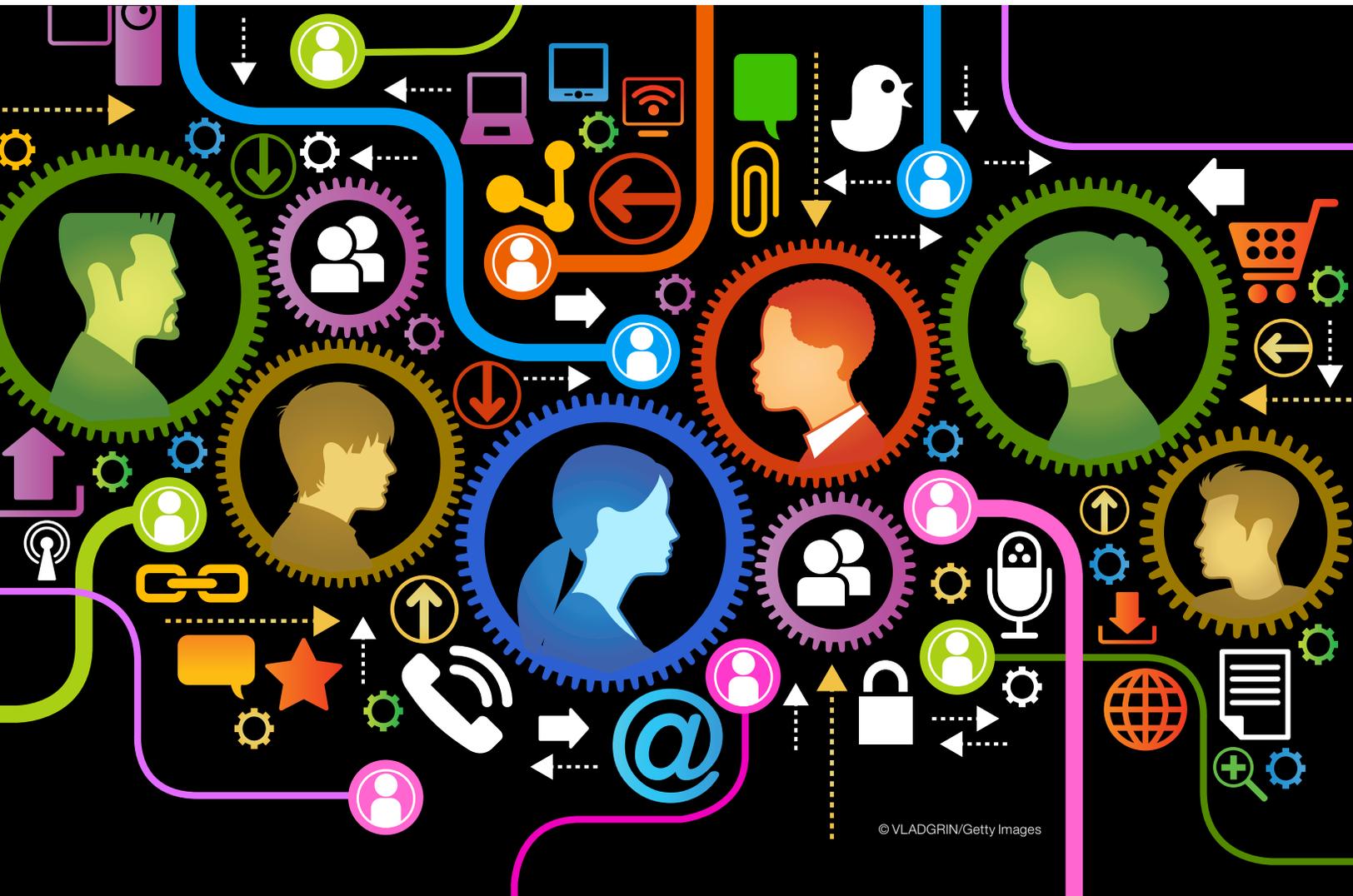


Finding the right digital balance in B2B customer experience

APRIL 2017

Growing numbers of B2B companies are focusing on digitization to succeed with customer-centric strategies. Here's how to get it right.

Nicolas Maechler, Adina Poenaru, Thilo Rüdert von Collenberg, and Patrick Schulze



Customer-centric strategies, once the preserve of business-to-consumer players like Amazon and Google, are now fundamentally changing the complicated landscape of business-to-business relationships, too. Case in point: the chief executive of a global chemical business produces items that are in such high demand that they are allocated, rather than sold, to customers. Nonetheless, he recently announced at a top-management meeting that the company could no longer afford to deliver “a subpar experience” to its customers and therefore would embark on a customer-experience transformation spanning all functions.

Industry-leading B2B companies increasingly respond to intensifying global competition by putting customer-centricity and experience at the heart of their strategy. This often leads to changes in the business model: Monsanto, for example, is transforming itself with an online platform from a supplier of seed and crop-protection products to a productivity partner, providing advice on subjects ranging from product selection to sowing and harvest timing.¹ In the industrial-equipment sector, Atlas Copco is on a similar journey, with a platform supporting customers in the selection, purchase, operation, and maintenance of their equipment.

For a large swath of B2B companies across many sectors, the growing influence of customer-experience strategies and the bold moves of customer-centric leaders pose a critical challenge. Traditionally, winning in the B2B arena has been a matter of being in the right markets, offering superior products and services, or being the lowest-cost producer. As these advantages have come under threat from increasing global competition, many players have invested in functional excellence. But while these benefits are substantial, they are dissipating quickly as competitors tap the increased mobility of labor markets and expanded access to knowledge.

This is why we believe that the emerging battle in B2B will be fought on the smart combining of digital and non-digital transformation to improve customer experience. A holistic, cross-functional transformation of a company’s core, including its culture, enabled by digitization offers a significant opportunity for differentiation and competitive advantage, especially as new competitors fluent in digital tools move into the B2B space. The trick is striking the right balance between digital and human interaction in B2B’s more complex customer relationships.

An opportunity—with challenges

Investing in improved customer experience pays dividends. We have seen companies substantially raise customer-satisfaction scores through significant improvements in operational performance. These improvements can lower customer churn by 10 to 15 percent, increase the win rate of offers by 20 to 40 percent, and lower costs to serve by up to 50 percent. In parallel, as customer experience improves, employee satisfaction tends to increase as well, because a more direct connection with customers adds meaning to employees’ work and helps them witness customer satisfaction.

Business-to-business customers are already demanding a better experience. In a recent McKinsey survey of 1,000 B2B decision makers, lack of speed in interactions with their suppliers emerged as the number-one “pain point,” mentioned twice as often as price. And digital solutions loom large in executives’ thinking as a way to make routine tasks more efficient. Some 86 percent of respondents said they prefer using self-service tools for reordering, rather than talking to a sales representative.²

Yet the reality at most B2B companies is far from this vision. Many companies often need days to provide a quote, require customers to fill in complicated

order forms (often on paper), and frequently leave customers in the dark about the status of their order.

In an effort to serve customers better, some companies have invested in developing customer portals or apps. Yet often these efforts fail to create significant improvements in customer experience, because underlying issues such as bad data remain unsolved or the functionality of the technology proves to be too limited or complex to be useful.

At the root of the problem is that while the role of customer journeys is central to both B2B and B2C, their incidence and importance is different for B2B. Among the chief differences:

- *Relationships often go deeper in B2B.* In many B2B industries, codeveloping a product with a supplier is common and a key source of innovation, but it is very rare in B2C relationships. Also, many B2B relationships are long-term, with recurring sales. This makes reordering a very important journey, whereas “nonsubscription” goods in B2C are more often bought on a transactional basis.
- *Longer, more complex B2B journeys involve more individuals.* In a B2C setting, selecting a supplier largely amounts to choosing a simple yes or no to a standardized offering. In B2B, multiple engineers need to evaluate and later certify the product, often adapting a design or process, while logistics and customer-service operations typically must wait to coordinate regular deliveries until prices, volumes, delivery terms, and other points are negotiated. The whole process can require decisions by 15 to 20 people, just to make the transaction happen.
- *Customization is more widespread in B2B than B2C.* B2B suppliers adapt not only their products but also their processes to accommodate customers. Therefore, redesigning the customer experience requires an understanding of this variability: How much of it is value-creating flexibility to meet the needs of key customers, and how much has crept up because flexibility was the norm, with no one in charge of making efficiency-versus-flexibility trade-offs? For example, in container shipping, some customers prize the flexibility that suppliers offer them in meeting customers’ special requirements when it comes to managing customs or accepting cargo. Mapping a “typical” journey in this case may lead to dozens of alternative paths that customers can take when interacting with the shipping company.
- *The stakes are usually higher in B2B deals.* Individual customer relationships are easily worth millions of euros for big B2B companies. These sellers will go to great lengths to keep a good (and profitable) customer happy and loyal; losing a single customer could spell disaster for the entire company. For B2C, it’s more of a numbers game, rather than one individual customer’s worth. To tap the potential of an improved customer-experience program, companies need to understand the profitability of their customer base and address the pain points in the customer journey with different measures that fit the financial, as well as strategic, profile of the customer segment. Companies mostly serving a few big customers can use entirely different journey designs than those serving thousands of smaller customers. Most companies will need to design journeys that accommodate both ends of the size spectrum. For example, a chemicals company serves customers that spend hundreds of millions of dollars on their products per year, but also small mom-and-pop shops that spend only a few hundred dollars annually. As a result, the strategic task is now putting in place different journeys and methods of tracking levels and triggers of satisfaction.

Transforming B2B organizations to improve digital experience

Any customer-experience program should start with an inventory of customer needs, a leadership commitment to governance, and a grouping of journeys based on their importance to customers, the potential impact of improvement on satisfaction, and their cost to deliver. Keep in mind that there are also common pitfalls that companies would do well to avoid. The result will be unique for each company, but in our work, five key success factors regularly emerge from successful efforts in B2B businesses.

Focus on the six journeys that drive customer experience in B2B

The first factor is a focus on the most significant customer journeys. By comparing customer interactions and touchpoints across B2B industries, we have identified six key journeys that shape the customer experience in most industries and cover the customer life cycle end-to-end (see sidebar, “Six journeys that truly matter in B2B”).

Identifying products and services that meet a need. B2B customers often find it challenging to identify the right product or service. Improving this journey is especially relevant for companies with a fragmented customer base and nonessential but value-adding products. For example, one agrochemicals company significantly increased its customer base by developing a “soil analyzer” application that allows farmers to get a first indication on possible yield increases remotely. The app takes them through a streamlined process of soil sampling, crop planning, and buying a package of yield-enhancing products. The company then used digital marketing and its sales channels to promote the app, resulting in a substantial uptick in orders.

Selecting a supplier and making an initial purchase. In this journey, buyers struggle to compare suppliers in a timely manner across multiple criteria. Some simplify the choice and choose a supplier only on

price (to be disappointed later on by the service level) or take months to go through a very detailed tendering process. Suppliers that differentiate based on performance or that package required information tailored to the precise stage in the buyer’s purchasing journey can create significant value by helping buyers make a faster and more informed choice. A manufacturer of wind turbines, for example, is developing a website where prospective customers can enter location data and receive information including expected energy output, installation costs, expected maintenance, expected revenues, and financing options for the company’s products and its main competitors. This information enables buyers to make a faster decision based on their total cost of ownership.

Codeveloping products with a supplier. This is a critical journey in innovation-heavy industries, but many sales managers and R&D leaders complain how difficult it is to keep projects efficient and on track, as they tend to operate in a governance vacuum. To address this issue, a textile company built an integrated platform for a B2B collaborative information system, including an e-vendor-managed inventory (VMI), e-production, and an e-library, all integrated on one platform to provide quick access to information both for supplier and customer.

Dealing with unexpected events. Coping with purchase-related problems, such as equipment breakdowns and missed deliveries, is a make-or-break journey. This is the moment when the customer is the most vulnerable.

Using the product and getting service. Receiving (planned) maintenance also is a make-or-break journey, again especially for customers of machinery and capital goods. For example, in three months, a manufacturer of building equipment achieved a 25-point increase in its customer-satisfaction score (CSS)³ and significantly reduced churn in service contracts by improving its breakdown and

Six journeys that truly matter in B2B

In the following six journeys that characterize the B2B customer experience, we have found that meeting customers' needs delivers measurable business benefits (exhibit).

1. **"I identify products/services I need."** In this journey, the customer translates a latent need for a product or service into an explicit one through technical sales conversations or research. The need is for enough technical support to evaluate a solution.
2. **"I select a supplier and buy initially."** The customer compares different suppliers and their offerings, weighing price, total cost of ownership, performance value, and "soft" factors. The need is to get multiple stakeholders aligned on a choice.
3. **"I codevelop or customize with my supplier."** The buyer works with the supplier to have the product or service customized to meet the buyer's needs. The intensity of the process ranges from selection from preconfigured options to a multiyear joint R&D effort. The buyer's primary need is to manage return on investment.
4. **"I deal with unexpected events."** This journey occurs when the buyer encounters problems such as equipment breakdowns, missed deliveries, missed payments, and other mishaps that can make or break close relationships with suppliers. The buyer's need is to minimize disruptions to the business.
5. **"I use the product and get the service."** As the customer uses the product and performs or obtains regular (scheduled) maintenance, this journey should involve ease of use and performance optimization. The customer also may encounter innovative offerings, such as hourly pricing. The customer's primary need now is to maximize efficiency.
6. **"I reorder."** This final journey involves reordering a well-known product or service. The need now is for an efficient transaction, coupled with confidence in getting a good deal from the supplier.

maintenance journey. The company leveraged remote diagnostics to plan appropriate time for repairs, ensured the technician had all required information and materials handy in a dedicated app, and kept facility managers up-to-date with a tracking-and-tracing system based on simple text messaging.

Reordering familiar products and services. Efficient and error-free reordering is a major concern for customers sourcing raw materials or components. One steel manufacturer developed a quotation app to empower its sales reps to set prices themselves within guidelines, rather than wait for the pricing

manager to do it for them. In doing so, they reduced average time to quote a price by more than 90 percent while maintaining a high degree of central control.

[Address the root causes of customer dissatisfaction to enable digital interaction](#)

Digitization is often heralded as a tool to leapfrog competitors and leave behind problems such as bad data or poor interaction quality. However, most large B2B companies find it hard to create value outside their established business system. Because journeys are longer and more complex, fully automating them may not be possible or economical.

Exhibit

A holistic, integrated measurement system has clear linkages between metrics at every level of customer-experience delivery.

Gains to be made, by journey range



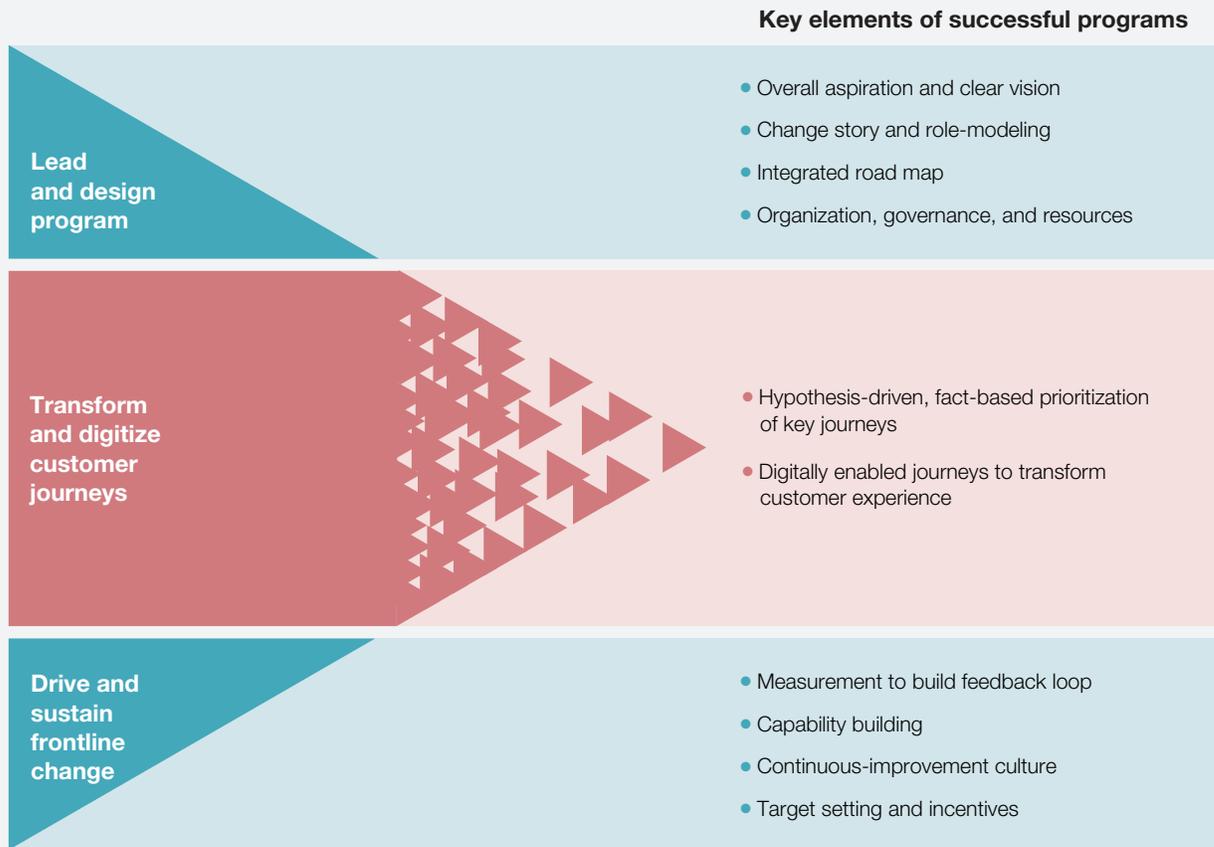
Source: McKinsey analysis

In situations where the stakes are high, most B2B decision makers do not want that approach anyway; they prefer to deal with an individual. Thus, any enhancement of the customer experience—digital or not—will require many people in the organization to change the way they work. Successful customer-experience transformations cannot be run as small and isolated journey optimizations. They require program management and a portfolio of initiatives to encourage frontline change that addresses issues in performance management, employee mind-sets and behaviors, organization, and skills gaps that came to the surface in the design phase (Exhibit 1).

One diversified industrial-goods manufacturer learned this lesson the hard way. The team developed an elegant and compelling vision for the future journey that was heavily digital based and included instant order confirmations, one-click reordering, track-and-trace capability for in-progress orders, and transparency about the implications of order changes.

Yet when the team presented the approach, the mood at the presentation was glum. When the program lead inquired what was wrong, the future product owner shared her concerns that their work could set

Exhibit 1 Successful customer-experience programs include leadership action and frontline empowerment.



Source: McKinsey analysis

big expectations that could be impossible to achieve because too many things outside their immediate control needed to be changed. In the discussion that followed, the team surfaced a long list of required changes, including information technology (IT) systems, organizational structures, training needs, and mind-sets. Rather than treating these as one big roadblock, the team decided to enroll a C-suite-level program owner and also make one person responsible for each change, thus translating them into a portfolio of initiatives that laid the groundwork for transforming their organization's core.

Design hybrid journeys combining digital and human interactions

How much companies should invest in digitization of individual journeys varies significantly, but some general patterns emerge. Companies with standardized products and a fragmented customer base will want to invest more heavily in the customer journeys of identifying needed products and services, making initial purchases, and reordering to benefit from efficiencies. In contrast, companies selling more customized products to a smaller set of customers often put a higher priority on the journeys

of codeveloping or customizing with suppliers and dealing with unexpected events.

One chemical company redesigned and digitized its ordering journey with numerous ideas for digital self-service, only to find that key customers were skeptical about not having an individual relationship manager to call when things went wrong. The team went back to the drawing board and tweaked the experience design. Most important, they reinstated the role of the relationship manager, giving customers a choice between using the self-service platform and calling the manager. They arranged it so the customer and manager would use the same portal to compare notes. And they added a cobrowsing and desktop-videoconference feature so that communication about any problems would be quick and personal.

This example illustrates how the best reimagined journeys purposefully switch between digital self-service, digitally enabled human interactions, and improved offline interactions to match customer preferences and ensure the degree of standardization and transaction volume that warrants investments in digitization. B2B customers are generally happy to use digital self-service for simple, routine interactions like reordering to save time or be more flexible. Yet, when the interaction is new and complex or the stakes are high, most still prefer a real person (who also might be digitally enabled).

Thus, for each journey and interaction, a range of interventions could apply (Exhibit 2). For example, the journey “I deal with unexpected events” could be improved by making it fully digital, providing self-help guides or a tracking-and-tracing system for resolving issues. The improved journey also could be digitally enabled—say, with augmented-reality goggles to help technicians be more efficient, or a visit-scheduling system to ensure that technicians

have the necessary time and preparations for the job. Or it could offer an offline improvement, such as training technicians to acknowledge the problem with the customer, provide full transparency about the situation, and explain how to prevent the problem in future. The right interventions to use will depend upon customer preferences, the economics of the journey, best practice or references in the industry, and the internal systems, mind-sets, and processes available.

[Create tracks to manage variability](#)

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 be 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.

[Use an agile approach to cut through the complexity](#)

Customer journeys can be complex. Typically, the initial design is never 100 percent right. Therefore, the work of designing cannot stop at the end of the designated design phase. To advance progress, a

Exhibit 2

To transform B2B journeys, define a range of digital and human interventions, to be combined as needed for each situation.

Journey	 Improved human interactions	 Digitally enabled services	 Fully digital, automated self-service
Identify	<ul style="list-style-type: none"> Educational marketing Strong technical expertise with focus on creating value for customer 	<ul style="list-style-type: none"> Live chat/call-back tool Joint web shopping with sales rep 	<ul style="list-style-type: none"> Product/solution navigator Product configurator Lead capturing
Select and buy	<ul style="list-style-type: none"> Independent performance comparisons Simple and transparent pricing 	<ul style="list-style-type: none"> Sales rep empowered to live-quote based on dynamic deal scoring Online content iterations and signature 	<ul style="list-style-type: none"> Interactive value calculators Web shopping, including availability and delivery timing
Codevelop or customize	<ul style="list-style-type: none"> Best-practice standards on project governance, resource tracking, and progress reporting 	<ul style="list-style-type: none"> Cloud-based collaboration platform Interactive product/solution holding and simulation 	<ul style="list-style-type: none"> Open innovation platforms giving access to key data
Deal with issues	<ul style="list-style-type: none"> Apology and acknowledgment of problem Full transparency about situation Explanation and help to prevent 	<ul style="list-style-type: none"> Augmented-reality tool to guide response Visit scheduling and preparations based on remote diagnostics 	<ul style="list-style-type: none"> Self-help guides Notifications tracking resolution progress
Use product	<ul style="list-style-type: none"> Simple, intuitive interactions Efficient packaging Friendly service, looking to add value 	<ul style="list-style-type: none"> New offerings (eg, uptime guarantees or hourly pricing) 	<ul style="list-style-type: none"> Remote equipment monitoring to trigger maintenance
Reorder	<ul style="list-style-type: none"> Offering but never pushing visits Focus on simplicity (eg, clear product documentation and simple invoices) 	<ul style="list-style-type: none"> Next-product-to-buy engine to add value and drive cross-selling 	<ul style="list-style-type: none"> Analytics-based order reminder 1-slide reordering through self-service website

Source: McKinsey analysis

cross-functional team with journey experts from the business side and IT need to work hand-in-hand from design to ongoing operation.

But as such a team continues to learn and improve the design, and as it runs into unforeseen problems, traditional project planning with timelines and milestones defined at the beginning of the project will become meaningless. Instead, a journey owner should be empowered to make decisions and revisit priorities for every one-to-four-week “development sprint.” These priorities will be expressed as “user stories” that capture the spirit and benefits of an idea without defining every detail, thus leaving room to

incorporate what is learned during implementation. At the end of each sprint, the full team can review the improved journey with customers and get critical feedback from major stakeholders. While such agile approaches and scrum processes that employ small expert teams, rapid iteration, and repeated testing with customers may be most familiar to many in the IT community, we have found that they translate well to the human-interaction elements of customer journeys.

Consider the utility company that digitized the journey whereby customers connect their home or business to the grid. The customer-facing

team minimized programming time by using clickable dummy screens to test new ideas with real customers in weekly sprints and then revising plans as feedback came in. To enable the envisioned customer experience, a back-end team changed complex physical processes involving more than 4,000 electricians, a network of heavy-construction companies, and local municipalities. The team mirrored the approach of the front-end team, testing processes, gathering feedback from stakeholders, and eventually rolling out the new process in one geographical area for live testing. This emphasis on a test-and-learn approach with quick iterations, rather than extended up-front planning, was significantly faster than any comparable project the company had done to improve processes.



The customer-experience challenge for B2B companies is growing. And while B2B players share with B2C companies the need to build strategies around the core of understanding customer journeys, the complexity of B2B relationships makes digital-transformation efforts unique. Carefully parsing those complex customer relationships, striking the right balance of human and digital interactions, and maintaining an agile approach to navigating intricate customer networks will be among the keys to success. ■

-
- ¹ See Climate Corporation, a subsidiary of Monsanto Company, at <https://www.climate.com>.
 - ² J. Stanley, C. Plotkin, et al., "The new B2B customer decision journey: How digital disrupts how business customers buy and what to do about it," *McKinsey Quarterly*, forthcoming.
 - ³ Customer-satisfaction score is an index of customer loyalty that measures a customer's willingness to recommend a company's product or service. Scores can range between -100 and 100 points.

Nicolas Maechler is a partner in McKinsey's Paris office, **Adina Poenaru** is an associate partner in the London office, **Thilo Rüdert von Collenberg** is a consultant in the Munich office, and **Patrick Schulze** is a partner in the Berlin office.

Copyright © 2017 McKinsey & Company.
All rights reserved.