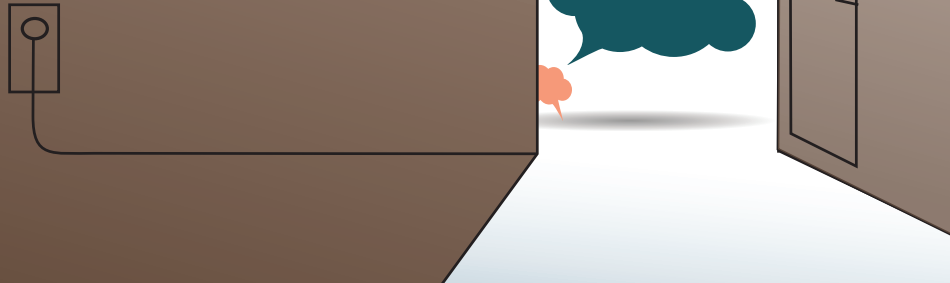# Why B2B Companies Need to Build Online Communities for Their Customers

By Vanessa DiMauro and Robert Buday

INTRODUCTION/SUMMARY

Seminars, publications, market research, and customer care centers are some of the most important tools in every business-to-business firm's toolbox for understanding, attracting, serving and keeping customers loyal. But in a world of fierce global price competition, increasing transparency of business practices, and ever-rising complexity, these customer interaction channels are no longer enough for many B2B companies.

Today, software companies such as SAP and Taleo, business information providers such as LexisNexis, and consulting firms such as Palladium Group have moved much of these interactions to online communities they have built for their customers. While they are still in the early stages, these online communities are providing these companies with a competitive advantage: the ability to get much closer and become more valuable to customers every day, around the clock.

In the first of a multipart series, we review the traditional ways that B2B companies have interacted with customers and their limitations in a world in which change has dramatically accelerated. We then discuss why a number of companies have launched online customer communities in the last few years, defining the core hallmarks of successful communities.

Ever since 1895, when Deere & Co. mailed to farmers the first-ever custom publication, businesses that sell to other businesses have embraced a variety of techniques for getting close to their customers. Trade shows, user group meetings, seminars and webinars, syndicated research studies and publications that can't be found on a newsstand have become commonplace in B2B — much more so than in B2C.

It isn't surprising. The average B2B sale is typically much larger than it is for B2C firms. And for B2B firms, a small number of customers can account for the majority of their revenue. Thus, it pays for B2B companies to go to extra lengths to pay attention to their customers. In fact, many devote substantial resources on programs to dissect customer needs, educate prospects on products and services, create personal relationships, and promote their offerings.

But the B2B world has changed markedly in just the last decade. Executives get more information through search engines today than from any other source, including meetings, print publications, and sales calls. Word of mouth increasingly travels more through online social networks such as Twitter and LinkedIn than it does through business get-togethers. And many publications are out of date by the time they thump on a manager's desk.

The result: By relying on traditional ways of interacting with customers, many B2B firms are struggling to keep up with growing customer demands and more-nimble competitors anxious to capitalize on those nascent needs. Waiting for the annual conference to announce key new-product introductions can now penalize a firm with

being very late to market. Holding webinars or publishing journals quarterly or even monthly can risk giving customers information long after others have filled the void. Conducting online research panels every six months may make a new product or advertising campaign dead on arrival because customer needs and interests have changed that quickly.

By relying on traditional ways of interacting with customers, many B2B firms are struggling to keep up with growing customer demands and more-nimble competitors anxious to capitalize on those nascent needs.

A small but growing number of B2B companies have realized this. While they haven't pulled the plug on the customer interaction programs of the past, they have adopted a new way of getting inside the minds of buyers, and on a daily basis: creating private online communities. Such websites, gated off from unwanted intrusion by most Web viewers, allow business people to view articles and studies for their eyes only, form private discussion groups to air out sensitive issues, weigh in on the products and services of the

A BRIEF HISTORY OF B2B CUSTOMER INTERACTION TOOLS

B2B companies have used a range of techniques to become familiar with their customers and generate repeat business for more than 100 years. To understand the value of these techniques and how they have evolved, we discuss them in five categories: educating, meeting, understanding, promoting and supporting.

Understanding: Divining Customers' Needs and Wants
While some business historians point to the early 20th century and companies like General Electric, DuPont and Bell Labs as when research and development became an organized business function, market research didn't emerge as a formal B2B

discipline until about a half century later. By the 1960s, several companies started to appear, dedicated to conducting research on B2B customer needs. In 1964, the UK's first B2B market research firm, the Industrial Market Research Association (IMRA), was formed. By the 1990s, IMRA renamed itself Business Intelligence Group as B2B market research went beyond the sector of heavy and light manufacturing.[1]

In the U.S., B2B market research firms started sprouting up in fast-growing, highly competitive sectors such as information

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[1] McNeil, Ruth "Business to Business Market Research: Understanding and Measuring Business Markets," (Kogan Page Ltd., 2005).

technology (e.g., International Data Corp. in 1964 and Gartner Group in 1979). Since then B2B firms have seen an explosion of syndicated research firms. Today, research firms catering to the IT and many other sectors provide B2B companies with a wide range of research on customers.

Over the last decade, B2B companies have also conduct a substantial amount of their own customer research (which, of course, they don't share with other firms as they do when they subscribe to syndicated studies). In addition, many use syndicated research firms to conduct customized studies whose results benefit only the firm that funds the research.

community organizer, and seek out others with experience that can save them from making a bad decision.

Online customer communities have become of intense interest in such industries as information technology. Nearly two-thirds (65%) of 207 organizations surveyed in 2010 by the research firm ITSMA said they are engaged in private online communities hosted by the companies that sell them computer hardware, software and the services.[1] And 49% of all B2B companies manage an online community dedicated to customers or prospects, according to Business.com <u>Business Social Media Benchmarking Study</u> (2009), and a third planned to create a customer community in the near future.[2] A 2011 study by B2B Magazine found that 22% of B2B firms had online communities .

There are great lessons to be learned from B2B firms such as software giant SAP, legal information provider LexisNexis, and consulting and education firm Palladium Group, which have fostered successful online customer communities. Their communities have accelerated new product and service development, helped customers generate much more value from their offerings, reduced the high cost of post-sale service, and boosted customer loyalty. The results, in some cases, are stunning.

Take LexisNexis' Martindale-Hubbell business unit, a 140-year-old publisher of legal directories. The firm's business model was founded on helping attorneys find one

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1 ITSMA 2010 report, "How Customers Choose Solutions Providers, 2010: The New Buyer Paradox," by Julie Schwartz, Katie Espinola and Olivier Nguyen Van Tan.

2 Ibid.

another, especially to help in-house corporate counsel locate the right law firms. Martindale-Hubbell has a deeply trusted brand. But three years ago, the firm realized it needed to change. At the end of the 20th century, lawyers and law firms were finding search engines and online sites such as LinkedIn as tools to find legal expertise. Such websites threatened Martindale-Hubbell's dominant market position as a print directory publisher. So the firm built a private, gated online community, Martindale-Hubbell Connected, only for legal professionals around the globe.
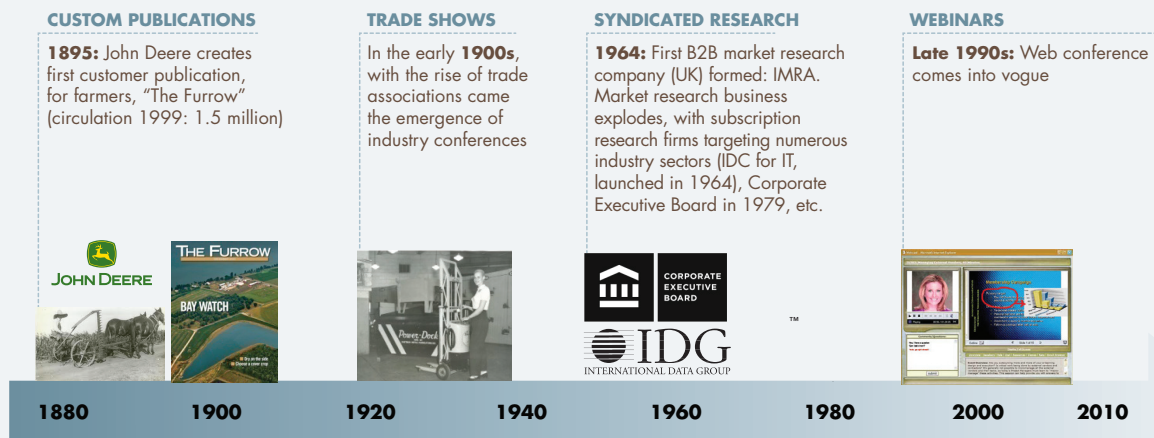
With Martindale-Hubbell Connected, those firms have a far better way to get themselves in front of their clients, share their expertise with other attorneys, and provide a deeper profile of themselves and their firms. The online community has more than 60,000 members – 10 times the number of a year ago – from more than 120 countries. Prior to the community, there were no dominant online ways for a legal services buyer to find and access specialized legal professionals. In an industry where law firm web sites are commonly underdeveloped, finding legal experts was time-consuming and inefficient. Martindale-Hubbell Connected has streamlined the process of finding the right legal specialist and now sends 20 times more qualified prospects to law firm websites than Google search results.

Palladium Group is a consulting and education firm known for the Balanced Scorecard approach to measuring a company's operational and financial health. It launched an online community for clients in April 2010 and currently has more than 4,600+ senior practitioners, 1,170 are from clients organizations and 60%+ have the title of

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Over the Last Century, B2B Companies Have Created Distinct Ways of Interacting With Their Customers

CUSTOM PUBLICATIONS

1895: John Deere creates first customer publication, for farmers, "The Furrow" (circulation 1999: 1.5 million)

TRADE SHOWS

In the early **1900s**, with the rise of trade associations came the emergence of industry conferences

SYNDICATED RESEARCH

1964: First B2B market research company (UK) formed: IMRA. Market research business explodes, with subscription research firms targeting numerous industry sectors (IDC for IT, launched in 1964), Corporate Executive Board in 1979, etc.

WEBINARS

Late 1990s: Web conference comes into vogue

| 1880 | 1900 | 1920 | 1940 | 1960 | 1980 | 2000 | 2010 |

directors and above; Palladium reviews applications and sets access rights. In the first six months, the community was generating revenue. Additionally, community helps Palladium differentiate its value proposition and deepen client relationships.

Since 2003, enterprise software powerhouse SAP has launched several online communities. The benefits have been numerous: faster uptake of new products and enhancements, higher customer satisfaction and loyalty, and better products and customer experiences due to continuous external feedback. In fact, SAP attributes part of its strong Net Promoter Score (a popular measure of customer loyalty) to its online communities.

In this installment, we will set the context for online customer communities. We will explain how B2B companies have traditionally interacted with customers: to educate them about how to use their products or services, discern their needs, form personal relationships, provide support and promote their products and services. We then describe the changes in customer needs, competition and technology that are forcing many B2B companies to rapidly improve the ways they interact with customers.

WHY TODAY'S CUSTOMER INTERACTION CHANNELS ARE FALLING SHORT

B2B companies collectively spend billions of dollars to attract and become more familiar with their customers. Companies like IBM, General Electric, SAP, and McKinsey have established well-developed mechanisms for getting themselves in front of customers and intimately understanding their needs. (See sidebar on "A Brief History of B2B Customer Interaction Tools.")

The customer interaction initiatives of B2B companies can be seen as fitting into five broad categories:

- **Understanding.** This category covers activities to discern customer needs and wants, the most notable of which is formal market research. Around the world, B2B and B2C companies spent $31 billion on market research in 2010 (nearly $11 billion in the U.S. alone), a 33% increase in five years.[3] In trying to decipher customer needs, many B2B companies have historically spent large sums on market research firms that conduct focus group, survey, phone and other research. In a number of fast-growing industries, market research firms have proliferated in number and size — e.g., IT (Gartner, IDC, Forrester, etc.) and energy (Cambridge Energy Research Associates), to name just two. Many B2B firms have sizable in-house market research staffs as well.

- **Educating.** This is about providing insights to customers on how they can address the problems for which a B2B company's offering is just one part of the solution. This is the essential role that "thought leadership marketing" has taken on in an increasing number of B2B sectors, including consulting, IT services, software, office furniture, and medical equipment. The sector that has

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[3] According to "Global Market Research 2010" a study published in 2010 by ESOMAR, a Dutch research firm. *http://www.esomar.org/uploads/industry/reports/global-market-research-2010/ESOMAR_GMR2010_Cover-Contents-FirstChapter.pdf*

Educating: Helping Customers Get More Value From Their Purchases
In 1895, some 48 years after its founder invented the world's first self-polishing cast steel plow, agricultural equipment manu-facturer Deere & Co. created a publication called The Furrow for its customers – farmers across the U.S. The magazine, regarded in some circles as the first customer publica-tion in North America, focused on all things important to farmers, especially advance-ments in farming methods. Deere didn't design the publication to directly sell farming equipment. (That was the role of its indepen-dent dealers.) Rather the publication's role was educating farmers about advances in

agricultural technology (especially Deere's).[2] The $26 billion company still publishes The Furrow, which has a worldwide circulation today of 1.5 million. "The Furrow has become an institution in U.S. agriculture," a past editor told a researcher in 2003. "It's been read by generation of farmers. As the market shrunk over the years, we have found it even more important to capture the attention of those readers."[3]

Today many companies have customer magazines. Numbering 116,000 in North America alone, these firms collectively spend

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[2]   The history of Deere's publication The Furrow can be found in a *white paper* of The Publishing & Media Group.

[3] Ibid

$30 billion annually on producing and mailing them, according to an industry trade group, the Custom Content Council.[4] Ranging from software giant Oracle to Toyota (which publishes a magazine for its Lexis customers), they largely follow The Furrow's 116-year-old editorial formula: provide useful advice about how to use their products. Whether they are written for farmers or a customer's computer department, these publications have become a critical customer relationship tool over the last century. According to a UK trade associa-tion for the custom publishing industry, the average customer spends 25 minutes a month

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[4] Custom Content Council. *Pearl Awards Recognize Excellence In Custom Publishing*. Retrieved on September 29, 2011 from *http://www.custompublishingcouncil.com/news-members-article.asp?ID=88*

been in the lead on thought leadership marketing is the management consulting industry, and here McKinsey & Company stands out. The firm has published its prestigious *McKinsey Quarterly* journal since 1964, setting the standard for journals that demonstrate a B2B firm's expertise without directly selling its products or services. In an industry where the number of consulting firms has doubled in the last 15 years in the U.S. alone (to 100,000), McKinsey's revenue has grown more than threefold (from $1.8 billion in 1995 to $6.6 billion in 2010 [4]). *McKinsey Quarterly* articles have no doubt helped the firm tee up numerous conversations for McKinsey consultants and *Fortune* 1000 CEOs and their management teams.

• **Meeting.** This refers to the seminars, conferences, briefings and other venues that B2B firms establish or participate in to get to know customers outside of sales meetings. Enabling customers to take measure of B2B vendors and talk to their personnel as well as other customers has long been a successful tactic in B2B customer interaction strategies. It's why "user group" conferences have become well-established in the IT industry. Take the enterprise software segment of the industry. Launched in 1989, SAP's customer conferences (called Sapphire) have been important tools in helping the firm get to know its thousands of worldwide customers and gaining their support for the

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[4] This data is from two sources. The 1995 data is from Kennedy Information, as quoted in the 2010 book, "The Lords of Strategy," by Walter Kiechel III. The 2010 data is from Forbes Magazine's 2010 *list* of the largest U.S. private companies.

firm's ever-evolving strategic and product direction. SAP has long been regarded as having the premier enterprise resource planning (ERP) software system, one that can cost tens of millions of dollars when the installation, consulting and training expenses are added to the licensing fees. Customers essentially put their billing, order fulfillment, accounts payable and receivable and other vital functions in SAP's hands when they adopt the software. And so making it easy for potential customers to get to know the organization

> **Enabling customers to take measure of B2B vendors and talk to their personnel as well as other customers has long been a successful tactic in B2B customer interaction strategies**

and its other customers before having to make a seven- or eight-figure purchasing decision is important. And that's why SAP's Sapphire conferences are important: They help reduce customers' worries. Accordingly, Sapphire has been a key factor in SAP's ascent to $18 billion in annual revenue over the last 30 years.

• **Promoting.** We use this term as a catch-all category for the marketing programs that B2B companies conduct to attract customer attention. While much of this comes

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reading magazines published by its suppliers, and claims such publications increase loyalty by 32%.[5]

In fact, the emergence of a new type of marketing – alternatively referred to as "thought leadership," "content" or "solutions" marketing – reflects the desire of B2B companies to get better at educating their customers and prospects. By elevating their marketing beyond a feature-and-function basis to more of a consultative sell, B2B companies hope to become a more valued and trusted source, moving into buyers' consciousness at the very beginning of their purchasing process.

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[5] www.apa.co.uk

Meeting: Getting Together With Customers to Cement Relationships
The activity of merchants getting together with other merchants has been happening for a long time, even before the birth of Christ. Fast forwarding to the mid-1800s, England's Prince Albert convened the first international trade fair in London in 1851, attracting more than 13,000 exhibitors and 6 million visitors, both businesses and consumers. Similar shows cropped up in the rest of Europe, as well as the U.S. (Philadelphia and New York) over the next 30 years.[6]

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[6] Lancaster, John. "Trade Exhibitions – 1851 to 1933: An Australian Perspective," published in September 2008 Retrieved from *http://www.philatelicdatabase.com/stamp-exhibitions/trade-exhibitions-1851-to-1933-an-australian-perspective/*

The rise of industry trade associations in the late 1800s fueled the rise of B2B conferences as an efficient way for buyers and sellers to get together and form or renew relationships. By the early 1900s, the exhibition business took root in the U.S., becoming a key marketing tool.[7] The rapid rise of trade and professional associations, which itself has become a $30 billion industry in the U.S., has provided B2B companies with extensive opportunities to meet annually with many customers and prospects in one location. Trade shows, seminars and conferences –

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[7] The Inside Track. "History of Trade Shows" retrieved on October 1, 2011 from *http://www.theinsidetrackinc.com/History-of-Trade-Shows.aspx*

in the form of advertising, direct marketing, and PR, other promotional channels include marketing events (which could fall under "meeting" as well). The medical industry – pharmaceuticals in particular – thrives on promotional activities such as the sponsorship of physician speaker bureaus that educate and inform physicians about new drug therapies. B2B companies also commonly invest in industry directory listings and participation. For example, American Airlines' Sabre airline reservation system was one of the first online B2B directories and is one of the world's largest travel marketplaces, connecting travel buyers (travel agencies and their corporate clients) and sellers (the airlines).

• **Supporting.** Once a prospect becomes a customer, many B2B companies have quite substantial "customer care" operations to ensure that customer is served after the sale. Computer companies such as Dell devote millions of dollars to their B2B call centers. Other organizations such as Convergys and Novartis make it a strategic objective to succeed in providing outstanding customer care and make their customer focused programs a core part of their sales, marketing and post-sale delivery strategy.[5] The reasons for this are not surprising. The cost of acquiring a new customer can be five to eight times more than retaining current customers.[6] In the B2B world, where a few customers

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[5] Pepper, Don and Rogers, Martha. *The One to One B2B: Customer Relationship Management Strategies for the Real Economy.* (Doubleday Business, 2001)

[6] Webber, Alan E. "B2B Customer Experience Priorities In An Economic Downturn: Key Customer Usability Initiatives In A Soft Economy," Forrester Research, February 19, 2008

can represent a significant portion of the bottom line, reducing churn matters a lot.

B2B companies that have mastered one or more of the techniques for educating, meeting with, understanding, promoting products and services, and supporting customers have gained important competitive advantages. However, these customer interaction channels are no longer sufficient. Why? Put succinctly, in a world in which the Internet and global competition have dramatically accelerated the pace of business, these channels alone don't enable B2B companies to march in lock step with customers.

Specifically, they don't help companies deal with three fundamental realities:

• **Growing price disadvantages in a "flat" world:** Today, competition in many B2B sectors increasingly comes from offshore providers that enjoy immense cost advantages. We've already seen this in industries such as automotive manufacturing, IT services, and business process outsourcing, and more will fall in line. The challenge with B2B companies in North America and Europe is how to compete on other bases than price: particularly innovative offerings and superior service. But doing so requires a far deeper and ongoing understanding of customer needs, whether for product enhancements, whole new products, or better ways to handle post-sale customer service issues. Traditional techniques for understanding customer needs – market research, user group meetings, and more – now happen too episodically.

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continued from page 5

today collectively referred to as "event marketing" – have become staples of the B2B marketing mix. U.S. companies spent $17 billion on it in 2003, about 20% of their total marketing budget.[8] The annual industry conference has become a way for B2B companies to create personal relationships with customers and prospects at scale.

In industries underpinned by rapid technological change, trade shows have become a critical tool for showcasing new products and services, forming alliances with distributors and other resellers, and establishing and renewing customer relationships. In the 1980s, the computer industry's annual

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[8] Business Marketing Association 2003 study, mentioned on a Wikipedia page about business marketing: *http://en.wikipedia.org/wiki/Business_marketing*

Comdex show became a Mecca for hardware and software firms and their corporate customers, drawing 200,000 attendees at its peak in 2000. (Due to sharply declining attendance, the last Comdex show was held in 2003.)

Despite Comdex's demise, other, more focused trade shows targeting narrower segments of the $1.5 trillion global IT industry continue to attract B2B companies and their customers.[9] In fact, in every industry, trade shows are strongly attended because they enable companies to efficiently meet face

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[9] According to IDC's Worldwide Black Book, the global IT market grew by 8% year over year to more than US$1.5 trillion. Including telecom services, the overall information and communications technology (ICT) market grew by 6% to almost $3 trillion in 2010.

to face with customers and prospects and discuss issues that uniquely matter to them.

Promoting: The B2B Corporate Website Takes Center Stage
B2B companies have embraced a number of techniques to get their marketing messages to customers. Spending less on media advertising than their B2C counterparts, over the last few decades many have turned to direct marketing: the mail, email, and their own websites. In fact, the corporate website has become the hub of many B2B companies' promotional tools. Yet according to the Marketing Sherpa B2B Marketing Benchmark Report 2011, only 50% of B2B firms consider their web sites to be effective marketing tools.

THE LIMITATIONS OF TODAY'S CUSTOMER INTERACTIONS PROGRAMS

	FORCES OF CHANGE	LIMITATIONS OF CUSTOMER RELATIONSHIP TECHNIQUES
UNDERSTANDING	Customer needs change more frequently and increasing numbers of new competitors crop up to meet them	Traditional B2B market research is too episodic and lacks depth Syndicated studies designed for numerous companies don't answer one firm's unique information needs
EDUCATING	Rising complexity for customers	Publications that share customer experiences are published too infrequently and don't extensively tap customers' experiences (because the publishing model precludes customers from conversing directly with other customers)
MEETING	Customer needs changing more frequently	Trade shows, seminars, and user group meetings happen too infrequently, resulting in no ongoing dialogue between customers and marketing, product development, etc., except in the sales and customer service functions
PROMOTING	Customer needs are more complex	Corporate websites have become more informative, but they're still a one-way communication channel. They aren't set up to promote dialogue on the site between a company and its potential customers, much less to allow present and potential customers to interact with one another.
SUPPORTING	Customers need to tap more than the expertise of their B2B suppliers; they need to access the experience of other customers that have adopted their suppliers' solutions	Traditional call center and self-service websites provide few (if any) ways for customers to learn from the experiences of other customers. Conversations are two-ways: between the supplier and the customer.

A 2010 survey for the Business Marketing Association of 413 B2B companies in the U.S. found that monitoring customers' changing preferences and needs was one of their top five marketing challenges.[8]

• **Soaring customer business complexity:** In many B2B sectors, senior managers are confronted with unprecedented complexity — strategic, operational, legal, people, competitive and other issues. It probably goes without saying that numerous industries are fighting for survival, particularly those whose products can be digitized and distributed far more efficiently over the Internet: newspaper, magazine and book publishers; music companies and music retailers; and others. Growing operational complexities hamper nearly every industry, even those that are thriving. Retailers, for example, are increasingly adopting business analytics

software to find the weak points in their far-flung operations — e.g., stores where inventory is stacking up or (conversely) is unavailable; merchandise and cash are "leaking" (i.e., being stuffed in customers' and employees' pockets); and employee turnover and customer complaints are above the norm. The more that a retailer depends on such software to fix big operational problems, the more its success hinges on its software suppliers' helping it beneficially use their technologies. As a consequence, customers of companies like SAS (analytics software) and SAP (enterprise resource planning software) now vitally depend on their technology. They increasingly lean on their technology suppliers to put them in touch with other customers that have solved the operational problems their technologies address. This is why user group meetings have become hugely popular in the IT industry. However, user group meetings — like the market research that B2B firms conduct — happen too infrequently for many IT

8 Business Marketing Association. Growth Team Membership™ Americas 2010 Marketing Priorities Survey. Study was conducted by the research firm Frost & Sullivan.

customers. The custom publications that many B2B firms publish for customers are also published too infrequently for customers who need up-to-the-minute knowledge about a fleeting issue. A more efficient way that B2B companies such as SAP and Lexis-Nexis can "hand-hold" their customers – and have customers hand-hold other customers – is through a gated online community built for that purpose.

> **About a third of the 200 million+ blogs in the world voice opinions about products and brands. But that's not the only place customers can hear about you.**

• **Increasingly transparent business practices.** Social media allows customers to easily see your dealings with customers – i.e., their criticisms of your firm, products, service policies, as well as your employees' criticisms. The Minnesota Nursing Association organized its entire strike using its Facebook account.[9] Author Brian Solis covers this topic extensively in his book, *Putting the Public Back In Public Relations*.[10] Consider these facts:

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[9] Minnesota Nurses Facebook Account:
http://www.facebook.com/MinnesotaNurses

[10] Solis,Brian and Breakenridge, Deirdre. *Putting the Public Back in Public Relations: How Social Media Is Reinventing the Aging Business of PR* (FT Press:1999)

About a third of the 200 million+ blogs in the world voice opinions about products and brands. But that's not the only place customers can hear about you. Customers themselves are using social media such as YouTube, LinkedIn and Twitter to post their own views. For instance, there are over 800 million Facebook users,[11] and they share more than 1.5 million pieces of content daily.[12] B2B companies have little, if any, control over what is said about them in public social media. The only social media channels they do have a chance of controlling are ones they own – i.e., the online social networks they create that let their customers congregate. And while a B2B company still can't prevent angry customers from venting on its own online community, at the very least it will have the opportunity to respond quickly, before it spreads outside the community.

The three powerful forces of increasing price competition, growing customer complexity, and rising transparency of business practices are rendering the traditional ways of interacting with B2B customers to be less effective. For a growing number of B2B firms, the approaches to understanding, educating, meeting, promoting and supporting customers are falling far short.

THE EMERGENCE OF B2B ONLINE CUSTOMER COMMUNITIES

Realizing the limitations of traditional customer interaction approaches, companies such as SAP, LexisNexis, Taleo, Palladium Group, and LexisNexis are going beyond them. They have built online communities to take their customers' digital pulse daily. They are bringing customers "inside"

The Effectiveness of Website Design, Management and Optimization

Not effective 7%

Somewhat effective 43%

Very effective 50%
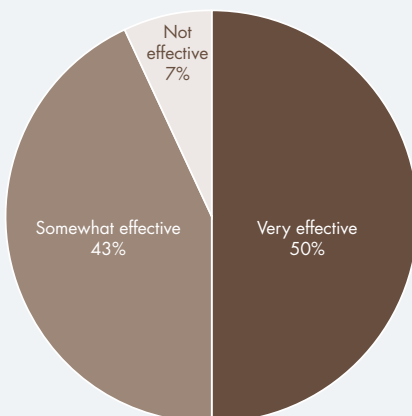
Sourde Marketing Sherpa B2B Marketing Benchmark Survey Methodology Fielded: August 2010, N=93[5]

Marketing tactics have changed considerably in the last 10 years, largely because of the way most B2B executives find information: over the Internet. Search engines have become many buyers' preferred way of learning about B2B firms. A 2009 study by Forbes magazine and Google of 354 executives at $1 billion-plus companies found that search engines had become their most valuable tool for finding business information.[10]

With this in mind, it's no surprise that companies have spent significant sums in search engine optimization – ensuring their websites have the content and terms to increase their

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[10] Forbes/Google study, "The Rise of the Digital C-Suite: How Executives Locate and Filter Business Information." More information on the study can be found *here*.

chances of ranking high in customers' search results. Many firms are now redoing their sites to make them better lead generators – tools that can get viewers to willingly give up contact details and insert them into marketing automation systems. The thinking is that by understanding which website pages attract viewers and by doing background checks on the viewer and firm, a B2B company can better identify its viewers, and which ones could be serious leads.

But this is all changing. More and more B2B firms are looking to determine how social media can get themselves in front of customers. The idea that an organization will gather information about a company's services primarily via the web site is not a realistic approach;

their organizations, sharing information and enabling them to collaborate with other customers, around the clock.

What do we mean by "online customer community"? It is a private website that enables customers to access, create and collaborate via discussions, content and information about topics of mutual interest. The key words in this definition are "customers," "collaborate," and "issues of mutual interest":

- **Customers:** online communities of this type focus on achieving the goals of a B2B firm's customers. B2B companies have formed many other types of online communities – internal ones (for virtual support of work teams), ones for suppliers and channel partners, and more. In contrast, the goal of an online customer community is addressing the business issues for which *customers* buy and use a B2B firm's products and/or services.

- **Collaborate:** Online customer communities enable collaboration of two types – between the B2B company hosting the community and its customers, and between those customers. But again, the reason these parties collaborate online is to solve *customers'* business issues. By doing so, the community host will be better able to solve its own issues: improving its products/services, understanding what customers need next in new offerings, and so on. We stress this because if the community organizer uses the online community to focus on solving its own issues and minimizes customers' issues, there will soon be no community at all. Customers will check out of the community (no matter how much time and resources the organizer has invested).

In a 2010 study, 95% of respondents said the number one reason they use online communities is to be educated on their issues of interest.[10]

- **Issues of mutual interest:** Problems that are not in the best interests of a B2B firm and its customers to solve collectively are *not* problems to bring to an online customer community. For example, if a B2B company wants to use its customer community for recruiting, that may be in its best interests. But, of course, it is *not* in customers' best interests; recruiting your customers' valued employees is against their interests. Similarly, asking for customer testimonials and allowing member firms into the community that are not in the same peer group (e.g., a CIO community that has IT vendor sales people as members) is a recipe for disaster. It violates the B2B customer community rule of mutual benefit. Most of all, there should be no direct selling in an online customer community. There are two reasons: First, it trains the community organizer to focus its community interactions in trolling for leads rather than understanding customers' larger issues and helping them solve them (some of which are beyond the ability of a B2B firm to solve). Second, it starts to erode customers' trust of the community organizer: "They're only interacting with me to try to sell me something, which I may or may not need." The way to think about this is as follows: An online customer community is not about you; it's about them.

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[10] According to a 2010 study DiMauro, V, and Bulmer, D. "The New Symbiosis of Professional Networks." (SNCR Press, 2010). The study found that "gaining access to thought leadership" was the top reason professionals used online communities and networks.

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customers and prospects are increasingly relying on external online influencers to make buying decisions. Peer opinions remain executives' most important input to making complex decisions. Online communities and other social networks enable these managers to find and reach peers and experts far more easily than in the past.

Supporting: Call Centers and the Web Have Become Instrumental After the Sale
Treating customers well after the sale has been crucial to B2B companies forever. A mere 5% reduction in customer defections increases company profits by 25 percent to 85 percent.[11] Post-sale customer support has become a key

competitive differentiator in many B2B sectors, and a major source of investment. Over the last 100 years, the form of that support has evolved from field repair to call centers to the Web, although all three are alive and well.

For more than a century, many B2B companies have had extensive field support networks. In fact, some B2B companies' "customer care" operations grew so extensive that they spun them off to serve other companies' customers. Convergys (which used to be part of the old Cincinnati Bell) and Genpact are two examples.[12]

But many B2B companies have realized they can't locate their field support in every corner of the world in which they sell their products and services. So they have centralized or regionalized support through sophisticated call centers in the last 45 years[13] and elaborate Web support in the last 15. Computing device maker Dell has thousands of people working in call centers to support B2B customers.

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[11] Reichheld, Frederick, and Sasser, W. Earl, "Zero Defections: Quality Comes to Services", Harvard Business Review, September-October 1990, p. 105.

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[12] Auguste, B., Harmon, E., and Pandit, V. "The right service strategies for product companies" The McKinsey Quarterly (2006) makes this point, using Convergys as an example. We also know of Genpact, an IT services firm spun off by General Electric in 1997, which has grown into a $1.2 billion public company.

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[13] Call Centre Helper Magazine. *The History Of The Call Centre*. Retrieved on September 22, 2011 from *http://www.callcentrehelper. com/the-history-of-the-call-centre-15085.htm*

We realize this is a much narrower definition of online community than many are talking about. Depending on your age, industry and profession, the term "online community" can evoke multiple and conflicting perceptions. To further our distinctions, here's what we don't mean: customer service websites; e-commerce sites where goods and services are bought and sold; online customer panels that focus on customer research; online publications that let readers comment on articles; and blogs, twitter and general use of social media broadcast tools. We're not saying these are not important. In fact, they are. But they are not what an online customer community must be about if you want to attract members and hope to keep them.

Online customer communities of the type we have discussed are not new to the B2B world entirely. But they have primarily been used by high tech, education and science organizations with the best access to online community technologies and the skills to use them. Only now, with the ubiquity of more accessible social tools, have B2B online customer communities started to be adopted in mainstream industries. But a number of B2B companies already have them: Bank of America, American Express, Caterpillar, Cisco, EMC and Dell.

To varying degrees, these companies use their communities for six core purposes:

- To help customers get more value from their products and services, which helps customers reduce complexity in their businesses

- To improve their product enhancements

- To develop better new products and services

- To reduce the cost of post-sale service — by having customers help other customers and thus relieve a B2B company of some of the pressure of customer support

- To market and sell their offerings more effectively

- To get control of the social media conversations about their firms

In our next installment, we will discuss how a number of B2B companies are using their online customer communities in these ways, and the advantages that they and their customers are gaining from them.

ABOUT THE AUTHORS

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