Improving the business-to-business customer experience

Adopting a customer-centric mind-set is just as critical in B2B dealings as it is when serving retail customers, but players face special challenges that can trip them up.

Nicolas Maechler, Sanjeev Sahni, and Martine van Oostrum
Many discussions of customer-experience strategies begin with a flawed assumption. When executives delve into the competitive advantages of building a more customer-centric organization, they very often focus on interactions with retail buyers—the end consumers. But in our experience, a customer-centric mind-set is just as critical in the B2B space, and more and more executives are developing B2B customer-experience strategies with striking results.

B2B customer-experience index ratings significantly lag behind those of retail customers. B2C companies typically score in the 65 to 85 percent range, while B2B companies average less than 50 percent. This gap will become even more apparent as B2B customer expectations rise. Digitization and the rising use of smartphones are establishing new standards for fast, seamless customer service in all settings. Real-time responsiveness and easy-to-use apps for daily banking chores or ordering groceries are setting a high bar for speed and ease of doing business in B2C industries, and these expectations are migrating to B2B. One sign of changes to come: a logistics start-up called Shipster has translated retail tracking and tracing apps to B2B international shipping by putting live tracking of international shipments on apps for web and mobile phones for all its customers.

Such developments are making improved customer experience at least as critical for B2B companies as for B2C players. In our experience, customer-experience leaders in B2B settings have on average higher margins than their competitors. In cases where companies have undertaken broad transformations of their customer-experience processes, the impact among B2B and B2C players has been similar, with higher client-satisfaction scores, reductions of 10 to 20 percent in cost to serve, revenue growth of 10 to 15 percent, and an increase in employee satisfaction.

Consider one IT-services provider that found itself battling emerging low-cost players in a maturing industry. Executives realized that customer satisfaction was increasingly becoming a way to stand out from its lower-cost rivals, but its net promoter scores were much lower than those of its peers. To respond, the company launched a customer-experience transformation in 2012. The company redesigned a set of 20 customer journeys end to end, addressing all dimensions of customer experience—process, customer tools, performance management, and employee mind-sets. After 12 months, its negative net promoter score had turned positive, and a year after that, the company was outperforming the industry average.

As with B2C customer-satisfaction improvements, benefits to the bottom line can include “stickier” customer loyalty, which can also accrue more quickly than is typically seen in B2C settings. For example, another IT-services provider served 30,000 employees at a large global client. Each employee reported multiple small incidents each year. Minor though the incidents were, the overall volume caused so much dissatisfaction that the client threatened to switch providers. The company responded by making drastic improvements to its incident management, broadening the focus from only severe incidents to also include minor, high-frequency incidents that annoyed everyday users. A 45 percent reduction in incidents followed, leading one of the company’s clients to cite the incident-reduction program as the reason for renewing and expanding the scope of its contract with the company.

Understanding a complex experience

Make no mistake, however. In fundamental ways, a B2B company’s customers and their buying patterns are more complex than those of a business focused on retail customers. Indeed, a B2B company requires specific strategies to differentiate itself via customer experience.

First, in B2B there is not one single customer; ensuring a great and consistent experience for all isn’t always possible. For example, one European corporate bank wanted to optimize its corporate-lending process. This process entails providing multimillion-euro
loans to client organizations to meet strategic objectives, such as the purchase of new machinery or growth through acquisitions.

Taking up the customer journey it sought to improve, the bank faced multiple stakeholders in many of the individual client organizations it served. Many had differing needs. Others would only participate in different parts of the lending journey. The CEO and CFO of a client organization might participate in initial strategic discussions to explore different financial solutions but then leave it to the company’s treasury department to negotiate the loan terms. Legal teams worked out the details of the contract, and payments officers arranged interest payments. To understand the perspectives of these different stakeholders and their needs, the bank typically had to undertake a complex mapping exercise.

Such a plurality of stakeholders also creates complex buying behaviors. Even though B2B purchases are commonly assumed to stem from rational decisions, in our experience they hardly ever do. Overall total cost of ownership is never the only decision factor. Other factors also influence decisions, such as long-standing relationships with procurement teams and the general reputation of suppliers.

What’s more, B2B companies are often one step further removed from the ultimate user of their product than B2C companies are, so buyers and users of B2B services are typically distinct. Consider an auto-component manufacturer in India whose buyers consist of the automaker’s procurement group, while its true end users are the carmaker’s R&D team and its shop-floor workers. To address both groups, the component manufacturer created a client-coverage matrix by mapping its sales force to the procurement team, its own R&D team to the carmaker’s R&D team, and finally its manufacturing head to the automaker’s shop-floor manager. This structure helps the component maker better respond to the automaker’s varied needs. For example, the component maker can choose when it’s time for the automaker’s R&D team to test new designs for future car models and react quickly when it does; it can accommodate the shop-floor team’s need to maintain just-in-time inventory.

Another challenge to B2B customer-experience efforts is the fact that customer journeys are simply more complex than those for retail customers. B2B companies often have more offerings and services than B2C companies. The offerings are also highly tailored to individual customer needs and often consist of different products and services bundled together. In our experience, most B2B companies have far more critical customer journeys on which to focus than the ten that many B2C players average. B2B journeys also tend to be long, complex, and quite technical, and consist of a continuous interaction of services and sales touchpoints. Journey experience and operations are often fragmented by account and location, involving multiple teams in different departments.

For example, the export-financing journey of one financial institution involved four organizations: the financial institution itself, the importer, the exporter, and an export-insurance company. The journey required one and a half to two years to complete and included many highly technical components that bedeviled redesign efforts. Among the technical elements that required expertise to redesign were detailed financial data, as well as extensive compliance inputs and risk assessments. The financial institution therefore included a lawyer and a financial analyst in its customer-experience-redesign team to ensure enough technical expertise to address these elements.

**Improving the experience**

Although B2B customer-experience improvements can often be challenging, lessons we’ve learned from working with leading practitioners can help in
tackling some of the more fundamental customer-experience problems, as part of both incremental improvements and broad transformations. They include taking the following actions.

**Mapping all customers.** An elevator manufacturer supplied elevators to large office buildings and residential complexes. Contracts were negotiated with the buildings’ facility-management teams, and the manufacturer understood well what satisfied this group. However, the manufacturer overlooked two major customer groups. Presidents of housing-owner associations turned out to be strong influencers in purchase decisions on elevators. What’s more, the actual users of the elevators, the residents or office employees, experienced elevator performance on a daily basis. Their complaints ended up with facility managers. The company started to map the entire journey and all of its relevant stakeholders, and started to track customer satisfaction for each of these groups separately, finding new insights about how to boost key stakeholders’ satisfaction.

The investigation revealed that a key element in customer satisfaction for housing-owner associations was proximity to their vendors. Presidents of these associations are now involved in all key moments of the journey, including face-to-face meetings with sales representatives and field technicians. In addition to providing the desired proximity, the elevator manufacturer made its activities and the status of breakdowns more transparent for both the housing association and facilities managers.

**Creating tracks.** B2B journeys often grow complex because they must accommodate the special needs of small percentages of the client base. Such relationships require specific tailoring, extra services, or additional checks. Splitting the journey into standard and specialty tracks can minimize complexity for a majority of clients, resulting in easier journeys for clients and significantly lower costs.

One European corporate bank radically redefined the customer journey into three tracks, helping clients and employees better understand how complex international financing deals could get approved. An express track was set up for relatively easy deals that entailed low risk and could be executed with fewer checks, smaller teams, and shorter timelines. An advanced track for more difficult deals included extensive auditing, the addition of senior executives to the working team, and more interactions with the client. Between these two was the standard track. After reviewing a proposal, loan officers map the risk indicators and choose the track that includes the most conservative approach to processing the deal (exhibit).

**Managing rework and incidents.** Rework is often a cause of significant delay for a B2B customer, extending the length and increasing the complexity of B2B customer journeys. The culprit is often internal control procedures, internal auditing, or compliance requirements. For example, an IT-services provider required its internal purchasing department to validate the acquisition of new equipment purchased for clients, which delayed the completion of transactions by more than two weeks. However, customer expectations were quite different, given that some equipment and IT services such as cloud space can be purchased in a matter of minutes from online vendors such as Amazon. But smartly front-loading internal auditing by, for example, preapproving batches of similar purchases allowed the IT-services provider to remove the time-consuming control procedures from the customer journey, improving satisfaction.

**Digitizing journeys.** Digitizing the customer experience is a lever often left unused by B2B companies. There is great potential in the B2B realm in using concepts such as self-service, online interfaces, and automated decision rules. For example, the use of digital “track and trace” interfaces enables B2B clients to see the
status of their customer journeys in real time. Some organizations even take social-media technology to the work floor, with community interfaces to help flag and track continuous journey-improvement initiatives and share ideas. Other organizations create client applications, where all the information and interaction about a supplier’s equipment is made available, including its age, working information from equipment sensors, its next scheduled maintenance visit, and an open box for user feedback.

**Creating journey transparency and work cells.** To navigate through the complexity of B2B customer relationships, some leading practitioners strive to build greater transparency into the customer-experience-improvement process. For instance, the European corporate bank in the earlier example typically took three to four months to complete a loan approval, while best practice in the industry was five weeks. During the process, no one at the bank could tell the client the exact status of the loan application or what to expect for immediate next steps. Back-office departments did not feel responsible for the client experience. For the most part, loan applications were little more than a stack of files to process.

To reform the process, the bank started by making the customer journey more transparent, both internally and externally. Internally, it became clear for the first time for many participating department teams, such as legal, payment operations, and risk, how their work contributed to an overall journey and which colleagues were responsible for other parts of the journey. For clients, the bank
created a “journey guide” that explained the process of applying for a loan in simple, visualized steps.

Next, each time the bank initiated a corporate-loan application, a dedicated end-to-end work cell was created, consisting of managers from each department dedicated to that specific loan. In a joint kickoff with the entire work cell, the account manager laid out the client’s needs, establishing timelines for each step in the journey. This enabled accountability and made sure a deal was not lost in, for example, the legal department for two weeks. A journey coordinator orchestrated the journey and monitored end-to-end journey key performance indicators.

The relationship manager was responsible for guiding the client through the entire journey, so the client worked with one consistent face instead of being handed over to a different representative many times during the journey. Finally, a journey dashboard tracked the pipeline of clients through the corporate-lending journey and monitored the status of each client.

Results were impressive. While in the past, relationship managers spent only 30 percent of their time working directly with clients, they could now increase that to as much as 65 percent because they did not need to chase deals through internal departments. Rework was significantly reduced, as handovers were minimized and the entire team was aligned on the specifications of the end product from the start.

At the first stage of improvements, the bank did not manage to reduce the time the journey took to complete. Still, being able to tell the client how long the process would take represented a major improvement in customer satisfaction by itself. Later, the throughput time shrank as well, and satisfaction increased even more.

Although customer-experience improvement is typically associated with B2C players, it is at least as critical in the B2B setting. While the nature of B2B relationships makes the reform challenge more difficult, with regard to customer and journey complexity, the competitive advantages and significant bottom-line gains that flow from it make the effort worthwhile.

Nicolas Maechler is a principal in McKinsey’s Paris office. Sanjeev Sahni is an associate principal in the Dubai office, and Martine van Oostrum is an associate principal in the Amsterdam office.

Copyright © 2016 McKinsey & Company. All rights reserved.