Winning Strategies for B2B Marketers Facing Tough (Or Even Easy) Times

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My broker asked me recently if I thought this was Armageddon. I said I wasn't sure it wasn't, but if it was, it wouldn't matter what I did anyway.

So, let's assume it is not Armageddon and that, sooner or later, this downturn will end. Some firms may not survive. Of those that survive, some will be severely weakened by the downturn. A select few will come through healthier than before. How will the latter firms do it? I don't claim to have a complete prescription, but here are three things I think they will do and why.

Action 1. Migrate the Pigs. I teach and coach a lot of programs on B2B segmentation. Depending on the specific context, the number of segments, their identity and the appropriate strategy to apply to them often seems idiosyncratic to the market situation. When a group is struggling to find the right number of segments and appropriate strategies, I sometimes step back and, like the late Johnny Carson's character Carnac the Magnificent, I say, "I know....your market is segmented and you have three major segments of customers". First, there are the...

Value Buyers: They are those customers of yours who need and value both your core offering and the service, support and expertise you wrap around that core offering. They may grumble about your price (which customers don't, especially in tough times?), but, eventually they understand the value you provide them (versus what your competitors provide) and, most importantly, they are willing to pay for it because you helped them understand that value. (Anderson, Kumar and Narus, 2008).

Then there are the..

Price Buyers. These are often your most sophisticated customers who know what they need, how to use your core offering, want it delivered to them when and where they need it with minimum hassle. They don't want to waste time with your salesforce or service reps since they have all the expertise they need in house (or at least they think they do). And they sure don't want to pay a price premium for the services you are "throwing in."

Finally there are the..

Pigs. Pigs are your customers (come on, you know you have them) who occupy your sales and tech service people with all sorts of support requests and demands, probably pay invoices late, and then demand to pay no more than the base, commodity price for your offering--in other words they want Value Buyer offerings and service at the price the Price Buyers are willing to pay.

If not managed properly (especially in this economy) Pigs can ruin you. If you give in to them, they will provide a reference or example for your loyal, Value Buyers, who, rightfully say "Why should I be a fool and pay more than Porky over there?"

If you only have Value Buyers and Price Buyers (and you have a strategy to serve them both profitably) you can stop reading now. If you do have Pigs (come on, you know you do), then you have three choices: (1) turn the Pigs into Price Buyers (deny them the service they demand and explain why), (2) turn them in to Value Buyers (by demonstrating and documenting the value they are receiving relative to what they would get from your competitors for your offering, including the service and other support you provide) or (3) fire them.

Now how do you fire a customer? (The euphemism is "customer divestment"--see Mittal et al, 2008). Repeat after me...you provide: variable offers at fixed prices. Variable offers at fixed prices. Variable offers at fixed prices. There--notice I did not say *do not serve them*---I said, only offer them *either* the value alternative with associated services *or* the commodity alternative with no option for associated services. That's it---

Want an example of a firm that did this? Have a look at Dow Corning's Xiameter innovation (Xiameter, 2004) Dow Corning created a commodity business called Xiameter to serve its price buyers (with transparent prices pegged to a current commodity price index). Xiameter offers a limited subset of the Dow Corning product line and sells those offerings (exclusively via an electronic purchase system) only in large quantities. Because of their rigid adherence to variable offers at fixed prices (commodity offer through Xiameter; service/support offers through Dow Corning), Dow is able to segment the market effectively and satisfy both their Price and their Value Buyers. And they have effectively migrated or fired their Pigs.

Note that Dow Corning needed a new business model to bring about this profitable customer migration policy. And the firm could not have done this without making...

Action 2. Investments in Customer Information and Marketing Analytics. In tough times, expenses get cut but investments (those that show measurable returns) are retained. When was the last time a firm fired a sales rep who was exceeding quota? (That's a measureable return). But what about customer information and marketing analytics expenditures?

If you don't know who your value buyers, your price buyers and your pigs are, how can you migrate them properly? In other words, how can you provide (or develop) the right offers to the right customers at the right prices in the right way? The latter may require a new business design, like Xiameter.

Smart firms make above-market returns on their investments in customer information, analyzing that information and then building business strategies around what they have learned. Peppers and Rogers (2005) provide compelling examples in their book, *Return on Customer*. Our own work on *Marketing Engineering* (Lilien, Ragaswamy, and De Bruyn2007) provides others. For example, by targeting what they called the "switchable customer," Gensch et al, (1990) shows how ABB was able to increase sales by over 20% during an economic downturn simply by reallocating, and NOT increasing, marketing spending.

But you can't develop creative customer-centered marketing strategies that depend on deep knowledge of customers and their different values and needs without such investments. As we show (Srinivasan et al 2005), firms with the *will* (the nerve or culture), the *skill* (marketing and customer knowledge and the ability to turn that knowledge into strategy) and the *till* (resources to fund investments in a downturn) are amply rewarded both during and after the downturn. Why invest now? Think about cyclists in the Tour de France--the fittest and strongest don't attack on the flat or early in the race. They attack on the roughest, steepest, most grueling part of the course. Attacking then allows them to separate themselves from the weaker cyclists and provides them a return later on; they will lead or even win the race, having crushed the weaker riders.

Do you and your management need to be convinced that this is the best time to invest in customer knowledge and analytics? Just ask: "Do I really know what my customer base is currently and will be facing in these turbulent times?" If you plan to rely on your gut, remember that those gut instincts were formed in past, different and easier times. See Clancy and Krieg (2007) if you need to be convinced that "your gut is still not smarter than your head."

And who is going to conceptualize, develop and execute the innovative new strategies that emerge from Actions 1 and 2? The folks with the knowledge and skills forged in yesterday's markets with yesterday's data? Or those armed with the best concepts, knowledge and tools out there...those armed by your

Action 3. Investments in Training and Human Capital. This downturn will end. (It is not Armageddon, right?). And when it does, who will be left in your organization? Yes a downturn is a good time to harvest the dead wood...good firms use a downturn as an opportunity to ease marginal employees out.

But what signals are you sending to those you will need to lead the charge when the recession ends? One signal firms should not send (but often do, loud and clear) is that "you are not important to our future." And how do firms send that signal? By cutting back on or eliminating training and exec ed programs.

The reasons to invest in training and exec ed in good times are even more compelling in bad times: you want to equip your best people with the knowledge and tools they will need to separate your firm from the competition (to attack on the hills).

Let's suppose you cut exec ed and training. Two things happen, both bad. Your leaders and coaches are stuck with yesterday's tools and ideas (which needed an upgrade, even in good times). And by NOT investing in them, you are telling them that they are not critical to the future of the firm.

If they are really good, your competitors probably know and may try to hire them. Or, given the signal you have sent, they are likely to actively seek employment in a firm that does seem to value them (invests in them and their future skill set). So, by cutting training and exec ed you will be harvesting the live wood, just what you can't afford to do.

There are other things to think about in trying to successfully navigate these tough times, but I'll stop here with these three. If you fire the pigs, invest in customer information and marketing analytics and maintain investments in training and exec ed you and your firm will be healthier now and much better off when times improve. (Let's just hope I was right about this not being Armageddon.)

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