



CREATING BETTER B2B
CUSTOMER EXPERIENCES

CREATING BETTER B2B CUSTOMER EXPERIENCES

THE OVERLOOKED DIFFERENTIATOR

By Professor Wolfgang Ulaga and Professor Stefan Michel – March 2014

IMD
Chemin de Bellerive 23
PO Box 915,
CH-1001 Lausanne
Switzerland

Tel: +41 21 618 01 11
Fax: +41 21 618 07 07
info@imd.org
www.imd.org

B2B companies fighting to maintain and grow their profits in an increasingly competitive market tend to focus on what they have to sell, and the price at which they sell it. They end up competing head-to-head on their product's features, sacrificing their profit margins just so they can get the next deal.

But there is another option: creating differentiation through a superior customer experience. Our research with many world-leading B2B companies, big and small, suggests that offering a better customer experience than the competition is an extremely effective differentiator, yet it is one that is largely overlooked.

We have developed a five-stage process to help companies that want to create and execute better customer experiences:

- Set the stage: Identify your ideal customer.
- Dive deep: Understand what your customers want. This should incorporate both organizational demands and the needs of the individual leaders within it.
- Design the experience: Co-create an outstanding customer journey.
- Deliver your promise: Bring your plans to life.
- Monitor and improve: Include customer experience measures on the company's dashboard.

In this article we will focus on the fourth of these stages: turning plans into reality. Once the company has gained a deep understanding of what its business customers really need, identified the core customer experience drivers it must emphasize, and laid out a clear roadmap of what the customer experience should look like, it must move to the next critical step in managing customer journeys: delivering its promise and bringing the customer experience to life.

Many industrial companies find that the most difficult aspect of this stage is striking a balance between providing customers with exactly what they need, and keeping one's own costs under control. Take the example of one international logistics provider that we worked with. This firm had regional offices around the globe and prided itself on being customer centric; it was always bending over backwards to ensure that customers were satisfied with its freight forwarding services. After several years of stellar growth, and aggressively eating into competitors' market shares, the company found that its profit margins were deteriorating. Catering to every single customer requirement and adjusting to frequent last-minute changes to get the job done took their toll on the regional offices' service-delivery costs.

To deliver outstanding customer experiences profitably, B2B firms must learn how to build what we call the "customer experience factory." Industrial companies navigate in familiar waters when it comes to manufacturing goods. But when it comes to providing customer experiences, more often than not, they forget about some of the most generic production principles. By overly customizing every single step of each client's experience, they end up spending far too much on delivery. Very often they will then overreact by cutting back on what they do for customers, leading to a vicious circle of customer dissatisfaction with the experience – and yet more costs for the company to bear.

Industrial vendors that wish to avoid this sort of downward spiral must be clear about which elements of the customer experience they will customize, and which aspects they can standardize. Similarly, B2B companies must constantly search for the right balance that allows them to deliver exactly the experience that their customers need without either over-serving or under-serving their needs.

But this is also an opportunity for firms to challenge some common but incorrect beliefs about the costs of delivering a better customer experience. The conventional wisdom has it that creating and delivering a new and improved customer journey will always result in increased costs for the supplier, but our experience with companies across a wide variety of industries has shown that this is not always true. Indeed, in some cases it can actually reduce costs.

Take Châteauform, a European provider of venues and meeting facilities for conferences, seminars, and training sessions. The company has managed to differentiate itself from its competitors by focusing on creating a better experience for its corporate customers while still saving costs. Its open bar policy is one good example: conference visitors rave about it, seeing it as a great addition of value, but Châteauform actually saves money by not having to hire a bartender or pay the costs of TVs and mini bars.

Finally, B2B firms need to make sure that their own internal departments work together smoothly to create a seamless customer experience. Yet, more often than not, departments focus on optimizing their own internal processes and performance metrics, even though this can harm the customer experience. Therefore, when designing customer journeys, the company must also work out how to cut across internal silos and overcome organizational barriers, for example by bridging incompatible legacy IT systems and aligning internal performance indicators for creating a holistic customer experience.

Wolfgang Ulaga is professor of B2B marketing and strategy at IMD. He directs the Strategic Marketing in Action (SMA) program and teaches in several of IMD's other open programs, including Advanced Strategic Management (ASM), Foundations for Business Leadership (FBL), and Orchestrating Winning Performance (OWP).

Stefan Michel is professor of marketing at IMD and directs IMD's EMBA program.

This article is an edited extract from Better B2B Customer Experiences: The Next Source of Differentiation, published in HBR China, February 2014.

Related Programs



STRATEGIC MARKETING IN ACTION - <http://www.imd.org/sma>

Winning in tough markets

Program Director: Wolfgang Ulaga

- Boost your strategic thinking about the evolving competitive landscape and understand how to create and capture more value
- Gain insights into drivers of customer value, behavior and choice and align different stakeholders to improve customer satisfaction and loyalty
- Co-create outstanding customer experiences: improve them, differentiate them and take them “from good to great”
- Meet the challenge of driving change as a marketer, make critical decisions and follow through with execution



D U A L E X E C U T I V E M B A

THE IMD-CKGSB DUAL EXECUTIVE MBA



EXECUTIVE MBA - <http://www.imd.org/emba>

Never stop learning

Program Director: Stefan Michel

- A rigorous, diverse and global program for experienced executives
- Sharpen your leadership skills, drive your learning into your company and fulfill your potential
- An execution-oriented program that focuses on turning ideas into action
- Thought leadership that you can put to use right away: earn a world-class MBA on the job