, third-party agencies like Underwriters' Laboratories. If variance across applications is high, a vendor might conduct a pilot test within the buyer's operations, inviting the buyer to monitor the results. When communicated correctly, these benefits enable sellers to effectively differentiate products and services that are similar to the competition on economic, tangible benefits.

Noneconomic, intangible benefits include qualities such as trustworthiness or conscientiousness. There is really only one way that customers can substantiate such benefits—by experiencing them. While these benefits by themselves rarely attract customers to an untried vendor, they can strongly influence value perceptions and have the power to create, sustain, or repair long-term relationships.[29] Think, for example, of the software consultant who cuts short a vacation to fix a problem; the sales rep who personally delivers a late shipment; the account manager who takes it upon herself to study and recommend more efficient applications. Such vendor-partners are not easily replaced.

Three general rules can help organizations prioritize buyer-benefit types across various business-marketing opportunities:

1. Focus on economic, tangible benefits when pursuing orders. Noneconomic, intangible benefits like brand equity, if available, can be leveraged to create differentiation.
2. To acquire customers, first establish competitive parity on economic, tangible benefits. Use noneconomic, tangible benefits to differentiate offerings.
3. Build and strengthen customer relationships over time by migrating customer focus from economic and noneconomic, tangible benefits toward noneconomic, intangible benefits.

Exhibit 8 not only depicts the four categories of benefits that buyers typically seek, but also how easily (or not) vendors are able to communicate those benefits.

Matching Benefits to OBC Members

Unless it is a straight rebuy, virtually every OBC decision involves some debate among members who have differing perspectives and priorities. While vendors can't preempt this debate, they can influence it by researching buyers' interests and motivations. They can learn who seeks what benefits, and then ensure that each person gets precisely the right information.

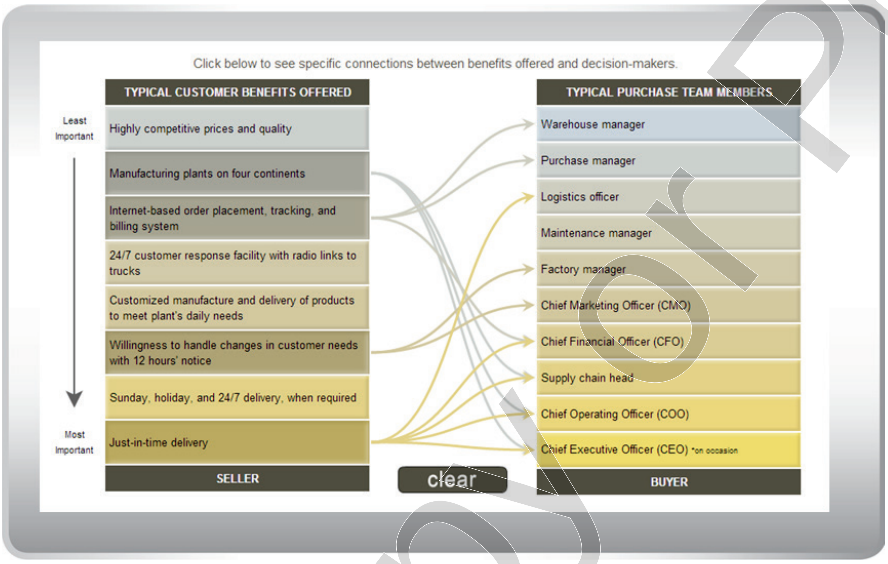
For example, to complete a transaction with a city we will call Prospect Town, a supplier of recycling equipment to municipalities would interact with at least four different people: a recycling coordinator, an engineer, a purchasing agent, and a city administrator. In this example, if the recycling coordinator is told that her office will need to deal with paper waste as well as the glass and plastics it had previously handled, she will need to look for equipment that can be adapted to a changing mix of refuse. The engineer, who wants to avoid assigning staff to the recycling center, will be primarily interested in the manufacturer's warranties and service contract. The purchasing agent will hope to get the lowest price, and the administrator will be under pressure from the mayor to identify equipment that will outdo recycling rates in neighboring towns.

The supplier/vendor's challenge will be to make a case effectively to each of these decision-makers individually, or in other words, to match the stack of benefits provided by the offering to the stack of decision-makers who comprise the OBC.

Click on **Interactive Illustration 1** to see an example of how benefits might be linked to the priorities of a purchase team. Because the specific linkages will vary across companies and industries, vendors must thoroughly educate themselves about each decision-maker's concerns and needs. The basic idea is that the vendor lists all the benefits it offers (the benefit "stack"), placing the most important at the base of a stack. The vendor then creates a list of the players involved in making the buying decision, and places that decision-maker stack beside the benefit stack. Whenever possible, the vendor/supplier should also list the main concerns of each member of the purchase committee. By linking the two stacks, the vendor can systematically tackle each decision-maker's concerns and communicate how the product or service will meet each specific need.[30]

INTERACTIVE ILLUSTRATION 1 The Benefit Stack and the Decision-Maker Stack

Scan this QR code, click the image, or use this link to access the interactive illustration: bit.ly/hbsp2ukO2cN



Note: For illustration, only some of the links are shown in this screenshot. Open the Interactive Illustration to see all linkages.

Source: Reprinted with permission of *Harvard Business Review*. Exhibit from "Building Loyalty in Business Markets" by Das Narayandas, September 2005. Copyright © 2005 by Harvard Business School Publishing Corporation; all rights reserved

Linking the product's or service's benefits to the executives who desire them in this way provides the framework for the *value proposition* (which we will introduce next) that the vendor will communicate to the buying team.

Ideally, the supplier will make each buyer aware of the benefits offered to the others, which will enable all decision-makers to share the information and appreciate the total package being offered before making a joint decision. One or more of them might also become the vendor's internal champion. For example, in Prospect Town, the city administrator might push hard for a trial of this equipment if he is convinced that it will give him an environmental success story.

The Value Proposition

A ***value proposition*** is key to communicating benefits to buyers, because it uses the customer's own language to do so. It is the total package of benefits expressed in terms of buyer needs, usually at the segment level, and is crafted to convey competitive advantage. In other words, the value proposition articulates the benefit stack to the customer. A compelling value proposition is not only pivotal in making the initial sale, but also helps the supplier develop the best ways to improve a solution over time.

Anderson, Narus, and van Rossum classified value propositions based on how they combine and communicate various benefits.[31] The correct benefit configuration is as critical as the benefits themselves. According to these authors, the most effective type of value proposition in business markets, generally, is known as *resonating focus*. (See **Exhibit 9**.) This proposition focuses on a small number of benefits that motivate the customer and that are superior compared with the next-best alternative provided by a competitor. If these benefits are the right ones, the approach will not be weakened by acknowledging one or more points of parity with other brands. The seller can even cede a few of the competition's verifiable—but less significant—advantages.

EXHIBIT 9 Three Types of Value Proposition

	All Benefits	Favorable Points of Difference	Resonating Focus
Consists of:	All benefits customers receive from a market offering	All favorable points of difference a market offering has relative to the next best alternative	The one or two points of difference (and, perhaps, a point of parity) whose improvement will deliver the greatest value to the customer for the foreseeable future
Answers the common question:	"Why should our firm purchase your offering?"	"Why should our firm purchase your offering instead of your competitor's?"	"What is most worthwhile for our firm to keep in mind about your offering?"
Requires:	Knowledge of own market offering	Knowledge of own market offering and next best alternative	Knowledge of how own market offering delivers superior value to customers, compared with next-best alternative
Has the potential pitfall:	Benefit assertion	Value presumption	Requires customer value research

Source: Reprinted by permission of *Harvard Business Review*. Exhibit from "Customer Value Propositions in Business Markets" by James C. Anderson, James A. Narus, and Wouter van Rossum, March 2006. Copyright © 2006 by the Harvard Business School Publishing Corporation; all rights reserved.

A deep understanding of buyers' concerns and priorities is critical in constructing this type of value proposition. For example, the sales representative for the recycling equipment would need to know that the mayor is determined to have a better rate of recycling than neighboring towns. Armed with that insight, he can acknowledge that other products are made locally, are easier to clean, and have been certified by more environmental organizations—benefits that wouldn't matter as much to the mayor, whose priority is increasing the recycling rate.

By contrast, Narus and van Rossum describe two other common but generally ineffective ways of articulating value in business markets:

1. *All benefits:* The simplest value proposition is a list of every benefit that might appeal to customers. Because it requires little or no knowledge of buyers or competitors, this configuration is easy for marketers to construct—and equally easy for prospects to ignore.

2. *Favorable points of difference:* This configuration focuses on the benefits that differentiate an offering from the competition. It requires knowledge of market alternatives. The resulting value proposition may be generally distinctive, but without importance to any specific buyer.

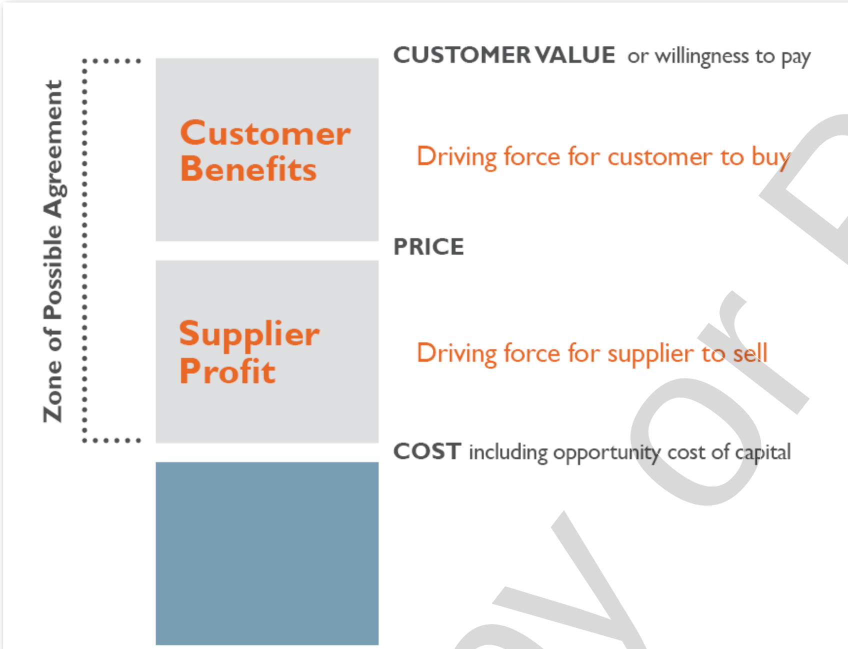
Customer/buyers naturally will want to substantiate any value proposition they are offered, so savvy B2B marketers use a variety of assessment approaches to document the benefits they promise. By working with customer managers, a supplier can collect data that demonstrates performance in actual operational settings. This can be used to reinforce the relationship—and to continually improve the value proposition over time. Documentation of value added to current customers' businesses can also help to win over new prospects. Vendors can use tools like pilot tests and computer models to make a verifiable case for the potential of their offerings in future applications.

The Link Between Value and Price

Understanding buyer benefits and the value proposition is the key to maximizing price. Customers willingly pay a premium for offerings they perceive as delivering superior performance on meaningful dimensions. The challenge for B2B marketers is to identify the optimal pricing zone. This zone can vary by customer, product, order, space (distance traveled or shipped), or time (futures contracts).

For example, because it must provide round-the-clock care for patients who cannot be easily moved, a hospital would be willing to pay a higher price than a school would for a backup power generator. The same hospital would spend still more for delivery of the generator in advance of an impending hurricane. Buyers tend to drive a harder bargain for products with readily accessible substitutes than for customized offerings, but they will be less price-sensitive when an item's cost can be passed along to others in the supply chain. **Exhibit 10** illustrates this link between value and price.

EXHIBIT 10 Mine and Mind the Gap



Source: Frank V. Cespedes, Benson P. Shapiro, and Elliot B. Ross, "Pricing, Profits, and Customer Value," 811-016, Boston, MA: Harvard Business School, 2010. Copyright © 2010 by the President and Fellows of Harvard College. Reprinted by permission.

By pushing a customer's value perception upward toward the top of the zone of possible agreement, the supplier can increase the gap between price and cost. This gap represents profit. The most successful profit maximizers constantly seek ways to mine the gap—in other words, to create more benefit and profit simultaneously. This involves four areas of focus: (1) creating more customer value, (2) increasing customers' perception of value, (3) cutting costs without decreasing customer value, and (4) doing some or all of these simultaneously.

Consider Zolam Chemical Company (disguised name), a chemical firm serving global markets characterized by declining demand, industry overcapacity, and capital market pressures to increase earnings—conditions faced by many other firms.[32] At first, Zolam Chemical cut costs in conventional ways like reducing inventory and service levels. Its salespeople were instructed to take any order at an acceptable price. But eventually the company recognized that it could not achieve competitive advantage or growth only by cutting costs. In order to boost profits over the long term, it would need to be innovative in creating and communicating value.

Zolam Chemical began by analyzing buying data, which enabled the company to identify a hierarchy of benefits associated even with products generally seen as low-price commodities. As an example, the firm sold rubber stoppers used to cap injectable drugs. The base level of benefits was to minimize acquisition costs (price plus administrative expenses) for the pharmaceutical packagers who bought the stoppers. The next level was to increase customers' packaging-line speeds and lower their inventory requirements through improved design and delivery. At a third level, Zolam found that the stoppers could help customers boost their products' performance. When molded in unique colors to indicate different uses, for instance, the stoppers helped hospitals and doctors reduce errors and lower insurance costs.

Applying similar analysis across its product line, Zolam developed new ideas about value. It determined that different customers—or the same customer at different times—had different purchasing criteria and price elasticities. While buyers seeking only base performance still expected to pay base price, buyers at other levels represented opportunities to mine the cost-price gap. These insights enabled the firm to align its investments—in R&D, manufacturing, and inventory—with the highest-potential market segments.

Zolam Chemical also developed two internal systems to facilitate the pricing process. An offering-tracking system documented the benefits provided by its products in a segment; the cost to Zolam of providing that benefit; and the relevant decision-maker in a given transaction. This system meant that a salesperson's price negotiations were now informed by data about value perceptions and profit potential. A customer impact statement detailed agreed-upon cost savings or other benefits attributable to product features, delivery terms, service levels, or other factors associated with an order, enhancing Zolam Chemical's ability to communicate total value and create customer loyalty.

Developing a connection between value and price for company offerings can take considerable effort by marketers in the B2B space. But as business scholar Ralph Oliva points out, it is well worth it: "As B2B marketers learn better ways to understand the total value they actually deliver to customers, they often find they have underpriced products or services. . . . Value-based pricing is an essential tool in the B2B marketer's toolkit."[33] In particular, tighter links between value and price mean better-differentiated offerings, stronger customer relationships, and fewer profit-sapping price wars.

2.5 Aligning the Organization

In consumer firms, marketing is often a specialized, stand-alone function, but B2B organizations create market value at key interfaces between product, sales, and service units. Product planning without sales and service input, or sales actions without product and service support, will be incomplete and contradictory. Coordinating and integrating these functons is vital in business marketing.

This section describes the roles, responsibilities, and interdependencies between product, sales, and service units and introduces various synchronization approaches.

Roles and Responsibilities[34]

Product Managers

B2B product managers are typically responsible for managing tasks required to take an offering (or line of offerings) to market. The focus is on making plans and monitoring budgets and programs. Compared with consumer marketing managers, B2B product managers spend more time on product design and development and less on advertising and promotion. They also play a larger role in research activities like assessing market size, analyzing competition, and forecasting sales. Because demand in most B2B markets is driven by the primary demand for consumer goods, product managers need to track differing product and service opportunities throughout the value chain. For example, a maker of high-impact glass could sell to car manufacturers and/or to building-material retailers like Home Depot.

Sales Representatives

Salespeople represent the buying organization to groups in the seller's organization; they also represent their company and its capabilities to the customer. Internally, they may interact with a range of marketing, production, engineering, credit, and service personnel, especially when they must enlist others to participate in the selling process. For example, engineers may be needed to explain the benefits of a product's design, manufacturing managers to verify quality control standards, or general managers to attest to the financial health of the organization. Externally, salespeople often deal with clients' purchasing managers and other decision-makers. In B2B organizations that make personal selling a priority, salespeople play a key role in influencing customer perceptions of the firm's products and value compared with those of the competition.

The essence of most selling jobs is to manage and, in practice, negotiate the boundary between the vendor and potential customer accounts. This can be difficult and stressful; a sales rep's various accounts may have different buying policies and procedures, while the selling organization imposes its own rules and expectations.

B2B salespeople are primarily responsible for generating demand by calling on current and prospective customers, often in teams that include both generalists and technical selling specialists. This is true even if the ultimate sale may be made by resellers and/or another entity in the vendor organization.

Customer Service

Customer service personnel are responsible for providing both pre- and post-sale support activities. Pre-sale services, like product demonstrations and/or applications support, are aimed at closing the deal. Post-sale services, like installation and maintenance, are designed to boost customer satisfaction and generate future revenue opportunities.

Interdependencies

Inherent in these roles and responsibilities are interdependencies that must be managed for marketing effectiveness. The outcomes of product, sales, and service activities are affected by the plans and actions of the other functional groups. For example, product design must be informed by the insights of sales personnel. Successful sales may be tied to the provision of customized services. Service personnel often depend on salespeople for information about the formal and informal "promises" made during the sales process. It is essential, therefore, that organizations cultivate an open and synchronous flow of information among these groups. **Exhibit 11** summarizes these common interdependencies and information requirements.

EXHIBIT 11 Typical Interdependencies at Sales Interfaces

Source: Reprinted by permission of Harvard Business School Press. From *Concurrent Marketing: Integrating Product, Sales, and Service*, by Frank V. Cespedes. Boston, MA: 1995, p. 52. Copyright © 1995 by the Harvard Business School Publishing Corporation; all rights reserved.

As more B2B sellers use methods like content marketing and lead generation by email and search-engine marketing, the interdependencies are increasing. Marketing groups have typically been responsible for those early stages of the sales funnel, but these technologies are blurring the roles and responsibilities of sales and marketing groups in many companies.[35]

Practically speaking, the most common approaches to aligning the product, sales, and service functions in B2B marketing fall into three general categories: structural linkages, market research and information systems, and management processes.

Structural Linkages

Structural linkages between functions occur when organizations create special units to facilitate and legitimize collaboration, specify required information flows, and capture learning about joint activities. These liaison units, which can be temporary or permanent, act as the "voice of the field" for product managers, and the personnel in these units act as product/service experts and customizers for salespeople. For example, companies like HP and Oracle have created multifunctional account teams that bring together product, sales, and other personnel trained to understand and meet the needs of specific key accounts.

Market Research and Information Systems

While B2C firms can readily access market share and other key data from syndicators, relatively little such information is available to B2B firms. Moreover, B2B market research and market intelligence have traditionally been seen as product management resources. Some companies have realigned their research functions and information systems to facilitate cross-functional needs. Shared data can help foster a common understanding of the impact of each function on the activities of others.

One approach involves the integration of marketing benchmarks and other metrics directly with sales goals.[36] In this model, managers gather and coordinate information by:

- Benchmarking the existing sales and marketing process
- Establishing gaps between the benchmarks and company goals
- Developing required capabilities to close the gaps
- Engineering, executing, measuring, and adjusting the new model

In many instances, customer relationship management (CRM) software packages and systems can be used as tools to create an integrated information base and improve coordination between marketing and sales.

Management Processes

Some B2B firms have altered management processes to ensure that people with different training and experience work together when cross-functional coordination is important for marketing success. Examples include cross-functional career tracks, joint training programs, and joint performance evaluation for marketing and sales personnel who must coordinate various activities.

Oliveira and Roth have found that the growth of e-service demands and capabilities is altering the nature of functional interfaces in many B2B firms.[37]

For example, sales and service personnel must develop certain operational skills tied to technology design. The proliferation of selling channels creates a need for more data and cross-channel metrics.[38] Demand for e-customization puts a premium on rapid information exchange in real time.

Ultimately, integration depends on how well organizations foster and encourage constructive relationships among people in different functions. Scholars suggest that interpersonal factors such as trust can influence the effectiveness of cross-functional coordination.[39] In addition, de facto requirements for marketers to manage multichannel selling and service capabilities have the potential to increase mutual awareness and understanding over time.

2.6 Conclusion

For students, a basic challenge to understanding B2B marketing is its relative lack of transparency. While consumer marketing takes place largely in the public domain and via constant mass media promotions, B2B transactions are the outcome of negotiations involving numerous individuals and institutions at various points in the supply chain. This reading explained certain core elements of B2B strategy—market selection, buyer behavior, buyer benefits, and organizational alignment. Successful integration on these dimensions is the foundation for delivering customer value and building competitive advantage.

With changing production, communication, and delivery technologies and with an increasingly global, networked economy, B2B marketing is sure to become more complex and demanding. But both in emerging and established markets, the business of analyzing, selling, and supplying organizational needs is a key driver of growth.

3 SUPPLEMENTAL READING

3.1 Internet Influences on B2B Marketing

In the late twentieth century, some B2B scholars and practitioners predicted that the internet would make traditional selling functions obsolete. At a minimum, they warned, B2B sales organizations faced massive layoffs as a result of imminent disintermediation—in other words, a shift from buying through salespeople to buying direct from suppliers of goods and services.[40]

Today it is clear that the B2B sales force has survived and even thrived in an internet-enabled environment, especially in the high-technology sector. Companies have successfully integrated both online and offline sales channels, along with new selling platforms like virtual trade shows, electronic markets, and portal websites. They have adopted supply chain management software to enhance the speed and efficiency of payment tracking, inventory planning, transportation scheduling, and other basic supply chain management (SCM) functions.[41] The emergence of cloud-based computing has reduced the costs of using powerful software for sales force automation and customer relationship management, broadening the accessibility and impact of these tools.[42]

And yet, while traditional forms of B2B selling and buying still exist, internet technology has almost totally transformed both the processes and the structures supporting B2B sales. It has also stimulated new and creative experiments in promotion, targeting, and other facets of marketing.

Processes

For B2B sellers, the expanding breadth and depth of online information have expedited a range of key processes. For example, sales leads can now be harvested from buyer websites, company blogs, and social media in addition to sites like ZoomInfo, which aggregate business profiles and contact information from millions of firms. To screen and prequalify buyers, sellers can enlist search-engine optimization, portals, databases, and tailored online communities. Various communication technologies like Skype and web conferencing have reduced the costs and logistical challenges associated with sales presentations, demonstrations, and ongoing customer contact, especially for firms with geographically far-flung prospects.

Online tools and applications are also streamlining the four stages of the buying process (as outlined in the Essential Reading). Some of the tools used today include:[43]

Stage 1 Recognizing a need and the benefits sought: vendor websites, search engines, social media
Stage 2 Establishing specifications and potential sources of supply: third-party websites, vendor websites, search engines, review sites (e.g., Gartner Peer Insights, D&B Credibility Review, Yelp)
Stage 3 Requesting proposals: e-mail, user-generated content, reverse auctions (a real-time, competitive bidding process where one buyer accepts bids from several prequalified vendors)
Stage 4 Post-purchase evaluation: forums, panels, blogs, webinars, online demos

Such online tools have proven enormously cost effective. Studies of internet-enhanced buying processes used by firms of varying size in different sectors have found that online technologies routinely cut purchasing-related administrative costs, sometimes by as much as 60%.[44] These tools can also enhance customer loyalty by facilitating feedback and accelerating responses to problems. Some companies, including GE Healthcare, Merck Millipore, and Johns Manville, offer web-based applications that clients can use to configure customized products.[45]

Internet technology and online tools allow members of OBCs to share more information faster and in richer forms than in the past. They can also readily obtain input from third parties, including collaborators such as distributors and other suppliers. While this makes the buying decision process more complex, it also leads to more diversified perspectives among participants and dilutes the influence of any single individual or functional group.

Structures

Traditionally, B2B sales forces have two components. "Inside" reps, largely office-bound, are primarily engaged with generating leads, qualifying prospects, and responding to customer requests and complaints. "Outside" reps work in the field, calling on buyers in order to show and tout their products. Sales team structure might be based on factors such as location, account size, products, or industry. Music streaming service Pandora, for example, sells media to local and national advertisers and has structured its sales organization by customer size. Its inside sales team reaches smaller clients or inbound marketing; locally based field sales teams are assigned to local prospects or small agencies; and the largest clients are handled by a national account team.[46] Although web-based technologies have not displaced either type, when prospects have the ability to educate themselves online, there is less of a need for early-stage, face-to-face sales pitches.

While the overall trend is an increase in inside sales, and B2B organizations are adding inside sellers, as of 2018, B2B sales structures still emphasize outside sales at a ratio of about 2:1, while blended teams that combine field and inside sales are becoming more prominent.[47] Some scholars suggest that multiple-person field sales teams are becoming more common to provide the in-depth information and resources required by customers who enter the process with information they have already obtained from the internet.[48] Solution provider InsideSales.com has experience with both approaches. It built its initial go-to-market strategy using an inside sales team focused on inbound leads. The model included scheduling appointments, running online demos, and closing the sale. However, when InsideSales was ready to expand from focusing on small and medium-sized businesses (SMBs) and its installed base to a new set of enterprise customers, the sales process needed to adapt. This new market involved a longer sales cycle and more complex DMUs, often including representatives from purchasing, legal, finance, and the prospect's sales team (with roles ranging from product users to VPs). InsideSales's custom enterprise solution required a more high-touch field sales team to work directly with enterprise customers, validate the use case, and test a proposed solution.[49]

The structure of OBCs is also affected by the internet on at least three dimensions: size (the ability to connect stakeholders who are geographically dispersed effectively enlarges the average decision-making group); lateral involvement (the ease of providing information and facilitating discussion enables OBCs to include larger numbers of departments or work-related groups); and vertical involvement (web-based meetings enable OBCs to engage multiple levels of management).

Marketing Innovations

While B2C marketers have taken the lead in applying social media and online multimedia tools to targeting and promotion, B2B firms are now leveraging these technologies for similar purposes. While web-based business marketing is still limited, it is estimated that $5.2 billion of US B2B marketing dollars were spent on digital marketing in 2018, with year-on-year increases hovering at about 18%.[50] But there is much evidence of a continuing upswing in both frequency and creativity.

For example, Visa pioneered the use of Facebook to reach small-business owners, a widely dispersed market that had long been difficult to target efficiently, with its Visa Small Business Network. Through social media, Visa enabled small businesses to share ideas and resources in a tailored community that featured Visa-related content and generated high-quality leads for the firm's credit card services.[51]

More recently, Dropbox combined careful audience research with a strong social media presence in its 2017 campaign for Dropbox Business. Dropbox was looking to increase lead generation and reach a new audience—marketers—for its premium file-sharing software for business users. Audience research revealed that marketers had significant challenges related to file sharing, but also uncovered that marketers' top concerns were "personality clashes" and poor communication between teams that led to project delays. As part of its campaign, Dropbox created a personality assessment tool designed to help marketers better understand themselves and their team, and how to use this information to improve workflow. This tool, named Marketing Dynamix, was promoted extensively on social media. The results were over 36,000 engagements on Twitter alone, over 2,000 qualified marketing leads, and a 29:1 return on investment. [52]

While B2B media spending has been limited, digital media and social media spending is expected to only grow in the coming years. In the United States, digital B2B ad spending in 2018 was estimated at $5.12 billion, up from previous year by 24.9%. In one survey of B2B product companies, social media spending was reported at 9.7% of current marketing spending and is expected to almost double over the next five years. For B2B services companies, which, as of August 2018, reported 13.9% spending of the overall budget, this is expected to jump to 21.6% over the next five years.[53] On average, B2B companies reported expecting a 7% to 14% increase in digital marketing spending, with a slight decrease in traditional marketing spend as they looked at the year ahead. [54]

At the same time, the B2B space is also known for more traditional approaches to marketing and sales. Even with a growing social media presence for B2B marketing, Salesforce surveys find that telephone and in-person sales are still top preferences for both buyer and seller,[55] at a time when customers have multiple, parallel ways to investigate their options in the buying journey. In addition, a recent study by Cespedes and Heddleston reviewed 34 million interactions between customers and sales teams, analyzing the marketing content shared via the document sharing platform DocSend. This included case studies, proposals, overviews, guides, and e-books. In looking at how prospects used and consumed these deliverables, it was the case studies that had a more than 80% completion rate—far greater than the other sales and marketing content. It seems that buyers care most about "what others *are* doing with your product, not what they *might* do"—and this is especially the case for B2B buyers, who must justify a purchase and its funding to others in the organization. [56]

Conclusion

Overall, the internet has made B2B selling more buyer-driven than in the past. Buyers have become increasingly information-empowered and open to a wide array of social media communication vehicles, especially as a new generation of professionals enters the ranks. The shift to multichannel selling necessitates new approaches in the training of both inside and outside sales reps. It also poses a host of marketing challenges as B2B firms strive to learn which channels it makes sense to combine, what performance metrics are most appropriate, and how online tools can best be used to add value and enhance the customer experience.

4 KEY TERMS

business-to-business (B2B) marketing Exchanges of goods and services between institutions rather than between businesses and individuals or end-consumers.

economic, intangible benefits Benefits that can be measured and quantified in economic terms that are claimed by the vendor but unverifiable by the customer.

economic, tangible benefits Benefits that can be measured, verified, and quantified in terms of price performance.

noneconomic, intangible benefits Benefits, such as trustworthiness, that can be substantiated only by experience.

noneconomic, tangible benefits Benefits, such as reputation or scale, that can be measured in noneconomic terms.

organizational buying center (OBC) Individuals who come together in any number to make an organization's buying decisions. Also known as *decision-making unit* (DMU).

request for proposals (RFP) Solicitation issued to prospective vendors for highly detailed information about their products, terms, and conditions.

value proposition Total package of benefits expressed in terms of buyer needs and crafted to convey competitive advantage.

5 FOR FURTHER READING

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