B2B RESEARCH REPORT

Possible recipes for growth based on a better understanding of B2B customers

The Introduction

THE CHANGE WON'T GO AWAY

What do many B2B papers, reports, and articles from the past ten years have in common? Their introduction starts with how the buyer has changed. The buyer of 2024 is not the same as in 2014. This is due to easier access to information, process automation, globalization, and technology. And, of course, AI.
While this paradigm of a changing buyer is correct, we want to nuance the changing buyer's perception. We will share with you the fundamentals of the buyer-seller relationship. The seller side has badly neglected them. We will show you how to restore and strengthen them. Do this before you add new technologies in the mix.

WHY COULD THIS REPORT BE AN EYE-OPENER FOR YOU?

This report is based on 203 interviews. We interviewed both purchasing and sales executives. We asked them about their views on performance and growing business relationships. There are obvious differences between buyers and sellers when it comes to performance. Though there is more focus on customers, the data shows that buyers are better at improving business relationships than sellers. They are more organized, progressive, and proactive.
We can confidently say that the two sides are severely misaligned. This is hurting customer relationships. The gap has been there for a while and it needs to be closed. This will happen by understanding what the buyer's organization demands in supplier performance and B2B reviews. This report will show you new ways, or "recipes," of how sales leaders can better align with buyer's expectations. It will also cover how to keep improving your performance. Because at the end of the contract, it is the customer who decides to continue. It is the customer's perception that drives business.

WHY DOES IT MATTER NOW AND TO WHOM?

Successful companies believe in and have processes for customer relationships. They have proven this over many years. These customer-centric companies are the ones that will stand stronger in the next years. Years that are going to be full of changes. What those changes will bring is hard to predict. Rather than focusing on what those changes could bring, Jeff Bezos says it's safer to build a strategy on what is not likely to change in the next ten years. One thing that will still be important in ten years is that strong customer relationships are powerful. They can be built by being customer-focused.

THE VERY ESSENTIAL PART OF IMPROVING YOUR CUSTOMER-CENTRIC FOCUS

The foundation of being customer-centric, customer oriented, and even customer-obsessed (!) is to understand your customer, and by acting on that knowledge. It unfolds in three steps. First, but often overlooked, is to know what matters and what counts for your different customer segments. Then, have an evaluation or feedback process. It measures how the sales organization scores on these hard and soft data points at regular times. Finally, work on the elements that are of highest priority for your customers.

But, why is it so hard for many companies to do this well? Let us start with the first step – understanding what matters for your customer. We need to know on what we will be evaluated on. What are those elements? How can we improve them? As Peter Drucker famously said: “You can’t improve what you don’t measure.” So, you need to measure what matters most to your customer. Meaning that we need to identify the key variables that drive our relationship success.

Although the question “how to improve the elements that matters the most to our customer?” initially sounded easy to address. But, we quickly discovered the question is multi-layered. It requires in-depth analysis. That's why we need to get it straight. How can we increase business potential? By understanding customers better.

METHODOLOGY

We conducted semi-structured interviews with 203 B2B professionals. We interviewed 117 sales directors on customer evaluations. We also interviewed 86 professional buyers on the evaluation of strategic suppliers. The interviewees are not from just one industry or place. They represent 203 different European, B2B-focused companies from many industries. The interviews lasted 37 minutes on average. We transcribed the audiotapes verbatim. They were coded sensibly to find the themes and findings.

OUR MAIN FINDINGS: RECIPES FOR GROWTH

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ARE WE SOMETIMES OVERLOOKING THE OBVIOUS, EVEN WHEN IT IS IN FRONT OF US?

Ask an account manager how they can improve customer satisfaction. They will often say that satisfaction is linked to lower prices. Is it true that purchasers are only interested in lower prices? Others might mention the need for a more sustainable offer. The single truth about what customers want is more nuanced, and they are glad to share it with their relationship manager. If they are not willing to share their feedback with you, it is probably because your offer is not strategic enough to their firm.

THE BALANCED SUPPLIER SCORECARD IS PAVING THE WAY

Sometimes the roadmap for customer satisfaction is closer than we might think. Ask a sales director how often they have received a detailed table or spreadsheet with evaluation variables. Or, an overview where the performance of the vendor or selling firm is benchmarked against their Key Performance Indicator (KPI). For example, delivery accuracy, and how important this KPI is for the customer. This is common practice for the large majority of purchasers and is called a balanced supplier scorecard. Surprisingly enough (read as: purchaser frustration), this blueprint to customer excellence is rather stored and ignored by the sales team on a drive, instead of using it as a backbone to improve the business relationship.

NEVER RECEIVED AN EVALUATION FROM YOUR CUSTOMER?

Of course, not all purchasers are developing these balanced supplier scorecards for all their vendors or suppliers. They select those suppliers carefully. Purchasers will create and update supplier scorecards for their important suppliers. Note: not all purchasers have reached the same purchasing maturity. This might be one reason why you haven't received such a supplier assessment.

TO COMMODITY OR NOT COMMODITY? THAT IS THE QUESTION.

Another reason could be related to a purchaser who is only interested in the lowest price. In this case, we need to verify that we are dealing with a pure commodity product. A pure commodity product is characterized by following the market price. Examples are standard white sand, milk, soy, etc. The seller is not just adding standard goods to the market. They are not affecting the market price. So, we are in a different market. This means that certain elements are key to the purchasing firm's decision-making process.

SEGMENT YOUR CUSTOMER BASE

This starting point is essential for sales organizations. It sets an anchor point. It shows what existing customers value. It should be a basis for segmentation. In the end, segmentation is about making groups of customer accounts with similar needs. Sales organizations' next step is to choose which segments to serve. They must then make value propositions for the chosen segments. This exercise will likely show that some customer segments should no longer be targeted. Long-term investments in these segments might not lead to more business.

The evaluation process: from organized to not so organized.

In this part of the report, we will share the differences we found between the selling and the buying organization. These differences are related to the evaluation or feedback process. Buyers want continuous improvement. Sellers are more reactive.
Buyers evaluate the vendor's performance in a structured process. It commonly has six steps

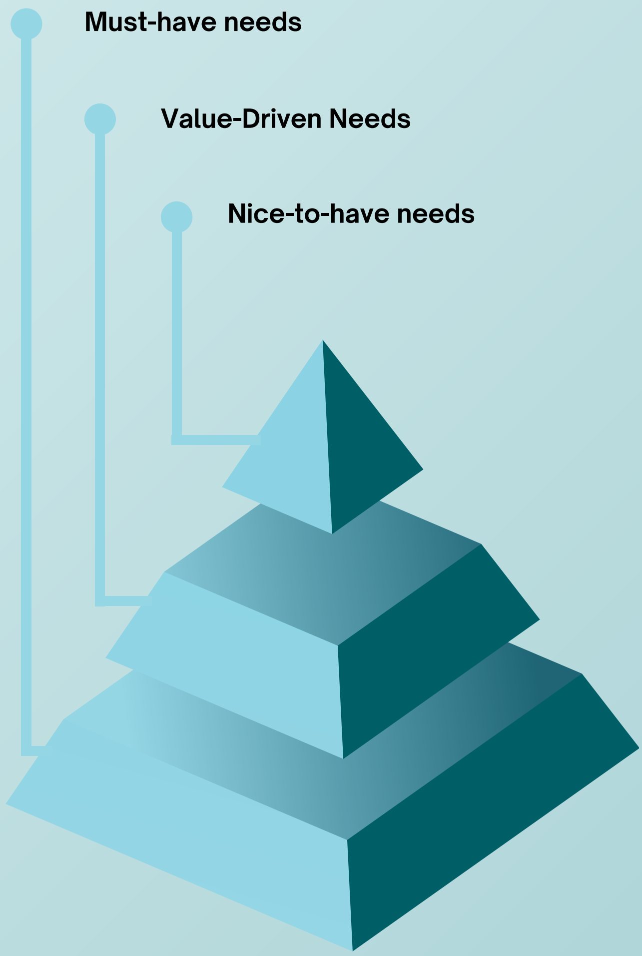
1. DEFINE THE EVALUATION CRITERIA AND KPIS
2. COLLECT DATA
3. ANALYZE THE DATA
4. COMMUNICATE RESULTS
5. DEVELOP ACTION PLANS FOR IMPROVEMENTS
6. REVIEW AND MONITOR

This is a very structured approach. It is organized by department, including internal and external teams. Buyers use a helicopter view called supply and operations management. It includes improvements for the whole organization. The purchasing side is linked to other organizations and teams, or often called internal customers.
Many selling organizations lack this structured approach, and focus mostly on enhancing their sales process. In most cases, they measure customer satisfaction with an ad-hoc approach. They seek static proof of satisfaction. This is definitely causing bias in the data collection for the selling firm. Their main goal is to get one high customer satisfaction score. Often, it seems more of an obligation than of real interest.
The pattern is common. Sales organizations use the Net Promotor Score (NPS) to measure customer satisfaction. The mistake here is that many of them are using NPS to measure satisfaction. But, NPS measures loyalty. It is also an instrument for consumer marketing, rather than B2B. Finally, but not including all errors, it's even more worrying when they are sending it to their chosen contact. This person might not be fully aware of all the business operations.

The typology of evaluation needs: collection of data points

Sales organizations must understand the interlinked relationship between satisfaction levels, needs, and expectations. All buyer-seller relationships are based on expectations. The buyer's expectations can turn into explicit (known) needs. Managing the customer expectations well will probably lead to a satisfied customer. Remember to have a proper segmentation in place, so that the expectations can be met, and slightly overachieved. Moreover, it is important to work on the expectations that you are being evaluated on, as we have seen with the supplier scorecard. Anything on top of that is a nice-to-have and is unknown to the buyer. Buyers are worried about this behavior. A shared concern from the purchasing side is that the sales is paying too much focus on the nice-to-haves, while there is still a lot of room for improvement for the must-have and value-driven needs.

In the next paragraphs, we will share more about how the buyer sees the must-have needs as a license to operate. We will also cover how the value-driven needs relate to performance. And how the nice-to-have needs are just a bonus. This triangle is like the Maslow hierarchy of needs. You need the bottom needs in place before you can tackle the higher ones.



MUST-HAVE NEEDS

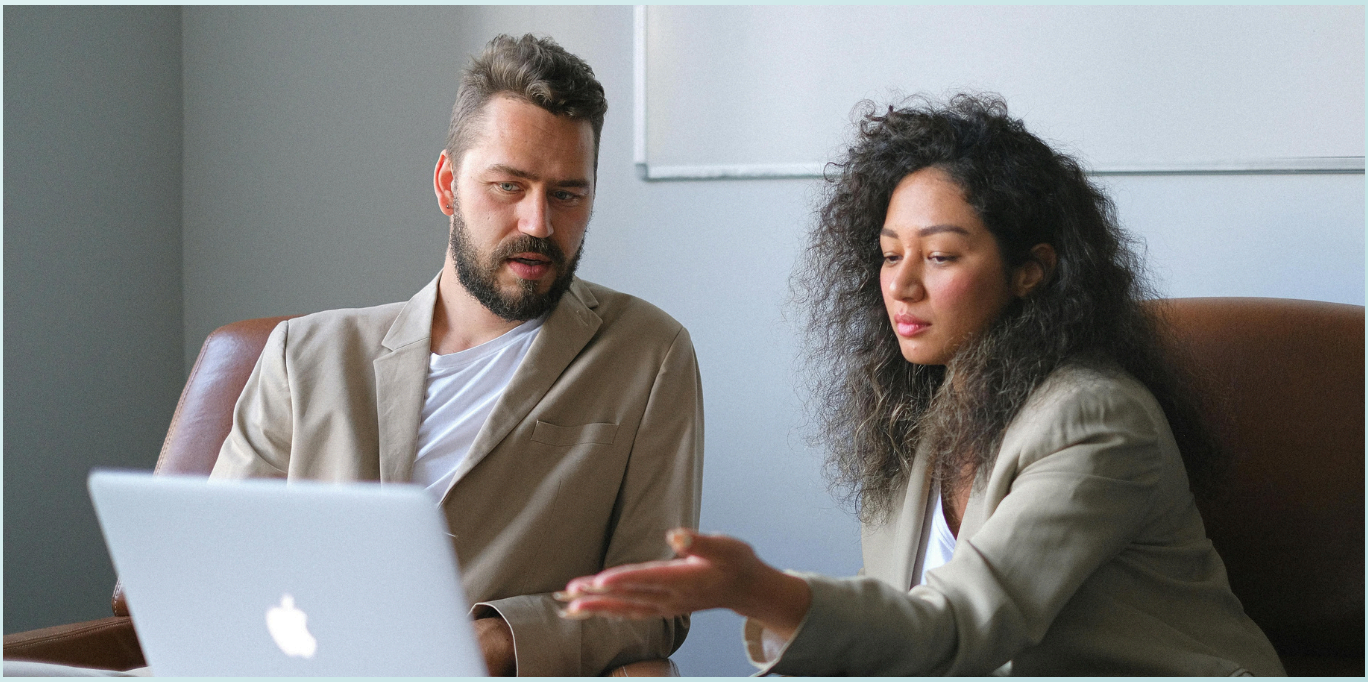
The must-have needs are a license to operate. The sales side should make it available and keep it updated. They should not create any hurdles for the buyer. As an example, Zoho created an overview of all their certificates of compliance, GDPR, security, etc.
The must-have evaluation needs often include the financial strength of a vendor, and the proof that they are in good relationship with social security and taxes. This could also include the level of dependency of vendor firm on the one of the buyer's organization. Some purchasing organizations allow a maximum of i.e. 30% turnover dependency of the vendor firm to reduce supply risks. Next, are the necessary certifications, such as the ISO norms and industry-specific certificates. Not to forget the compliance, and the increasingly important sustainability impact measures. The must-have needs can also result from laws and industry standards. These needs are not part of the discussion. Without meeting these needs, there is no business or conversation. Our suggestion is to make these documents easily accessible for the buyer.

VALUE-DRIVEN NEEDS

The value-driven or performance needs for buyers are, to our surprise, very hard to generalize. They are hard to generalize because they are strongly influenced by the business environment. This includes the countries of operation, industry, macro influences, competition level, company-specific strategy, sales offer importance, business criticality, and more. The key take-away is that it is not possible to have a one-size-fits-all set of performance measures. However, we could identify the following set of groups of evaluation types:

- SATISFACTION AND FEEDBACK
- PERFORMANCE AND STRATEGY
- QUALITY
- RELATIONSHIP
- FINANCIALS
- RISK
- SUSTAINABILITY
- EVENTS
- OPERATIONAL
- COMPLIANCE AND LEGAL
- INNOVATION
- SUPPORT AND ISSUES

You can measure the "satisfaction and feedback" type with: quarterly or annual business reviews (QBR, ABR); customer satisfaction scores (CSAT); evaluation forms; focus group discussions; notes; satisfaction interviews; custom surveys; Net Promotor Score (NPS); self-assessments; verbal comments; etc.



We don't want to overwhelm you. There are more than one hundred evaluation methods for all the types. We'll synthesize the main idea for you: one method is not enough. Buyers are using advanced techniques to evaluate the performance of their vendors (you!). They use tools like supplier performance scorecards. They benchmark your performance to the one of your competitors, and calibrate the findings from different stakeholders. Thus, sales organizations should level up their approach, and not only seek a quick confirmation. Building relationships depends on a proper understanding of the counterpart's needs and goals. One simple evaluation method will most likely be insufficient to capture all of this.

NICE-TO-HAVE NEEDS

Finally, the nice-to-have needs are not really needs because they are not expected by the buyer. There are a few rules to follow when you want to deliver on these nice-to-have needs for your buyer. First, have the basic needs in place and always be accessible for the buyer. Then, execute a good sales offer that fulfills the value-driven needs as much as possible for a given segment. Managing customer expectations is vital to improving customer satisfaction for value-driven needs. You can bring out your potential to meet the nice-to-have needs only when you meet those two types of needs.

More is not always better: B2B marketing is different than consumer marketing

The surprising part is that buyers do not always value the unexpected elements from the nice-to-have needs. B2B buyers are well aware that everything has a cost, and they are after a good enough sales offer, rather than a consumer experience that always benefits from more is better.

A common mistake is to apply what works well in consumer marketing in a B2B situation. A hotel, for example, needs to deliver on the must-have needs of their guest such as having lights in the room, and a comfortable bed as a value-driven need that matches the hotel segment. The nice-to-have need, like an offered welcome drink, will probably increase the customer satisfaction rate. But, only if the must-have needs (e.g., warm water in the bathroom) and the value-driven needs (e.g., friendliness of the staff) have been met. Also, beware that this welcome drink also sets the expectation for the next hotel visit.

The same does not apply for a B2B relationship, where the nice-to-have needs are increasingly being blocked by the purchaser as it is seen as something they did not ask for, and thus do not want to (indirectly) pay for. For example, you could have nicer designed packaging for the delivery of raw materials.

Measure what you need to measure: Avoid bias

MULTI-METRIC OR COMBINED EVALUATIONS AS A WAY TO OVERCOME EVALUATION BIAS.

There are many ways to measure satisfaction, performance, and customer health. The objective is to measure the voice of the customer. Creating an overview of all the evaluation methods and data points was humbling. It showed hundreds of the buyer's company's different needs.
The different needs are not coming from one single person only. You can compare a purchaser with an orchestrator, which main role is to secure business continuity. Profitability and the right products and services keep a business running. They let the company keep making its output. The orchestrator role is a generalist. They cannot always share accurate feedback about the whole business relationship. This includes logistics, delivery, accounting, and customer service. The feedback is for specific departments to assess. The ideal situation is to help the buyer collect feedback. And, to get it from many stakeholders.

DATA COLLECTION BIAS

Secondly, when you collect feedback or data points from one source only, it creates a serious data collection bias. Consider different ways to evaluate, like surveys or Net Promotor Score. You can even use Quarterly Business Reviews. All evaluation methods have their shortcomings, but can be overcome by triangulation. This means that you add at least one more metric of customer evaluation to what you already use, although it is better to add two. You need to combine different evaluation methods to get a reliable customer feedback score. For example, think about a restaurant visit. When the waiter asks for your feedback, you might say everything was alright. But, maybe you were not fully satisfied with the restaurant experience. When you fill out a second evaluation, maybe via an online survey, you will share more feedback. To get the right satisfaction score, the restaurant could add a third metric. For example, they could use an NPS sent by the online reservation system. By combining and weighing these scores, they obtain a more reliable score. The worse starting point is to have wrong data, or what some would call ´garbage in, garbage out'. How can you possibly make good business decisions based on data that is biased?

THE ACCURATE CUSTOMER HEALTH SCORE AS BASE FOR MAKING DATA-DRIVEN DECISIONS

Combining three evaluation methods brings out the true customer satisfaction score. This is even more true for key account relationships. Key account managers have an interest in high scores for all parts of the business relationship. This is called interviewer bias. The risk is that, under the surface, a less accurate interview or QBR hides the need for improvement. The needs go unnoticed until a competitor takes a shot at them.

So, you need feedback from many stakeholders. Use at least two or three evaluation methods to find the 'single truth' on customer satisfaction or health. The goal is to identify truly satisfied customers, but also identify false satisfaction because this can lead to wrong management decisions. The aim is in combining the right set of evaluation methods for each segment. Have a look at this article to learn more about how you can better segment your market.

What do we do with collected data points?

01. CONTINUOUS IMPROVEMENTS VERSUS STATIC CONFIRMATION

One main finding of this research is the different mentality. We found it when we asked the respondents about their evaluation processes. Sales managers seek customer confirmations in a semi-ad hoc way. But, purchasers see the evaluation process as continuous improvement. The idea for purchasers is not per sé to identify problems, but there is always room for continuous improvement. This is a modern approach to the world that is also continuously evolving.

02. COMMUNICATION OF THE FEEDBACK IS STUCK IN SILOS

Sales organizations were often stuck in communication silos. It is not always clear what feedback was collected by the marketing department for other internal stakeholders. This limits the chances to improve the below-par needs of the customer. The risk is that sales organizations focus too much on the outcome metrics, such as CRM data to evaluate the quality of the relationship. The outcome metrics are a result. The needle might move too slow to show up fast enough, before customer satisfaction drops under an acceptable point for the purchaser. On the other side of the buyer-seller equation, the buyers have a system to collect data from their quality team, operations, and more.

03. RELATIONSHIP DEVELOPMENT INSTEAD OF WHITESPACE ANALYSIS.

Buyers' big frustration is that they get many forms or meetings. These focus on finding whitespace in their business. This means that the sales organization is trying to figure out how they can sell more or at a higher price to them. Of course, this is not a welcomed practice, as they easily see through this approach. The problem could lie in the remuneration of salespeople as well. Are they being rewarded for revenue or for relationship development?

04. POSITIVELY EMBRACED INSTEAD OF WHO MADE A MISTAKE?

How can sales organizations expect to get useful feedback from frontline employees? They are penalized when a complaint comes in or a customer is unhappy. The key account manager will likely not say they are dissatisfied. It is this person’s job to make the key account happy. The risk is that the dissatisfaction stays hidden for too long. When it emerges, it is often too late to restore trust and satisfaction.

Do higher levels of customer satisfaction lead to higher sales?

Let’s start with an example. When you are satisfied with your internet provider, do you spend more money on your internet provider? Probably not. Do you actively participate in their evaluation surveys? Maybe, maybe not. At best you would recommend this company to one of your friends or family members. In this example situation, you would only leave if you were strongly dissatisfied. Or are we overlooking something? One thing is for sure: the dissatisfied customer who has different alternatives to your sales offer is probably not going to stay loyal to your organization.

DISSATISFIED CUSTOMERS WHO STAY LOYAL... IS THAT A THING?

But then, why would dissatisfied customers stay loyal? This is because of your unique position in the market. Or, the buyer doesn't see much risk in this offering and hasn't prioritized finding a new supplier. If you have a unique market position, your sales offering must be a rare find. It must be absolutely necessary for your customer's business. In this situation, the buyer will try to find alternatives to reduce their dependency to your company or go for a partnership situation.

SATISFIED CUSTOMERS, BUT NOT LOYAL

Why are satisfied customers often not loyal? It relates to two things that buyers value a lot: purchasing efficiency and risk reduction. Purchasing efficiency can make a buyer move to an alternative option. Buyers are also consumers in daily life. Research shows they buy for work the same way they buy for daily life. Think about booking a conference room in a hotel for a team meeting. Yes, you likely had a good experience with another hotel. But, you still chose a different hotel for this year's event. You did so because of, for example, the convenience of booking. Second reason could also be that a purchaser wants to reduce its risk exposure. It is a standard practice to have about three different suppliers for the same product or service that the buying organization needs a lot of. It reduces their supply risk, and increases their negotiation position.

PURCHASING MATRIX MIGHT BE EYE-OPENING

In addition to buying efficiently and reducing risk, you need to understand how the buyer categorizes the needed purchases. Please read our whitepaper on the Kraljic purchasing portfolio matrix. It will teach you about this theory. The point is to have a proper segmentation in place. How does your customer categorize you as a vendor? Fill out the following quiz about the buyer organization you are selling at. You will gain an initial understanding of your position in their strategy. This should be an important insight into your segmentation. Based on your segmentation, you differ in your business and sales strategies. For one given segment or customer:

MAIN THINGS THAT SHOULD BE DONE DIFFERENTLY IN THE FUTURE

We should start with a mindset change towards always improving. Center this improvement movement around:

1. SEGMENT: DIFFERENTIATE THE EVALUATION PROCESS
2. EMBRACE FEEDBACK IN THE COMPANY CULTURE
3. MAP THE CUSTOMER'S ORGANIZATION
4. COLLECT THE KPIS OF THE DIFFERENT SEGMENTS
5. SYSTEMATICALLY COLLECT INPUT FROM MULTIPLE SOURCES
6. CLOSE THE EVALUATION LOOP

Conclusion

Selling organizations are getting better at customer-centricity by seeing it as a loop. It is not just a pat on the back. It is about being open to change. This concept of change is based on the strategic decisions that the buyer's organization will take to cope with changes they are facing. That will result in the KPIs or targets that they set for the next quarter or the next year. Thus, a single measure that stays the same for the entire customer base is likely too weak to grasp the changes in (vendor) strategy.

The best approach is to have combined measures that capture changing needs. These are based on interviews and internal assessments. They include a loyalty measure, CRM data, complaint stats, and short surveys. The surveys go to people with knowledge on the subject. The measures also follow up on employee turnover within the buyer's firm. They include audits and site visits. Most importantly, they include industry and customer-specific metrics. Then, close the loop. Tell them about the changes you're making in the short, mid, and long term.

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Have a look at our **About us page.**

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- IF YOU WANT TO SET UP THE COMBINED MEASURES IN AN AUTOMATED SYSTEM, HAVE A LOOK AT EVALUATIONSHUB
- YOU CAN ALSO READ BERT PAESBRUGGHE'S BOOK 'THE BUYER'S BALANCE: WHAT BUYERS WANT TO SHARE WITH YOU'. OWL PRESS/BORGERHOFF & LAMBERIGTS WILL PUBLISH IT IN FALL 2024.
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