Strategy and Trends in B2B Business: Opportunities and Challenges - A Global Prospective

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Abstract

The term "marketing" usually conjures images of consumer packaged goods and advertising campaigns, but, as the millennial decade winds down, business-to business (B2B) marketing actually dwarfs the consumer side of the business. The instant gratification of the Internet is so engrossing that it overshadows the long term changes it has fostered in the people that use it. People have not sat idly by as the. More important than B2B marketing's relative size, however, is its role as a complex discipline integral to selling products or services to business, industrial, institutional, and government buyers. In past decades, innovative products, great engineering, or great salesmanship alone might have been enough to close a business sale. But today's shorter product lifecycles and the intense pressures of global competition no longer allow companies the luxury of "build it and they will come" thinking. Internet has evolved; their online knowledge, skills, attitudes and behaviors have evolved alongside it. As one of the most serious of Internet users, the B2B buyer has been transformed through adaptation to the new online environment. A new genre of B2B buyer has arisen, a genus that is more connected, more impatient, more elusive, more impulsive, and more informed than its pre-millennium ancestors. "My company, before I got there four years ago, equated marketing with print advertising- one and same. But I have drunk the Kool-Aid and I believe there's a better way.''-Fred Sitter, Marketing Director, Duro-Last Roofing

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Prologue

In the broadest sense, the practice of one purveyor of goods doing trade with another is as old as commerce itself. As a niche in the field of marketing today, however, its history is more recent. In his introduction to Fundamentals of Business Marketing Research, J. David Lichtenthal, professor of marketing at Zicklin School of Business, notes that industrial marketing has been around since the mid-19th century, although the bulk of research on the discipline of business marketing has come about in the last 25 years. Morris, Pitt and Honeycutt, in 2001, point out that for many years business marketing took a back seat to consumer marketing, which entailed providers of goods or services selling directly to households through mass media and retail channels. This began to change in middle to late 1970s. A variety of academic periodicals, such as the Journal of Business-to-Business Marketing and the Journal of Business & Industrial Marketing, now publish studies on the subject regularly. In addition, professional conferences on business-to-business marketing are held every year. What's more, business marketing courses are commonplace at many universities today. In fact, Dwyer and Tanner (2006) point out those more marketing majors begin their careers in business marketing today than in consumer marketing.

Business marketing is the practice of individuals or organizations, including commercial businesses, governments and institutions, facilitating the sale of their products or services to other companies or organizations that either resell them, use them as components in products or services they offer, or use them to support their operations. Also known as industrial marketing, business marketing is at times called business-to-business marketing, or B2B marketing, for short. (Note that while marketing to government entities shares some of the same dynamics of organizational marketing, Business-to-government marketing is meaningfully different.)

The importance of branding is understood by serious business-to-business marketing researchers, but when it comes to analyzing brand equity, most companies fail to use advanced analytics to its full potential. All too often, branding studies simply track key measures; they fail to quantify causal relationships, and deliver weak predictive power. Or, if research attempts to deliver statistical models, the models identify key attributes and their relative importance, but do little else. To be sure, some useful information and knowledge can be gleaned from these expedient solutions. In most cases, however, there is little insight to guide branding strategy and define concrete actions that impact brand equity. When it comes to the practical application of branding research, senior management is usually underwhelmed. Most senior managers are not very patient when it comes to long-term branding assessments.

They want to know what customers expect from their brand and why they choose it versus competitive brands. When they invest in marketing research, they are looking to the findings for guidance on achieving immediate marketing goals and for making strategic decisions that will impact the future. With the increased emphasis on accountability, measurement, and ROI in B-to-B marketing, the focus is often on measuring the efficacy of tactical programs. While necessary, these assessments don't lead to insights that impact strategic decisions about what new direction a business should take. Management is asking questions such as: Where should resources be allocated for differentiation? What actions should be taken to have the greatest impact on customers choosing our brand? What will be the impact of these actions on our competitors?

New Tools Enhance the Value of B-to-B Branding Research

B-to-B branding research can be a far more effective strategic tool for understanding a company's brand and factors that make up its brand equity. Advanced factor analysis, regression and simulation tools enable B-to-B marketing researchers to quantify brand equity and predict, virtually in real- time, the impact of specific actions on the company's **.**A rational assessment of the brand is formulated based on objective personal experience or verifiable information from others. Rational assessments are typically empirical in nature. Simultaneously, an emotional assessment of the brand is based on experience and communications, filtered through personal beliefs and attitudes. The rational and emotional assessments influence each other and ultimately cause changes in brand attributes reflected in survey ratings. Additional Factor Analysis identifies which overall indicators best measure Brand Equity. Brand Equity has three dimensions—exposure, affinity, and preference. The overall indicators of brand equity measure success within each of these dimensions. For example, high levels of awareness, familiarity, and purchases indicate high exposure. Latent-Class Factor models quantify the structures.

For example, when the desired observed ratings are selected, the model provides the appropriate weighting of these ratings which are used in the next step in the analysis: Latent- Class Regression. Latent-Class Regression quantifies the causal linkages from perceptions (rational and emotional) .

Definition B2B vs. B2C

The terms B2B and B2C are short forms for **Business-to-Business (B2B)** and Business-to-Consumer (B2C). Both describe the nature and selling process of goods and services. While B2B products and services are sold from one company to another, B2C products are sold from a company to the end user.

While almost any B2C product or service could also be a B2B product, very few B2B products or services will be used by consumers. For example, toilet paper, a typical B2C product, can be seen as a B2B product if it is bought in larger quantities by a hotel for their restrooms and guestrooms. However, few people will buy an excavator for their private use.

Most B2B products are purchased by companies to be used in their own manufacturing, producing goods and services to be sold on. The value added product can then be either sold to yet another company; or to the consumer.

Any consumer product would have gone through numerous value-add processes before it is being purchased by the final user. Numerous suppliers from various industries would have contributed to the finished product. For instance, a can of soft drink will require different companies to provide the can, water, sugar, other ingredients, label-printing, packaging, transportation and paint for the printing. The can itself is made from aluminum that needs to be processed and extracted. Only the very last transaction in the sales/ purchase chain is a true B2C relationship.

In terms of perceived risks, a b2b product is commonly viewed to possess higher perceived risks compared to b2c products due to the value of each transaction: e.g. buying a machinery can cost $2Million compared to a tube of toothpaste which would cost just $2. However in reality, risks levels in terms of duty-of-care, can be fairly similar depending on the nature of the product. A faulty machine similar to a contaminated tube of toothpaste can bring grave harm to its respective users. However, because of the quantum of purchase, buyers of b2b products tend to place more focus on the evaluation and selection process.

B-to-B Marketing: Strategies for Driving Growth and Profit

Maintaining profitable business-to-business relationships is not enough: you need the marketing tools that will help you grow.

"B-to-B Marketing: Strategies for Driving Growth and Profit" is designed to help participants learn how to better understand, create, deliver, and profitably harvest value; build more precision in selecting markets; and establish effective communication. You will learn the keys for segmentation, targeting and positioning, and will leave with competencies to help drive business-to-business marketing processes for growth..

B2B companies are pushing higher and deeper into client organizations, and they are becoming more expert at targeting relevant key functions in both the senior and mid-levels of management.

For example, the survey indicates that promotional strategies are targeting executive decision makers,

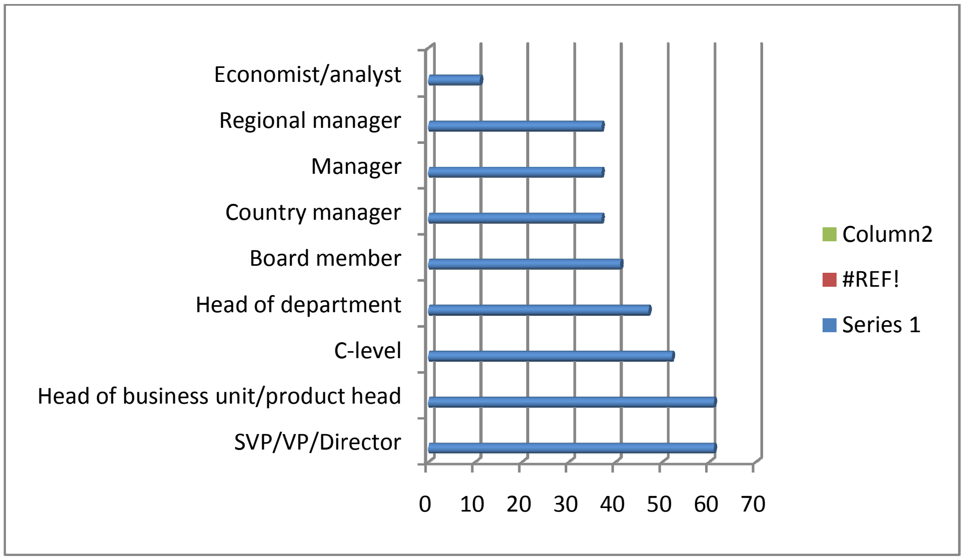

Figure-1 Level of executive targeted in your B2B marketing

Risks

Buying one can of soft drink involves little money, and thus little risk. If the decision for a particular brand was not right, there are very little implications. The worst that could happen is that the consumer does not like the taste and discards the drink immediately.
Buying B2B products is much riskier. Usually, the investment sums are much higher. Purchasing the wrong product or service, the wrong quality or agreeing to unfavourable payment terms may put an entire business at risk.

Additionally, the purchasing office / manager may have to justify a purchasing decision. If the decision proves to be harmful to the organization, disciplinary measures may be taken or the person may even face termination of employment. In international trade, delivery risks, exchange rate risks and political risks exist and may affect the business relationship between buyer and seller. Strong brands imply lower risk of using them. Some of them in detail:

1. Buying unfamiliar brands implies financial risks. Products may not meet the requirements and may need to be replaced at high cost.
2. There exists a performance risk as there might be something wrong with an unfamiliar brand.
3. When buying machinery or supplies for a company, peers may not approve the purchase of an unknown brand, thus posing a social risk
4. Buying behaviour in a B2B environment
5. Some characteristics of organizational buying / selling behaviour in detail:
6. For consumer brands the buyer is an individual. In B2B there are usually committees of people in an organization and each of the members may have different attitudes towards any brand. In addition, each party involved may have different reasons for buying or not buying a particular brand.
7. Since there are more people involved in the decision making process and

technical details may have to be discussed in length, the decision-making process for B2B products is usually much longer than in B2C.

8. Companies seek long term relationships as any experiment with a different brand will have impacts on the entire business. Brand loyalty is therefore much higher than in consumer goods markets.
9. While consumer goods usually cost little in comparison to B2B goods, the selling process involves high costs. Not only is it required to meet the buyer numerous times, but the buyer may ask for prototypes, samples and mock ups. Such detailed assessment serves the purpose of eliminating the risk of buying the wrong product or service.

B2B brands need to be differentiated

One of the characteristics of a B2B product is that in many cases it is bought by a committee of buyers. It is important to understand what a brand means to these buyers. (Note: Temporal) Buyers are usually well-versed with costing levels and specifications. Also, due to constant monitoring of the market, these buyers would have excellent knowledge of the products too. In many cases the purchases are specification driven. As a result of this, it is vital that brands are clearly defined and target the appropriate segment.

As explained above, every one product can only be associated with one brand. Because of this, it is vital that companies find a white space for their brand, an uncontested category to occupy space in the minds of the buyer.

Differentiating one's brand, companies can use various strategies, leveraging on the origin of the goods or the processes to manufacturing them. Some have identified up to 13 such strategies. Depending on the company's history, the competitive landscape, occupied spaces and white spaces, there could be one or many strategies any one company could use. Ultimately, a strong B2B brand will reduce the perceived risk for the buyer and help sell the brand.

Business to business (B2B) Marketing Strategies

B2B Branding

B2B Branding is different from B2C in some crucial ways, including the need to closely align corporate brands, divisional brands and product/service brands and to apply your brand standards to material often considered "informal" such as email and other electronic correspondence. it is mainly of large scale when compared with B2C

Product (or Service)

Because business customers are focused on creating shareholder value for themselves, the cost-saving or revenue-producing benefits of products and services are important to factor in throughout the product development and marketing cycles.

People (Target Market)

Quite often, the target market for a business product or service is smaller and has more specialized needs reflective of a specific industry or niche. A B2B niche, a segment of the market, can be described in terms of firm graphics which requires marketers to have good business intelligence in order to increase response rates. Regardless of the size of the target market, the business customer is making an organizational purchase decision and the dynamics of this, both procedurally and in terms of how they value what they are buying from you, differ dramatically from the consumer market. There may be multiple influencers on the purchase decision, which may also have to be marketed to, though they may not be members of the decision making unit.

Pricing

The business market can be convinced to pay premium prices more often than the consumer market if you know how to structure your pricing and payment terms well. This price premium is particularly achievable if you support it with a strong brand.[5]

Promotion

Promotion planning is relatively easy when you know the media, information seeking and decision making habits of your customer base, not to mention the vocabulary unique to their segment. Specific trade shows, analysts, publications, blogs and retail/wholesale outlets tend to be fairly common to each industry/product area. What this means is that once you figure it out for your industry/product, the promotion plan almost writes itself (depending on your budget) but figuring it out can be a special skill and it takes time to build up experience in your specific field. Promotion techniques rely heavily on marketing communications strategies .

Place (Sales and Distribution)

The importance of a knowledgeable, experienced and effective direct (inside or outside) sales force is often critical in the business market. If you sell through distribution channels also, the number and type of sales forces can vary tremendously and your success as a marketer is highly dependent on their success.

B2B Marketing Communications Methodologies

The purpose of B2B marketing communications is to support the organizations' sales effort and improve company profitability. B2B marketing communications tactics generally include advertising, public relations, direct mail, trade show support, sales collateral, branding, and interactive services such as website design and search engine optimization. The Business Marketing Association is the trade organization that serves B2B marketing professionals. It was founded in 1922 and offers certification programs, research services, conferences, industry awards and training programs.

Positioning Statement

An important first step in business to business marketing is the development of your positioning statement. This is a statement of what you do and how you do it differently and better and more efficiently than your competitors.

Developing your messages

The next step is to develop your messages. There is usually a primary message that conveys more strongly to your customers what you do and the benefit it offers to them, supported by a number of secondary messages, each of which may have a number of supporting arguments, facts and figures.

Building a campaign plan

Whatever form your B2B marketing campaign will take, build a comprehensive plan up front to target resources where you believe they will deliver the best return on investment, and make sure you have all the infrastructure in place to support each stage of the marketing process - and that doesn't just include developing the lead - make sure the entire organization is geared up to handle the inquiries appropriately.

Briefing an agency

A standard briefing document is usually a good idea for briefing an agency. As well as focusing the agency on what's important to you and your campaign, it serves as a checklist of all the important things to consider as part of your brief. Typical elements to an agency brief are: Your objectives, target market, target audience, product, campaign description, your product positioning, graphical considerations, corporate guidelines, and any other supporting material and distribution.

Measuring results

The real value in results measurement is in tying the marketing campaign back to business results. After all, you’re not in the business of developing marketing campaigns for marketing sake. So always put metrics in place to measure your campaigns, and if at all possible, measure your impact upon your desired objectives, be it Cost Per Acquisition, Cost per Lead or tangible changes in customer perception.

How big is business marketing?

Hutt and Speh (2001) note that "business marketers serve the largest market of all; the dollar volume of transactions in the industrial or business market significantly exceeds that of the ultimate consumer market." For example, they note that companies such as GE, DuPont and IBM spend more than $60 million a day on purchases to support their operations.

Dwyer and Tanner (2006) say the purchases made by companies, government agencies and institutions "account for more than half of the economic activity in industrialized countries such as the United States, Canada and France."

A 2003 study sponsored by the Business Marketing Association estimated that business-to-business marketers in the United States spend about $85 billion a year to promote their goods and services. The BMA study breaks that spending out as follows (figures are in billions of dollars):

1. Trade Shows/Events -- $17.3
2. Internet/Electronic Media -- $12.5
3. Promotion/Market Support -- $10.9
4. Magazine Advertising -- $10.8
5. Publicity/Public Relations -- $10.5
6. Direct Mail -- $9.4
7. Dealer/Distributor Materials -- $5.2
8. Market Research -- $3.8
9. Telemarketing -- $2.4
10. Directories -- $1.4
11. Other -- $5.1

The fact that there is such a thing as the Business Marketing Association speaks to the size and credibility of the industry. BMA traces its origins to 1922 with the formation of the National Industrial Advertising Association. Today, BMA, headquartered in Chicago, has more than 2,000 members in 19 chapters across the country. Among its members are marketing communications agencies that are largely or exclusively business-to-business-oriented.

What's driving growth in B2B Marketing?

The tremendous growth and change that business marketing is experiencing is due in large part to three "revolutions" occurring around the world today, according to Morris, Pitt and Honeycutt (2001).

First is the technological revolution. Technology is changing at an unprecedented pace, and these changes are speeding up the pace of new product and service development. A large part of that has to do with the Internet, which is discussed in more detail below.

Technology and business strategy go hand in hand. Both are corelated. While technology supports forming organization strategy, the business strategy is also helpful in technology development. Both play a great role in business marketing.

Second is the entrepreneurial revolution. To stay competitive, many companies have downsized and reinvented themselves. Adaptability, flexibility, speed, aggressiveness and innovativeness are the keys to remaining competitive today. Marketing is taking the entrepreneurial lead by finding market segments, untapped needs and new uses for existing products, and by creating new processes for sales, distribution and customer service.

The third revolution is one occurring within marketing itself. Companies are looking beyond traditional assumptions and adopting new frameworks, theories, models and concepts. They're also moving away from the mass market and the preoccupation with the transaction. Relationships, partnerships and alliances are what define marketing today. The cookie-cutter approach is out. Companies are customizing marketing programs to individual accounts.

The impact of the Internet

The Internet has become an integral component of the customer relationship management strategy for business marketers. Dwyer and Tanner (2006) note that business marketers not only use the Internet to improve customer service but also to improve opportunities with distributors.

According to Anderson and Narus (2004), two new types of resellers have emerged as by-products of the Internet: infomediaries and metamediaries. Infomediaries, such as Google and Yahoo, are search engine companies that also function as brokers, or middlemen, in the business marketing world. They charge companies fees to find information on the Web as well as for banner and pop-up ads and search engine optimization services. Metamediaries are companies with robust Internet sites that furnish customers with multiproduct, multivendor and multiservice market space in return for commissions on sales.

With the advent of b-to-b exchanges, the Internet ushered in an enthusiasm for collaboration that never existed before—and in fact might have even seemed ludicrous 10 years ago. For example, a decade ago who would have imagined Ford, General Motors and DaimlerChrysler entering into a joint venture? That's exactly what happened after all three of the Big Three began moving their purchases online in the late 1990s. All three companies were pursuing their own initiatives when they realized the economies of scale they could achieve by pooling their efforts. Thus was born what then was the world's largest Internet business when Ford's Auto-Xchange and GM's TradeXchange merged, with DaimlerChrysler representing the third partner.

While this exchange did not stand the test of time, others have, including Agentrics, which was formed in 2005 with the merger of WorldWide Retail Exchange and GlobalNetXchange, or GNX. Agentrics serves more 50 retailers around the world and more than 300 customers, and its members have combined sales of about $1 trillion. Hutt and Speh (2001) note that such virtual marketplaces enable companies and their suppliers to conduct business in real time as well as simplify purchase processes and cut costs.

Conclusion

With the increased emphasis on accountability, measurement, and ROI in B-to-B marketing, the focus is often on measuring the efficacy of tactical programs. While necessary, these assessments don’t lead to insights that impact strategic decisions about what new direction a business should take. Management is asking questions such as: Where should resources be allocated for differentiation? What actions should be taken to have the greatest impact on customers choosing our brand? What will be the impact of these actions on our competitors?

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