

B2B key account and customer satisfaction research



CUSTOMER OR SALES DRIVEN GROWTH?

In his book 'Loyalty Rules!', Frederick Reichheld of Bain & Company provides some statistics which give a valuable insight into the key drivers of business success:

- A 5% increase in customer retention creates a 75% increase in net customer value
- Organisations focused on customer retention can grow at 6 times the average pace
- EBay, who derive more than half of their new customers from referrals, have an average 'cost per acquisition' one third cheaper than the next best performer

The message is clear. Rather than pursuing expensive customer acquisition strategies, profitability can often be dramatically enhanced by better leveraging the customers you already have. By retaining customers through outstanding performance, 'farming' them to maximise spend and encouraging them to act as an advocate for your organisation. Our own research however suggests that this may not yet be standard practice.

In a recent survey of B2B marketing decision makers conducted in conjunction with the Association of B2B Agencies (ABBA) and the Institute of Direct Marketing (IDM) we found two particularly telling facts. One third of B2B marketers are more focussed on attracting new customers than retaining existing customers. Three fifths feel that marketing plays a secondary role to sales in B2B organisations. It seems then that customer driven growth strategies are not the norm.

THE ROLE OF RESEARCH

The foundation of customer driven growth is a deep understanding of the health of customer relationships. To grow these accounts you need to know what makes them tick and where the opportunities lie. More specifically five key questions need to be regularly asked:

- Are our customers satisfied, delighted or disappointed?
- How can we close any gap between our performance and the ideal?
- What untapped opportunities are there in our existing customer base?
- What level of loyalty do our customers feel towards us?
- Would our customers proactively advocate us?

Our consumer marketing cousins make use of various research tools to answer these questions. Opinions are gathered through email, telephone or store exit surveys. The key drivers of customer satisfaction are identified through various statistical techniques. A Net Promoter score is calculated to benchmark performance and predict the financial impact of change. But what if you sell industrial work wear rather than sports wear, computer mainframes rather than games consoles or forklift trucks rather than family saloons? Do the same rules apply?

Well, no. Just as B2B markets are fundamentally different to their consumer counterparts, so too should the approach taken to understanding the health of customer relationships.

THE FIVE UNIQUE CHARACTERISTICS OF B2B MARKETS

B2B markets have five defining characteristics which set them apart from their consumer counterparts.

1. High product values and their mission critical nature means that purchase decisions are often laden with risk. For me to choose a sub-standard television would be disappointing. For a manufacturer to choose inappropriate plant could be financially ruinous and potentially dangerous for their employees
2. The products or services under consideration are often customised to an organisation's specific needs. Take for example Airbus' latest passenger jet – the A380. Customers such as Emirates and Lufthansa were consulted on the design and able to customise the interior layout to meet their own needs. For these airlines to be profitable however their own service needs to be standardised. So, as a consumer, when I fly the experience is far from customised
3. The decision making process is often complicated, highly considered and can involve multiple decision makers. For me, choosing a financial adviser was a relatively straightforward decision – I went for one with suitable qualifications relatively close to my home. For an organisation about to float on a stock exchange however, choosing an adviser is much less straightforward. Multiple Board Directors would be involved, detailed proposals sought, a trade off analysis conducted and careful due diligence performed
4. The target market is often small in number but high in value. Given their specialised nature, B2B products can often be sold only to a handful of organisations. Take for example mobile telecoms infrastructure. This market is worth billions. In the UK however there are only five organisations with a significant need – Vodafone, O2, T-Mobile, Orange and 3. And within these organisations, there are likely to be only a few dozen decision makers and influencers. Because of this, highly targeted relationship based marketing is critical in B2B markets
5. The 80:20 rule holds true. Typically an organisation selling B2B products or services will derive 80% of its revenues from 20% of its customers. For this reason, keeping a finger on the pulse of these relationships is essential. For a B2B organisation, losing just a small number of key accounts could spell financial disaster

CASE STUDY: THE FINANCIAL IMPACT OF CUSTOMER SATISFACTION

Striving for customer satisfaction isn't simply a moral crusade. It makes excellent financial sense.

The American Customer Satisfaction Index calculates a customer satisfaction score for leading US companies based on their performance against five measures – customer expectations, perceived quality, perceived value, customer complaints and customer loyalty. A position at the top of this league is of course flattering, but can it predict financial success?

To explore this question we compared the share price of the top five performers in 2008 against the bottom five. When analysed over a two year period (2006 – 2008) the correlation is striking. The share price of those at the top of the satisfaction league increased by an average of 2%. The share price of those at the bottom *decreased* by an average of 54%. Of course, a correlation does not always mean there is causation. Maybe these changes were driven by other factors such as market sentiment or operational efficiencies. It's a reasonable assumption however that customer satisfaction leads to a more successful, profitable and therefore valuable company. It also seems to make a pretty good stock picking tool.

MEASURING THE HEALTH OF B2B CUSTOMER RELATIONSHIPS

These unique characteristics mean that when measuring the health of customer relationships in a B2B context there are seven golden rules.

Rule 1: Focus

Just as 80% of revenues come from 20% of customers, 80% of your efforts should be put into measuring the health of key account relationships. After all, these accounts can make or break your fortunes so intimately understanding their perceptions is essential.

Rule 2: Dive deep

B2B purchase decisions aren't simplistic and superficial so nor should your approach to measurement. Rather than relying on short, structured, impersonal questionnaires, it's better to conduct a series of in depth, open ended discussions with as many decision makers as possible. Of course, these discussions can obtain structured metrics but they also permit deeper understanding. They allow you to explore not just what people think, but why. To understand not just how satisfied or loyal customers are but what makes them so and how performance can be improved.

Rule 3: Identify improvements and opportunities

Having an open forum to discuss your performance with clients is a rare opportunity. So be sure to squeeze the pips. The focus should be on understanding the health of the relationship. But there's also an opportunity to use the discussion to *further* the relationship. To answer questions such as:

- What are the business priorities of this customer and where do I fit in?
- Who is involved in decision making process and what criteria do they use?
- How close am I to the archetypal 'ideal' supplier and what can I do to close the gap?
- What other business opportunities are there for us within this organisation?

Rule 4: Be objective

At this point I'm sure two thoughts are in your mind. Surely our Account Managers already know the answers to these questions? And surely they would communicate any issues to us and take remedial action? You're right. They should. But sometimes they don't. Often the first sign of an issue with a key account is their defection. This isn't to suggest that Account Managers are deceitful. Usually they're equally unaware of the issue as they never thought to ask or perhaps they did and the client didn't feel comfortable discussing it openly. This is especially the case if the Account Manager *is* the issue. So the fourth rule is to use an independent, objective party to conduct the research. This could be an outside agency or perhaps a member of the senior management team.

Rule 5: This is not research, it's a relationship building exercise

In undertaking research of this nature you're implicitly communicating that you care. That's a powerful message. You're also making an unspoken agreement. An agreement that if the client takes the time and effort to express their honest opinion, you'll be sure to take action. Stick to your side of the bargain and the relationship will go from strength to strength.

Rule 6: Don't forget about the 20%

Rules 1 to 5 apply primarily to key accounts. But a rounded and comprehensive approach should also seek to understand the rest of your customer base. These development accounts, the 20%, may be small today but they could be the big spenders of tomorrow. Maybe you just need to be patient. Or maybe they hold untapped potential which the research can identify. Given their larger number, development accounts are often best understood through a more structured programme of research perhaps making use of cost effective methods such as online surveys. This may not generate the same level of depth, but it will still provide insights and allow you to keep your finger firmly on the pulse.

Rule 7: Reward the right behaviour

It's perhaps unsurprising that marketing plays a secondary role to sales in many B2B organisations. After all, remuneration schemes are often designed to reward the generation of revenue over profitability, the acquisition of new customers over the development of existing customers, a short term sales focus rather than a long term relationship focus. To adopt a customer driven growth strategy then, remuneration should be closely linked to relevant metrics such as customer satisfaction, loyalty and advocacy.

CASE STUDY: INTERNATIONAL KEY ACCOUNT RESEARCH

A major international telecoms operator recognised the clear potential afforded by the B2B segment. Growth prospects were good. Margins were higher relative to B2C. The potential for value-added services is excellent. But to view the market for B2B telecoms as homogenous was clearly unrealistic. It encompasses a vast array of different businesses from SOHOs - where customer needs are more closely aligned to consumers than businesses - to global corporates where decision making is complex and has to address major issues such as mobility strategies, systems integration and security.

To help this operator capitalise on the opportunity, Circle first conducted a series of in depth interviews and focus groups with various customer groups to segment the market 'firmographically' (company size, industry sector, etc.), attitudinally (needs, wants, desired relationship, etc.) and behaviourally (decision structure/complexity, services required, etc.). Based on these insights distinct buying groups with unique characteristics were identified.

The challenge was then to understand the health of relationships in each group and identify untapped opportunities. To do so a tailored approach was created for each market segment with a particular focus on larger multinational accounts. The opinions of these key customers were explored through multiple in depth interviews carried out amongst different business units, countries and management functions. This ensured that a deep and thorough understanding was obtained from an inherently more complex customer group. And the result? This exercise provided five valuable outputs which generated a marked increase in loyalty and, most importantly, revenues.

1. Insights into the attitudes, needs and requirements of multinational companies
2. A 'gap analysis' plotting areas where the operator fell short or excelled
3. Identification of best practice key account management practices
4. An 'early warning' system to identify at risk accounts and the remedial action required
5. Clear identification of new opportunities within major accounts