Why few customers control your B2B brand and your margins

By Sean Geehan, CEO

The B2B world shares many branding fundamentals as their B2C counterpart. Two of the major differences are number of customers (weighting) along with the industry expertise (domain knowledge) that B2B decision makers have. In most cases, B2B companies with similar revenues have a fraction of number of customers compared to their B2B counterparts. This small number of key customers often determines the fate of your business. These few also impact your company's margins along with your brand, because they go hand in hand. This is what the CFO and other leaders outside marketing need to understand and why they must support branding.

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B2B vs. B2C

As an example, Williams Sonoma and HCL have the same amount of revenue; however, HCL has only 480 customers while Williams Sonoma has 33 million customers. Taking this a step further; 75% of HCL's sales come from only 80 customers, while the same percentage of sales at Williams Sonoma comes from 7 million customers. Getting this right—connecting with these few, key customers—can make the difference between Branding Nirvana and losing your job.

In the B2B world, the people you are selling to are industry veterans who are usually subject matter experts. Simply put, they are living what you are selling. When HCL Sells solutions to customers like Cisco, Merck and NCR, the people who are evaluating and making the decision are IT veterans and who have been in their respective industries for 20+ years. When Harris Broadcast sells content distribution solutions to Dish Networks, Disney, McDonalds and 7-Eleven, the people evaluating and making the decisions have 15+ years in their respective industries. The expertise, level of complexity, layers of customer contacts and overall sophistication of the prospect is exceptionally high.

In contrast, a blind taste test in the B2C world, 90% of the population couldn't tell a $10 bottle of wine from a $100 bottle. Nor could they tell the difference between free tap water and a $5 Fiji bottled water. A sophisticated and highly emotional marketing and branding program can yield premium results when you're marketing something for which the buyer honestly can't differentiate the product.

In the B2B world, it's just the opposite. While customers may not know your specific offering, they usually know their industry better than those who supply it, and they know how to uniquely apply your product, solution or service. They will scrutinize, compare, benchmark, test, and go to third parties and associations for references and validation.

Build your reputation

Think about the ***domain knowledge*** level of the CIO who has worked in the financial services industry for 22 years. If you have IT solutions to serve this market, your company better know his needs, priorities, environment and requirements…and most of all, you better have peers (fellow CIOs) he can talk to about working with your firm. If you don't have this, a well-designed logo, powerful tagline, slick campaign, elaborate brochure or PPT presentation will not overcome the lack of credibility to support a premium position. Too much is at risk in his world: security of the bank assets, privacy issues, government compliance, the customer experience and the CIO's reputation and career. In fact, CIOs consistently rate peer input as the #1 credible and trusted source, primarily due to their domain knowledge (source: 2011 survey by Geehan Group).

As a result, the most effective way to build or reposition a strong credible brand in B2B is through your current customers. It's how they describe their experience working with your company; it's what they say you successfully delivered (or where you fell short), which will ultimately determine your corporate brand position. The higher level they are (user, influencer, decision maker), the more impact they will have.

HCL as a case study

A little over a decade ago, Indian service provider, HCL, broke into the U.S. market just like their Indian counterpart competitors—and all on the same "low cost" value proposition. Two things have changed since then. First, many of their U.S. competitors (IBM, HP/EDS, CA, Accenture, etc.) have set up significant operations in India (thus making their own cost structures more competitive). Second, HCL beefed up their capability to move up the value continuum by providing industry-leading offerings, shifting them from the Commodity Supplier positioning to that of a Reliable Supplier (a few years ago), to now being a Problem Solver.

B2C	B2B
Williams Sonoma	**HCL**
$3 Billion Revenue	**$3 Billion Revenue**
33,000,000 Total Customers	**480 Total Customers**
75% of sales comes from 7 Million Customers	**75% of sales comes from 80 Customers**

B2C vs. B2B Customer Concentration

Here's their dilemma (brand gap): the companies who work with them are beginning to form their perception of HCL, but most *prospective target* companies are either unaware of HCL (little or no awareness of their added value) or have bundled them with the traditional Indian provider value proposition (as a low cost provider).

Until perception catches reality, HCL will have discussions with customers and prospects anchored at (and more importantly, margin expectations of) that of a Reliable Supplier vs. Problem Solver or Trusted Advisor – and, it will have a financial impact on HCL's margins. This is where marketing and branding matters. HCL's global marketing leader Krishnan Chatterjee explained, "We have the proof points that can credibly support our position up the value continuum. My responsibility is to move the perception of the market to the reality of what we are capable of delivering to IT leaders around the globe." The scorecard will be the pipeline, and sales and margin growth vs. the competition.

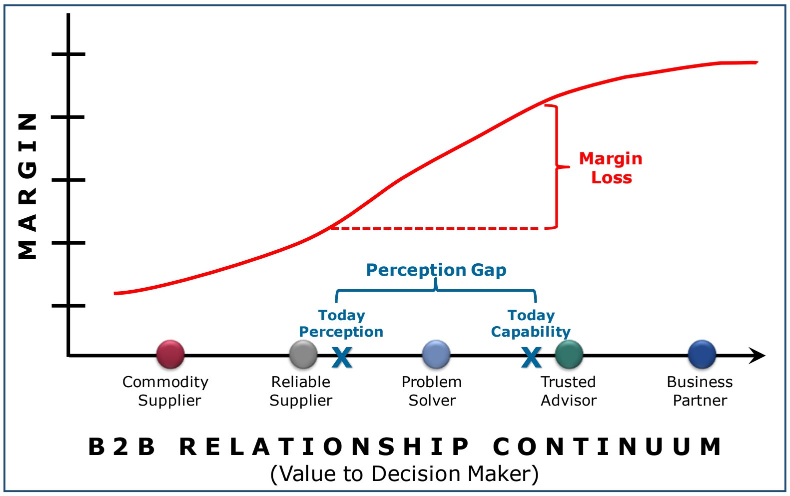
The good news is, it is easier to establish a brand if you have customers who can help effectively position the company by sharing their story and experience. Changing or transforming a brand is more difficult when you are trying to move up the value continuum.

For those who don't know HCL, a mix of marketing tactics is required to position the company in the desired higher position. The core marketing tactic must be customer-led references that definitively separate HCL from the traditional Indian "low cost" position and align them with the premium brands in their space. Secondly, there must be credible third parties (i.e. industry analysts like Forrester or Gartner) to validate the higher position. All this can then be supplemented by a messaging campaign that repeats and amplifies the position established by their most credible asset – their customers.

The critical role of decision makers

A logo, tagline, event sponsorship and/or sexy ad campaign will have little impact on success for B2B companies; and the higher you go up the value continuum, the more difficult success becomes exponentially, unless you have willing and enthusiastic decision makers to actively share their story on your behalf, and validation from respected third parties. This is where you'll have the most success branding or repositioning your company – it's also the fastest path.

Companies like Dell and Xerox established a strong brand position in the B2B space as reliable suppliers of IT hardware (PCs, laptops and printers). The shift to become a credible brand as a higher value supplier was so difficult they determined that buying brands with this higher value continuum position made more financial sense (Dell with Perot Systems and Xerox with ACS).



Bottom line

In a B2B world, the few who control your fate in revenue and profitability – the decision makers within lead customers – also control the fate of your brand and gross margins. Actively engage these few parties; otherwise, branding and repositioning efforts will fail or, at best, take significantly longer. This is not the case with branding in the B2C world.