CASE STUDY

(ISBM) Institute for the Study of Business Markets[1]

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[1] While based on an actual situation, the data and the events in this case are fictional.

Overview

In March 2008, Ralph Oliva stepped out of the elevator and walked toward his office at the Institute for the Study of Business Markets (ISBM) in State College PA. This was his 12th year in the position of ISBM Executive Director and he had never seen a more uncertain business environment, one that had characteristics that reminded him of the Great Depression in the 1930's.

Ralph, a dynamic, engaging executive leader who blends marketing savvy, communications expertise, and exceptional interpersonal skills, views his role at the ISBM both to create new B2B knowledge and to use that knowledge to help to transform B2B organizations into world-class brands and global industry leaders .

As a seasoned B2B practitioner, formerly Vice President at Texas Instruments, he had more than doubled the size of the ISBM since he took over as Executive Director in 1986. He had more big plans for the ISBM and was not about to have those plans thwarted by the uncertain economy.

Like Oliva, ISBM member firms were just starting to feel the pressure of the beginning of the recession. With just a few months until those firms began planning their budgets for 2009, Oliva had to act fast to solidify the future of the organization.

Given the difficult business environment, he hoped for the best. However, knew he needed to prepare for the worst.

The ISBM

Originally conceived in 1981 and formally launched in 1983, the ISBM is a non-profit global network of researchers and practitioners headquartered at Pennsylvania State University. Positioned as the world's leading B2B Think Tank, the Institute connects leading B2B academics from around the globe with an impressive list of leading B2B member firms.

In 1981, Prof.'s Gary Lilien and Dave Wilson were both interested in developing a structure that could support B2B research, an area largely neglected by the academic community largely because of lack of easy access to data. They surmised that if they could create a structure where they could make access to B2B firms' problems and data easier, they could provide enhance research and the creation of new knowledge in the area.

Shortly thereafter, Dr. Irwin Gross left his position of Director of Marketing Research at DuPont and joined Lilien and Wilson in the effort to investigate the feasibility of a B2B research institute that would be affiliated with Penn State. After a formative meeting of academics and potential sponsors, Gross, Lilien and Wilson submitted a proposal to Penn State's College of Business Administration to launch the ISBM.

In 1983, the ISBM was launched with the financial support of multi-year grants from AT&T, ControlData, DuPont, and GE. Gross was hired as Executive Director, Lilien took on the role of Research Director, and Wilson the role of Managing Director. Nearly two years later, the Institute held its first members meeting with a total of 16 member firms.

The ISBM's first course offering was "Value and Pricing Strategy" taught by Dr. Irwin Gross in 1986, a course that remains its most popular and influential offering. In the years since, the ISBM has continued to add programs and services that connect B2B marketing professionals with each other and with leading educators and academic researchers spanning the business marketing landscape.

Today, the ISBM operates with the vision of unleashing its member's B2B marketing potential. It does so by:

- Connecting members with its network of researchers and fellow practitioners, who can help members solve their marketing challenges and build their professional network
- Offering customizable professional development programs designed for B2B executives committed to finding next-generation ways to grow their businesses
- Providing access to high-impact customer analytics projects, working with researchers to build its members customer analytics capability
- Facilitating individualized coaching on a range of B2B topics as well as 1 or 2-hour connections with ISBM Academic Fellows for advice, counsel, direction and ideas on pathways forward
- Hosting intimate, non-commercial events where members can share ideas, gain insights, and make new friends

Here is a sample of the ISBM's member firms:

3M	DuPont	Lutron
Cisco	Flowserve	Nova Chemicals
Corning	Gallup	SAP
Cox Business	GE	Sherwin-Williams
Dell	GlaxoSmithKline	Tyco
Deloitte	Lilly	WESCO
Dow Chemical	Henkel	Westinghouse Nuclear

The Chaos of the Great Recession

The Great Recession was characterized by a sharp decline in activity in every sector of the economy. Generally considered to be the largest downturn since the Great Depression, the Great Recession officially lasted from December 2007 through June 2009.

It's now widely agreed that the economic slump began when the housing market, estimated at $8 trillion, went from boom to bust. And the boom was quite a boom. Average home prices more than doubled between 1998 and 2006, representing the sharpest increase in history.

In the mid-2000s, with the intention of capitalizing on the inflated real estate market, financial institutions began marketing mortgage-backed securities and sophisticated derivative products at levels that were unprecedented. When the real estate market collapsed in 2007, the once popular securities declined precipitously in value.

The damage was so severe that the solvency of many large, yet over-leveraged, banks was in jeopardy. Amazingly, Lehman Brothers, the country's fourth-largest investment bank filed for bankruptcy in September 2008. This event sent shockwaves around the world and helped trigger a global economic downturn, most notably in Europe.

It wasn't just the banks that suffered. American households lost an estimated $16 trillion in net worth as a result of the stock market plunge. Additionally, the country shed 8.4 million jobs, or 6.1% of all payroll employment. This loss of jobs caused the unemployment rate to double.

The resulting loss of income and wealth led to sharp cutbacks in consumer spending. This drop in spending sent another economic shockwave across the country, affecting both the B2C firms that sell directly to consumers and, indirectly, the B2B firms that serve the needs of those B2C firms.

Although the Great Recession ended in June 2009, economic weakness persisted. The recession was so severe that, in spite many efforts by the government to turn things around, recovery was much slower than expected. In fact, in October 2010, 16 months after the official end of the recession, the economy still had 5.4% fewer jobs than it did before the recession started.

The Difficult Business Environment

Like other firms during the Great Recession, many ISBM members and its prospects were suffering financially at varying degrees by mid-2008. Because the general population was losing income and wealth at a rapid pace, B2B firms could expect less revenue as B2C firms lost customers.

It was a difficult business environment for everyone.

What Oliva knew was that when economic times are hard, firm spending contracts. During such times, firms tend to review their budgets especially carefully, with an eye towards minimizing spending on things like travel, training, and membership in professional organizations like the ISBM.

Many B2B firms grew up around their technologies and technical capabilities, rather than around a deep understanding of markets or customer needs. Hence, in most B2B firms, marketing has a much lower profile than in most B2C firms, and the idea of maintaining a membership in an organization that connects their staff with others from firms from outside of their industry to discuss marketing activities is often a tough sell internally. This means that in difficult times B2B firms tend to lower the priority of marketing and direct their various divisions to work with tighter budgets. Consequently, marketing-related jobs are often cut at such times and marketing budgets reduced.

When such cuts happen at ISBM member firms, the Institute might lose an essential contact within the firm. With that person gone, it is easy for the firm to not renew their ISBM annual membership, as the expenditure's internal champion is no longer there.

In addition, priorities may shift inside B2B firms in difficult economic times. For instance, the ISBM's income is made up of about one-third from membership dues and two-thirds from executive training. If some member firms decide to deprioritize professional memberships and others decide to deprioritize training, the Institute can take a big hit from both sides

Although the cost of membership was small (about $15,000-$20,000/year at the time) relative to the large marketing budgets of many ISBM member firms, cuts had to be made. While there may not have been an official directive to eliminate specific professional memberships or training, in many firms, someone at some level had to make a decision about what line items to cut from their budget.

Even firms that weren't hit hard by the recession had to make tough decisions. They didn't know what the future held, so, they had to plan for the worse.

The Institute historically has a turnover rate of 10% to 15% in the best of times. In the 2008 business environment, Oliva projected that the turnover rate for 2009 could be two to three times as high.

Oliva's Membership Challenges

Success, Oliva knew, meant overcoming the challenges of a difficult business environment. The survival of the ISBM depended on what he would do next.

He quickly decided that he needed to do two important things: first, retain key existing members and second recruit new members. But those new members had to be the right members, or they would be unlikely to renew membership in following years

To accomplish these goals, Oliva had to find the most efficient way to identify and profile existing "core" member firms, those with needs that are most closely aligned with the ISBM's program and service offerings.

Armed with this information, he then needed to determine the most effective way to allocate the Institute's marketing resources to attract the "right" prospects from a list of more than 300 firms. The right prospects were those that had interests that were closely aligned with the Institute's program and service offerings.

With just a few months before the July and August budget season to prepare, Oliva decided that the first step was to segment the ISBM's existing membership.

Collecting Member Data: To Survey or Not to Survey?

One option to begin the segmentation process was to send out a survey to the many contacts at each ISBM member firm. Oliva quickly decided that this method of conducting the survey would be unmanageable.

First, to conduct a survey you need a respondent. The problem is deciding what person or persons within the member firm should answer the questions when there are often up to 100 contacts at a member firm.

Second, it would take too long to prepare the survey and get responses. A paper or online survey would need to be created. A request to complete the survey would need to be mailed or emailed. Then the responses would need to be collated and integrated in some way to arrive at a set of single response for each firm. A related issue is that this survey method would be quite expensive.

Third, many of the respondents may not have the knowledge, or access to the knowledge, that would be necessary to accurately answer the survey questions. This fact would result in a high level of error, making the survey results unreliable.

Realizing all of this, Oliva decided to gather the needed data directly himself and from the account managers on his team. Because they work closely with the member firms and their contacts at those firms, Oliva and the account managers were in a position to report on what each firm wants from its membership in a professional organization such as the ISBM.

The first step in this data collection was to identify the attributes that were important to firms who were members or considering joining the ISBM. After discussion with his account representatives, Ralph come up with the "needs" attributes noted in Exhibit 1. In order to reach or identify firms not surveyed, the questionnaire needed to include publically available information about all firms—"descriptor" variables. These can be found in Exhibit 2.

Ralph also noted that many firms consider other membership alternatives when thinking about joining (or leaving the ISBM. The most frequent alternatives or competitors to the ISBM mentioned during Ralph's sales calls were: (a) The Marketing Science Institute (MSI); (b) The American Marketing Association (AMA); (c) the Marketing Leadership Counsel (MLC) ; (d) the Business Marketing Association (BMA) and (e) one of various major consulting companies. Ralph decided to include questions in the questionnaire, asking respondents to rate how well the ISBM and each of these competitors performed (on a 1-5 scale) along the same scales he developed for in Exhibit 1.

These three sets of questions comprised the survey.

One day the team sat down to complete the survey questions based on what they knew about the member firms with which they worked. They also relied on the extensive firmographics that the Institute already collected for each firm. By the end of the day, Oliva had completed surveys representing each of the 50 member firms.

With the raw data in hand, it was time to calculate the results and decide on a plan of action for retaining the core existing members and recruiting the right prospective members.

Case Study Questions

Question 1

Select Run Segmentation from Enginius dashboard (without Discrimination) on the data to try to identify the number of distinct segments present in this market.

Question 2

Identify and profile the clusters that you select. Given the attributes of the ISBM (see the Positioning template) which clusters would seem to be core for Ralph's retention and customer acquisition campaigns?

Question 3

Rerun the segmentation with the *Discrimination Option*. What are the organizational characteristics that describe each of the segments? Do they make sense? Why?

Question 4

Using the Segmentation tool in Enginius, re-run segmentation and also include classification data (Prospects). What firms should Ralph target for his customer acquisition program?

Question 5

Using the Positioning model in Enginius, run the model using the available Perceptual and Preference data. Which "competitors" seem to be most closely linked to the ISBM? How should the

ISBM position itself about its value relative to those competitors?.

Question 6

Comment on the value of the approach and its limitations in providing both strategic and tactical direction for the ISBM.

Exhibit 1: Needs Variables.

In the ISBM survey, firms were rated on what they found most important when considering to join the ISBM. Each need was rated on a 1-10 scale.

a) Networking
b) Educational Needs
c) Business Templates
d) Consulting
e) Implementation
f) B2B Expertise
g) Leading Edge Research
h) Manpower (Recruiting)
i) Placements (Jobs)
j) Global Scope (Asia & Europe)
k) Courses
l) Sounding Board for Q&A
m) Forum for Presentation
n) Benchmarking
o) Low Cost Solution

Exhibit 2: Descriptor Variables (for Discrimination and Classification).

The following data was available, not only for the ISBM member firms, but also about any ISBM prospective members)

a) Chemicals Firm (1=Yes, 0=No)
b) Hi-Tech Firm (1=Yes, 0=No)
c) Nature of Offerings – Services (1=Yes, 0=No)
d) Nature of Offerings – Products (1=Yes, 0=No)
e) Distance from State College (1 < 50miles - 5 > 2000miles)
f) Revenue (1 < $1M - 5 > $5B)
g) Marketing/Sales Ratio (1 < 2% - 5 > 20%)
h) CMO function in the organization (1=Yes, 0=No)