



Meeting The Challenges Of B2B2C Marketing

NGR

Helping Businesses **Grow**

Almost every company describes its core business model as either Business-to-Business (B2B) or Business-to-Consumer (B2C). There is a third category, however, that represents the distribution method employed by a significant percentage of the companies that market goods and services globally. It is neither strictly B2B nor strictly B2C. It's both. B2B2C marketers distribute their products and services through intermediaries. They sell to another business that in turn resells to the consumer, and succeeding in that complex marketing environment requires some very special skills.

The intermediaries generally fall into these categories:

DEALERS – There are really two types of dealers; Those that are mostly dedicated to selling one or just a few branded products like car dealers and tire stores, and those that carry a wider range of products. The dealer's loyalty to a specific manufacturer is usually directly proportional to the strength of the brand and inversely proportional to the number of brands the dealership carries.

DISTRIBUTORS – These are the businesses (sometimes called wholesalers) that stock and warehouse all kinds of items that ultimately find their way into the retail channel. The distributor feeds product to retailers on demand, which simplifies the retailer's need to inventory (and pay for) product until it's needed. Big chains, of course, often bypass distributors because they have the scale to own their own distribution centers and networks.

AGENTS – Insurance companies sell through agents, who represent the company to the consumer. In years past, many insurance companies had "captive" agents who only sold policies for one company and were quite often employees of that company. Although captive agents still exist, the norm today is for insurance agents to be affiliated with large independent agencies that sell the policies issued by multiple insurers.

BROKERS – Insurance agents, especially those that sell group coverage to other businesses, are often called brokers. But the term also refers to individuals or companies that specialize in marketing certain types of products that they sell either to other businesses (as distributors do) or directly to consumers. Go online to buy a

generator for your home, for example, and most of the Web sites you'll encounter will be brokers who might not even stock the generators they sell. When you buy a generator, they'll arrange to have it shipped to you directly from the manufacturer or from a distributor. All they really do is establish the Web presence, market to drive traffic to it, and facilitate the sale.

FRANCHISEES – Owners of a franchise are just like dealers, except that they are contractually obligated to cooperate with the company and they usually have a financial reason to do so. Loyalty is a given. Usually, they're paying into a co-op advertising fund, and they expect the company to provide assistance in helping them find and manage relationships with customers. The point of contention, if there is one, is usually whether or not the company is spending the money wisely.

INFLUENCERS – Finally, there is a class of intermediaries that have no actual relationship with the company, but nevertheless exercise considerable influence on consumer choices that can have a significant effect on the company's fortunes. An example of this is the relationship between doctors and the prescription-only medications that consumers purchase and take. Pharmaceutical companies have historically spent a lot of money educating doctors and convincing them to prescribe the drugs they make. In recent years, they have also begun to spend heavily on advertising designed to get consumers to proactively ask for those prescriptions, driven at least in part by increasingly tight regulations that limit how they market to physicians.

One of the core problems that B2B2C marketers have to deal with is ownership of the customer relationship. Quite often, the relationship belongs to the intermediary rather than to the company that manufactures the product or delivers the service. A classic example is insurance. The policyholder relationship traditionally belongs to the agent, and the company doesn't automatically get permission to market to that consumer. The agent isn't inclined to grant that permission for fear the company might try to take over the relationship, which in the agent's mind could jeopardize future sales opportunities and commissions.

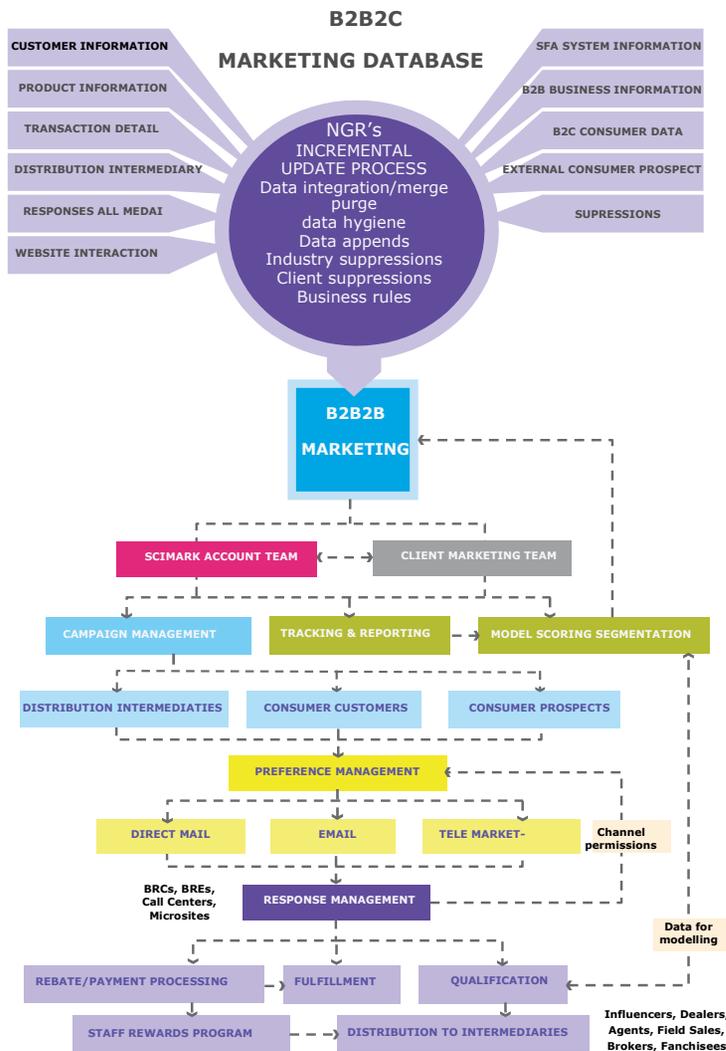
In situations in which the company doesn't own the customer relationship, the intermediary is generally tasked with marketing and selling to the consumer. Except for sometimes trying to create demand through branding, the company typically does not spend much money on DTC promotion. In general, this makes reaching the consumer less efficient than it could be because it eliminates

economies of scale. For example, a company could make DTC marketing a lot more effective by deploying a marketing database that an individual dealer couldn't possibly afford, for use by all dealers. But it's sometimes hard to make a reasonable business case for doing so since the company can't market directly to the customers in the database.

Even worse, manufacturers quite often don't even know who has bought their product unless the consumer fills out and returns a warranty card, which happens a lot less often than you might think. The solution to that problem is a combination of making the case to the intermediary that allowing the manufacturer to have access to their customers is to their benefit, along with motivating the customer to provide information when it's not a natural part of the sale. Smart marketers are beginning to address these issues, and some of those initiatives are quite successful. An example is social networking; Using the Web to create communities built around the product that consumers want to belong to and willingly sign up for.

The flowchart on the next page illustrates – at a macro level – an example of the overall process of successful B2B2C marketing. Some parts of the process may not apply to your specific situation, but the overall concept will: B2B2C marketers not only have to create consumer demand for their products or services, they must understand and satisfy the needs of the intermediaries in their distribution supply chain in order to succeed.

To facilitate understanding of the B2B2C process illustrated above, let's break it down into its component parts...



Source of data

At the center of the B2B2C marketing process is a marketing database, and it should include all available data that can contribute to making the process efficient and effective at generating sales. At a minimum, the data sources probably should include the following:

- **Available customer information.** Depending on the product or service you sell and how you go to market, this could be made up of customer Web site registrations, names and addresses from warranty cards, data you receive from the interme-

diary, information that the consumer is required to provide in order to complete the purchase, shipping information, etc. Obviously, you need the highest possible percentage of end-user customers you can get.

- **Product information** that will allow you to code the file with what the customers have bought. In some cases, this will be multiple products for many customers.
- **Transaction detail**, if it is available, will tell you when and how the customers bought, as well as codes indicating which product (s) were a part of the transaction. Quite often, there are many times more transactions than customers; the data volumes can be very large.
- **Information about the intermediaries** – dealers, distributors, agents, brokers, franchisees and influencers – that either made the sale or somehow influenced the consumer to buy. You'll need this information to get a fix on which ones are generating the most business, and because you'll probably want to market to them as a part of your overall process.
- **Responses to promotions**, in situations in which the sale is made in two steps. Although the actual sales are obviously most important, having the ability to track the steps between the promotion and the purchase can be very revealing. Just knowing how many responses or leads are required to make a single sale can help determine the necessary size of a promotional budget, as well as providing guidance on how future promotions should be designed and implemented.
- If your Web site is a place where you can close sales, **the database that drives the e-commerce pages** will be a transaction feed to the database. But even if you don't actually close sales on the site, it will likely be a place where you're gathering responses and that information will be a feed to the database. You should review what additional metrics your Web site can provide. Often, click stream data can identify which product or products visitors are interested in, even if they aren't overtly asking for information or making a purchase.
- If your intermediaries are a field sales force of some kind, like

agents, you may have **access to a sales force automation (SFA) system** into which they enter sales milestones such as appointments made and kept, quotes given, etc. These systems are also sometimes called CRM systems and can include off-the-shelf software like Act! or SalesLogix, online solutions such as Salesforce.com, NGRCRM, or high-end enterprise applications such as Seibel.

No matter how you gather this information (if you gather it at all), be aware that the information is very likely to be incomplete because some salespeople just won't use the tools you give them. It's always strongly directional, though, and should be included if you have it.

- **B2B information** might be included, because it can help you flesh out the sometimes scanty information you may have on your intermediaries. Also, in some cases end-user customers can be companies as well as individuals.

It is important to note, though, that if your need is to keep track of multiple contacts within companies that might have multiple divisions and subsidiaries, as is often the case in B2B environments, you'll need a separate database because the fundamental organization of a B2B database is different from one that contains consumer information. Done right, the two databases can be made to communicate, however.

- For profiling, modeling and segmentation, you'll want to append as much usable information as possible to your end-user customer records. NGR's solutions compiles and manages a national consumer database that is an industry standard for this purpose. Also, if you are going to market directly to consumer prospects, that database has information on more than 235 million people in the U.S.
- In addition to compiled prospect files, you may want to bring in other consumer prospect lists as well, such as new movers, subscribers to certain magazines, and others. The database should be organized and scaled so that it can handle as many such lists as you might eventually need.
- And finally, you're going to need to add suppression files to the

database, such as people who have opted out of email communications, and people who have asked to be removed from your mailing list. These internal suppressions are in addition to the industry lists such as the national do not call (DNC) file and obvious suppressions such as prison addresses. These industry suppressions are an integral part of the data hygiene processes described below.

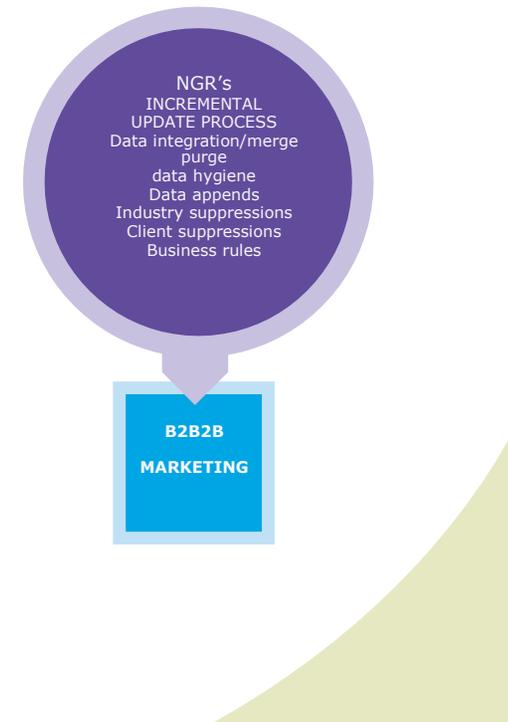
Data Integration and Hygiene

Combining all those data sources into a single database is called data integration. As you can imagine, there are usually multiple data sources that have to be combined. Some of the databases we have created for clients have hundreds of inputs; the norm is 25 or more. Many of them will have unique file layouts, and many of them will have missing data elements, so the job is not trivial.

- Part of data integration is data hygiene, a series of process steps that “clean” the data and make sure it is accurate. This can incorporate address corrections from the USPS, including National Change of Address and a service which adds suite numbers to business addresses to make the addressing more accurate and mail more deliverable. In our case, it also includes proprietary change of address information that the SciMark receives from multiple sources as a result of compiling National Consumer Database, and there is an entire suite of additional, advanced data hygiene processes we collectively call Direct Success that are included in each update of the database.
- One of the most important aspects of any database implementation is to make sure the database is updated often enough to provide information current enough to support the marketing programs that the database will drive. Our Incremental Update process allows for updating as often as necessary. Some of the very large databases we manage for our clients are updated daily, even multiple times daily.
- Client and industry suppressions, discussed above, are also a

part of the updating process.

- And finally, business rules to support the marketing effort are included in the design of the database. This can include something as simple as making sure that products aren’t offered in states where they are not available, to much more complex



rules such as those that decide how much support a dealer or franchisee qualifies for based on the volume and mix of products they sell, territorial differences, the type of contractual relationship they have with the company, and how much co-op money they qualify to spend.

All of this information goes into a B2B2C marketing database that must be fully customized for the company’s specific needs. There is no such thing as a workable “cookie cutter” approach in this environment – each company’s needs are unique.

Using the Database

The major uses of the database are:

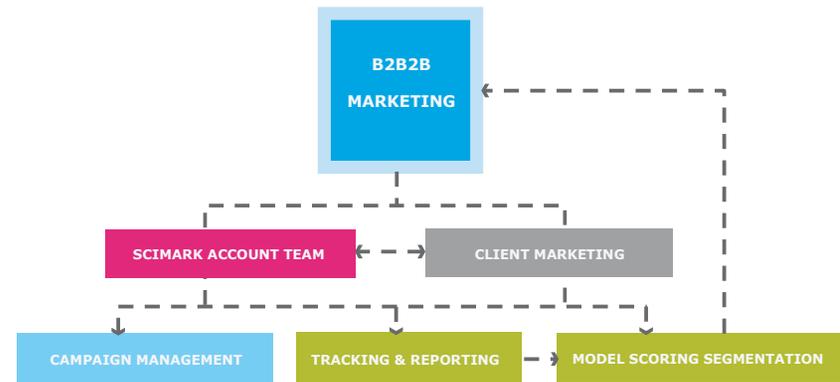
- The design and implementation of campaigns.
- Tracking and reporting on the results of those campaigns.
- Using the data for predictive models, profiles, segmentation and other analytical efforts. The results of those efforts (model scores, for example) are placed into the database for making future campaigns more effective.

How that work actually gets done depends on an individual company's needs, preferences, staffing and resources. In our case, there are basically three ways that the SciMark / GetInteract sets up implementation of a database marketing program:

- We can provide campaign management, data mining and data visualization tools for the client's use, train the users, and manage the underlying infrastructure that supports those tools. In this scenario, the client is responsible for how the database is used, but the NGR Account team is always available to provide assistance when needed.
- Our client can provide instructions to the NGR account team for the campaigns and reporting that it needs, and the NGR account team will implement all of those instructions, delivering the output to vendors or back to the client's marketing team as needed.
- The SciMark / GetInteract can design, implement and execute all aspects of the database marketing program, including development of strategies, execution of all tactical efforts, reporting back to the client on the results of those efforts, and coordination with external vendors across all channels and media. This frees the client to concentrate on overall strategy and business issues, while we essentially do all the work involved in the database marketing program.

As you can see, these three options fall along a continuum of support, all the way from technical support only to full service. Wherever a client's needs fall on that continuum, we can deliver an appro-

priate level of support. In all cases, the database and the campaign / business intelligence tools that access it are hosted in our secure data center facilities.



Campaign Management

In a B2B2C environment, there are usually three targets of campaigns:

1. Campaigns to the distribution intermediaries – the dealers, distributors, agents, brokers, franchisees and influencers that are responsible for making or influencing the sale to the consumer.
2. Campaigns to existing customers, trying to sell them more and / or to retain the relationship.
3. Campaigns to prospects. Usually, this takes the form of traffic-building or lead generation on behalf of the intermediary.

The campaigns to existing customers may or may not require the intermediary to pay for all or part of the campaign expense, depending on the company's business model. Some companies pay for all such promotions if the expense can be justified.

One cautionary note in that regard: if the campaigns are designed to generate leads that require a salesperson to proactively follow up, they will usually deliver a much higher lead-to-sale conversion ratio if the salespeople have to pay some part of the expense of generating the lead. They'll work harder if they have "skin in the

game.”

An important consideration in designing campaigns is to make sure that when a customer or prospect has expressed a channel preference – even an inferred preference – promotions are sent to that customer using that channel. This is especially important in the case of the Internet. For example, if a prospect chooses to go to a Web site to fill out a request for information when offered the choice of responding via the Web, calling a toll-free number or sending in a reply card, it’s a good bet that he or she is Web-centric enough to assume that future communications should be sent via email. Of course, this presupposes that you have asked for and received an email address and opt-in on the landing page for that campaign.

Preference management can not only make future campaigns work better, it can also save money. Email is much cheaper to send than any other form of promotion.

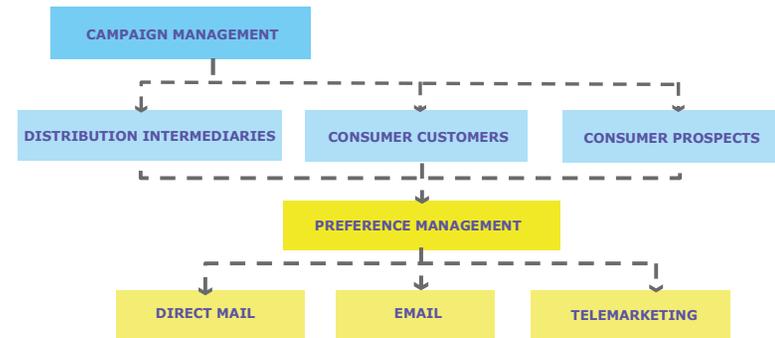
Response Management

Once campaigns are implemented, the responses that they generate have to be effectively managed. In a B2B2C environment, this is somewhat more complex than just getting a lead fulfilled or in the hands of a salesperson to follow-up.

First, the way the response comes in will sometimes define the consumer’s channel preference, as described above. Mechanisms must be put into place to get that information back into the database for future use.

Sometimes, the responder has requested information that must be sent to them, and that fulfillment needs to happen quickly. At the same time the request is being fulfilled, there is often a need to qualify the prospect before sending the lead to the intermediary (again, depending on the business model). Response qualification often means calling or emailing the responder to clarify information, determine their real desire to buy the product or service, and / or to verify their needs. Quite often, this information can also have value as a data point to be used in predictive modeling to make future targeting more precise, so this information must also find its way

back into the database.



In some businesses, rebates are a primary means of influencing behavior, for intermediaries as well as customers and prospects. Long lag times (often measured in months) for processing rebates are a major irritant to consumers, so the more quickly you can get a rebate in the mail, the more likely you are to deliver a positive customer experience. And finally, sometimes those rebates can and should take the form of rewards issued to individual employees of the intermediary who influenced to customer’s behavior.

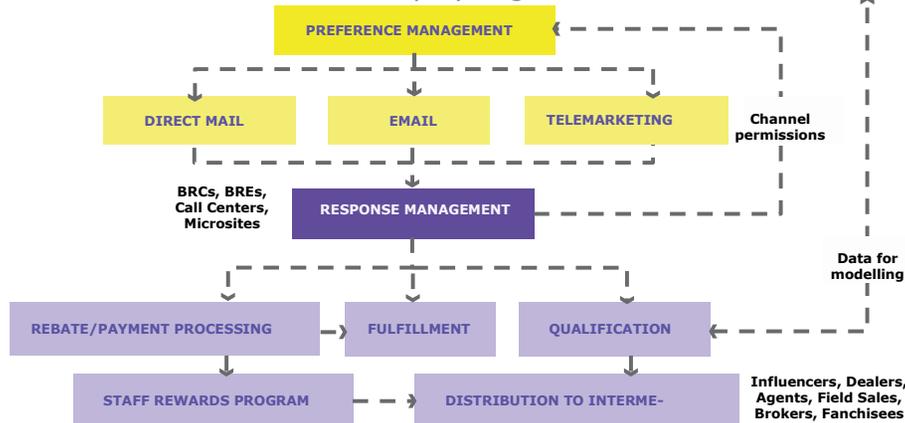
Some Examples

From the NGR’s own client experiences, here are just two examples of how all of this actually works in the real world of B2B2C marketing:

- One of our clients markets products through the veterinary channel, an example of an influencer network since the vets do not work for the company. To create purchase of the product, the company relies on recommendations made by the veterinarians to pet owners.

When the pet owners buy the product at the animal hospital, they are registered in a database. That contact information is then used by the company to send them a discount certificate – redeemable

only at the animal hospital where they bought the first time – for a repeat purchase of the product. The employee number of the animal hospital staff member who gave the pet owner the certificate to begin with can also be coded into the database, so that when a certificate is redeemed the employee gets a hard-dollar reward load-



ed onto a debit card issued to them.

Everyone benefits from the program:

- The veterinarian benefits because the program creates return visits to the animal hospital.
- The employee benefits because the balance on her rewards debit card goes up.
- The pet owner benefits because of the discount on the product.
- The company benefits because it knows who its customers are, the program generates repeat purchases that can become a habit, and because the program creates loyalty between the company and its influencers.

There is much more to this program, of course – for example, there is a component that includes animal shelters – but you get the idea.

- Some insurance companies provide a direct mail lead generation program to independent agents in order to drive new policyholder sales. The program includes a Web site where the agent can

go to select a universe of prospects (from our national consumer database) and one or more packages to be mailed to those prospects. The agent can pay for the mail using a credit card and / or co-op credits they may have earned, and the back-end database that drives the system keeps track of all of that. The database also keeps track of all the agents and specifics about them such as professional designations like Certified Life Underwriter (CLU) and Million Dollar Round Table (MDRT) membership, to be used in signing the letters. Prospect mailings are matched to new policies issued to track how well the system is working.

As we said in the beginning of this white paper, some parts of this overall process may not fit your specific situation. Use this information to craft a version of it that does fit, then think through the resources you will need to make all the parts work together in a seamless fashion. Here's how the NGR can help:

- We can provide out-of-the-box thinking and sound strategic advice on how to build and sustain an overarching program that minimizes risk and maximizes the strengths of the B2B2C business model.
- We can create the underlying technology and provide the data needed to support the effort, providing leadership in turning your company into a data-driven enterprise.
- We can provide a level of analytical and management support services appropriate to your needs and resources. You won't need to wait to build a department to launch the effort.
- We can help you create innovative ways to collect customer information.
- We can help you design programs that will turn your intermediaries into partners in the effort.

Taking this approach can transform your B2B2C marketing efforts from a series of disconnected campaigns into a holistic program that effectively creates and manages sales opportunities through intermediaries. And that will deliver a much-improved return on your marketing investment.

About NGR

NGR provides innovative enterprise marketing management solutions that turn your passion for marketing into business success. NGR transforms how marketing and sales teams of all sizes work and work together to accelerate predictable revenue.

NGR's solutions are both powerful and easy to use, providing explosive revenue growth throughout the revenue cycle from the earliest stages to demand generation and lead management to deal close and continued customer loyalty.

In past 48 months, we have been working on developing various marketing and sales solutions which assists organizations in improving customer relations and further improves the bottom-line.

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