••• business-to-business research

‘Better to be vaguely right than precisely wrong’

What B2C can learn from B2B

| By Gerry Katz

snapshot

After decades working in both realms, Gerry Katz reflects on the differences between B2B and B2C research and explores some lessons B2B MR offers B2C researchers.

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My career in market research began in 1972 and, like almost all market researchers, most of my clients in those first 10 years were manufacturers of consumer packaged goods (CPGs) – Colgate-Palmolive, Procter & Gamble, Bristol-Myers, etc. Although the business world hadn’t yet invented the term, today we call them B2C firms, i.e., business-to-consumer companies. What this meant was that my entire view of marketing and market research was framed by a world in which products were purchased, consumed and repurchased by individual consumers in a classic retail environment such as a supermarket, a drug store or a discount retailer. And in such a world, all products are mass-marketed using advertising, promotion, couponing and in-store displays.[1]

Although I didn’t fully grasp it back then, for a market researcher, that world had some wonderful characteristics:

- We operated in a data-rich environment. Although it was trivial compared with today’s big data, we could break down sales by individual SKU, geographic region and time period. And although it wasn’t easy, we could often relate changes in sales volume to specific marketing actions along similar lines. Over time, with the advent of panels, the data became even more detailed, to the point where today, we can often track the behavior of individual consumers.
- For most products, there were an almost limitless number of consumers, enabling market research to almost always be conducted with large sample sizes at acceptable costs.
- Because of this, we relied mostly on quantitative research. And because there was now sufficient computing power available – both hardware and software – the use of multivariate statistics such as regression, factor analysis, cluster analysis and multidi-

mensional scaling was now practical.[2]

- And when it came to concept or product testing, it was relatively easy and inexpensive to make up product prototypes. We could easily show respondents a concept board, a drawing or even a rough advertisement. And if we wanted to place the product, it was usually quite feasible to make up a few hundred units of a new soup, laundry detergent or shampoo.

Changed quite dramatically

But in the 30 years since that time, my world changed quite dramatically as I turned my attention to consumer durables such as lawnmowers and consumer electronics and to business-to-business products and services. These include things like commercial-industrial products, medical devices, business services and high-tech products and services.

The world of B2B has had to contend with a very different environment and a very different set of problems. And as they have learned to deal with them, there are now some valuable lessons that they are in a position to share with B2C companies.

It took me a few years to get a really complete understanding of how the world of business-to-business products and services is different from B2C. Up until the total quality management (TQM) era in the late 1980s and early 1990s, these types of B2B companies rarely did any market research at all. I can recall a conversation with a former engineer from Dow Chemical in the early 1980s in which he explained that he was the entire market research function at Dow, with a total annual budget of $125,000. And $80,000 of that budget was earmarked for one of the (then) Big Eight accounting firms, who provided a service in which they collected sales data from all of the major chemical manufacturers in confidence, just so that each of them would know their market share.

Here are a few of the biggest contrasts:

First, there is almost always a much smaller universe of potential customers to interview. And often, they have been seriously over-researched to the point where it is difficult to get their cooperation. For instance, in a project on implantable defibrillators, which are surgically placed into the body by a narrow physician specialist called an electrophysiologist, I learned that there are only 1,800 of these specialists in the United States. All of them are extremely busy, highly-paid people and most of them are quite tired of participating in market research. So if you want their participation, you're going to have to pay them handsomely. Even worse, for some products, e.g., oil and gas exploration, there may be as few as 25-100 potential customers in the world.

Second, defining who the customer is is usually far more complicated, requiring a complex sample design and set of screening criteria. Instead of demographics, which are pretty straightforward, we're going to need to deal with company characteristics (firmographics). And instead of just two roles – purchaser and consumer, who are often the same person – we're going to have to deal with multiple functions (sales, marketing, engineering, quality, manufacturing, technical support, etc.) on many different levels of the organization (executives, managers and workers) and in many parts of the supply chain (direct sales, captive distributor sales and independent distributor sales). And within each of these, there may be many different roles: decision-makers, specifiers, influencers and end-users.

What this implies is that it's going to be a lot harder and more expensive to recruit respondents for market research. There do exist online panels for some of these populations but the quality is usually quite poor. And, unlike with consumer panels, few people actually choose to opt in. Finding lists is often difficult and expensive and most do not include phone numbers or e-mail addresses. This means that recruiting is just about as hard as prospecting for new customers, itself a difficult and often thankless task.

Even if you can find the respondents, any kind of interviewing typically requires a much higher-level individual to conduct them. For instance, it often demands a certain degree of professionalism, an understanding of many different kinds of businesses and the ability to understand and deal with complex technology and terminology. The kinds of people we routinely use for quantitative telephone surveys, e.g., students and part-timers, are often out of the question for B2B.

In short, this implies that we are going to have to learn to deal with much smaller sample sizes than we are used to in B2C. And this in turn will limit our ability to use statistics. Even much of the easy stuff such as significance testing often becomes impossible or impractical.

A few additional observations about the differences between B2B and B2C:

When it comes to understanding customer needs, we find it useful to look for both functional needs and emotional needs. And with almost any product or service, we find lots of both. However, we have long observed that in the world of B2C, the emotional needs tend to dominate, while in B2B, it's the functional needs that dominate. While many customers are able to clearly articulate their functional needs, some ethnographic observation is usually quite helpful. Unfortunately, there are often many more obstacles to conducting ethnography in B2B. For instance, hospitals are required to adhere to the HIPAA laws and most have their own patient's bill of rights to maintain patient privacy, respect and dignity. Of course, any product that is used for defense purposes is likely to require a higher level of security and may even require a government security clearance – in addition to the usual need to guard a company's trade secrets and strategic plans.

When it comes to concept testing, the B2C companies can present their concepts by simulating the kind of mass-marketing they will eventually use when they launch the product – animatic storyboards of video advertisements, print advertisements, Web site wireframes, mockup displays, etc. But in B2B, a sales rep is usually required to present and explain the product and to answer customer questions. So, in B2B research, the researcher must often simulate the role of the sales rep, adding a new kind of variability into the research.

And when it comes to prototype testing, the CPG companies usually have far fewer obstacles. They can make up small batches of the product for in-home testing at trivial cost. But not so for most consumer durables or B2B products. For engineered products such as cars, electronic products such as aviation control systems and technology-laden products such as medical devices, the cost can often be prohibitive, not to mention the regulatory requirements before testing such products on humans.

Learned many lessons

After living and working in this very different world, we've learned many lessons and found good ways to deal with most of these problems:

Perhaps the most important lesson – and biggest surprise – is that **small sample sizes are often OK.** As market researchers, the notion of precision and projectability are constantly drummed into our heads just as musicians are taught that, when it comes to playing in tune, "almost right is wrong." However, Professor Len Lodish of The Wharton School, one of my mentors and former colleagues, has long asserted that, "It is better to be vaguely right than precisely wrong." Indeed, in many areas of B2B marketing and new product development, precision is a luxury that we can get by without. Separating various measures such as importance and satisfaction into high, medium and low is often sufficient.

Looming over all of this is the empirical finding by Abbie Griffin and John Hauser in their 1993 paper[3] that 20 to 30 qualitative interviews is usually sufficient for identifying customer wants and needs. And as practitioners, we have found that, even in highly complex, highly segmented markets, we rarely need to go above 40 interviews unless we are talking about a massive global study in which we are forced to deal with many different languages.

Because of the impracticality of conducting large sample-size quantitative research, **we've had to rely more often on qualitative research.** As a primarily quantitative researcher, I found this to be almost insulting, as I had been quietly dismissive of focus groups and individual depth interviews for much of the early part of my career. But what I've learned is that good qualitative research often proves to be even more powerful than quantitative, providing far-superior insights for both product development and marketing. The PDMA's longitudinal CPAS study[4] has shown this to be true for many years now.

In many, many cases, **we can (and should) forget about statistical significance.** (For all of you quant researchers, please don't stop reading just yet!) Every researcher who has ever presented the results of a study has been asked, "Is that statistically significant?" (Of course, we researchers know that there are only two possible answers: "Yes" or "It's directional"!) One of my biggest pet peeves is that so many marketers focus too much on subtle differences between subgroups and lose sight of the overall. For instance, if sound quality in a movie theater is somewhat more important to men than it is to women but is still quite important to both, that latter fact to me is a more significant finding than the fact that bathroom cleanliness is far more important to women than it is to men but is less important to both. In short, companies should focus on the big stuff first and the (often subtle) differences second.

The concept of statistical significance is so often misunderstood. If we compare a measurement between Groups A and B and find that A is higher than B, all that a significance test is telling us is whether that difference is real or is a result of sampling error. And, depending on the significance level being used – usually 90 percent, 95 percent or 98 percent – it tells us the probability that, in fact, B might be higher than A – 10 percent, 5 percent or 2 percent. No matter which of these levels we use, the odds are pretty good that A really IS higher than B. If your research objective is precise forecasting or trying to prove a new drug's superior efficacy versus an existing drug, then a high degree of precision is absolutely required. But for most routine business decisions, we can rarely achieve this level of precision, no matter what we do. This is even more so for B2B products. And that is okay.

It's okay to reuse respondents. Good research practice argues that we should always seek out "fresh" respondents for market research, fearing that "professional" respondents are just doing it for the money and prizes and won't be objective. While this may be true, we often don't have the luxury of finding so-called fresh respondents in B2B. But what I have found is that serious, thoughtful research conducted with serious, thoughtful respondents almost always produces serious, thoughtful results. Therefore, going back to the good respondents for subsequent phases or subsequent studies is fine. In fact, people are often flattered that you want to learn more about their thoughts and opinions.

In recent years, the use of social media has become critical in the world of B2C. However, **social media usage appears to be moving much more slowly in B2B.** For instance, there are literally millions of dog owners who go online to talk about how they care for their dogs and what dog ownership means to them. They share their thoughts about dog-related products and services quite freely and ask for no remuneration in return. But plant managers, high-level executives and physicians don't have the time to do this and, even if they did, would probably be reluctant to do so for fear of leaking intellectual property or confidential information.

But in many ways, this is a case of "less is more." The problem for B2C companies is that the amount of content on social media is often overwhelming, forcing them to use artificial intelligence-based text analysis software to glean information. While the software is clearly getting better over time, most companies still do little more than to track positive versus negative sentiment about their products. Most of the people I've spoken to about their use of social media say that to glean really good information still requires human eyes and that means that we are forced to pick and choose from a very small part of the available content. For most B2B companies, the fact that the content is so limited means that they can follow most if not all of it.

In order to maintain some control over the content, many B2C companies have long maintained their own online communities. And some B2B companies have now done the same. For instance, Caterpillar has its own discussion group right on its Web site. Caterpillar owners share tips and ask questions of one another, while the company follows the discussion and occasionally chimes in with its own thoughts. Even B2B companies with smaller, higher-level types of customers can create their own form of social media. They may have to incentivize people for their participation and the group may only be intended to last for a short time (perhaps a few days or a few weeks) but the results can be highly useful.

In our experience, the best use of social media in market research (as opposed to marketing) is that it gives us clues about what people are thinking and talking about – information that helps us to write better qualitative discussion guides and quantitative surveys, i.e., what to ask them about. And although there are still some disadvantages compared to traditional qualitative interviews for gathering voice of the customer needs, we can often infer needs from user-generated content at much lower cost, meaning that we can rely on fewer traditional interviews. Yes, these processes still require human eyes to read through the content. But taken together, we are usually able to achieve even better quality in less time and at lower cost.

Similarly, the use of big data has allowed B2C companies to revolutionize the way they market their products. It allows them to individualize their marketing based on information about individual customers: what they search on and what they buy. In the world of B2B, this is precisely what good sales reps try to do – to individualize their messaging, their behavior and the products and services they recommend or promote. So far, there is usually not much big data to go on but the concept of micro-marketing has always been part of the discussion. If and when big data becomes available in the world of B2B, then perhaps the B2C companies will be the ones who provide the best lessons.

No longer in the wilderness

To be sure, B2C companies still lead the way in terms of the sophistication they bring to the table in terms of marketing and market research. This will probably always be so. However, B2B companies are no longer in the wilderness. And in fact, they've learned a few things that B2C companies ought to pay attention to.

REFERENCES

[1]Of course, in addition to the end consumer, there certainly was a direct customer: the retailer. But we paid little attention to them back then, because all of the power was held by the CPG companies themselves and the retailers usually did their bidding. That power dynamic has completely reversed over the past few decades to the point where today, much more attention is paid to this part of the supply chain which is, in essence, a B2B relationship.

[2]I've always found it ironic that, while the mathematics of least-squares has been around for hundreds of years, it only became practical to actually perform in the last 50 or so with the advent of digital computers.

[3]Griffin, Abbie, and John R. Hauser. 1993. "The voice of the customer." *Marketing Science* 12, 1, Winter: 1-27.

[4]Published by the PDMA Foundation in 2004 and 2012. For details, visit www.pdma.org

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