

Topic:
B2B Research

Plunge into the Knowledge Pool

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The Benefits of B2B Market Research

If knowledge really is power, it is surprising that many businesses seem to have trouble in truly embracing the concept. Few would argue that good information is the raw material on which a marketing strategy should be based, yet many feel unable to devote resources to research their markets in depth.

David Barr, Director General of the Market Research Society sets the scene:

'During the past five years, the B2B market research industry in the UK has seen continuing growth rates of ten per cent. But there are still organisations which do not recognise the importance of B2B market research as a first step for the survival and growth of their business. In some sectors the wider uses of B2B market research are not realised, nor the ability to profit from it.'

Clearly while some businesses are drinking at the fountain of knowledge, others are just gargling.

What Is MR?

Official definitions of B2B market research (MR) are unlikely to get the pulse racing - 'the systematic gathering, recording and analysis of data on issues relating to the marketing of goods and services' (American Marketing Association). Consider instead the broad potential benefits - MR offers opportunities to better understand trends, views, attitudes and behaviour of the key players that influence sales in your target market. And it can lead to action that makes the difference between success or failure.

Taking The Plunge

Of course all businesses are engaged in ad hoc MR to some degree, be it canvassing customers' views or comparing competitors' sales literature with their own. But because the dynamics and buying behaviour in any market are complex and affected by many variables, planned research on significant aspects needs to be subtle and well designed. For the vast majority of businesses this means turning to a B2B market research agency. But for many smaller businesses this seems a remote step; business is a nose to the grindstone activity, with precious little vision beyond the next order and no resources to stop the treadmill and plan for the future.

Yet the rewards are there for those able to take a step back and consider the options. Initially it's important to appreciate just how much MR has to offer businesses of all sizes in every industry. It can seem a big step to trust another company to do your research, but it's a step made easier if you discuss your needs with a company that demonstrates an understanding of your business. Find a company with experience of working in your industry and who shows an understanding not just of your target market, but of your marketing objectives.

Define Your Objectives

The vital first stage before commissioning any research work is to ensure you are clear on the objectives of the exercise. People new to the field often tend to write a two line brief followed by a wish list demanding to know everything about their target markets from one survey. It's a good starting point simply to define the gaps in your knowledge and the problems they are causing, and then discuss the options with professional researchers. Establishing clear objectives at this stage then enables the MR professional to identify the appropriate research tool, but also enables you to set out clear parameters on the work you want to commission.

Research Speak

The type of research required will obviously be driven by the information you need. To get a feel for the sorts of options available it helps to be familiar with the broad categories of research.

Primary research is new; it is designed and conducted to meet a specific information need that other sources cannot provide. The use of professional researchers is necessary for this type of study. Secondary research is the process of searching existing sources such as company web sites, commercial databases and listings etc. Valuable sources closer to home, such as information lurking within the recesses of one's own company vaults or company Intranet should not be overlooked. This can be a rewarding exercise for gathering basic data, or as a starting point for primary research.

Primary research tends to fall into two categories, qualitative and quantitative. Qualitative research is exploratory in nature and investigates opinions, trends and attitudes, and reasons behind behaviour such as purchasing decision making. Quantitative research is conducted to establish the magnitude of issues such as market size, market share and sales volume. These two types of research are often used in conjunction, for example qualitative research could be used to gauge attitudes to a new product, and quantitative to establish the size of the potential market for it.

So What Can MR Do?

MR can prompt informed decision making in every area of a marketing strategy. Below are some of its more common applications:

Keep the customers satisfied. Understanding your customers' views of your products and services enables you to take the right action to keep their business. A thorough analysis of this could firstly involve in depth interviews or focus groups with a small number of customers to establish the areas of your products and services that are important to them. Further telephone interviews could then be conducted with a larger sample of customers to gather views on you and the services you offer. The resulting information could enable you to take decisions on:

- improving areas that are failing to match the quality of service sought by customers
- taking urgent action on groups of customers identified as 'at risk'
- reacting to early warnings of a change in customer expectations.

An example of customer satisfaction research in an international market could be a manufacturer of electronic design automation software wanting to understand the satisfaction levels of customers in different markets. If B2B research revealed that its US customers were more willing to take risks in trying new technologies (in their quest for competitive advantage) than its German customers, (who focus on performance, ease of use and overall reliability), then the client would know it needed differentiated and more tailored marketing and customer retention strategies in these markets.

Customer satisfaction research is particularly valuable when carried out over time as this provides a benchmark against which to measure subsequent increases or decreases in satisfaction.

New market opportunities? In a fiercely competitive CAD market the ability to carve out a new market can be the key to success. For a new product or service MR can enable you to:

- better understand your current market
- identify other niches within this market
- identify a new market altogether

Confronted with constant change in the market, CAD dealers always face the challenge of maintaining or increasing revenue. For example, dealers who have suffered changes in manufacturer's discount systems could explore other niche revenue opportunities in service provision. Discovering what value added services the market is willing to pay for could keep them competitive.

Market size matters. Hand in hand with identifying a new market opportunity is the need to establish the size of the beast you are tackling. Establishing this figure enables you to:

- set realistic targets
- plan your sales and marketing activity

Desktop research can provide a rough figure by gathering opinions from industry experts and estimates from business libraries. To gain an accurate estimate however, this type of activity needs to be followed up by primary research. An example of this could be a study carried out into the UK's large format copier market. In this case, the researchers would firstly define the 'universe' in which this market stands by listing all the technical markets in the UK - architectural, engineering and so on. A sample of companies in this sector would then be taken and screened to measure the proportion who use or plan to use large format copiers; this figure can then be grossed up to produce an estimate of total market size. Generally the more niche the market, the more likely it is that such primary research will be needed.

Why do people buy/not buy? Usage and attitude studies are used to investigate all aspects of the relationship between consumers and a specific product, service or market. Understanding the needs and preferences of your potential customers puts you in a strong position to market according to these needs and deliver the right products and services in the right way. Specific benefits of usage and attitude studies include:

- the ability to assess the appeal of particular products and services
- understanding what people are actually doing rather than working on perceptions, in order to provide a sound base for marketing strategies
- the ability to segment a market according to particular types of use, or particular user groups, to enable gaps in the market to be identified

There is a tendency for companies to have an over or under inflated view of the real significance of their products or services to the market. A developer of software related to e-commerce may think more companies are using e-commerce (rather than just developing it) than is actually the case. The objectivity and accuracy of independent B2B market research can be vital to successful marketing decisions.

B2B research conducted by Business Advantage into the Large Format Plotting consumables market revealed that customers were more loyal to brands than dealers. This sends a clear message to resellers that no matter how good a service they provide, they have to have the brands that people want in order to keep their customers.

See yourself through the eyes of others. Understanding how your existing and potential customers view your company, products and services enables you to refine and re-target your marketing activity in order to raise the profile of your business. Image and awareness studies track a company's image over time in order to monitor marketing success and prove that an activity is worthwhile, and can be particularly powerful when done in comparison with your competitors. High quality information from this research supports the following type of action:

- strengthening/changing your company image
- re-allocating advertising spend if existing channels are not reaching the right people
- establishing the level of resources needed to raise awareness to a defined level
- tailor your direct marketing according to the perceived strengths/weaknesses of competitors

Getting to know your best prospects. It's logical that the more you know about your prospects, the better your chances of converting them into long term customers. In-depth company profiling involves getting right inside a business to really understand their decision making processes - including who is involved, the criteria for choosing a supplier, and what they expect from a supplier. Benefits of this type of study include:

- better targeted sales and marketing campaigns
- the ability to produce solutions to the concerns and problems of potential customers
- the ability to develop better services based on knowledge of real needs

In-depth company profiling can be particularly effective for more complex products and services that may involve a change in working methods for the purchaser, and for which there might be internal differences of opinion over the value of such a change. So, for example, a company selling PDM systems could establish the extent to which there is serious interest in PDM, the problems anticipated in the evaluation and implementation of a PDM solution, and likely budgets allocated for such investments.

Will our new product/service hit the right buttons? Launching a new product or service requires knowledge of what potential customers actually want. research can uncover reactions to a new idea, or identify the detailed features that potential customers need and/or prefer. The development of an existing product or service can be researched by using focus groups to identify how it could be improved, and then quantifying these features to determine which ones you can afford to incorporate. Further research can indicate the likely demand for the new product.

Get under the skin of your rivals. To compete successfully you need to know what you're up against. Access to in-depth analysis of your main competitors - their structure, strengths, strategy and weaknesses - enables you to really target marketing resources where they will have the most impact. Skilled interviewing of sources such as your competitors' current and ex-employees, suppliers, distributors and customers can produce information that enables you to:

- implement product/service improvements to counter their strengths and weaknesses
- target your sales policies through knowing their distribution channels
- offer competitive discounts and terms
- target your marketing communications strategy in response to their messages and where/how they deliver them.

A typical example could be a CAD software manufacturer who wants to find out how a rival is managing to eat into their market share. If for example, in-depth analysis reveals that the rival is giving higher profit margins to the resellers, then the company can act on this.

But Can I Afford It?

Many businesses will quote cost as the main barrier to commissioning the types of research outlined above on a bespoke basis. While considering the cost versus benefit question, its important also to think about the costs of not doing the research on an identified knowledge gap, e.g. the loss of key customers because you failed to pick up on their preferences for a rival's improved service. The cost/benefit question is another reason for pinning down your precise objectives as early as possible, as David Barr confirms: *'The cost of using specialist agencies for market research need not be prohibitive for smaller firms, but they must have a clear idea of what they want to achieve within realistic budgets.'* Outcomes from research studies are not guaranteed, but agreeing realistic objectives, and planning for the resources required for follow up action should enable you to at least make an informed decision about the value of proceeding.

A B2B market research agency with a substantial database covering your target markets will provide a more cost-effective option than one operating on a general basis; a CAD research specialist will already hold data on the companies you want researched and will not have to devote resources to screening numerous irrelevant companies to find those in the right sector. Targeting of niche markets (eg. manufacturers of extruded plastics) is therefore a much faster and cheaper exercise.

A cheaper option than bespoke research is to club together with others whose target markets overlap with yours. Omnibus surveys are those which take place on a regular basis and companies can hop on and off with questions whenever they wish. Syndicated studies involve companies clubbing together to commission a survey of interest to all of them but to which they can add questions to suit their own individual interests. These have the advantage of being tailored to individual needs and targeted at exactly the right respondents.

It's Action, Not Results, That Counts...

Ultimately the value of MR lies in what you actually do with it. The most incisive findings become useless if lack of resources or internal wrangling prevents decisive action from being taken. Again there is a factor here for your choice of marketing research agency. Ask to see the sort of format that their findings are presented in. You don't want reams of research speak- the report should enable you to act straightaway, with recommendations in the language of your business.

Market Research Case Study – Graphisoft UK

Graphisoft, developer of object-oriented architectural CAD solutions, was actively searching for an alliance in the building services market which would enable it to provide a coordinated service to large companies in need of both architectural design and building services solutions. Cymap, one of the leading UK building services software providers, emerged as a possible partner. Graphisoft wanted to measure the image and awareness of Cymap and its products with a view to a possible business alliance and approached Business Advantage with a request for a market survey.

In total 100 interviews were carried out to determine levels of prompted and unprompted awareness of these products and that of their closest rivals. Eighty companies were interviewed in the heating, ventilation and air conditioning (HVAC) sector. A smaller sample of actual users of the product was interviewed to gain an indication of satisfaction levels amongst customers. Acting on estimates of the proportion of companies aware of the company and its product and rival products, Graphisoft came to the conclusion that Cymap was an ideal partner to integrate building services solutions with its Virtual Building technology. On the 6th of December Graphisoft announced the acquisition of Cymap into the Graphisoft Group.

"The market survey of Business Advantage confirmed our view that Cymap represents leading edge building services technology which we have been seeking for a long time. The B2B research helped us greatly with our decision making process," commented Andras Haidekker, Managing Director of Graphisoft UK. "The Graphisoft channel have enthusiastically welcomed our investment decision and are excited about exploiting the potential of the building services market."

This article has covered just some of the more straightforward applications of MR; what makes it such an exciting tool however is that it can be applied to shed light on practically any business problem. It both reveals change in the market, and drives change as businesses act on information to seek the ascendancy. This applies to CAD markets as much as any other - those that appreciate this are likely to reap the rewards.

Market Research Case Study – Rasterex UK

Rasterex UK, a company specialising in Technical Data Management, had developed a drawing and document distribution toolkit for CDs, incorporating a self contained database and viewer, called RxCDManager. To gauge the interest in this concept before devoting marketing resources to it, one hundred interviews were conducted covering the AEC and MCAD sectors. The results revealed that encouraging proportions of these companies were interested in this product. As a result of these findings, funds were allocated to market the product.

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