BIZCOMMUNITY

The eight criteria that distinguish B2B markets from B2C markets

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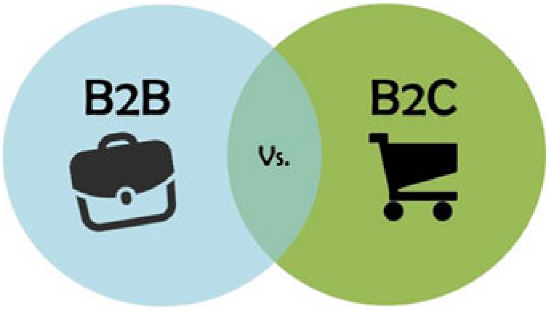
WASHINGTON DC, US: The Business-to-Business (B2B) market is different in fundamental ways from the Business-to-Consumer (B2C) sector. Typically, B2C transactions occur through an intermediary, such as a retailer or agent, while B2B refers to transactions that take place between businesses and are generally upstream from consumer transactions. This post will discuss the eight key criteria that distinguish B2B markets with implications that directly affect market research.



1. Sales cycle
The B2B sales cycle is an extended process, often lasting several months or longer. Whereas in the B2C sector, according to a recent study by Daedalus Millward Brown, an average of 56% of consumers know the brand of product they want to purchase before they leave home. The remaining 44% decide on the brand in front of the shelf.

Researchers must recognise such differences in the sales cycle as they design research approaches and key questions. For example, in the B2B sector, it is critical to understand how the decision process evolves, how information is gathered on vendors and products, who makes the final decision, and so on. These questions have a different relevance in the B2C space.

2. Product complexity

B2B products are frequently elements of a product that will be further processed and are purchased on a much larger scale that enhances the risk of a poor decision being made. B2B buyers are concerned about details such as product composition, raw material sourcing, inventory methods, quality control, and the like. Consumers are free to have the same concerns about their purchase but very often lack the communication channels and the purchasing leverage to act on these concerns.

B2B value propositions are complex and market research methodologies must capture the nuances. B2B value propositions must be articulated through detailed and properly worded attributes that capture the key aspects of complexity, performance, and perceived value.

3. Fewer identifiable buyers

Based on statistics from the 2008 US Census, B2C decision makers outnumber B2B decision makers 28 to 1. B2B buyers are also more challenging to locate and, unlike in the B2C sector, B2B customers are not equal - some are more important than others. The Pareto principle suggests that 80% of revenue comes from only 20% of customers.

B2B market research must account for the proportionally large percentage of large customers to more accurately reflect the revenue mix of the customer base. And, unlike B2C sampling, B2B research should be biased. Secondly, researchers must be aware that some individuals within a customer company have more influence in a purchase decision, and the purchase influencer must be identified.

4. Pricing

The price of the same size and brand of a consumer good may vary by 10% depending on the store or location. B2B products are less standardised. Products can differ not only by segment, geography, distribution channel, and customer, but also by volume, purchase history, importance of the customer, customization, and so on. B2B buyers also buy on value as opposed to price. They are better evaluators of life-time cost and making decisions that lead to a healthier bottom line.

Data collection should reflect these differences incorporating an approach that accounts for competitive pricing, negotiations, and value. Analysis should offer insight into the multiple dimensions of price and value.

5. Marketing approach

Marketing is concerned with creating and maintaining demand-that does not differ between B2B and B2C. How that demand is created and maintained differs substantially. Consumers frequently buy based on emotion or impulse, but B2B buyers tend to be more logical, often using detailed decision criteria. Other factors that may influence B2B decisions include the fear of wrong decision, level of confidence in performance, and perceived obligations. To the B2B buyer, corporate brands that convey integrity, trust, and quality are more important than product brands. And lastly, B2B marketing messages are communicated more in person since the small number of buyers makes that contact cost-feasible and justified.

Research must address these realities by including data collection methodology that recognises the key differences in the purchase decision process and the subtleties of B2B decision making.

6. Product knowledge

The volume of B2B products purchased, their complexity, and their importance as a component of a final product result in the need for buyers to have technical and operational expertise. Because of these realities, B2B buyers seek more detailed information, develop scenarios of potential problems, research alternative products, and more. Consequently, buying decisions are often a group or team effort.

Effective research must include the various influencers and seek to confirm insight into their respective roles. It may be necessary to gather input from 5 or 10 individuals per company to fully understand a relationship. Because of the small size of the universe, ensuring statistical significance is normally not relevant or necessary.

7. Channel complexity

Although the internet has created an alternative to the traditional brick-and-mortar retail channel for many B2C products, B2B marketers routinely manage much more complex distribution channels. It is not unusual to sell the same product line through master distributors, distributors, agents or brokers, and even direct to end users. Each channel has different inventory, services, packaging requirements, and pricing structure.

It is important that researchers understand a company's channel structure to be able to provide accurate results. Data collection should accommodate channel members and relative understanding of the product.

8. Use of market research

For a producer of consumer goods, market research is required to understand the potential sales volume for a product or the impact of change to a product design, so consumer goods companies regularly conduct market research. The cost of failure is too high. This is not the case in the B2B sector where products are frequently introduced or existing products modified with little to no formal market research. According to ESOMAR, the US B2B sector equates to 8% of market research, or approximately $1.6bn in value, or approximately $1,200 in market research expenditure per company with 10 or more employees.

Valuable market research can be conducted with a very small business universe or pool of informed respondents. However, B2B research does demand articulate, thoughtful design that reflects the fundamental difference of the B2B sector.

For more information on creating a successful market research strategy, download our free eBook.

This post was written by Priority Metrics Group (PMG), a MarketResearch.com partner in custom research.