A Different Game

Understanding How B2B is Unique

By Sean Geehan, Founder Geehan Group

Business-to-Business (B2B) leaders often find it hard to obtain guidance; the most common sources of information—business books and conferences—typically showcase executives from high profile Business-to-Consumer (B2C) companies. But B2B leaders can't simply adopt and apply lessons from B2C companies, because it is a completely different experience for both the customer and the provider. Their needs are just different.

To be successful in growing and sustaining market share, the B2B professional needs to clearly understand the following three realities that distinguish the B2B world from the B2C world and use them to shape the company's playbook.

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The Fate of a B2B Company Rests in the Hands of Relatively Few Customer Companies

When we first meet leaders at B2B companies, they tend to be very uncomfortable about sharing how many active customers they have. That's because there are thousands of B2B companies in which three or fewer customers account for 60 percent or more of total sales.

In many B2B companies, the loss of their biggest customer would put them out of business entirely. Many more could survive the loss, but would only recover after years of hard times. Think of the many automotive parts and services suppliers that sell to only one or two car makers. There used to be thousands of these companies who made a great living serving the Big Three automakers. But look at what happened to them with the consolidation and failure of the U.S. automotive industry. Today, in ten minutes I can drive by millions of square feet of vacant industrial space where the suppliers to General Motors, Ford, and Chrysler once had thriving businesses.

You could argue that the shakeout in the automotive industry is a lesson in the need for diversification along many lines. However, many of the suppliers who sought out foreign manufacturers are gone too. So are many suppliers who were experts in processes such as injection plastic molding that could be ported to other industries. Why? Their customer base was too small to handle the downside risk of losing even one big customer, and they never created a playbook that accommodated that reality.

High revenue concentrations are a harsh reality in B2B, regardless of a company's size. Further, when the fate of a B2B lies in the hands of just a few customers, the power of these customers is enormous. "Once we realized that we only needed to secure a few dozen large customers in order to dominate our market, it changed the game for us," an insight shared by the CEO of an eBusiness solutions prover with $20MM in annual revenues. "Coming from a [B2C consumer goods] background, it was a complete mind-shift for me and other members of the leadership team."

What if your B2B company lost two of its top ten accounts in the coming months? What would the impact be on the top line, bottom line, economies of scale, and the headcount and morale of your company? Would your company be able to recover from the loss, let alone fund growth and meet the expectations of its owners?

The Fate of a B2B Company Rests in the Hands of Just a Few People

If you're starting to feel a little claustrophobic, prepare to have your world shrink even further. In the B2B world purchasing decisions are made by just a few people. That's right, unlike in the B2C world, it's just a few people in a small number of customer companies that control a B2B company's destiny. Do you know who these people are in your customer companies? If so, how well is your company connected to them?

For B2B companies, four roles—end user, influencer, purchasing agent, and decision maker—are usually played by many different people. This creates complexity and confusion as companies try to focus their sales and marketing efforts. The table (below right) *Four Roles, Multiple Players in Each Customer*, illustrates the number of people involved in an average purchase from three companies: Oracle, restaurant equipment manufacturer Henny Penny, and information services provider Lexis-Nexis. For instance, the average customer for LexisNexis's legal research service is a mid-size law firm. Thus, there are 300 end users of the service, seven influencers (usually librarians and members of the technology or executive committee of the firm), one purchasing agent, and one decision maker (usually the firm's senior partner).

All these players are not equal in importance to a B2B seller, and each provides a different level of input to the buying decision.

The end users of your software, medical diagnostic equipment, or jet engines are important, of course, but they are not as important as conventional wisdom suggests. There may be thousands of them or more, but they can't renew the sales contract, upgrade to a more expensive solution, or decide to switch to a competitor. Neither can purchasing agents, unless you are selling a commodity, or you find yourself competing solely on price (and if that's the case, you probably need to add value to your offerings, and change your sales approach). Purchasing agents set standards and practices for purchasing and manage the procurement process, however they are not ultimately responsible for the decision to buy.

Influencers are involved in the buying decision by evaluating which solutions will best fulfill their companies' needs. Influencers also evaluate providers. They seek to discover if a B2B seller can do what it claims and whether it can work effectively with the customer company. Sometimes this process of evaluation and selection is straightforward. Typically, however, as the complexity of the solutions increases and they cut across organizational boundaries within the customer's company, so does the number of influencers involved in the sale. In fact, there may be dozens of these folks at any single customer firm and a B2B company needs to satisfy all of them.

Finally and ultimately, there are the decision makers. Usually residing near or at the top of the organizational hierarchy, these are the people who have the final vote; they decide to do the deal. They hear the recommendations of purchasing agents and influencers, and ask themselves questions designed to instill confidence in their final decisions, such as, *"Will I enjoy working with this seller? Will it deliver what it is promising? Will it resolve any issues? Can I trust its people?"*

Four Roles, Multiple Players in Each Customer

	Oracle $40B	Henny Penny $200M	LexisNexis $2B
Decision Maker	1-2	1	1
Influencer	65	8	7
Purchasing	3	3	1
User	22,000	25,000	300

Make Your Current Customers Your Priority

Everyone gets excited when a major new customer is secured. There's a celebration, bells are ringing, and lots of recognition and rewards are doled out. It may even merit a personal call or note from the president. Yet, how much celebration happens when a long-standing customer renews for the sixth straight year? Forget that they haven't bid out the work in three years (no competition = greater margin), and they are already in your system (low cost of support, faster payment = greater cash flow). What is marketing doing to celebrate and sustain these key wins?

It costs 3 to 5 times more to acquire a new account than it does to retain an existing customer. Getting your current customers buying more of your stuff means it's harder for them to leave you (increased switching cost), and current customers are much less likely to bid out your work (increasing profitability).

When the IT industry was hit hard by the economic downturn a few years ago, HCL Technologies, a multi-billion dollar global IT services firm, managed a 24 percent growth rate. Only one of their competitors grew during the same period (4 percent), and the rest of their competition were flat or fell below their previous year's sales. More than 70 percent of HCL's sales growth came from their current customers. Outperformers like HCL, Oracle, Wells Fargo and Intesource invest more marketing dollars into existing account growth than new customer acquisition.

This is where marketing can help sales increase account penetration—aggressive marketing programs targeted at current customers. Too many companies miss this exceptional revenue opportunity. Think how many times your customers said, "I wish I'd known your company did that… I would have purchased from you." Marketing can change that.

By monitoring key metrics, you increase your chances for success:

- **What are your retention rates?**
- **What is your percentage of penetration by offering? By account?**
- **What is the ROI of the offerings your customers are buying?**
- **What is the level of awareness of each of your offerings?**
- **What is the level of awareness with regard to company acquisitions and/or partnerships?**

Once you have this key information, it's important that your area of the business focus on and evaluate the marketing spend to support maintaining your current customers. At the aforementioned companies, this is marketing's priority.

By identifying and targeting the decision maker and prioritizing spend with your current customers, it becomes apparent that your biggest opportunities lie within a few accounts— and a few specific people control your fate. This is true for companies like HCL Technologies, where 75 percent of their revenue comes from just 70 customers or $20 billion GE Aviation, where 80 percent of their revenue comes from 50 customers, or a firm under $50 million like Intesource, where 80 percent of revenue comes from only 12 customers.

Start all your marketing plans here. This is where the greatest return on investment is made and where you will get support, and perhaps even more dollars, from the CFO.

A portion of this article was previously published in *The B2B Executive Playbook*, by Sean Geehan, Clerisy Press ©2011 For more information on this topic and other B2B executive insights, *The B2B Executive Playbook* is available in major booksellers and online in both hardcover and Kindle versions on Amazon.

HCL Technologies: A Case Study Summary

The Situation

HCL Technologies is a multi-billion dollar global IT services firm that has grown by more than 20 percent annually during the past five years. The company has widely been considered a "transformational outsourcer" focused on delivering both innovation and value creation for customers. This concept stemmed from the company's ability to create and build an integrated portfolio of services offerings that includes software IT solutions, remote infrastructure management, engineering and R&D services and business process outsourcing (BPO) services.

The Challenge

How HCL maintains the position of "transformational outsourcer" is not as widely known. A few years ago, revenues for the company were $1.4 billion and it was considered one of the fastest growing firms in the world. For HCL to continue this aggressive growth, the company would have to identify – and aggressively pursue – new opportunities with existing customers, as well as with new prospects in both established and emerging markets.

The leadership team knew it had to identify ways to solidify company growth moving forward. The team was unsure how to project several years in advance what their customers' needs, wants, and expectations would be.

The HCL leadership team determined in order for its IT solutions to be truly "transformational" they must add significant customer value. They also determined that "high touch" executive customer programs were the best way to gain a deep understanding of customers' business drivers and the major issues affecting the industries in which they operate. The leadership team decided to create a forum to receive regular feedback and insights from customers to further strengthen and better align HCL's solutions with the market.

The Action

When HCL's Customer Advisory Council (CAC) was formed, it initially consisted of 80 Fortune 500 C-level customer executives and thought leaders who would meet regularly to exchange ideas, experiences and best practices. The CAC members often provided HCL's leadership team with significant insight on new and interesting industry trends, as well as helpful guidance around fluctuating business priorities.

HCL's CAC programs continue today to be very successful from a number of perspectives and this initiative has expanded to include four separate but highly complementary programs. In North America, one program consists of customer CIOs who advise HCL on management processes, and another program with CTOs that focuses on research and development initiatives. HCL also has two other CAC groups in Europe and Asia-Pacific.

The role of HCL's CAC has significantly impacted the company's strategic business plan and serves as a platform to:

1. Improve strategic relationships with key decision makers in HCL's top 80 accounts
2. Enhance the company's ability to sustain, cross-sell, and grow large strategic accounts

3. Validate that HCL is launching the right products and services at the right times
4. Create a reference management system populated with key C-level customers
5. Elevate HCL's positioning in customers' minds to that of a truly valued business partner, not merely a vendor

The Result

While there is no way to fully quantify the successful results HCL has experienced in large part to the CAC programs, there are a few data points that can help tell part of the story. To date, some of the business results of HCL's CAC include:

- Retention of all advisory council customers since its inception.
- A 200 percent increase in the number of HCL accounts willing to provide references.
- Within twelve months, the satisfaction of CAC customers increased at twice the rate of other customers, from 68 percent to 88 percent.
- 30 percent of CAC members have agreed to support HCL in its thought leadership initiatives.
- Over a three-year period, the advisory council supported 300 percent growth in the number of $10 million accounts, 200 percent growth in $20 million accounts, and 230 percent growth in $50 million accounts.

Overall, the CAC has enabled HCL to increase its revenues, deepen relationships, and raise customer satisfaction levels. It has also created a pool of references for large deals and enhanced the retention rates of strategic accounts currently leveraged at HCL's Global Customer Meet, as well as other private and public events. ■

To request the full version of the **HCL Technologies Case Study**, contact us toll free at 877-226-1621

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