IN SUMMARY

This paper:
- Identifies the differences between B2B and B2C markets
- Presents a view of B2B and B2C as a spectrum not dichotomy
- Details how B2B market research differs from B2C
The unique features of B2B markets
B2B markets differ from their B2C cousins in twelve key ways:
1. B2B products are typically more complex
2. B2B products are often linked with services
3. B2B products are more likely to be ‘big ticket’
4. B2B markets have fewer buyers
5. In B2B a small number of customers create a disproportionate amount of revenue
6. B2B buying decisions often involve multiple people
7. B2B decision makers tend to be experts
8. B2B sales cycles can be lengthy
9. Making the wrong choice in B2B purchases has a greater impact
10. B2B purchase decisions tend to be quite rational
11. Relationships are critical in B2B
12. E-commerce tends to be less relevant in B2B markets

The B2B B2C Spectrum
However, as some B2C purchase decisions also share these characteristics, B2B and B2C are better viewed as a spectrum rather than dichotomy. This spectrum has four anchoring points:

- **Fast Moving Consumer Goods (FMCG)** are sold quickly at relatively low cost, e.g. soft-drinks. The decision is simple, rapid and low risk. Alternatives are considered in a very superficial way, if at all, and behaviour often driven by habit

- **Limited Engagement Business Goods (LEBG)** are lower value, less critical items for business use, e.g. stationery. Like FMCG purchases, decisions are lower risk, less considered and quicker. Supplier evaluations are made less thoroughly, if at all, and often the default choice is ‘where we always go’

- **B2C Goods (B2CG)** are higher value, higher risk purchases made in a consumer context, e.g. a new car. The decision is more considered, takes longer and is based on a more thorough evaluation of alternatives

- **B2B Goods (B2BG)** represent an important purchase for a business which is core to its operations, e.g. machinery, IT infrastructure. The decision bears all the 12 hallmarks outlined above

Ten ways B2B market research differs from B2C
The hallmarks of B2B markets mean that B2B market research differs from B2C in ten ways:

1. Mixed methodology studies are more common in B2B
2. The tele-depth methodology is more common in qualitative B2B studies
3. Focus groups are rarer in B2B studies
4. Sample sizes are smaller in B2B studies
5. B2B research represents the entire decision making unit not just the individual
6. B2B respondents are harder to reach
7. Relationships are leveraged and respected in B2B research
8. Expert B2B researchers are needed to design and conduct the research
9. B2B analysis reflects the 80/20 rule by over-weighting some respondent types
10. Respondent anonymity is often waived in B2B so action can be taken

All of the above mean that consumer research techniques can’t simply be overlaid onto B2B markets. Rather, a unique approach is required for what is a unique and potentially more challenging market environment.
As you go about your daily business it’s unlikely that you’ll come into contact with many people who think that a pair of jeans and a nuclear power plant have a lot in common.

And with good reason. Both can keep you warm, but there are some blindingly obvious differences such as the physical features and the level of danger (although some of those skinny jeans can be quite hazardous if one lunges unexpectedly).

The example is tongue-in-cheek, but the point is quite serious. There are fundamental differences between B2C and B2B markets. Likewise, there are important differences between B2C and B2B market research.

B2B markets differ from B2C markets in twelve important ways:

1. **B2B products are typically more complex.** As stylish as they may be, our aforementioned pair of jeans isn’t the most multi-faceted product in the world. In contrast, B2B products tend to be much more complex in their design and use. Take mobile phones as an example. In consumer environments this is quite a simple purchase. In B2B environments it’s much more complex – the phone needs to be integrated with corporate servers, security procedures need to be implemented, corporate applications need to be enabled...

2. **B2B products are often linked with services.** Although in some B2C markets (TVs, washing machines, etc.) consumers will be offered services and guarantees, products bought by companies will almost always have these additions. This is partly due to the greater complexity of products, but also because there is a need for preventative maintenance and options to remedy the situation if something goes wrong. This reflects the fact that for a business, any downtime can seriously impact their performance and even existence.

3. **B2B products are more likely to be ‘big ticket’.** Consumers do buy some expensive things like cars, but not all that often. Companies however make big buying decisions on a regular basis. Even the relatively small B2B purchase of a batch of stationery could easily cost more than your washing machine.

4. **In B2B markets you won’t find so many ‘buying units’.** Imagine if you will that you are a retailer of fizzy drinks. However many you actually end up selling, there are literally millions of potential customers for your product. Compare this to the selling of management software for local vet practices (a B2B market) and you’re likely to be looking at a rather more select base (just a few thousand in the UK for example).

5. **The Pareto Principle applies.** The Pareto Principle for B2B markets states that 80% of a company’s sales come from just 20% of its customers. This may not be exact, but it is true that a small number of large customers typically account for a disproportionate amount of a B2B business’ sales. This is rarely the case in B2C markets.

6. **B2B decisions often involve multiple people.** Various areas of a company may need to be involved in a B2B buying decision. If it is IT software then anyone from end users to the expert CIO to the cheque-signing CEO may have to have their say. Consumer purchase decisions on the other hand tend to be made by one individual.

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1. Source: Business Marketing Association
7. **B2B decision makers tend to be expert.** The complexity of B2B products and the ways in which they are used (not to mention their criticality) means that buyers often need to have considerable expertise so that they can make an informed choice.

8. **B2B sales cycles can be lengthy.** Some long-suffering partners may disagree, but even the most indecisive shopper is unlikely to take more than a few minutes buying an item in a supermarket or on the high street. When a business makes a purchase however there’s often a process to go through - a number of people need to be consulted, a considered evaluation of competing suppliers undertaken and then the choice authorised. This makes B2B buying a much lengthier process with the decision cycle sometimes measured in years.

9. **Making the wrong choice in B2B purchases has a greater impact.** Although accidentally buying the wrong flavour of crisps in a supermarket may be annoying, it will have far from the same effect as a poor buying decision at work, where the product will likely affect colleagues, the company as a whole and its clients. The wrong decision can also reflect negatively on the individual/s making the choice.

10. **B2B purchase decisions tend to be quite rational.** B2B buyers tend to be more considered, more risk averse and less impulsive in their decision making. This is driven by the complexity and importance of the decision. It also reflects the fact that the stakes are high – the wrong choice may damage the company and the individual’s career prospects. That’s not to say emotions play no role though. After all, B2B buyers are still humans and will never be purely rational in their behaviour.

11. **Relationships are critical in B2B.** As helpful as they may be, it is unlikely you will have a long-lasting relationship with the retail assistant who sells you a hat. In B2B though, the personal relationship between buyer and seller is often very important. This is because an ongoing dialogue benefits both parties (e.g. access to/sale of innovative new products), a collaborative approach is needed to jointly solve issues and the seller is often valued as a respected peer and trusted advisor.

12. **E-commerce tends to be less relevant in B2B markets.** If you’re reading this at home, once you’re finished you could easily flit over to another website and buy yourself a book, a film or a shiny new pair of shoes in a second. If you’re at work however, it’s more likely there would have to be research, discussions and even demonstrations before buying decisions are made. This means that many, but not all, B2B products are unsuitable for distribution through e-commerce channels.

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The market value of pure B2B companies in the UK’s FTSE100 is **$470 bIn**

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2. Source: Circle Research analysis of London Stock Exchange data
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From what we’ve seen above it seems as though B2B and B2C are as different as David Beckham and David Dimbleby. This isn’t quite the case though. For example, a family buying a new car bears similarities to some B2B purchases. Just like B2B decisions it involves multiple people, is higher risk, is considered, can be stretched out and so on. And some B2B decisions are similar to consumer purchases. For example, buying office stationery can be spontaneous, low risk and requires no expertise.

So it’s best not to think of B2B and B2C as a dichotomy. Rather, we think of it as a spectrum with four anchoring points:

- **Fast Moving Consumer Goods (FMC**G) are sold quickly at relatively low cost, e.g. soft-drinks. The decision is simple, rapid and low risk. Alternatives are considered in a very superficial way, if at all, and behaviour often driven by habit
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But the difference between B2B and B2C is not a dichotomy
Let’s dispel one further myth while we’re at it.

Perhaps because it is not as visible to the general public, B2B is generally considered less important or at least smaller than B2C. This is untrue. If we look down the value chain we see that there are a lot of B2B transactions that come before a final B2C sale.

Take a Fox’s Glacier Mint. Undoubtedly this is a FMCG brand and an FMCG sale, but behind it there are armies of B2B marketers.

Marketers that represent suppliers of machinery to equip the factory, energy to power the production line, raw ingredients to be transformed, packaging to keep the product fresh and logistics to deliver it to the customer. Look beyond the factory floor and we find dozens more B2B relationships. Accountants, insurers, IT consultants and so on. Fox are a bit shy about the exact number but an educated guess suggests that they have at least 100 suppliers.

That’s just the tip of the iceberg. Each one of these B2B marketers works for an organisation with its own suppliers. Take just one ingredient – sugar. This supplier has relationships with refiners, currency traders and shippers to name but a few. In fact, Fox’s sugar supplier has 11 suppliers of its own directly involved in providing a service to Fox. Taking this as the norm, it means 1,100 B2B interactions have gone into a Glacier Mint and we’re only two steps back from the retailer. Beyond that the numbers are mind boggling. The sugar supplier buys from the refiner. The refiner from the farming co-operative. The co-operative from the agricultural machinery dealer. Now we’re five steps back and following just one branch. In reality there are dozens of branches creating exponential growth at each step.

So you can see that B2B and B2C are symbiotic and much of the purchase price in consumer scenarios is fed back down the chain to B2B suppliers.

What implications do the unique features of B2B markets have on the approach to market research?

Well, there are ten primary differences between B2B and B2C research:

1. **Mixed methodology studies are more common in B2B.** Consumer researchers (and agencies) often label themselves as ‘qualitative’ or ‘quantitative’. Some even go so far as to label themselves with a particular methodology, e.g. an ‘ethnographic’ researcher. The complexity of B2B markets though means that multiple research methods often need to be used in conjunction. The findings garnered from desk research can help to frame a good qualitative interview and a thorough focus group can help provide relevant answer options for a quantitative survey. That’s why most B2B research agencies are ‘methodology neutral’ and skilled in many.
2. **The tele-depth methodology is more common in qualitative B2B.** Business decision makers conduct a lot of their transactions by phone. Furthermore, meeting with people takes up limited meeting rooms and consumes time beyond the meeting itself (e.g. organising a venue, meeting and greeting). This means that tele-depth interviews are often the preference of B2B respondents and can gain a better quality of information than face-to-face interviews (the opposite is true in consumer research)

3. **Focus groups are rarer in qualitative B2B studies.** The target audience of interest in B2B studies often comprises senior, time poor decision makers. Furthermore, these individuals are often geographically dispersed and operate in competition to each other. This means that focus groups are often simply not a realistic option in B2B studies

4. **Sample sizes are smaller in quantitative B2B studies.** The limited number of buyers in B2B markets means that fewer interviews are practical and indeed necessary. For example, as a rule of thumb a minimum of 50 quantitative interviews are needed to provide a reasonable degree of reliability in B2B research, but in consumer research this would be far too low (several hundred would be more appropriate given the population size)

5. **In B2B research the entire decision making unit rather than just the individual is represented.** Multiple people are usually involved in B2B purchase decisions. This means that any research should explore all views and do so in a way which allows different ‘types’ to be analysed in isolation, e.g. users of the product, financial decision makers

6. **B2B respondents are harder to reach.** B2B decision makers are busy – they’re at work and they’re inundated with requests for their time from colleagues, suppliers, clients and…market researchers. This means that they need to be carefully persuaded to support any research exercise. And before you even have the opportunity to persuade them you need to get past any ‘gate keeper’ such as a secretary or PA

7. **Relationships are leveraged and respected in B2B research.** B2B buyers often have an individual within the supplier organisation that they regularly deal with, e.g. an Account Manager. The support of this individual is invaluable in getting past gatekeepers and persuading respondents to support the research. It’s also critical to keep them informed as they ‘own’ the relationship and will need to act on the research findings

8. **Expert B2B researchers are needed.** In B2B markets products tend to be complex and respondents are often expert in their field. This means that the research team needs to have a good working knowledge of the product area and industry. This allows them to design smart surveys which look beyond the superficial, hold intelligent conversations and interpret the results in a meaningful way

9. **B2B analysis reflects the 80/20 rule.** As B2B markets tend to have a small number of disproportionately important customers in them, B2B research should reflect this. For example, quantitative studies might over-weight the views of large customers over smaller ones

10. **Respondent anonymity is often waived in B2B.** In consumer studies it’s rare for survey responses to be attributed back to a named individual. In B2B research though it can be a valuable relationship building tool. Confidentiality is promised to those sharing their opinion, but they’re asked if they would like a direct follow up because that’s often what they want, e.g. for an issue to be reported to and actioned by their Account Manager
All of the above mean that consumer research techniques can’t simply be overlaid onto B2B markets. Rather, a unique approach is required for what is a unique and potentially more challenging market environment.

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Sound interesting?
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