B2B Whitepaper

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B2B Marketing

Towards customer centricity:

Research, analysis and best practice



In association with:

EY

Building a better working world

CONTENTS

Introduction 3

Analysis: The customer is always right 4

How to: Put customers first 7

How to: Avoid 'moments of vulnerability' 8

About: B2B Marketing 9

About: EY 9

INTRODUCTION

Against a backdrop of increasing industry focus on the empowered buyer and the constant pressure to deliver the positive brand experiences these buyers expect, B2B Marketing and EY set out to discover what marketers are doing to ensure their customers and prospects were being placed at the heart of business considerations, messaging and brand touch points.

This piece of work provides an overview of the results and key takeaways of a research project, carried out in autumn 2013, designed to assess the degree to which customer centricity is engrained in B2B marketing.

It is fair to say the research highlighted that B2B marketers are fully bought in to the benefits of adopting customer-centric methodologies throughout the sales and support process, but that their delivery of such experiences are yet to fully materialise as a reality for most organisations.

Alex Aspinall, head of content at B2B Marketing, discusses these findings in more detail, as well as offering possible explanations for emergent trends, in the first section of this document. Additional comment is also provided by Aaron Bean, advisory services, UK&I sales and marketing group lead at EY, who goes on to offer two best practice pieces focusing on how marketers can put their customers first without over exposing their organisations to undue risk.

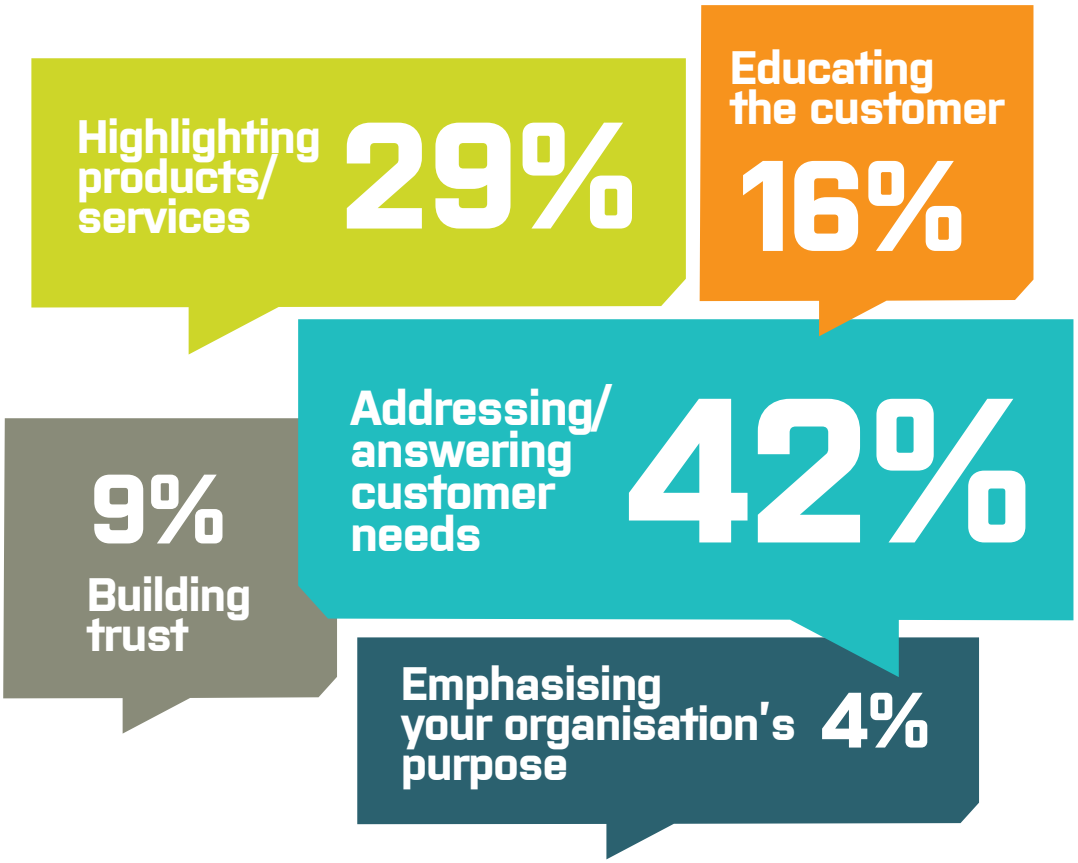


Figure 1. What is the key message at the heart of your organisation's marketing communications?

The customer is always right

New research by B2B Marketing and EY shows B2B marketers understand the value of customer centricity. **Alex Aspinall** asks why it isn't always evident in their output

The imperative to give your customers what they want is nothing new. It's pretty solid business advice that's gone unchallenged for a very long time. Unfortunately it has only become a primary focus for B2B marketers much more recently. Of course some clever brands have been placing customer need at the heart of their communications and digital interactions for a while; there are always early adopters. These companies focus not on product features but on their associated benefits and customer need. But for most in B2B the recent move towards pull techniques and the rise of the empowered buyer have served as catalysts when it comes to focusing on customer centricity.

Recent research undertaken by B2B Marketing and EY sought to assess the degree to which marketers are thinking about customer centricity and the customer experiences they are creating. It also attempted to establish the degree to which marketers thought about customer experience and marketing's contribution to promoting growth within their organisation. The results offer a mixture of reasons for optimism and cause for concern. But we'll start with the positives.

The good news

B2B marketers are largely convinced by the importance of focusing their messages on customer and prospect need. Sixty-seven per cent of respondents stated that customer-focused considerations, including addressing customer need and building trust, were at the heart of their marketing communications (see figure 1). When asked what factors marketers believed would help promote customer loyalty and trust, 'reliability' and 'offering a good customer experience' were also run-away leaders.

Additionally, when asked to highlight ways in which business growth could be achieved in their organisations, 70 per cent said improving internal understanding of customer experience would 'significantly' promote growth. Similarly, a better understanding of customer need was thought likely to have a significant impact on business growth by 73 per cent of respondents. In contrast, only 34 per cent felt that an increased understanding of the organisation's products and services would be likely to have a significant impact on business growth.

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These findings are pretty unequivocal when it comes to assessing whether marketers value the role played by, and increasing importance of, delivering messages focused on customer need and delivering well tailored customer experiences. Customer centricity was widely acknowledged as being the key to delivering effective marketing messages, as well as cited as being a major catalyst behind business growth. The fact that marketers are thinking in these terms is very encouraging, and should smooth the way for the marketing department being taken more seriously by other departments and, importantly, around the board table. There is, however, more to the tale than this.

The bad news

Anyone familiar with B2B marketing *en masse*, or indeed anyone that owns an email account, will know that despite good intentions and the reams of best practice advice floating around, not every piece of marketing sent out into the world is perfectly tailored to meet customer need. Likewise, there are a great many examples of poor customer service out there. There is a difference between knowing what you should be doing and actually doing it. This research attempts to provide context for the discrepancies between intent and execution, and the explanations are likely to resonate with many.

While customer centricity was flagged time and again in terms of fuelling growth and building loyalty, respondents to the survey admitted the teams in which they worked understood more about what they were selling than about the organisations (and people) with which they were hoping to do business. Fifty-seven per cent of respondents reported their colleagues understood the business' product/service 'very well,' while only 28 per cent understood customer need to the same degree. The figure dropped to 15 per cent when it came to prospect need. This, in one way, is to be expected. But accepting it as an inevitability is not going to help marketers improve the level of customer service they are delivering.

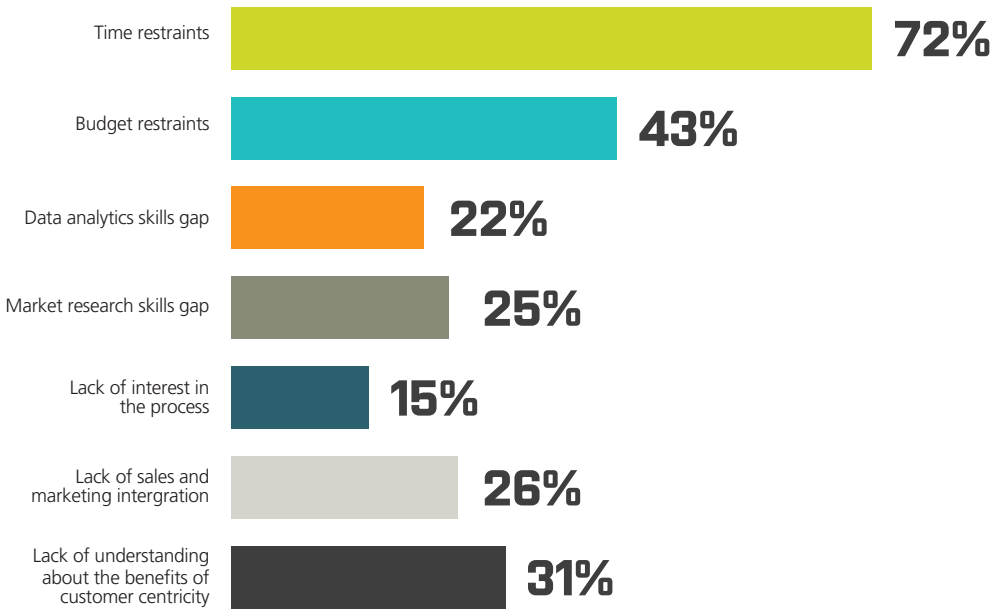
The solution may seem simple; if you don't know that much about your customers and/or prospects put in place a plan of action to plug your knowledge gaps. Find out what they want and attempt to deliver it as best you can. This, however, is once again more easily said than done. To be fair there is a certain degree of interest in finding out about customer need, with 43 per cent describing actively seeking information about customers as being a 'primary concern'. But more could be done. And the most powerful message came across when marketers were asked what factors were currently serving to impede their attempts to gain customer insight.

Barriers to success

Respondents were asked to highlight the main three barriers serving to derail their attempts to learn more about their target market. An overwhelming majority flagged a lack of resources as being their main challenge (see figure 2). Seventy-two per cent reported that they did not have enough time to dedicate to such research, while 43 per cent lacked sufficient budget. Worryingly, almost a third (31 per cent) cited a lack of understanding about the benefits of customer centricity.

It is worth assessing what's going wrong for those marketers citing a lack of resources as their stumbling block. Marketing departments lacking the resources required to learn more about their customers, and improve the experiences they are offering them, are falling into a common trap. The emphasis on delivering

Figure 2. Which of the following serve to hamper your team's efforts to learn more about customers and prospects?



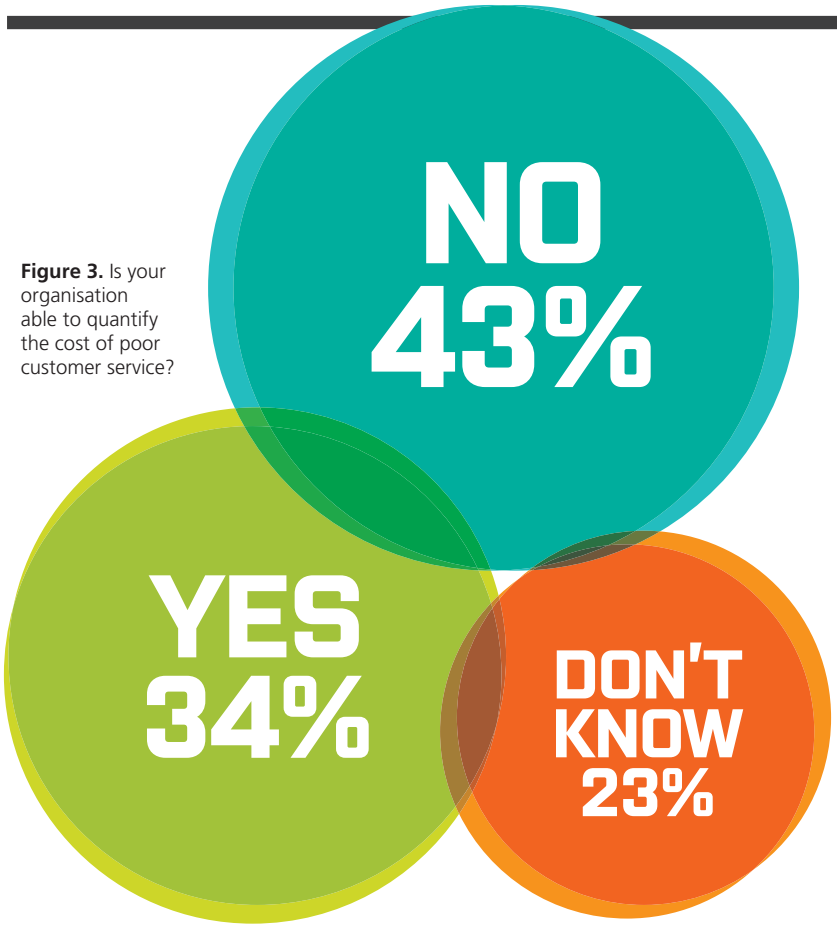


Figure 3. Is your organisation able to quantify the cost of poor customer service?

results in the short term – be they sales or leads – is actually harming meaningful growth long term. Results are unlikely to see much improvement unless marketing teams, or at least the people charged with leading them, are allowed to stand back and assess the wider landscape. In short, an emphasis on tactics at the expense of strategy is not wise. Time spent learning more about customer need, and honing messaging and customer experiences accordingly, may impact negatively on tomorrow's mini-target but the benefits of allotting this time and money are likely to be felt more significantly in the future.

It's interesting to note an impressive-sounding 80 per cent of respondents claimed they were able to demonstrate a link between good customer experience and business growth, but only 34 per cent were able to quantify the cost of poor customer service (see figure 3). It's conceivable this latter group, possibly comprising the same companies prioritising non-reflexive short-term gains over learning more about what their customers are looking for, are likely to struggle in the medium-to-long term, when more of their competitors have started to improve their own customer service offerings.

Towards customer centricity

Some organisations could clearly benefit from refocusing their resources away from short-term water-treading objectives, and investing in the bigger picture. If customer centricity is not at the heart of your actions as a marketing department, something needs to change. And it's possible that amendments to marketing strategy could be called for. In some cases this may involve wholesale change but for most it is likely smaller changes and re-emphasising and quantifying the value of delivering for the customer could bring about the required shift.

Another area likely to improve customer experience, though one not always eagerly embraced by the marketing function, is data analysis. Your organisation is sitting on a veritable treasure trove of actionable insight left behind by the customers and prospects that have been visiting your website, interacting with you on social media and opening (or not) your emails. It's just a case of interpreting the signals and responding accordingly. Again: easier said than done. But nothing likely to fuel a step-change in business growth is ever going to be easy.

The key takeaway from this research is that despite a widespread acceptance of the benefits of improving customer centricity and customer service levels, many marketing departments are struggling to find the time and budget required to make the necessary changes to their operations. Strategic changes may need to be implemented but the benefits of an increased focus on customer centricity should make the investment worth it in the long term.

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Understanding the customer



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EY does a lot of work with B2B firms helping them tackle their biggest customer-related issues and spends a lot of time understanding what their customers think, want and need as part of our projects. We initiated this piece of research because we wanted to get the perspective of those who are behind the majority of customer-related strategy and operational decisions: the marketers. The aim was to test some trends we are seeing in the market and take a 'temperature check' of how leading firms think they are doing.

We had a great response rate across a range of sectors and found some really interesting insight once we started digging into the data. The overall theme that shone through was that marketers felt they should be doing more. Some of the more surprising findings were that the majority of marketers felt they only knew their customers needs 'fairly well', 66 per cent do not know the cost of poor quality and 58 per cent said they had a data capability gap (which explains why only 16 per cent said they are data driven). Key priorities identified were getting better alignment between sales and marketing and, interestingly, improving the quality of their product/service (top focus for 40 per cent) even though it was deemed less important than customer experience as a key differentiator. Old habits die hard it seems.

At the macro level the focus is again turning to top line growth with only 18 per cent currently focused on cost reduction. As a result, understanding prospects better and improving targeting were seen as important. As expected, reliability and customer experience were deemed key drivers of retention and trust. Overall, the results supported a number of trends we are seeing. However, we still challenge marketers to not rely on their 'gut instinct' but make sure they are fact based and back up their views with robust customer data.

HOW TO: Put customers first

Customer centricity can unlock a multitude of benefits. **Aaron Bean**, advisory services, UK&I sales and marketing group lead at EY, provides five tips for putting the customer first

In today's intense competitive environment, where customers are increasingly informed buyers with a plethora of options at their fingertips, every organisation understands the importance of meeting the needs of their customers. After all, if you don't someone else will. Most organisations nowadays have bold customer ambitions but, in our experience, often fall short in delivering on these good intentions. In reality, most organisations talk a good game and may well be customer focused but fail to deliver on being truly customer centric. Evidence suggests this is costing them between 12-18 per cent of incremental profit per year.

Customer centricity can mean many things. Just typing the term into Google returns over 645,000 hits. We define it as 'truly understanding and anticipating customers' needs and using this to design and deliver a unique experience across the entire organisation that effectively meets these needs in a profitable way.' This is easier said than done, but getting it right unlocks huge value in the form of increased loyalty and cross-sell, improved acquisition and lower cost-to-serve.

Here are five key reasons why companies fall short, and how they should respond:

1. Organisation first, customer second – organising the customer experience around internal functions and constraints as opposed to making the customer's life easy.

- Ensure customer journeys are designed without organisation constraints in mind and are agnostic of organisational structure, minimise handoffs and focus on solving the customer's problem in the most efficient and effective way for them.
- Beware the hidden impact of aggressive cost cutting efforts and driving customers online. Customers like choice (but not too much) and to do business on their terms.

2. Poor sales and marketing alignment – the success of sales and marketing is inextricably linked, contrary to the perception of many sales and marketing functions. Often the role of one of these groups needs overhauling to give it more influence and drive mutual value.

- Get marketing involved further downstream (i.e. supporting the sales cycle) and sales involved further upstream (defining customer strategy, campaigns etc) and create mutual objectives.
- Increase the value of marketing in the eyes of sales by making them responsible for articulating (in your customers' own words) how your offering helps make your customers more money, what this equates to in profit versus your competitors, and getting this insight into the hands of the sales teams when it matters.

3. Too much self-promotion – nothing turns a customer off and fosters distrust more than pushy sales. The era of pushy sales is over.

- Focus on understanding customers' true needs and help them make the right, informed decisions about how to best address those needs – it's a far more powerful way to sell.
- Improve insight-based selling that creates customer pull.

4. Talking big data and not using the 'little' data available – failing to use data to manage and optimise the customer experience. A recent Havard Business Review blog showed, on average, marketers depend on data for just 11 per cent of all customer-related decisions. Too often data does not lead to insight, and insight into practical action.

- Don't obsess over big data – focus on extracting maximum value from your 'little' data first, which is in abundance.
- Ask the right questions and capture data that helps you do something different or make a decision.
- Understand the economics of your business including potential value and the cost of poor service so you can invest accordingly.
- Invest in analytical software packages to put advanced analytics in the hands of decision makers in an easily digestible format.

"Nothing turns a customer off and fosters distrust more than pushy sales"



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5. Not focusing on what really matters – under-investing in the things that do matter and over investing in things that don't, and then measuring and rewarding the wrong behaviours, such as average call times instead of spending adequate time resolving the customer's issue first time.

- Understand the true drivers of satisfaction and dissatisfaction. Not all touchpoints are equal in the mind of customers.
- Beware volume or time-based activity metrics that can have an adverse effect on quality outcomes.
- Design flexibility into customer processes and empower your employees to deal with issues when they occur – avoid over-managing processes.
- Don't overlook the emotional aspects of a great experience. As Maya Angelou wrote: "People will forget what you said, forget what you did, but never forget how you made them feel." So you should hire attitudes. Develop skills.
- Design in opportunities for staff to be spontaneous when dealing with customers and foster authenticity.

There are no silver bullets with being customer centric. It's tough to achieve and takes time, but the rewards are worth it; typically that incremental 12-18 per cent of profit. Getting it right requires strong discipline, commitment and ownership from across the organisation, not just one area. As organisations look towards growth again, now is the time to take a step back, carry out an assessment of how customer centric they are and really challenge themselves to avoid being left behind. The ones that do are often surprised by what they find, the opportunities for improvement it uncovers, and what it is worth to their bottom lines.

HOW TO: Avoid 'moments of vulnerability'

Aaron Bean, advisory services, UK&I sales and marketing group lead at EY, offers advice on becoming customer- and profit-centric

Most organisations today are fully bought into the need to be customer-focused. In my last how to on being customer centric, I set out five opportunities for companies to become more customer-centric. In this article I outline how organisations can use them to avoid internal 'moments of vulnerability' in how they market and sell their products. Those that do will not only avoid unnecessary value leakage, but also reinforce their efforts to be customer-centric. Four key moments of vulnerability have been identified when:

1. Price points are determined for a product or service.
2. Sales people are in front of a customer negotiating (or at the point of sale).
3. Policies (e.g. SLAs) are set relating to the offer.
4. The product/service is actually used and/or delivered.

Revenue loss

EY found that between three and six per cent of net revenue is lost at these key points where organisations are at their most vulnerable. The surprise is that, done correctly with the right intent, the customer will also benefit from an organisation's effort to address them. This is because the key to doing this lies in truly understanding your customer and aligning your business to address their needs.

For years organisations have been charged with being too internally focused, neglecting the people that 'pay the bills'. To counter this 'inside out' thinking, organisations have undertaken huge programmes to make sure customers are at the heart of every decision and they do everything they can to keep the customer happy, often at considerable cost. The danger is in these 'altruistic' customer societies, profit often becomes a dirty word, viewed as something organisations pursue at the expense of the customer. But does tension between the two always have to exist? Or can being customer- and profit-centric exist in perfect harmony, creating 'win-win' situations for both sides? Luckily, the answer is a categorical 'yes.'

Businesses mitigating these moments of vulnerability stand to benefit in a number of ways:

- Avoiding being beaten down on price by sophisticated procurement teams.
- Being able to negotiate price increases effectively.
- Avoiding folding under tough negotiations and giving too much away.
- Not ending up selling solutions which subsequently cost them more to deliver.
- Being better at identifying and managing risk, and therefore protecting profitability.
- Being able to access a greater share of their customers' wallet.

> "Profit often becomes a dirty word, viewed as something organisations pursue at the expense of the customer"



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ADVISORY SERVICES
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But more importantly there is real value in it for the customer too:

- They understand the value they are getting and are therefore happy with the price.
- It can help shorten the sales cycle (and therefore time to benefit) by building greater understanding and trust.
- They get something that ultimately better meets their needs.
- There are no hidden surprises when it comes to using the product/service.

Customer insight

So the key question is how does being customer-centric help avoid 'moments of vulnerability' and what can marketers do to help overcome this? Ultimately, customer insight is key, which is why the role of marketing is critical. Taking each moment of vulnerability, here are some recommendations for avoiding value leakage while improving the customer experience:

1. **Determining price points –** customers need to understand, believe and trust the value you create for them, and your price needs to be aligned to this. Any disconnect between the two leads to lost value and dissatisfied customers. Cost plus pricing, lack of innovation in pricing models, defining your proposition too narrowly and over promising or delivering on things customers don't care about are all examples of this.
2. **Effective negotiation –** if a negotiation has come down to a pure price discussion something has gone wrong and the customer doesn't understand the value your organisation can deliver. The sales process is about creating mutual value. To do this the sales person needs to understand the customer's business and issues as well as, if not better than, the customer. This then needs to be backed up by sales people having the capability and confidence to effectively negotiate win-win deals for both parties, and them easily understanding the profit impact of what they are negotiating.
3. **Setting policy –** policies such as trade terms and sales guidelines are always created with the best of intent but can end up being highly restrictive and annoying for customers. Confused sales people who are unclear on what they can and can't do, terms driving the wrong purchasing behaviours and poor compliance are all outcomes of poor policy setting.
4. **Understanding product/service use –** when companies do not understand how their products and services are used in the real world they end up annoying the customer through a poor customer experience. To make matters worse it then usually costs more to deliver, reducing profitability.

Finally, the above doesn't happen by chance. It is supported and sustained by putting the right enablers in place. These include: making sure decision makers have the right data and insight; that roles, responsibilities and accountabilities are clear; and making sure you don't fall into the trap of doing great analysis but failing to execute it when it matters. With the right focus, vulnerabilities can be turned into strengths that not only drive margin improvement but also customer satisfaction.

About B2B Marketing

B2B Marketing is the comprehensive information resource for B2B marketers. Its mission is to provide practitioners with the information they need to perform better and achieve more, whatever sector of the B2B space they are operating in.

Launched in 2004 as *B2B Marketing* magazine, it has since evolved into a multi-faceted resource, delivering a broad range of content in a variety of different forms and formats. Its key products are:

- Online community
- Magazine
- Awards
- Research and reports
- Training
- Events
- Membership

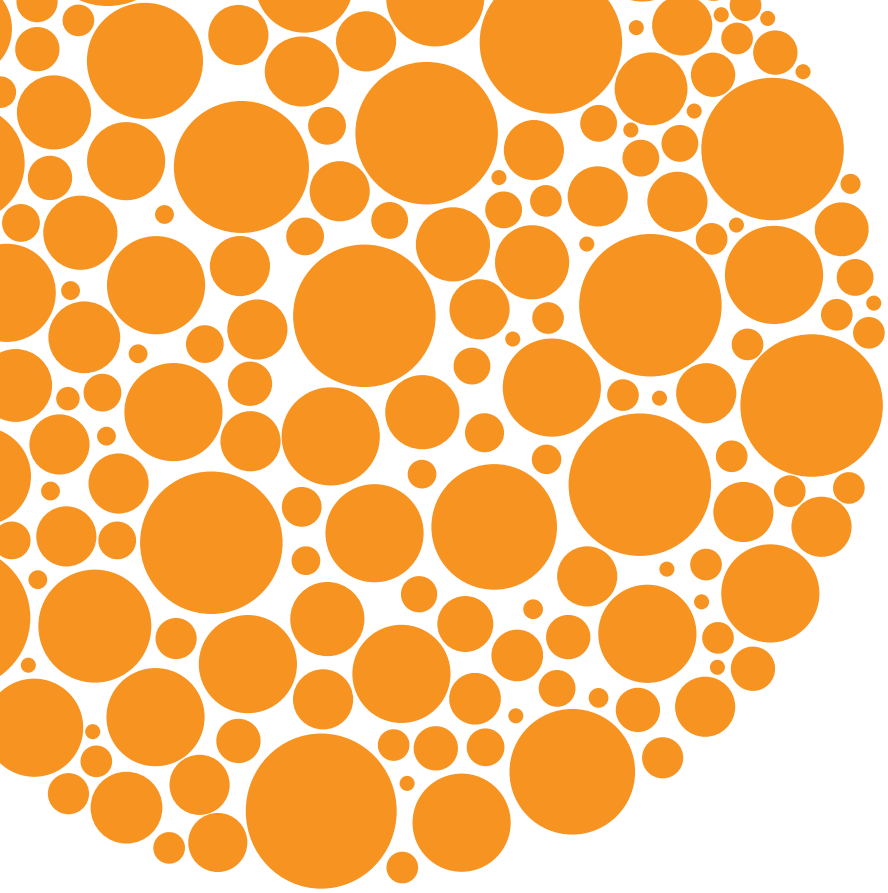
For more information on any of these products or services go to b2bmarketing.net or call +44 (0) 20 7438 1370

About EY's Advisory Services

Improving business performance while managing risk is an increasingly complex business challenge. Whether your focus is on broad business transformation or, more specifically, on achieving growth or optimising or protecting your business, having the right advisors on your side can make all the difference.

EY's 30,000 advisory professionals form one of the broadest global advisory networks of any professional organisation, delivering seasoned multidisciplinary teams that work with clients to deliver a powerful and exceptional client service. EY's proven, integrated methodologies help you solve your most challenging business problems, deliver a strong performance in complex market conditions and build sustainable stakeholder confidence for the longer term.

We understand that you need services that are adapted to your industry issues, so we bring our broad sector experience and deep subject matter knowledge to bear in a proactive and objective way. Above all, we are committed to measuring the gains and identifying where your strategy and change initiatives are delivering the value your business needs.



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