

Customer Relationship Management
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Lecture – 34
CRM in B2B Markets (Contd.)

Hello everybody, welcome to the NPTEL Swayam course on Customer Relationship Management. This is Dr. Swagato Chatterjee from VGSOM, IIT Kharagpur, who is taking this course. We are in week 6, and this is the 3rd video in week 6.

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And here, we will be discussing B2B in CRM. The first topic we will discuss is developments in the B2B market and then B2B in CRM. So, till now, in this particular week we have discussed that how,, what is B2B as B2B marketing; what are the characteristics of a B2B market; what are the various purchase decision making process in the B2B market; what are the various people who are influencers in B2B and what are the buying situations.

So, these are some of the things that we have discussed till now. In this, let's discuss about the developments in the B2B market, how the B2B market has changed over time.

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Why CRM becomes important in B2B?

- Rapid rise of e-commerce and electronic market led to better availability of demand and supply info
- Vendor comparison reports
- Auction websites
- Day to day trading
- Differential approach while buying low value vs high value products
- Lower vendor switching costs
- CRM integration to reduce lead time and long contracts

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So, one of the importance that CRM is important in the B2B market is the rapid rise of e-commerce and electronic markets which lead to better availability of demand and supply information.

So, I have a friend who used to study with me in IIT Kharagpur in my B.Tech days. He started a company called Blackbuck. Blackbuck is a company which creates the; which is an aggregator firm and it is a B2B aggregator firm, an aggregator firm of let's say, the trucks. The logistic services, the trucks, the mini trucks and etcetera.

So, this kind of business was not there at least around, let's say 5 years, 10 years back. This is the business or let's, Alibaba; Alibaba is a business which has come up, which is specifically focusing on B2B market; bulk wholesale purchases of various products and all over the world. And, you can export products from China to somewhere else or your this thing to somewhere else, your country to somewhere else and you can buy from other countries also.

So, that is what Alibaba this Alibaba is doing. So, both Blackbuck Alibaba I think moglix.com you can search for that, if I am not wrong. The names might be a little bit here and there. Moglix dot com, these are all companies who are doing this and why these kinds of companies are booming now?

Because of information availability, because of internet —Internet has absolutely broken, at certain point of time, this particular B2B business was very much personal relationship oriented. How

much I know you? You will get order if you are in that particular social zone. So that is why caste-based, religion-based, probably locality-based cartels or social networks were very strong, it is still very strong in India when we come to B2B marketing.

So, certain caste will give only orders to that caste only, that kind of or not only caste I am saying you know certain ethnic group will give orders to that ethnic group only. So that kind of idea was there, where there was lots of cohesiveness within those ethnic groups which were probably seen in the B2B context as well.

But things are shattering with the, with this ecommerce and electronic market coming up, because you are seeing that okay; obviously, there will be some kind of give and take kind of benefits that I get with a close knit network, but if, when I open the network with the internet accessibility and etcetera, I can actually cater to the huge market.

So, when the supplier, there was a let's say I buy from a certain supplier who is within my social network. If I get a hugely lesser price and better quality from some other supplier and that supplier is easily available, here I was more focusing on somebody who was my in my social network because there are certain reasons, because B2B is more relationship oriented.

I do not want to, as I told that the supplier and customer relationship is very strong and generally do not want to break. So, I do not want to switch from one supplier to another supplier, unless and until there is a huge need.

Now, if the price difference is very high or the quality difference is very high, though I might get certain post purchase service benefits from this person, I might still go for outside market. Similarly, these people see that okay, within my social network whoever is buying from me is my strategic customer. Because, whatever happens in my world this person has commitment towards me. So, I should also show commitment towards him.

But when internet comes up it is a huge market and the requirement of commitment is much lesser. So that is something that is coming up today. And exactly this is the situation, this ecommerce and electronic market is a situation which recently our government is trying to tap in the context of the farmers.

If it is regulated properly, if it is properly, if enough information is given both to the supplier and to the, and to the buyer, if both have information strength then this kind of mechanism will succeed a lot.

But what happens is, for farmers or let us say in a B2 -e-commerce context if you remember for, let us say drivers of Uber, Ola or let us say the delivery persons, sometimes they are not very tech savvy, they are not very educated, for in case of farmers let us say, they are not very, they do not have lots of bargaining power.

And when that happens, initial days they will get lots of benefits. Like, Uber drivers got, the delivery people got, but later if they do not have technical ability to understand the business properly then they face a problem. So, the so the learning the teaching of this people of this in case of B2C context, integrated business context, this restaurants or the delivery persons or the drivers. Or in this context where lots of debates are going on nowadays on this farmer bill, educating the farmers that how to do business in this kind of a situation is very crucial for success of this particular model. And that is why the CRM when you were, and who will take this responsibility. We always say that government will take this responsibility, but you have to understand that it is CRM context even the companies have to take the responsibility, who is buying from these guys. Let me give an example to you. So, Amazon is a, Amazon is a B2B market right, the relationship of Amazon with its a its a marketplace and its relationship with the people who are selling through the Amazon platform is B2B relationship right.

So, they are not buying sometimes, they are giving the platform services and they are getting a margin out of it or sometimes they are buying from them according from them and selling in the Amazons name only. So, there can be two kinds of models that can be created.

Now in the first model where they are only giving the platform, they are also coming up with advertisements benefits. They know that — that your sales will go up as you go up in the search order. If I search for let us say, N95 mask, if you come at the top of N95 mask in the search order then the chances that I will buy from you goes up.

So, now how will I come up in the search order? I am a N95 mask producer, I do not know how to create my platform, how to create my offerings, what kind of words has to be written, what kind of pictures has to be given, so that I come up at the top of the order.

So that learning is important. So, who will give that learning? Somebody has to give that learning. Now Amazon knows that if these people make better business, I will make better business because Amazon's margin consumes this people's better business. It is like you are good, I will take a certain part of that goodness . So, then Amazon will take initiative to actually connect to these people.

So, that is what Amazon is doing. Amazon is teaching them how to do SEO; search engine optimization in their search engine. Amazon is also teaching them how you can there are ads, like Google gives Google ads and etcetera where you can pay Google to get your sponsored positions in the Google search. Similarly, sponsored ads are coming up in Amazon context as well.

Now, Amazon is teaching these people that how you will be, what kind of ads has to be provided, when it has to be provided. So practically teaching a small firm how to do digital marketing in Amazon platform. Because if you do digital marketing the chances of you going up is higher.

So obviously, the more these people compete, the sellers compete with each other the prices come down and it gets a market which is more inclusive market availability goes up and blah blah blah, but you have to also understand that you have to educate these people. If you educate these people then only they can take advantage of the platform.

So, that is something that is Amazon is trying to do. And in a B2B e-commerce context in the new world development context, I think that all other B2B companies also should do that, they should educate their counterpart.

Because, if it is a B2B relationship that when I am buying from you and I have higher purchasing bargaining power and you have lower bargaining power and I only extract from you, keeping on keep on extracting from you, at some point of time I will lose you because you will not be in the business.

So, I have to help you sustain in the business. Your sustenance is important for me, to run my business, because then I will take the produce from you and then sell to somebody else right by modifying it and blah blah blah. So your, the sustenance of the supplier is important and that is why even in the e-commerce context, even if we are going outside of our social networks our commitment is less and blah blah blah blah.

CRM is important and one way of doing CRM is educating this, the suppliers, that is number 1. Number 2 is that a vendor comparison reports that are coming up, like Gartner. Gartner is a company which creates reports of vendors in BI, in data analytics and BI context. So, there are lots of BI tools that are available. Tableau is one BI tool. BI means business intelligence tools, dashboard tools.

So, Tableau is there, QlikView is there, power BI is there, some other companies will be there. SAP has their own dashboard; some other companies will have their own dashboard. So these are all the dashboards. And what Gartner does is actually rate these dashboards, position these

dashboards, say that which is good which is bad, that is being coming up then lots of companies I will. I am not sure whether that has come up, auction websites okay.

So, before I go to that, lots of companies which are also talking about situations where reviews are being posted; B2B reviews are being posted for software specifically.

You can go out and search, I forgot the name of the websites, but you can go for software reviews and you will see that you can see, normal users are putting their reviews.

Now, let's say I am a user of Microsoft Word or I am user of Power BI let us say so, I will go and write a review about Power BI, but Power BI I am not bought in a B2C context, I bought in a B2B context only, but I am putting review. So, B2B reviews are coming up, we have done. So, again for the academicians I would want to say, lots of research we have done in B2C review context you will go and see if you go and search in Google Scholar you will get lots of papers in B2C.

Currently in 2020, 23rd September, till now B2B review context research is pretty less, so you cannot probably focus on that. On the other hand, as I am trying to say that this is a new development that led to lots of reviews are coming up.

So, if customer reviews are coming up in the B2B context and you can compare softwares, you can compare tools, then that is also something which is important that creates, reduces the information asymmetry.

Auction websites are coming up, where you can do auctions like B2B purchases are happening in an auction based where you can actually put your products and anybody from the world can actually buy the product. Day to day trading is happening, every day trading kind of happening and different approaches while buying low value and high value products.

So, this is something is also happening; for low value products lots of space purchase decision making process is much simpler, for high value products is very much cumbersome and that difference is also very prominent in a, and that is why, because of all these things CRM becomes more important. You have to understand the business situation. You have to understand the threats, the opportunities in this business situation. And one way to get benefit out of that is to do CRM.

Lower vendor switching costs, that is also what makes CRM very much important-able. And CRM integration to reduce lead time and long contracts, that also makes CRM important.

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What are the successful CRM strategies? What kind of strategies that you can take? One is strong relationship that is the basic thing you have to create a strong relationship with your company. There is nothing to say here.

Proactively generate satisfaction, so it is not the ultimate satisfaction, it is a normal purchase decision making process and every step you have to keep them satisfied. So, it has to be a continuing satisfaction generating process, rather than the in satisfaction generating process.

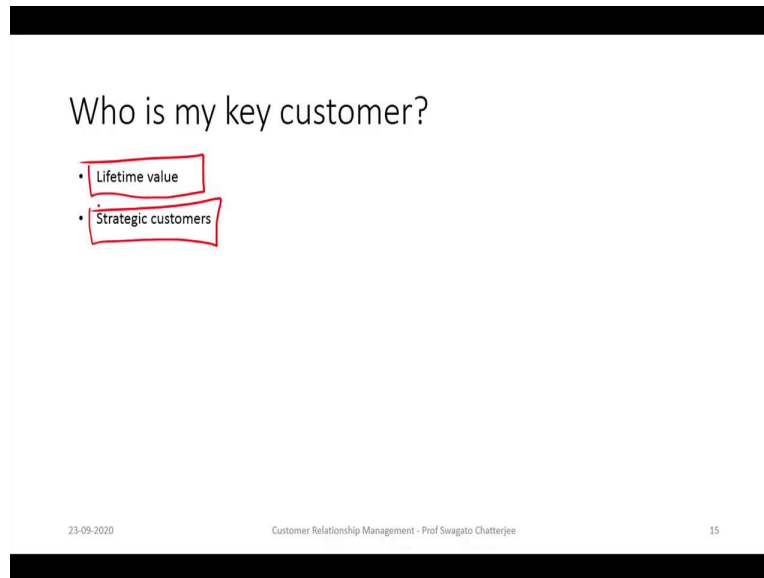
So, you are behaving very snobbishly and are you saying that okay my quality of product is very good so I will not go and contemplate with you I will not send my salesperson. Salesperson will show lots of attitude that will not work. Every stage you have to generate satisfaction and dissipate customers' needs. Integrate systems and this is where the IT part of CRM comes in.

We will discuss about that. The salesforce and etcetera comes in here. You have to integrate systems, you have to create a value proposition. And all of these things, all the 5 things that I am you I am saying you to prioritize, you have to find out. Because there will be less number of customers and high value customers.

These two are the basic strategies we have to specifically strategize, whom I should sell? Now, whom I should sell is a very difficult thing. Not always you sell to those people who give you lots of products. The strategic customer is not only those people who give you lots of orders. Also

those people who have a strategic relationship with you and I will come to an example regarding this.

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Who is my as, I was telling who is my key customer? One is my lifetime value customers who are in a longer period of time who will be profitable, and another is my I might have a strategic relationship with this customer. These are the two basic kinds of customer whom I should focus on.

I have to calculate B2B lifetime value. We have done that before, and other is I have to also think about the strategic customers. On the other hand, I will give an example that there is something called strategic supplier also in a B2B context. So, I know I have consulted with one printing agency, printing company; media company basically, which actually orders the paper rolls for printing.

So, they print lots of products in the paper and the paper quality has to be good. Now the paper that is available nearby, nearby to the factory where this printing happens; the local supplier, the paper quality is not that good. When you do the same thing, when you order the same thing from an international service provider, international supplier the quality is good, price is also high, but the quality is better.

So majorly, 70% of their thing they actually get it from the outside and 30% thing they get it from the local. Now, we ask that why do you buy it from local, because lots of tearing happens and etcetera. Why do you buy it from the local, why don't you just buy the international?

One, the price is more or less same, it is a little bit higher but more or less same. And your quality is much better if you see the print final print. One is much better than the other. Then why are you not buying everything from this?

So, they say that production costs and etcetera is not the major issue, major issue is the strategic decision, that tomorrow if tax goes up for paper importing paper or something happens with this particular country and there are lots of uncertainty in getting paper from international market. Anything can happen and that particular supply will stop, because this paper roll comes through port and from port through trucks and etcetera it reaches to this factory.

So, there can be a strike, there can be some some strike of the truck drivers, there can be some kind of problems in the importing, the import costs can go up, the company with which we have relationship can stop, the the country with which from which this particular papers are coming they might have a problem, they might start having a problem with India.

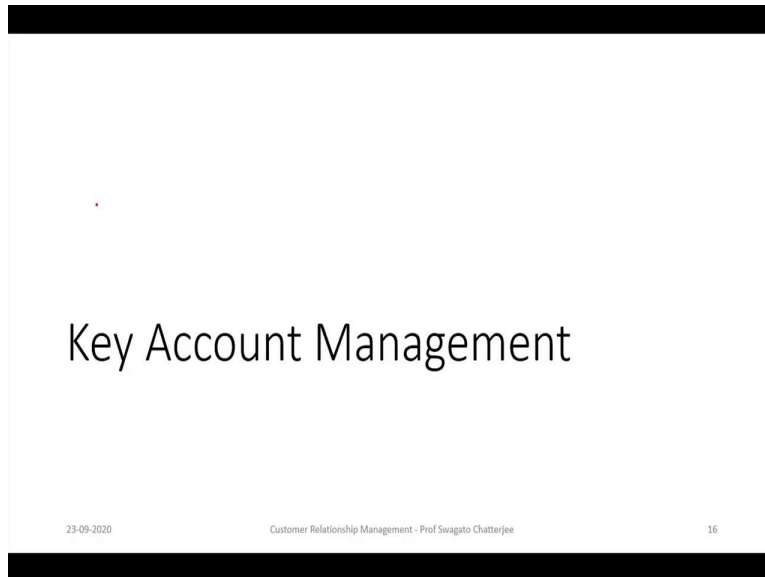
So there can be lots of problems which can happen, but if the paper supply stops the whole business of this particular company stops. So, paper supply is very crucial for them and it has to be, it has to be continuous. There should be no gap, so that is why we need a local supplier alive. Sustainance of a local supplier becomes important for this kind of a company to run their business.

And that is why by giving 30 % of their order to a local company which does not produce that quality of product they are just sustaining them, so that in a bad time these guys can help.

So, these are called strategic suppliers and that is also part of this business. You have to understand, that whether you are a strategic supplier or not. If you are a strategic supplier of some company, you have to try to become the primary supplier rather than a strategic supplier by improving your quality. Because you know, now if I improve my quality, they are ready to pay for that quality.

They are not getting the quality measure quality from me, that is why they have made me a strategic supplier not the major supplier, but if I can improve my quality they are ready to pay, sometimes pay more than the international supplier. Because, I give two things; not only the quality then, I also give assurance. I also give that okay I will be there to support you. So, that is something that this in the B2B relationship we can see.

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Then comes a term called key account management. This key account management is a very important term in a B2B CRM context, where we think that one particular business in an account. And, there can be multiple accounts with the same business. And there will be a manager who will handle the relationships related to that account. That account means it is a strategic business unit you can say what transaction happens.

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What is a key account?

- Accounts with strategic importance
- May be large or small
- May be national account and major account

KAM as a retention strategy

From transactional model to relational model

Key factors to consider

- Growth in profits and not growth in sales
- Characteristics of a key account ✓
- Cost vs contribution of a company ✓
- Impact of losing on key customer on bottom line

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So, what is a key account? Why these accounts with strategic importance, strategy importance might include monetary, long term monetary, short term monetary and other kinds of non-monetary important factors, all these things can come.

Like the one, that I just told is a strategy importance kind of a relationship. It can be large or small and can be maybe a national account and major account. So all these things are possible, but we define a key account.

Key account is basically an account which is a strategically important account. And, what are the factors to consider? So, you have to check that, whether growth in profits and not growth in sales. Growth in sales is not something that we are focusing on, growth in profit is something which we are focusing on to define somebody as a key account. So that is important.

Next is characteristics of the key account is something that you have to define. Characteristics of the key account is closed relationships, sometimes more forgiveness.

Let us say, you do something bad still they will say that okay okay. More participation in your business process, the customer can come in the supplier's business and say that okay you do these improvements, that improvement and then your process will be better.

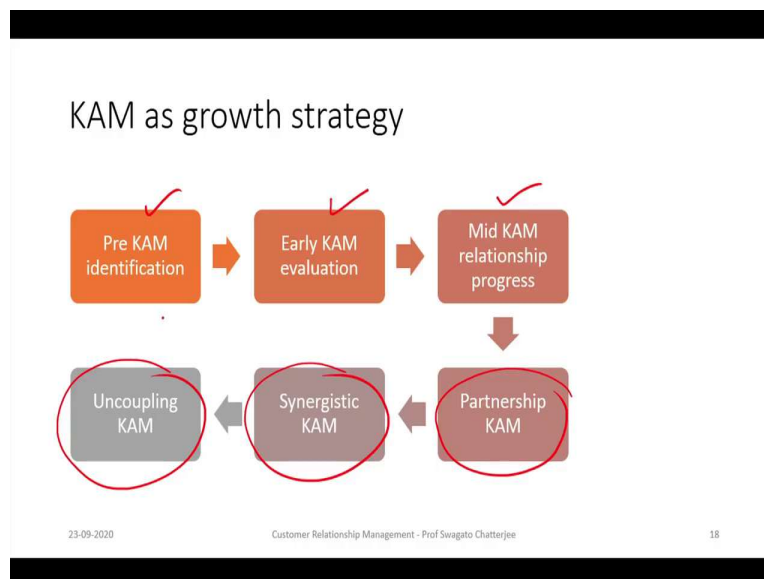
So, they because they have to keep this particular supplier alive sometimes they will come and poke their nose and make the improvements and vice versa. Sometimes if I want my customer to

get benefit from my services, I will give consultative selling; means, I will come to them, I will co-create the product with them, co-create the solutions with them which will benefit my customer. If it benefits my customer, which is a company then it will also benefit me. So that kind of case comes up. Cost versus contribution of a company; these two things have to be checked and impact of losing one key customer on bottom line, this becomes another important factor.

One customer might not be very profitable, but he is getting a huge number of orders and that is why because of economies of scale you are getting some profit, good amount of profit. If you lose them that profit goes. So, the impact of losing one customer on your bottom line because we are focusing on profits is something that you have to understand.

Key account management is basically the retention strategy to keep these key accounts. So, rather than focusing on the transactional model we are focusing on the relational model here.

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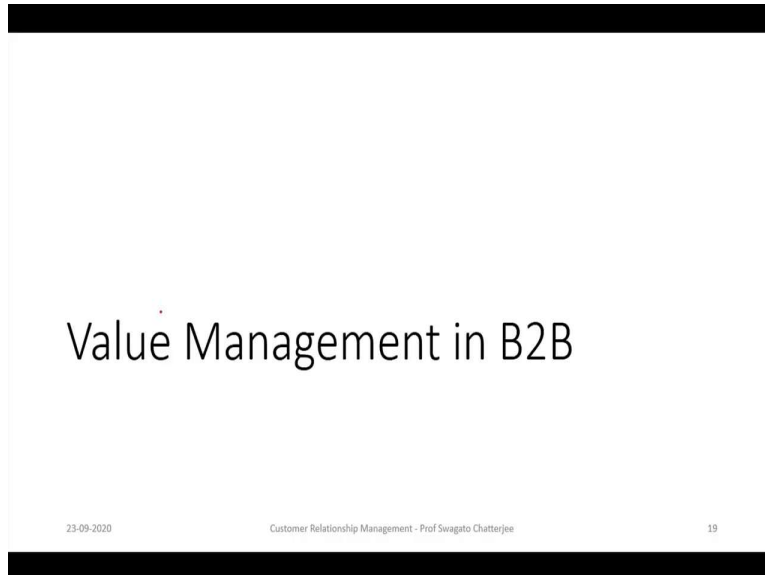


What are the steps? The first step is to identify who is my key account. Pre KAM identification; means, much earlier than it becoming the KAM key account management you have to identify that, what is the key, who are my key accounts. And then you have to evaluate what your management strategy is till now.

Then what is, what you do? You create the relationship and in the middle part of the relationship you again do a mid evaluation and then ultimately you create a partnership KAM, then a synergistic

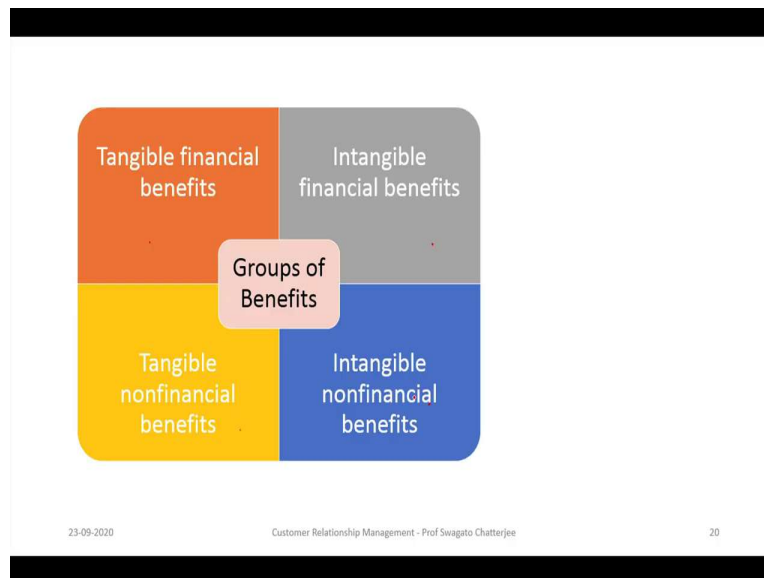
KAM and then an uncoupling means, you just leave aside. Means, you do a partnership you create a synergy and slowly come out of that later point of time when you lose this business, you have to you have to slowly come out of this business.

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So, that is the growth strategy for KAM that we generally adopt. Next part that I want to discuss is called value management in B2B.

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So, we have discussed what is value before, but in the B2B context values are of different types. There are tangible benefits, there are intangible benefits and then there are financial and non financial benefits. So, based on that tangible, financial tangible, non financial, intangible, financial and intangible, non financial, all gets created.

Now, let me give an example of how these kinds of benefits are important. So, we did a study for a major beverage company in India, where we wanted to find out that there are lots of retailers who will be selling; retailers are B2B relationships. From the, let's say if I Paper Boat. Let's say and Paper Boat is getting sold in various retail shops. So, retail shops are basically have a B2B relationship with Paper Boat.

So, the example that I am taking is not with Paper Boat, but I am using Paper Boat as a name just that. This example is not about Paper Boat, but let's say Paper Boat has a relationship and Paper Boat wants to find out that, what are the various aspects based on which my retailers will sell my product rather than my competitors product. The retailer can sell both products, no? Retailers have retail space, they can put Paper Boats competitors products.

Let's say, Real Juice and these and that at the front and Paper Boat, at the back they can do that they can probably put Real Juice and Tropicana or put Tropicana and not Real Juice or something else or they can say that, whenever a juice comes somebody ask and say that we do you have fruit juice?

They can say okay, I have fruit juice and show a packet and that packet can be either Real Juice or Tropicana or Paper Boat, or if it is a bigger retail store then at a certain strategic position where more people actually go and pick up or more people can see in the eye level of the people you can put the brands of Tropicana versus Paper Boat versus Real Juice and whichever is not favored can be put downwards all of these things retailer can do.

So, you have to create a good relationship with the retailer. So, that they actually have a key account relationship or value they get value from you. So, what kind of things? One is margin. One thing, one basic thing that you give is a tangible financial benefit and how much monetary benefit that you give.

Another intangible monetary benefit that you can give is let's say some kind of let's say quick replacement or let's say some kind of credit facility. These are intangible you do not get it, this you cannot touch it. Let's say a longer credit period. It's a financial benefit but intangible. The hard money that you get is a tangible financial benefit.

Credit facilities, certain investments on their marketing facilities and etcetera are intangible financial benefits. Then there can be tangible and intangible non financial benefits as well. For example, what is a tangible non financial benefit? You can give, rather than giving them money rather than giving them the exact hardcore money, you can do let us say certain kind of put ads there. Put ads in the retail store, let's say. Or you can give discounts to the customer which increases the footfall.

So, for this particular person it is not a financial benefit. It is a non financial benefit, but tangible. On the other end, intangible non financial benefits is like let's say, you have given a free trip to somewhere or you can give lots of services, better services, quick calls in any product failure, product problems happen, you quickly change that. So all of these kinds of benefits can be created. All of these kinds of benefits together creates the value

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Value = Benefits - Costs (other than price)
 $V_f = B_f - C_f$

V_f - Value of the Offering by firm f ,
 B_f - Benefits of the offering by firm f , and
 C_f - Costs incurred by the customer firm in obtaining the desired benefits

Customer Incentive to Buy (CIB) = Value - Price

$CIB_f = V_f - P_f$
 $CIB_f > CIB_a$ (CIB for the Alternative)
 $(V_f - P_f) > (V_a - P_a)$

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And the value minus cost is ultimately what creates the benefit, and based on these benefits the retailer will choose or the B2B customer will choose whom they will have a close relationship with and whom they will not have a close relationship.


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The Benefit Stack and the Decision-Maker Stack

You can effectively communicate the value of your offerings by linking the benefits to the executives who desire them. You must make each manager aware of all the benefits you've offered others, because in business markets, purchase decisions are often made jointly. (For illustration, only some of the links are shown.)

	TYPICAL CUSTOMER BENEFITS OFFERED	TYPICAL PURCHASE TEAM MEMBERS
Least important	Highly competitive prices and quality	Warehouse manager
	Manufacturing plants on four continents	Purchase manager
	Internet-based order placement, tracking, and billing system	Logistics officer ✓
	24/7 customer response facility with radio links to trucks	Maintenance manager
	Customized manufacture and delivery of products to meet plant's daily needs	Factory manager
	Willingness to handle changes in customer needs with 12 hour notice	Chief marketing officer
	Sunday, holiday, and 24/7 delivery, when required	CFO ✓
	Just-in-time delivery	Supply chain head ✓
Most important		CEO (on occasion) ✓
	SELLER	BUYER

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And what are the different kinds of decision maker stack in this value based? For example, higher competitive price and quality you generally connect with supply chain heads; COO, CEO. On the other hand, just in time delivery you try to connect with the logistic officer, the CFO, the supply chain head and the CEO.

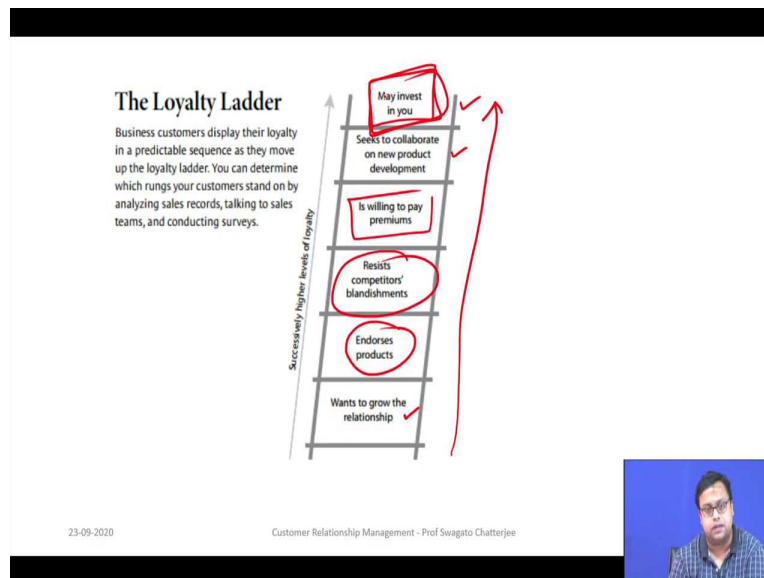
So, for various problems, various kinds of people will be the connecting people. And that these guys should be in sync and there should be they should be ordered in a less important to high important stack, and based on that various people should be connecting with various problems in the B2B context.

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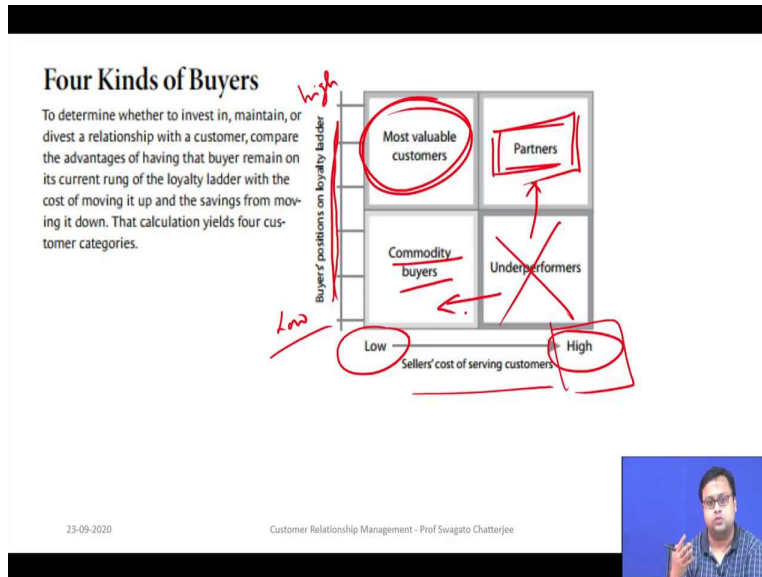
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And then what kind of loyalty management strategies can you take? There is something called a loyalty ladder. Loyalty ladder means, the first step is wanting to grow the relationship, second is this guy endorses your product.

They resist competitors, blind dispense means competitive strategies, willing to pay a premium to you, they are ready to pay more to you. Seeks to collaborate and create a product with you and then may invest in you. That is the last highest amount of relationships. So this is the loyalty ladder and you want to put your customer as high as possible in that ladder. You have to push them high.

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And there are various kinds of buyers that we see. So, one is based on the seller's cost on serving customers low and high. And there are buyers positions on loyalty ladder, so low and high.

So, if the buyer is high in loyalty, and the cost of serving that buyer is low, they are the most valuable customers. But if the cost of serving that customer is high, but they are loyal to us they are basically meant partners. They will take the profit share also with us.

But on the other hand, if the loyalty is low and the serving cost is low, there are commodity buyers, they will buy it as a commodity. And if the loyalty is low and the serving cost is high, we will probably not focus on this kind of customer. We want to move this kind of customers either to here or to here, any one of them.

So, that is the four different kinds of customers that we can define based on cost to serve them and their loyalty towards us. So, we have to try to do the shift from underperformers to any of these other three quadrants.

So, that is all from my side based on the B2B customer relationship management. And in the next two videos, we will discuss about two studies; one is a published paper, another will be published in some time, how CRM strategies can be taken in B2B.

And as I said that how certain customer behavior, I mean B2C kind of aspects some behavioral aspects can also be brought in in the B2B customer situations. So, we will discuss about that in the next videos.

Thank you for being with me. See you in the next video.