



## Customer engagement in B2B firms

Customer engagement in Business to Business firms

Putting it simply – customer demands fall into three areas:

- They want better products or a better offer to get repeat sales and growth
- They want their products and offer to be different to their competitors'
- They want to make more money when they buy from you – generally by forcing you to lower prices

Obviously, the third option is the most attractive to them – its simple, quick, and hits their bottom–line immediately. So suppliers must keep customers focused on all three, not the last option. In B2B, keeping the focus on all three is also three times more important than it is in FMCG and Business to Consumer (B2C).

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# 1. Why customer engagement can lead to more profit in B2B than FMCG

Putting it simply – customer demands fall into three areas:

- They want better products or a better offer to get repeat sales and growth
- They want their products and offer to be different to their competitors'
- They want to make more money when they buy from you – generally by forcing you to lower prices

Obviously, the third option is the most attractive to them – its simple, quick, and hits their bottom-line immediately. So suppliers must keep customers focused on all three, not the last option. In B2B, keeping the focus on all three is also three times more important than it is in FMCG and Business to Consumer (B2C). Why?

1. You don't always or often have a B2B brand to leverage, or consumer-loyalty to talk about
2. The ingredient, or component you do have is not recognised as critical. For example, when flying on the new 380 Airbus, you may not notice the Kleenex toilet tissue is by Kimberly-Clark!...

3. The barriers to entry for low end/lower quality/lower cost suppliers are... lower! Because the brand's not needed, quality may not need to be as good as yours.... so their overheads are...lower  
FMCG and B2C suppliers can play the brand and quality card and many talk direct to your customer's consumer.

But, a B2B supplier cannot do this (in most cases). Therefore, a step-by-step process-driven corporate competence becomes one of your firm's most critical. Otherwise your firm will be just competing on price, or offering the same (costly) services and overheads at a lower price.

The process steps and core competencies are therefore about:

- Helping the customer grow by creating more up-take, satisfied consumers, better products etc
- Differentiating your customer from their competitors to enable their success and growth
- Ensuring the genuine non-growing, non-differentiating customers, who just want price are quarantined, and managed in a no-frills way

## 2. What are the key process steps to best-in-class customer engagement for B2B?

- |     |   |      |  |
|-----|---|------|--|
| 8.1 | Team quality, skills and behaviour attributes are relevant and aligned to B2B customers                           | 8.8  | Customer plan has at least one growth, differentiation, or manage for-profit initiative per 12 months plan |
| 8.2 | Customer attractiveness and profitability to customer is monitored and appraised objectively                      | 8.9  | Tools: multi-tiered engagement plan is agreed and monitored for 12 months                                  |
| 8.3 | Customer growth and differentiation strategies and KPIs are understood and performance improvement plans in place | 8.10 | Authority limits, and margin-creep, and structured pricing in place  |
| 8.4 | Attractive customers are engaged early with NPD and strategic plan development                                    | 8.11 | Tools: contact reports used to confirm and record all agreements with customer                             |
| 8.5 | Unattractive customers are managed with no frills approach  |      |  |
| 8.6 | Customer's consumers are understood and (if wholesalers) databased and monitored                                  |      |  |
| 8.7 | Account Managers' KPIs aligned to customer plans  |      |  |

### 3. What does *good* look like?

All of the foregoing 11 key processes are observed in best-in-class companies. They may not all apply to your firm but at least 9 of the 11 should – if B2B customer engagement is a critical area. Let's now talk about what each process and *good* looks like:

8.1 *Team quality, skills and behaviour attributes are relevant and aligned to B2B customers*

8.2 *Customer attractiveness and profitability to customer is monitored and appraised objectively*

In B2B whether you are a major ingredient supplier of a critical feature of the product, or a food service off-shoot of a big high-street brand, the best B2B Account Managers need to be managing the most commercially attractive customers.

And by “*attractive*”, best practice says: fast-growing, profitable, low cost-to-serve, selling to key categories/consumer segments. It does *not* mean: *the biggest*. B4P has evidence to suggest that the big, slow-growth, customers that you manage well are not the best ones for your top-guns to manage.

(Process 8.1.1 to 8.1.4 and 8.2.1 to 8.2.4 show B4P members how to analyse and manage this).

8.3 *Customer growth and differentiation strategies and KPIs improvement plans in place*

Without process, customer's businesses are rarely properly evaluated, planned, and developed for growth, differentiation, and/or profit.

Processes 8.3.1 – 8.3.3 identify and detail what is achievable for most firms and how a B2B firm has two synergistic processes that ensure both customer satisfaction and the customer's disposition to partner are in synch. For example, the customer may be very satisfied with you, but always buys cheaper elsewhere and refuses to partner. He's satisfied, but he's not partnering.

Yet, observed best practice is 10 year partnership contacts with agreed price-rises each year!

- 8.4 *Attractive customers are engaged early with NPD and strategic plans development*
- 8.5 *In-attractive customers are managed with no frills approach*

In these two focus areas, the five types of investment your firm can make in its customers (money, time, R+D, data, and people) are analysed and aligned with your competitive situation (e.g. #1 or #2 supplier to them, in your category), which in turn determines which customers you over invest in and, which you merely maintain. And those you manage for profit.

Specifically, B4P processes 8.4.2 to 8.4.5 and 8.5.1 detail how to do this.

Focus areas 8.6 to 8.11 detail ways to manage, monitor, learn and improve both the customer's attractiveness (profit, growth, sales etc) and your firm's competitive position (unassailable #1, strong #2, *challenger*) etc.

There are a further nine minor processes for companies to consider.

## 4. Which industries do B2B customer engagement well?

There are a documented case studies for successful partnerships, resulting from best practice engagement. Two demonstrate how growth and differentiation-based engagement are viable and more sustainable than cost reduction.

They are:

***The McFlurry and the McWrap: partnering with McDonalds on ingredients that grow sales***

***Qantas: 17% higher prices leading to 23% cost reduction***

***Newscorp: a ten year partnership leads to greater supply-chain cost-savings***

We cover two in detail here

The McFlurry:

Using a “disposition” *analysis tool*, a supplier revealed McDonalds were highly likely to engage around a branded ingredient within their McFlurry (ice-cream with smashed chocolate confectionery) or a McWrap (pitta bread with chicken salad). The McFlurry is now a global success story after the confectionery Account Manager used as *engagement process* to carefully develop, manage and optimise pay-for-process terms. He also used *x-functional internal engagement processes* to get minor changes made to the product.

The idea of smashing the ingredient into the ice-cream also gave rise to a franchise of ice-cream stores!

And the McWrap?

The more traditional, relationship-driven Account Manager in this case, used no process. He had a formulation developed that McDonalds liked, approved, and bought...once. Then the recipe went to the competitors.

In this tragic case the missing step was the engagement process around pay-for-performance terms...

## 5. Should this be a focus area that you prioritise and invest time in?

Unless your Customer Managers have the right processes to manage, develop, grow, differentiate and/or manage-for-profit...they will default...to cost and price.

Customers are increasingly skilled and practiced at taking them down this avenue – processes and tools help your managers drive a growth and differentiation agenda.





# Benchmarking for Performance

Founded in 2000, B4P delivers processes and metrics benchmarking, design and support to the live-global FMCG community.

It benchmarks top FMCG firms in the 14 focus areas, 132 processes and 52 metrics that drive performance in the global consumer goods industry.

Members use B4P's studies and support to improve, prioritise and as a key input, their strategies.

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