

One to One B2B

Customer Development Strategies for Business-to-Business World

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I. THE THEORY

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B2B vs. B2C

	Consumer Market	High End Market
Relationships within relationship	Single decision-making unit relationship	Dynamic on several level relationship Decision makers & influencers within organisation
Nature of Customer	Thousands/ millions of customers	Just a few dozen customers Large Customer
Marketing Strategy	Sales Strategy	Account Development Strategy Longer-term strategy
Principal Goal	Finding customers for its product	Finding products for its customers
Channel Complexity	Customer's "internal" channel	Customer's "internal" channel & external channel members
Knowledge-based selling	Not Required	Complex nature of its product: must educate its customers
Frequent of Purchases	More frequent purchases	Infrequent purchases Must constantly be seeking to fill the gaps, by subscribing its customers

Hence, B2B Strongest Relationship:

“Helping the Buyer to Manage its own Business”

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Real Economy

Computer WWW Global Telco



- Rapid information access
- Growth of the service sector
- Deregulation
- Increasing business velocity



*High degree of
Volatility*



New Economy

Vs.

Old Economy

Industrialization



Mass Production



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New Economy:

- A rise of B2B exchanges – virtual markets in cyberspace
- In 1999, \$145 billion changed hands in cyberspace
- In 2000, 31% of US companies were using Internet for B2B purchasing
- By the end 2001, increase to 91%

Real Economy:

- Is a fusion of Old and New Economy

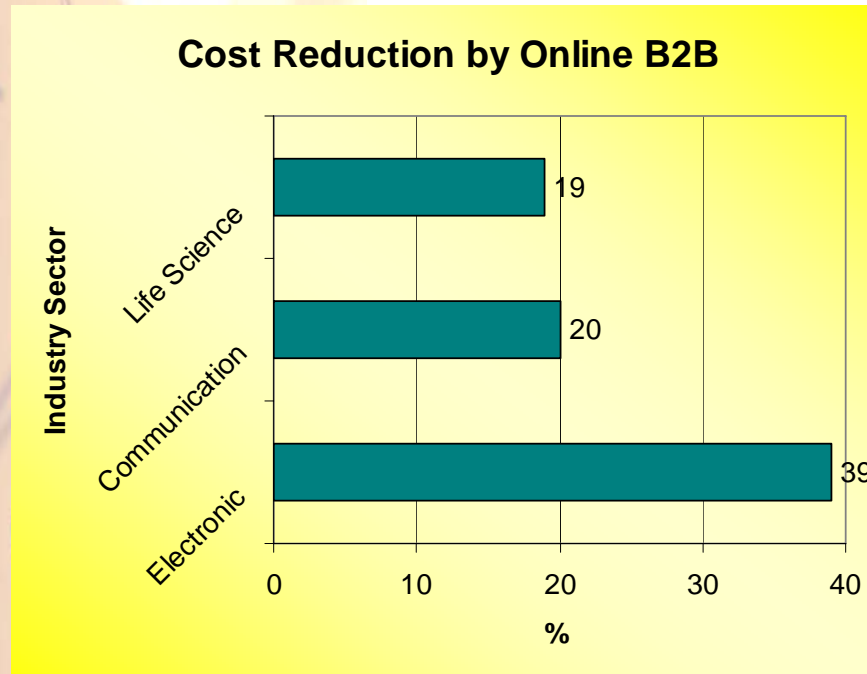
Old + New = Real Economy

- *Goods & services: material, visible & inflexible*
- *Intermediaries create & manage exchange market*

- *A universe of information-based product & service*
- *Buyers & Sellers create own exchange market*

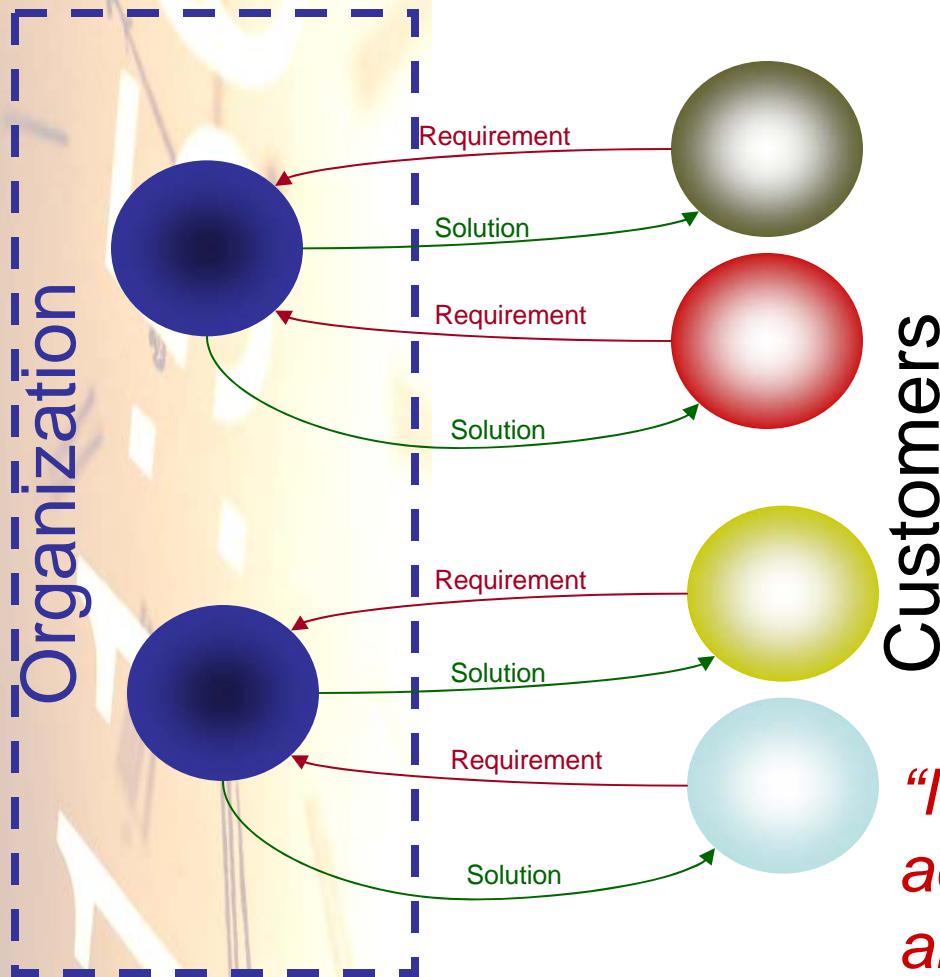
Why Online B2B?

- **Online B2B could reduce production costs**



- **Online B2B could raise the gross domestic product of industrialized nations by 5 percent ...(*Goldman Sachs*)**
- **Online commerce is about creating online customer relationship, a critical component in e-business strategy ...(*Andy Zimmerman,***

One-to-one Marketing



- One-to-one marketing occurs when *you & your customers interact directly*
- Does **not** mean: every single unique will be treated uniquely → *impractical*
- **One Customer to One Marketer relationship:** the customer's input drives the marketer's output for particular customer

“It requires a level of integrated activity that is beyond the ability of most businesses today!”

Building longer-term relationship

- The idea of *treating different customers differently* implies that a longer-term relationship, *based on previous interactions*, **is now possible**
- One-to-one requires a **“Learning Relationship”** → *a relationship with a customer that gets “smarter and smarter” in every interactions*
- It will hurdle the competitor to acquire your customer, due to the customers should have to **reteaching** competitors
- *The more interactions being conducted, the products become more valuable* → *it requires less accommodation*

The Benefits:

- **The Customer loyalty will be improved**
- **The Unit Margins are likely to improve** → *the competition become irrelevant*
- **The “human” Factor** → *the relationship improves and the customer satisfaction grows*
- **Improve overall efficiency of a business** → *mass customization reduces inventory costs (product can be made by order, rather than forecast)*

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II. HOW TO IMPLEMENT

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Four Implementation Steps

Four-step process for creating better customer relation

Identify your customers

Identify the individuals who make up your customer base

Differentiate your customers, by value and needs

- **The most valuable** → to prioritize your effort
- Knowing **different customer need** → lock up their loyalty

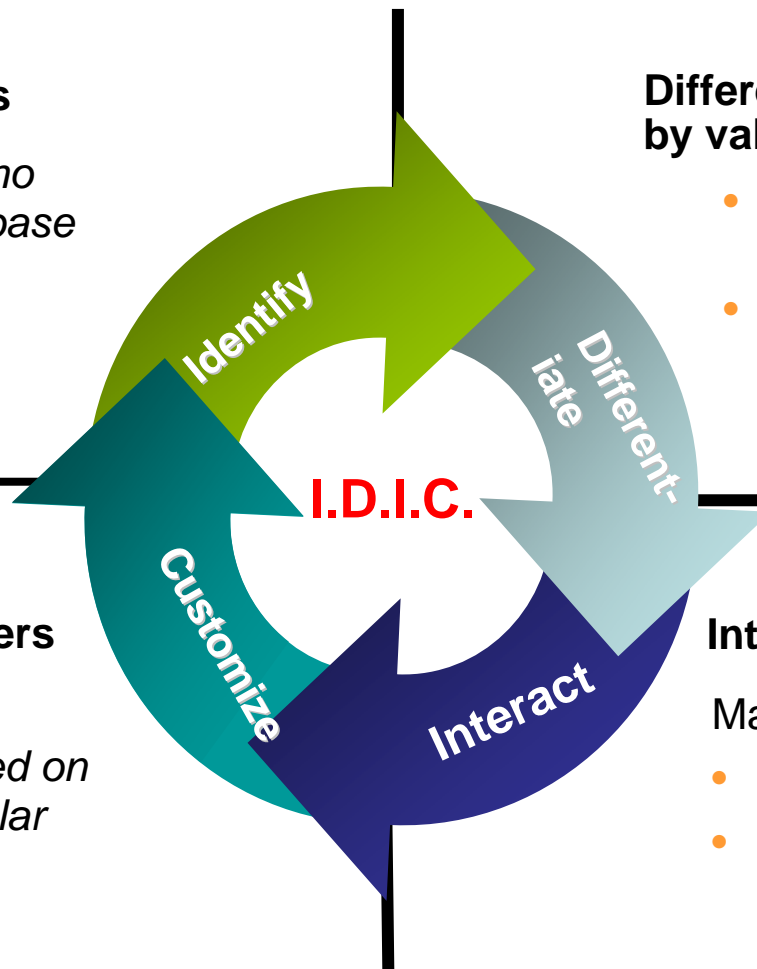
Customize your customers

Treating an individual customer differently based on information about particular customer

Interact with your customers

Maximize interactions by:

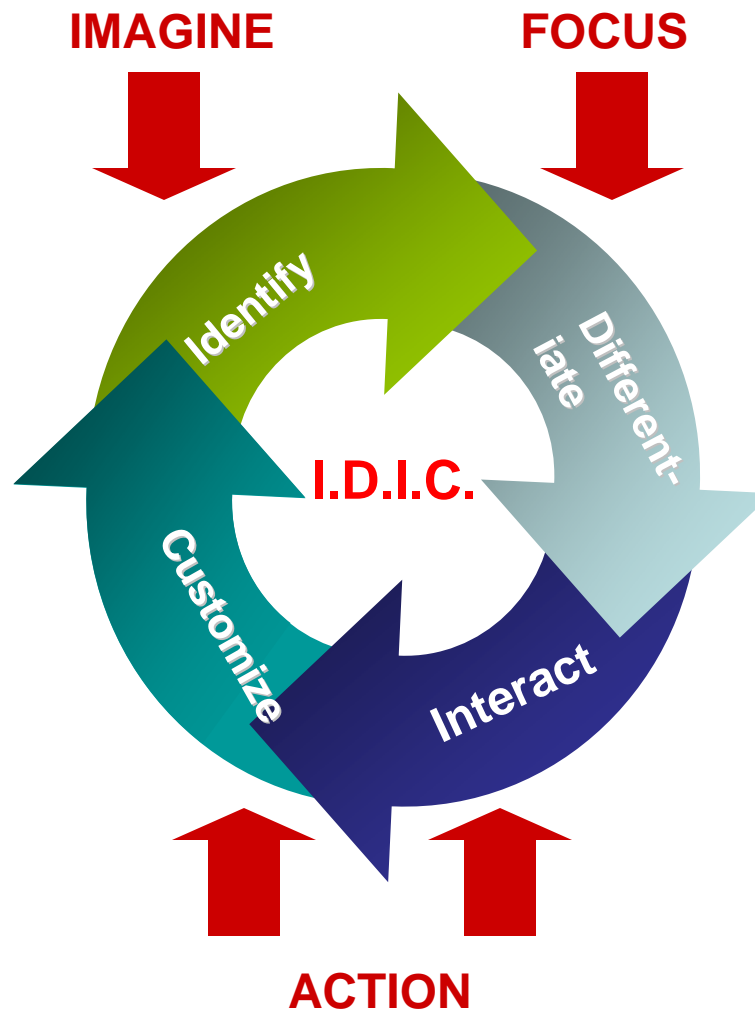
- Account Management
- Internet → the most cost efficient channel



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1. Identify your Customers

1. Gather the Information

Type of Information

Firmagraphics →

Information of Company, inc: employee size, annual sales, company business growth, company shares, etc.

Demographics →

Information of Individual Contacts, their outward characteristics, like gender and age, as well as their psychological makeup and needs

Infographics →

Information of Interactions, How does the contact prefer to get his or her information? What type of communication is preferred?, etc.

2. Draw a Customer Touch Map

To document and illustrate the interconnectedness of the relationships that keep your business running → from its supplier to its customers

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2. Differentiate your Customers

“determining what they want from you and how much they’re actually worth to you”

Customer Category I

Segment

→ **Differentiate your customer based on they Needs & Wants**

Customer Category II

MVCs

→ **Most Valuable Customers**, represent the core of your current business. The primary concern is **Customer Retention**

MGCs

→ **Most Growable Customers**, are those who would be significantly more valuable to your organization if you developed **Proactive Strategies** to increase the amount of business they do with you

BZs

→ **Below Zero**, are those who in all likelihood will never be profitable enough to justify the cost of serving them. Your should develop strategies to make them more profitable.

3. Interact with your Customers

*“...a relationship can build a **context**, and the richer, more complex the context of a relationship is, the more advantageous it will become for the customer. **The more you remember about me, the more I’ve taught you about myself, the more difficult it will be for me to start over again with someone else.**”*

Media of Interactions

- Account Management
- Interactive Web Based
- Other Contact Center

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4. *Customize for your Customers*

“To develop a relationship with a customer you must be capable of modifying your behavior to meet the expressed needs of that individual customer.” → treating different customers differently

Rules-based sales-call templates

Template of unique proposals for each of customers

- Basic information about the customer & customer's need
- Combination of products & services that would likely appeal to particular customer
- Information about recent purchases made by customer's peers or competitors
- Include best practices and case study.

→ *Web based template is encouraged*

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What should B2B do?

	B2B typically do	B2B typically don't, but should
Identify	<ul style="list-style-type: none"> ★ Identify MVCs by revenue ★ Know key contacts within customer organisations 	<ul style="list-style-type: none"> ★ Map all contacts within client organizations ★ Assess & record each contact's level of purchasing influence ★ Create programs specifically to identify end users
Differentiate	<ul style="list-style-type: none"> ★ Treat different customers differently ★ Provide premium service levels for MVCs ★ Reactively differentiate by customer's stated needs 	<ul style="list-style-type: none"> ★ Rank customers by lifetime value (LV) and Strategic Value ★ Develop strategies for BZs ★ Proactively vary treatment of different need-based categories of customers
Interact	<ul style="list-style-type: none"> ★ Capture interactions, through sales reps ★ Assume that sales reps will resist sales force automation or CRM initiatives because they find them threatening ★ Reserve electronic data interchange (EDI) for largest customers 	<ul style="list-style-type: none"> ★ Capture and "memorize" interactions across all touch points, including Web ★ Compensate field sales force for providing details of customer interaction ★ Promote the Web as an alternative to electronic data interchange (EDI)
Customize	<ul style="list-style-type: none"> ★ Customize products and services when requested by largest customers, on an ad hoc basis ★ Develop and execute account plans 	<ul style="list-style-type: none"> ★ Mass customize products and services by modularizing the production or service process ★ "Template" the treatment of individual customers according to needs-based categories, on a routine basis ★ Develop and execute specific customer strategies, including strategies for contacts within a customer organization

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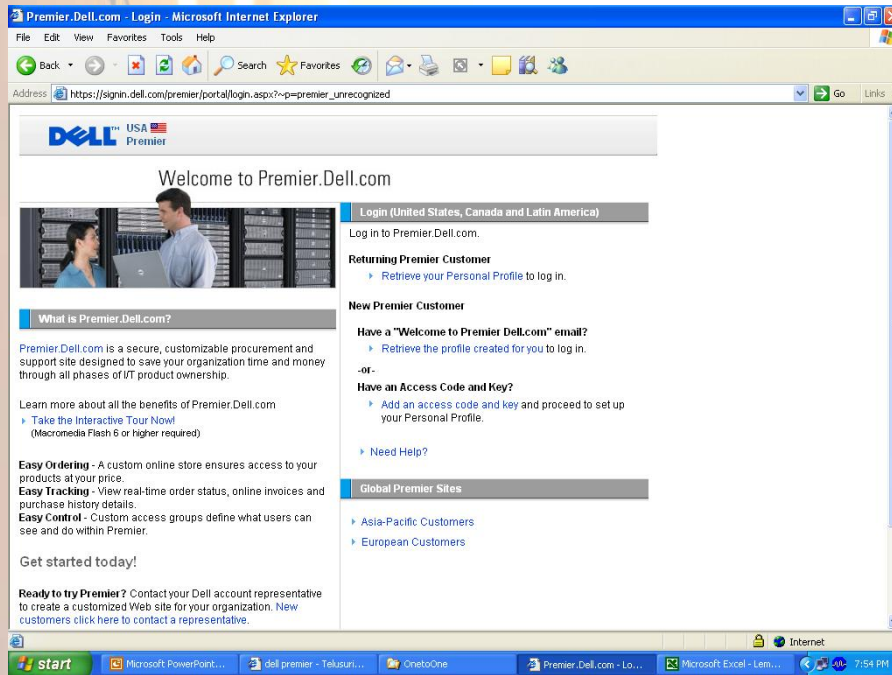
III. DELL CASE STUDY

The Automated Relationship



DELL™

Background



“Dell now serves up more than 50,000 Premier Dell.com sites in 14 languages”

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- Dell developed a Web-based utility that helped its customers manager their own business information and IT purchasing function cost-efficiently
- The Web based utility makes possible for Dell to communicate directly with its end users
- Dell gets the opportunity to establish one-to-one relationships with the people who actually use the products and services it sells.
- Dell establish and manage Learning Relationships with millions of end users working at thousands of Dell’s corporate customers around the globe.

The Facts

- Every day, online sales generate \$50 million in revenue for Dell
- Online sales now represent approximately 40-50% of Dell's annual revenue
- The bulk of Dell's sales revenue are generated by its large business customers
- Almost all of those large business customers have Premier Dell.com and use it to make online purchases
- Each online purchase or transaction saves Dell money
- Each online purchase increases Dell's store of customer information

Premier Dell.com

→ Customer interaction Web Based, inc: online purchases, standard templates and track orders

HelpTech

→ Online support service designed for business & institutional customers

Dellplus Service

→ High-speed network that loads software directly onto customer's PC

Valuechain.Dell.com

→ Suppliers can review Dell's specs and standards, view a list of orders they've received from Dell, and monitor the shipping status

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Account Management Strategies

Customer Segmentation → Single point of contact

Business Segment	Criteria
Global	Companies with 18,000 employees or more that have headquarters outside that U.S. and operations in the U.S., or have headquarters in the U.S. and significant operations in other countries
Enterprise Accounts	Companies in the U.S. with 18,000 or more employees
Large Corporate Accounts	Companies with 3,500 to 18,000 employees
Preferred Accounts Division	Companies with 400 to 3,500 employees
Internet Partner Division	Internet Service Providers, Application Service Providers, and Web-Hosting companies
Healthcare	Hospitals, HMOs, medical provider groups, medical laboratories
Federal Government	Federal Agencies, and federal employees
State and Local Government	State, country, and municipal agencies and organizations
Education	Students, faculty, and staff, as well as K-12 and Higher Education institutional purchases
Small Business Center	Companies based in the U.S. with fewer than 400 employees
Consumer (Home and Home Office)	Home users, both professional and recreational

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Account Management Strategies

Hunters & Developers

Account management phase	Status	Goals	Account manager type
Acquisition	Dell has done little or no business with the organization, but has identified it as a prospect.	Established relationship with potential client; close initial sale	Hunter
Development	Dell is on client's approved vendor list; client buys at least one Dell product line	Sell multiple product lines; sell into different departments	Developer
Retention	Client buys frequently; uses Premier Dell.com to complete reports, track history, and make online purchases	Extend reach into client's organization; increase client's LV to Dell.	Developer

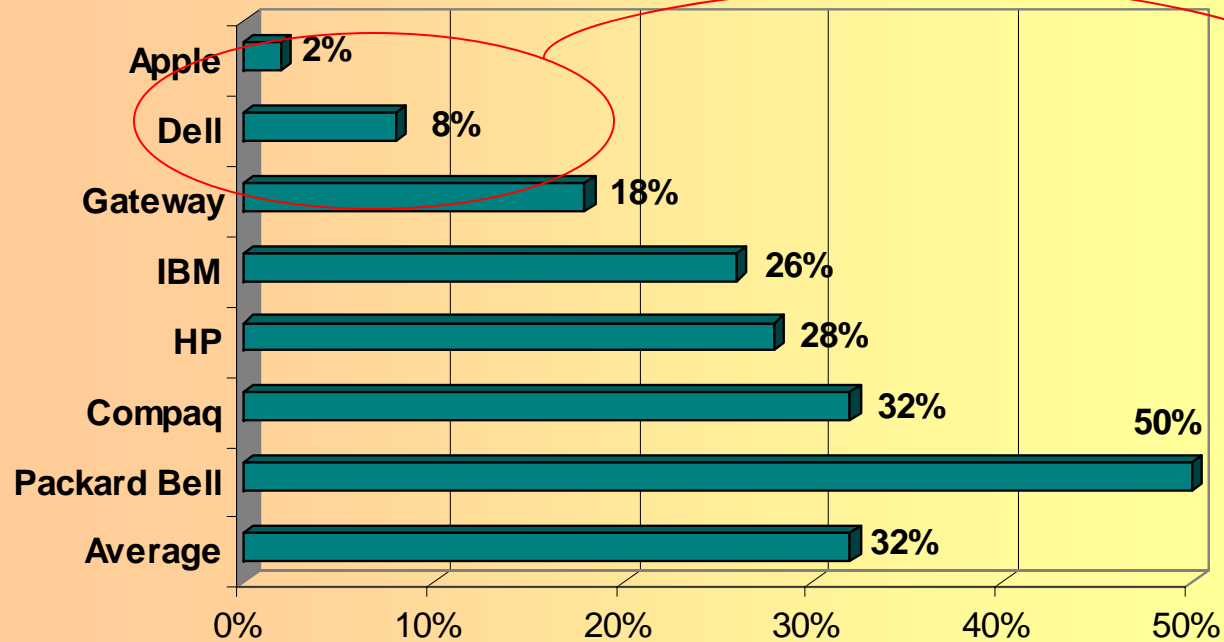
“A hunter is typically really good at convincing people to do something. They’re wonderful for the customer and wonderful for Dell. They’re fast movers, they’re fast thinkers and they’do a phenomenal job of explaining the Dell

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Developing Customer Loyalty

Price as primary motivation in purchasing a PC



Source: 1999 Sanford C. Bernstein Consumer PC Survey

As Dell customers' loyalty rise, price is not the primary driven in customer decisions

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IV. BENTLEY SYSTEMS

Preaching to the choir



BENTLEY

Background

- Bentley's core product was MicroStation: an innovative CAD program that ran on a PC
- By the end of 1990, Bentley had an installed base of 100,000 MicroStation users
- By the end of 1995, the base had grown to 200,000 users



The dilemma:

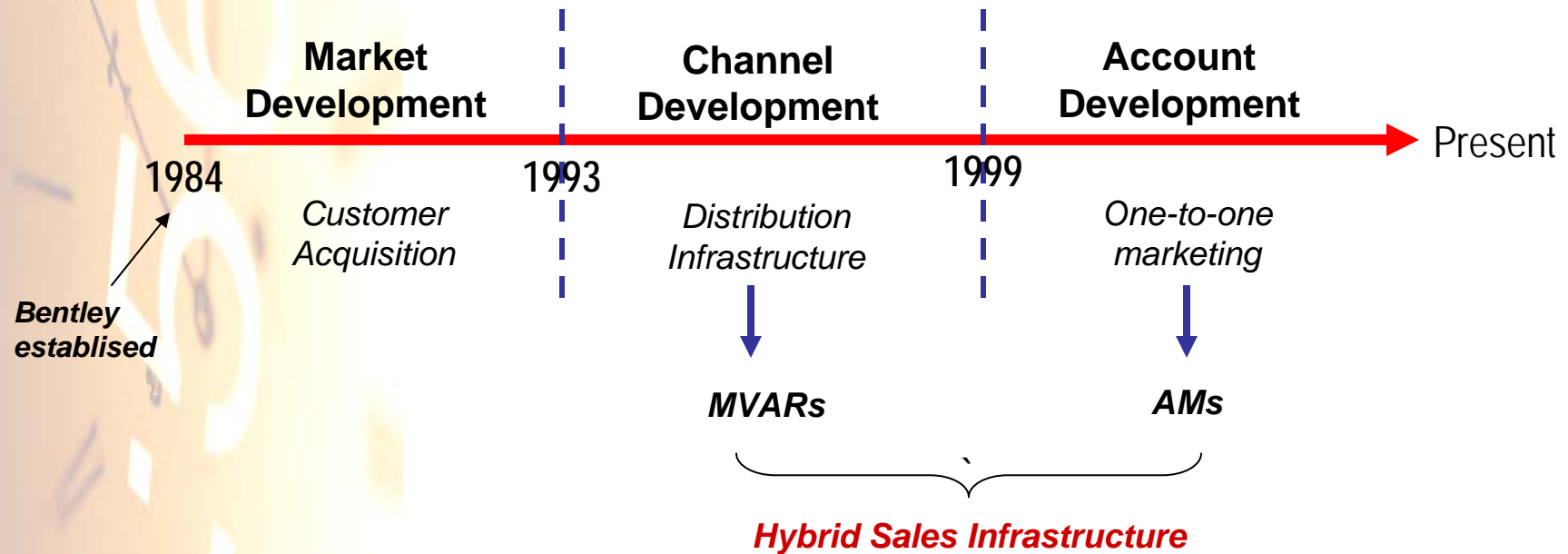
“Bentley already owned a huge share of its markets, and yet still needed to grow annual sales revenues at a respectable pace...”

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The Stages of Evolution



- Allowing Bentley to exercise greater control over the tone and consistency of the corporate message it wanted to send end users
- Giving the customers an added sense of confidence because they knew the integrator was backed by Bentley's reputation and experience
- Affording small and medium size integrators access to the marketing resources of a major company
- Creating opportunities for Bentley to become more involved in the front-line sales process

SELECT Program

- **SELECT provides subscribing customers with benefits:**
 - 24/7 technical support
 - Discount on Bentley products
 - Free platform swaps
 - Free software upgrades
 - Complimentary subscriptions:
 - MSM (MicroStation Manager) → glossy magazine
 - SELECT ONLINE → online access publication
 - SELECTIONS → weekly e-mail newsletter inc product updates & promo
 - Bentley Case Studies → success story for specific customer segments
- **SELECT → dependable income stream and a robust customer retention tool**
- **SELECT is a great identifier of *strategic customers* and able to make the *cost efficient***

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Scenario Based Selling

Account Scenarios

1. Architectural Firm
2. Architectural/ Engineering Firm
3. Engineer Consultant
4. Facility Information Manager
5. Gas/ Electric Utility
6. Manufacturing Company
7. Municipality
8. Operating Plant
9. Telecommunications
10. Transportation Design and Engineering
11. Transportation Management

“...salesperson must be as knowledgeable as the customer... should possess more information than customer...”



Scenario Document:

- Brief description of environment, needs & objectives
- Specific challenges facing the customers in that scenario
- List follow up projects and tasks may require additional service
- List of similar account to be references



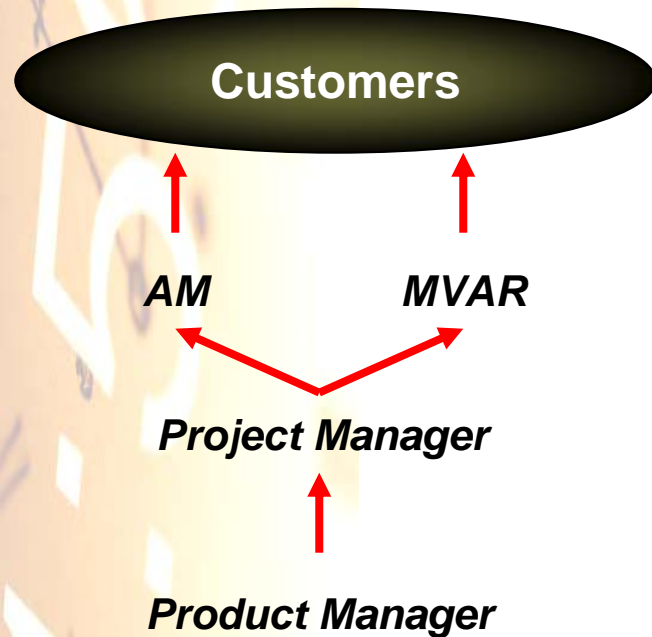
Detailed Sales Templates

Customized and highly accurate proposals



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Nurturing the Relationship



Project Manager:

- Building confidence and trust
- Maintaining a long-term relationship
- As an internal communications agent for client
- Helping client manage its own business
- Keeps track of how the client spends its money with Bentley over the course of a project

“...developing long-term relationships with our customers, by proving to them we’re in it for the long haul, not just for the transaction. That’s what account management is all about.”

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V. CONVERGYS

Racing for the best clients

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CONVERGYS
Outthinking Outdoing

Background

Convergys → the World's largest provider of billing and customer care & HR management services

The challenge:

“How do you grow a multimillion-dollar account by 60% in 12 months?”

- 1. Pick the right account to begin with, by recognizing which of the firm's many clients have the greatest potential for growth.**
- 2. Dedicate a different type of sales resource in order to nurture this account over a longer period of time**

Bob Lento (Convergys)

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Outthinking.

Outdoing.



Convergys New Strategies

1. Setting up a methodology so the company could begin differentiating clients first by value, then by needs
2. Establishing a systematic issue discovery process to determine the precise needs of each client
3. Developing an information system capable of providing client data, on demand, to authorized Convergys users
4. Reorganizing and redefining existing products and services so they could be more easily tailored to serve the needs of individual clients
5. Revamping compensation plans to provide incentives for client-focused behaviors throughout organization

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Calculating Customer Value

“Life Time Value” Model

Index	Measures	Weight
Average Revenue Score	★ Current spending and projected spending	20%
Revenue Change Score	★ Year to year actual spending	25%
Current Relationship	★ Signed contract length	15%
	★ Total years as client	
Technology Engtangement	★ System Integration	20%
	★ Reporting	
	★ Tele-Web	
	★ Email	
Share of Client	★ Outsource potential	10%
Partnership	★ Level of contact	10%
	★ Referenceable	
	★ Future Value	

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Calculating Customer Value

“Life Time Value” Model

Value tier	MVCs	MGCs	MIGRATORS	BZs
LTV rank	10th and above	11th to 50th	51st to 75th	75th and below
Customer management strategy	Served by Direct Sales force. 80% of effort spent retaining business. 20% spent growing business.	Served by Direct Sales force. 80% of effort spent growing business. 20% spent retaining business.	Handled by SMAC team . React to client needs as they identified.	Handled by operations group. If operations group can't meet needs, request goes to SMAC team.
Manageable contacts per salesperson	Maximum of one. Most accounts have multiple reps.	Two or six clients per sales rep.	25 per sales rep.	NA
Frequency of contact	Every day or more	Every day to a couple of times weekly	As needed	As needed
Interaction costs	Relatively low, because the volume of business is already there	Relatively high	Low	Low

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Convergys Key Points

1. If you're going to adopt an account development strategy, you must know which accounts are really the most growable
2. When compared with more traditional market penetration strategies, account development requires a far higher degree of collaboration, both internally and externally
3. A sales force pursuing an account development strategy must be rewarded differently from a sales force pursuing a traditional strategy
4. Cultural as well as organizational changes within the enterprise are necessary to ensure the success of an account development strategy

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VI. NOVARTIS CP

Rediscovering the customer

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Background

- Novartis CP (Argentina) sold crop protection products such as herbicides, fungicides, seed treatments, and insecticides to dealers, who then resell them to farmers
- More Argentine farmers were using some of the newer crops already used by their Brazilian counterparts. Novartis CP found itself in highly competitive arena.

Tree-point strategy:

- 1. Build farmer loyalty**
- 2. Build reciprocal agreements with dealers**
- 3. Build customer share and market share**

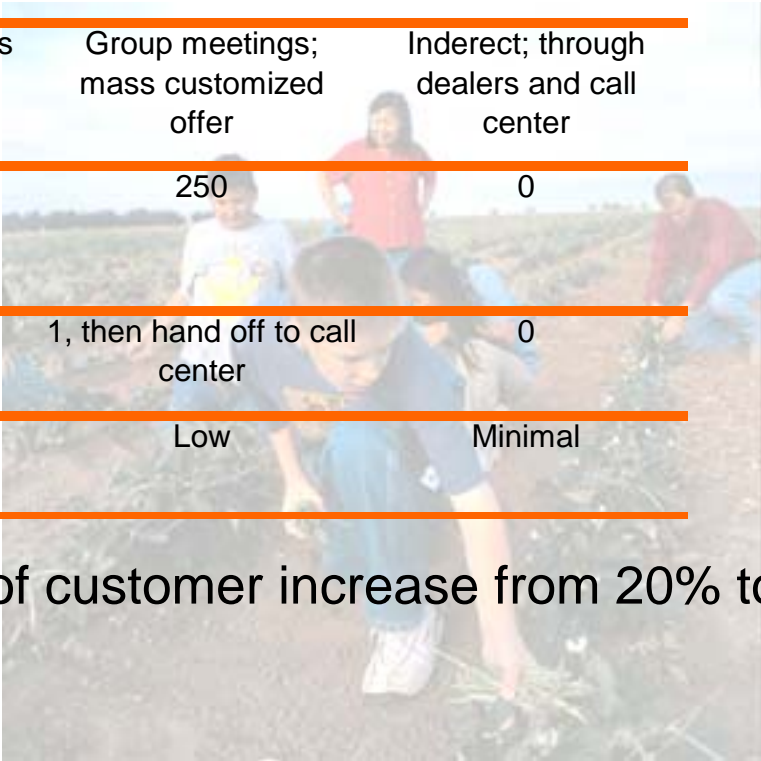
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Tiers of Value

Value tier	PEP	Top farmers	Important farmers	Productores del Comercio
Number of customers	104	2600	6500	10800
Customer management strategy	"Belly-to-belly"; completely customized offer	Face-to-face; mass customized offer	Group meetings; mass customized offer	Inderect; through dealers and call center
Manageable customers per sales rep	4	100	250	0
Frequency of contact	10+ times annually	4 times annually	1, then hand off to call center	0
Interaction costs	High	Medium	Low	Minimal



- In the first six months, average share of customer increase from 20% to 70% among the PEPs.
- The market share increase by 20%
- The crop protection market in Argentina continues to shrink, while Novartis revenues continue to grow

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VII. CONCLUSION

Return to the Future

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Conclusion

The companies that build relationships most successfully do it by concentrating on just a few important but often difficult task:

- Account development
- Knowledge-based selling
- Embracing information technology
- Total cost of ownership
- Channel management
- Cultural Change

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THANKS – Best Regards

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