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Do you really understand how your business customers buy?

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B2B purchasing decisions increasingly trace complex journeys, challenging the long-standing practices of many sales organizations.

The CEO of a major supplier to the telecom industry was frustrated. An initiative to increase sales volumes and shift the company's product mix to higher-value components was stalling, and not for lack of effort. With support from a marketing campaign that emphasized a slew of new product features, frontline sales managers had stepped up calls to their purchasing contacts at OEM customers. Yet they reported that buyers weren't buying. Impediments appeared to include tough new requirements from chief purchasing officers, negative chatter on social media about postsales support, and skeptical questions on a product-rating site about an offering's fully loaded costs.

Welcome to the new dynamics of B2B sales. Decision-making authority for purchases is slipping away from individuals in familiar roles—often those with whom B2B sales teams have long-standing relationships. Just as the digital revolution has transformed once-predictable consumer purchasing paths into a more circular pattern of touchpoints, so too business-to-business selling has become less linear as customers research, evaluate, select, and share experiences about products. More people within (and, thanks to digital engagement, even outside) the organization are playing pivotal roles in sizing up offerings, so the path to closing sales has become more complicated.

The best response is to embrace the new environment. Sellers who are ready to meet customers at different points on their journeys will exploit digital tools more fully, allocate sales and marketing resources more successfully, and stimulate collaboration between these two functions, thereby helping to win over reluctant buyers. Our experience with upward of 100 B2B sales organizations suggests that while the change required is significant, so are the benefits: an up to 20 percent increase in customer leads, 10 percent growth in first-time customers, and a speedup of as much as 20 percent in the time that elapses between qualifying a lead and closing a deal.

The consumerization of business buying

Marketers have long drawn a bright line between consumer shoppers and business purchasers. Consumers, after all, care deeply about brands and are more readily influenced by advertising, media messages, special deals, and coupons. In addition, they often turn to friends and family for advice on what they are buying, are susceptible to impulse shopping, and can switch from one brand to the next with little cost.[1] Business purchasers, by contrast, do a lot of research, look carefully at specifications, follow a formal buying or procurement process, can experience high switching costs, and usually worry most about functionality.

Yet an explosion of communication vehicles and interaction channels has ratcheted up the expectations of business purchasers. Many more influencers and decision makers are now involved in the purchasing process, and business buyers too have been shaped by their consumer shopping experience. As a result, their behavior has become more consumer-like. There is no longer such a thing as a simple cold call: customers expect a sales rep to be extremely knowledgeable about their business and perhaps even their own individual profile—at least if the purchaser is a millennial who has grown up sharing his or her life online. In other respects, as well, the purchasing process is becoming more fluid.

More social. Business customers are exposed to the same dynamics of peer-to-peer networks and opinions that influence individual

[1] See David Court, Dave Elzinga, Susan Mulder, and Ole Jørgen Vetvik, "The consumer decision journey," *McKinsey Quarterly*, June 2009, mckinsey.com.

consumers. The equivalent of Facebook's "like" button also applies to B2B sales. Many of the one-to-one relationships with key decision makers that sales executives historically relied on to close sales are shifting to one-to-many relationships. Moreover, the actions of important influencers (including senior executives) in the purchasing process are often less visible to suppliers. Customers may be "liking" or "not liking" a prospective offer long before the sales rep has even presented it. For example, an expert blogger with a wide following among, say, electrical engineers can shift perceptions of which supplier has the best next-generation networking equipment. Or a speaker at a trade show—her message amplified by her listeners through digital channels—may have an outsized impact on a CEO's perceptions of market trends and their implications for different B2B suppliers.

More real-time. Flows of digital information have further democratized business procurement. Our research indicates nearly 50 percent of all B2B purchases will be made on digital platforms by the end of 2015, and expenditures for B2B digital advertising are expected to double by 2018. Empowered purchasers increasingly demand real-time digital interactions supported by tools such as product configurators and price calculators. And they are doing all this while texting, e-mailing, and talking regularly with on-the-ground sales teams, distributors, behind-the-scenes inside sales groups, customer-service call centers, and technical reps. Our research shows that, on average, a B2B customer will regularly use six different interaction channels throughout the decision journey, and almost 65 percent will come away from it frustrated by inconsistent experiences.

More modular. The game also is changing for closing deals with requests for proposals (RFPs). At one company, operations executives were looking to improve process efficiencies and assure better after-sales service. To increase their options, they overrode the purchasing department by requiring six rather than three bids for a product. They also demanded modular RFPs, so cross-functional teams could examine an offer's details, such as service and financing. With so many gateways of influence, our research not surprisingly shows, two-thirds of B2B deals are lost before a formal RFP process even begins.

Beyond the sales funnel

These dynamics are undermining the traditional sales approach of pushing products to customers along a linear funnel comprising lead generation, lead qualification, proposal, negotiation, and close. In that world, funnel metrics kept track of what the sales force was up to and tallied daily win rates. The problem is that many of today's customers no longer buy this way. Nor does the tracking approach shed much light on what drives purchases or cements loyalty.

The proliferation of decision influencers—along with the growing amount of data about them and their behavior—reverses the funnel logic. It's now possible to follow the lead of customers rather than force them to follow the sales organization. Armed with state-of-the-art information, suppliers often find new buying patterns that defy well-trod linear paths (exhibit).

Although challenging, this world of 24/7 multichannel customer experiences creates additional opportunities to influence purchases. More complex interactions reflect strands of customer behavior—previously hidden—that companies can evaluate using big data and analytics. Those proprietary insights, in turn, can form the basis of much more targeted sales actions.

Three priorities for reshaping the sales organization

B2B companies across industries are moving toward journey-based sales strategies. We've seen success among organizations as varied as industrial-equipment manufacturers, software firms, professional-services firms, telecom providers, and basic-materials companies. Three actions are decisive:

- charting decision journeys by customer segment and drilling down on customer expectations and needs at each stage of the journey

- tackling the difficult process of reallocating sales and marketing resources to the activities most likely to influence decisions

- changing organizational structures to ramp up collaboration between marketing and sales

As B2B executives in marketing and sales organizations push ahead with these moves, they will also need to reach across the enterprise and sharpen the customer focus in every business unit and function.[2]

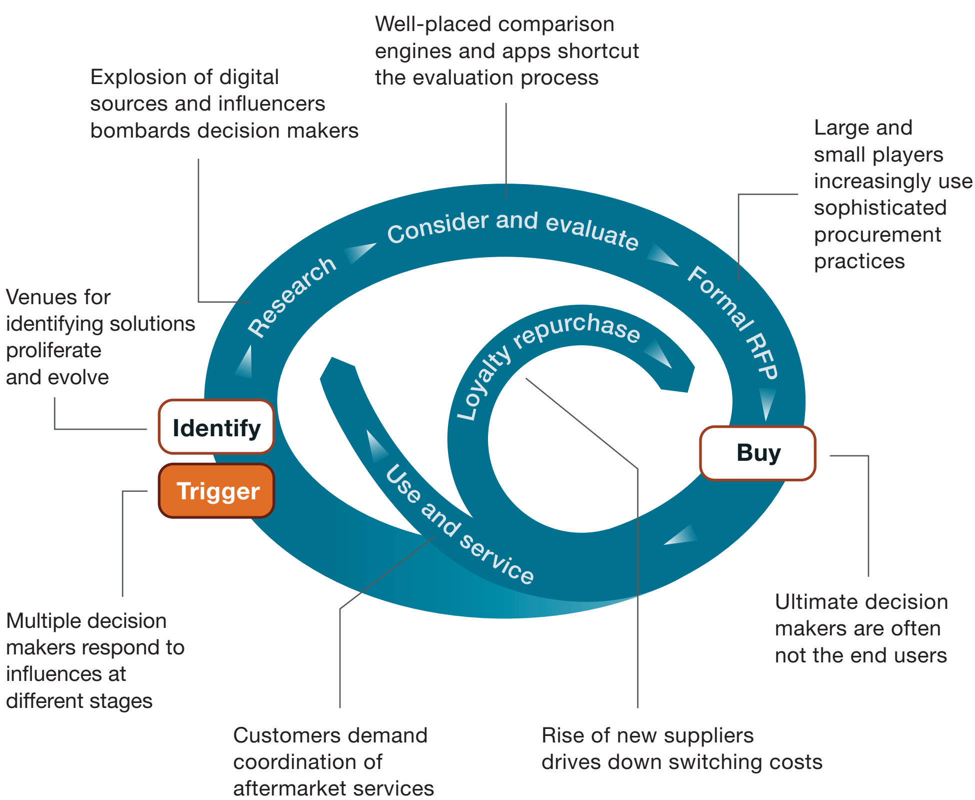
1. Map journeys and influencers by customer segment

Charting decision journeys by customer segment requires soliciting input from multiple sources and understanding the industry

[2] For perspectives on how to make marketing more pervasive throughout the organization, see Tom French, Laura LaBerge, and Paul Magill, "We're all marketers now," *McKinsey Quarterly*, July 2011, on mckinsey.com.

Exhibit

The decision journey of business-to-business customers is experiencing major disruptions.



Source: McKinsey analysis

context. For example, in sectors with a handful of big customers (like mining, shipping, or the public sector), there's no substitute for actually meeting them to analyze how they really make decisions (as opposed to how they *say* they make them). Large companies with thousands of customers may need data-driven market research (by mining social media, for example) to gain deeper insights. These findings can be paired with knowledge gleaned internally from sales, logistics, product marketing, and other functions to develop a hypothesis on how different variables—such as price, delivery times, or product features—affect purchase decisions. In this way, many suppliers have identified previously submerged customer segments.

Disciplined mapping often turns up counterintuitive insights. For example, one industrial company found that its most profitable customers were the "no frills, no hassle, lowest price" buyers who just wanted to fly through their journeys quickly, with minimal fuss and interaction. Once marketers and analysts have similarly drilled down on understanding segment preferences, they can chart a course of action, as one energy company did.

This company had long given customers three or four standard offers of pricing and service. Sales reps typically delivered or mailed brochures and other materials and followed up to qualify leads. Only after deregulation, when new entrants began siphoning off customers, did the company realize it needed a new approach. Senior executives therefore asked marketing to lead a research initiative combining direct interviews with data on energy use from customer billings. It turned up three clusters of customers, each with different sets of influencers:

- The companies in one segment, typically large ones in energy-intensive industries, like chemicals, were "high touch, high value." They wanted a supplier that could not only handle complex RFPs covering contingencies for downtime but also provide advice on optimizing energy use. Interviews showed that manufacturing—not purchasing—executives were the key influencers. Marketing and sales subsequently worked together to redesign the company's RFPs to include a library of contracts it could readily customize. In addition, they assigned executive sponsors to work with manufacturing managers on-site when problems arose. The company also increased the skills of sales agents, so they could act as advisers on energy usage, sometimes in concert with technical specialists.

- Another cluster of customers had specific goals for their emissions footprints and wanted regular consumption data and benchmark comparisons. By setting up programs to meet such requirements, the supplier increased these customers' loyalty.

- The third segment consisted of mom-and-pop businesses, such as dry cleaners and convenience stores. These price-sensitive customers were most likely to jump ship. Interviews showed that they sought to make apples-to-apples comparisons of standard offers for rates and billing-cycle options. The decision maker was typically the business owner, who was more concerned with price than after-sales service quality. In response, the energy company built a web-based rate-comparison tool to assure these customers that they were getting the best deal.

Consider as well the experience of a large manufacturer of technology equipment. Realizing that the company was losing share in highly competitive markets, it began scrutinizing what was happening in different customer segments and found stark differences among them. At large customers, cost-conscious teams caring little for the technical specifications of products and typically led by a finance chief were the key influencers. They paid special attention to how RFPs spelled out the total cost of ownership, particularly maintenance expenditures. By contrast, smaller operators, often owned and managed by technology experts, were active and engaged researchers on the company's products and coming innovations.

In response, the manufacturer revamped its RFPs for large companies to expand the number of financing options. It overhauled its website materials to highlight cost efficiency and built a sophisticated price calculator with what-if scenarios to help finance executives justify their purchases with the CEO. Meanwhile, the company invited business-owner purchasers to beta-test new versions of its products and to attend events where they could preview its thinking about the direction of technologies and mingle with R&D executives.

2. Reallocate sales and marketing resources

When companies map customer journeys in the ways just described, they often turn up evidence of how traditional sales practices misallocate resources. But as our colleagues have described elsewhere,[3] shifting spending to align it with new realities often meets with stiff internal resistance, requiring cultural changes that transcend the sales organization.

Beyond the golf outing. After mapping five customer segments, one industrial OEM found that nearly 70 percent of its marketing dollars and sales efforts across them were not directed at what mattered most to customers. For example, the company had invested heavily in customized demonstrations to roll out next-generation equipment. The demos were available to all customers, but only those in two of the segments—product enthusiasts and R&D innovators—really cared about participating in them. The rest, comprising over half of the customer base, were happy to visit a plant only occasionally, receive information remotely, or wait their turn for a technical specialist to visit with a standard demo kit.

Similarly, to encourage repurchases at the end of product cycles, each sales rep had the same per-user travel and entertainment budget. Yet many buyers didn't enjoy or get much value from the golf outings historically lavished on the company's largest customers—however hard that was for most of its sales teams to accept.

In a major rethink, the company began focusing its efforts more sharply on the activities that the most profitable segments liked best. The point wasn't so much to cut the budget as to make it work better in these segments, and in ways that would step up customer engagement across decision journeys.

Another example involved a large, struggling materials company that reconsidered the sales approach for one of its big vertical segments: government. After tracking decision journeys, it found

[3] See Stephen Hall, Dan Lovallo, and Reinier Musters, "How to put your money where your strategy is," *McKinsey Quarterly*, March 2012, mckinsey.com.

that the public-works executives targeted most often could rarely make spending decisions on their own. Instead they relied heavily on local distributors for advice on product costs, innovations, and warranties. Armed with this insight, the materials company worked to strengthen relationships with these independent dealers and pulled back on its largest marketing expense—trade shows geared to government buyers. The on-site distributor demos developed with the funds saved proved an effective way to get products into consideration for final purchase.

Changing the culture. For many of the B2B companies we know, the biggest hurdle to reallocating budgets isn't identifying the new opportunities; it's having the courage to test them. Seasoned executives and sales leaders often struggle to accept the reality that long-standing "truths" about how to best serve customers no longer apply. Shifting mind-sets to focus on maximizing influence and then rallying stakeholders around new directions can often take more time and energy than mapping new journeys. One company addressed this problem by holding debates among its marketing and sales teams to discuss findings from its decision-journey research. It then called in functional leaders from the finance, customer-service, supply-chain, and technology organizations to help bring objective rigor to discussions about what a new allocation of resources would mean for its performance and strategy. The exercise might have looked like a time sink when viewed from the outside, yet it proved crucial in creating the collective will to take the risk of trying new ways of serving customers.

3. Forge a partnership between marketing and sales at each stage of the customer decision journey

Moving from a sales-forward funnel to a customer-back journey requires the marketing and sales organizations to think more like their customers. We often see marketing units do customer research without seeking frontline input. Sales organizations often say that they understand the importance of better data but complain that proliferating information isn't helping them navigate the situations they face on the ground.

At advanced companies, marketing and sales are both involved in deciding on the right ways to attack touch points. Those techniques might include search-engine optimization to help build customer awareness, white-glove treatment that makes the RFP process more customer friendly, or loyalty programs that automatically replenish supplies and track customer satisfaction. Better collaboration can have the following advantages:

- Clearer priorities. One medical-device company developed an iPad app powered by its marketing research. When sales reps enter updates, the app reorganizes companies by customer segment and indicates specific items to cross-sell, pricing parameters, and service options.

- Quick wins. At a B2B seller, evidence from marketing analytics showed that leads for small and midsize companies were converted into product sales at higher rates when telephone calls or direct mail preceded e-mail interactions. The customer-relationship-management system was subsequently adjusted to provide such reminders.

- Improved response times. Seeing signs of aggressive new competition in one product area, and fearing a new round of discounting, a global industrial company's sales team alerted its marketing colleagues. They quickly dug into customer data and identified purchasers that often bundled multiple products with their orders and were therefore most likely to demand discounts. Working with finance and supply-chain colleagues, marketing and sales devised new ways to improve ease of ordering and fulfillment speed—faster credit checks, for example, and automated reminders for customers whose inventories were estimated to be low—which delivered extra value for this segment. Such moves allowed the company to sidestep a possible price war.

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The ground is shifting in B2B buying behavior as customer-directed journeys replace the traditional funnel. This is new and promising territory for organizations that embrace data, reallocate budgets, and do the hard work of bringing more collaboration to sales and marketing. Knowing what really makes customers tick may be the cure for the slow growth many suppliers have experienced during the tepid global economic recovery.

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