# Business to business competitive marketing – practice and literature

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**Synopsis**
This article is a personal reflection on a career that combined much practical business ot business work with academic positions. The author reflects on which experiences have been most valuable and where the experiences were most closely related to what academics in different fields have written.

**Key words**
Business to business, marketing, competition, intelligence, warfare, customers, theory

**About the author**
Merlin is an economist, with a first class honours degree and doctorate in economics from Sussex University, UK. He has held senior academic posts at various universities and is now a Visiting Professor at two UK universities He has now retired from university teaching in marketing and economics but continues to research, mainly on digital marketing. He has also pursued a strong business career, with posts at Xerox, IBM and other companies, and directorial posts at several marketing service suppliers. Merlin is also one of the UK's top specialists in customer relationship management. He is a Fellow of the Chartered Institute of Marketing and an Honorary Life Fellow of the UK's Institute of Direct and Digital Marketing, for which he teaches and develops case studies. He is also on the editorial advisory boards of several academic journals, including the Journal of Research in Interactive Marketing, the Journal of Marketing Analytics and the Journal of Direct, Data and Digital Marketing Practice. He is author or co-author of many articles and thirty books on marketing, sales and service. He works as a consultant with B2B CRM specialists Customer Attuned and CRM specialists Customer Essential.

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**Introduction**
As I near the end of my career, in which I have worked alternately or simultaneously as a manager, consultant and academic researcher and teacher, I have been reflecting on the relationship between academic writing and practitioner experience in the business worlds where I have worked. As much of my work has been in database marketing, customer relationship management (CRM), and more recently digital marketing, it is about these areas that is where I started reflecting on my career and on the relationship between academic research and practitioners work (Stone 2012, 2013). However, most of my career, and particularly those parts of it where I was a manager, has been in business to business (B2B) marketing, so this article summarises my reflections on the relationship between academic literature and practice there. It is a personal reflection, connecting my own experiences with the literature.

**Beginning as an economist**
At the beginning of my career, in the early 1970s, I was an industrial economist. My doctoral research was on the product policy of industrial firms, at the University of Sussex. I was fortunate to have as supervisor Professor Tibor Barna, who was a member of the UK Monopolies Commission, as it was then known. He opened up his contacts for me to interview. The Commission had recently investigated the motor industry, the packaging industry and the office equipment industries, so I included these in my research. In those days, a good qualitatively-researched doctorate was not bound by today's strange rules of random sampling. If you had something significant to research, you just has to show that your findings derived from some important industries. I published my thesis, in which I studied various economic theories of innovation to determine whether they applied to new product policy, as a book (Stone 1975).

As an economist, the concept of derived demand – demand for a product or service which depends on demand further down the supply chain – was familiar to me. It was defined by Alfred Marshall (1890 Ch 6). So the idea of a product dominant logic was nonsense even then. Industrial marketers (as they were then called) would not have survived two minutes if they believed they were just marketing products. They were marketing goods and services which were used to do things", whether in customers' factories, on the road or with customers' own customers. In this area, some marketing academics took nearly forty years to catch up, as the business to business marketing and regulatory literature was full of examples of service dominant logic by the time Vargo and Lusch (2004) published their article. Vargo and Lusch asserted as the beginning of their article that marketing

> 'inherited a model of exchange from economics, which had a dominant logic based on the exchange of "goods," which usually are manufactured output. The dominant logic focused on tangible resources, embedded value, and transactions'.

This was simply false. It was only later that I learned that academic marketing experts often made their reputations by accusing past generations of neglect while renaming an idea that is perfectly familiar to practitioners (and indeed previous generations of academics, but perhaps not ones they knew) and claiming it as a massive innovation. Similarly, product life cycle theory was taken from an economics domain where it had a clear pedigree (Vernon 1966 - used for explaining international trade patterns) and, perhaps using findings from sociology and economics (Rogers 1962, Schumpeter 1911), simplified it into an irrefutable theory (cycles could always be avoided by managerial action) that was virtually useless other than bringing home to marketing managers that what went up could (but might not) come down and might (but not necessarily) have certain patterns of profit over time. Much more valuable was the work on technological innovation of economists like Mansfield (1968) and the work of Chris Freeman (1974) of the Science Policy Research Unit at the University of Sussex, which I came across as a graduate student.

**Marketing and pricing for outcomes and benefits, not product features**

Even the regulators knew about value in use. The Monopolies Commission (HMSO 1956) investigated commercial tyres and found evidence of price fixing. How were prices fixed? In money per mile, not money per tyre! The service was how many miles a tyre could be safely driven. The same was true in all the other industries I examined. Commercial vehicle design was based upon loads that could be carried (strongly influenced not just by the physics of loads but also by regulation). Photocopier pricing was in pence per copy. Packaging equipment was priced or price benchmarked in terms of millions of cans or packages that could be produced (per hour and over the lifetime of the equipment). Of course, the same was true in most of the consumer markets that I investigated (e.g. chocolate, grocery food), although the service-dominant logic was often hidden behind a language of benefits. Further, the importance of information on competitive pricing and benefits was well understood, and the quality of information companies had on these topics, derived from reviewing competitive quotes, from trade fairs and from market research, was good.

**First industrial experience**

A lecturing post in the Department of Management Sciences at the University of Manchester Institute of Science and Technology shifted my interest away from economics towards marketing, although later I tried to bridge the two (Stone 1980). In the late 1970s, I worked as a product manager in the machine tool industry in Israel, for a company called Iscar. It made machining tips, which are used in lathes and mills to cut and shape metal objects. I had to learn engineering Hebrew! I learned very quickly that although the tips were priced in US cents, the most critical factor in their performance was how many machining operations they could complete, whether they could do so without requiring machining to stop, and how low the risk was of the tip shattering during machining.

Also critical was inventory management. Large automotive companies bought certain tips in their thousands, for use in parting tools, used to cut up and groove long steel rods to be used as engine pistons. The Iscar design was much better than that of its main competitors, Sandvik's Coromant, GE's Carboloy and Krupp Widea amongst others. At the time their parting tool design required the tip to be clamped in. Eventually the clamp's grip on the tip would weaken, usually before the tip wore out, and the tip would break loose, requiring machining to be stopped while the tip was replaced. Iscar's patented design allowed the tip to be pushed into the parting tool by the machining pressure. This required extremely precise machining of the part of the tool which held the tip and of the tip itself. In fact, the tip, being made of tungsten carbide, sometime coated with titanium carbo-nitride (which was even harder), had to be diamond-ground.

The net result was a product (tip and tool) which could be made much more quickly and cheaply. More importantly, it could be used for much longer without interrupting the machining. Before I arrived, pricing had been cost plus, but the problem with that was that customers wanted so much of it that supply kept running out. There was no incentive for Iscar to make more of it as it made the same profit margin on all products. I had to go above the marketing director's head to argue for a doubling of the product's price to reflect value in use, better inventory building and deleting a range of me-too products rarely required by customers and which we were happy to leave to competitors. The move to value in use turned the company from break-even into very profitable. What literature helped me with this? The truth is that the very basics of marketing and economics literature focused on perceived value. Later, the principles I had used were articulated by the brilliant John Winkler (1983). I wish I had known about his work earlier.

**Business models**

In the early 1980s, I worked in competitive intelligence. My employer was Xerox. My work involved analysing Japanese product design, manufacturing and marketing strategies, including analysis of how the (then) successful Japanese companies rode and even created waves of technological innovation in product and manufacturing technologies. I wrote up my experiences in an article for Long Range Planning, called "Competing with Japan: the Rules of the Game" (Stone 1984). I concluded that the Japanese success was due to a different way of conceiving competition in business, a different culture and set of capabilities, a different model, if you like. Work on business models has progressed significantly since then, though until the many revolutions caused by the Web, was largely confined to the strategic planning rather than the marketing literature (for example, Casadesus-Masanell & Ricart 2010). Until recently few marketers were familiar with the idea of business models, perhaps assuming that the way competition worked in any given industry was one of the dependable fixtures of their work. I did my best to articulate the implications of a change in business model towards the direction of customer relationship management (Stone et al 1996) and also the impact of moving to a disintermediated from an intermediated model (Stone et al 1997)

**First experience of competitive intelligence**

The Japanese approach included how they attacked competitors via distributors. They used ideas based on the work of the British engineer Lanchester (1868-1948), on the power relationship between opposing military forces, originally applied to aerial combat in WW1 (Lanchester 1916). It is the same Lanchester who designed cars. The Japanese consultant Nobuo Taoka set up a marketing consultancy, Lanchester Systems and wrote books on marketing strategy (Taoka 1972 and 1982). He educated Japanese businesses as to the value of military theory, partly by establishing Lanchester Clubs, in which they discussed how to attack Western markets and firms, in the two leading Japanese industrial centres, Tokyo and Osaka.

Lanchester's central principle was concentration of forces, translated by Taoka into a very focused approach to market penetration, one segment after another, usually starting with the Western companies' weakest point, which was often at the "bottom of the market", as demonstrated in the famous Japanese motorcycle industry case. In attacking Xerox's market, Canon, the leading Japanese photocopied manufacturer, applied this (in the UK) to focusing on Scotland and then the West on England, areas where it knew Xerox to be weak, and globally focusing on small copiers and using dealers (not Xerox's channel), focused on small businesses (not Xerox's target). In fact, Xerox's market research sampling frame then did not include businesses with less than 10 employees, while its smaller copiers were not competitive with Canon's and were less reliable as they were designed to be serviced by skilled engineers rather than the simple module replacement approach of Canon, highly suited to a dealer service force and to inexpert users.

Lanchester was not the first to articulate such principles. Sun Tzu's Art of War (Giles 2005) had more than two thousand years before in China described many of the same principles, including the importance of planning and intelligence, of concentrating attacks, of exploiting enemy weaknesses and of being flexible when circumstances changed. Machiavelli (2005) in his Art of War, published in 1521, drew on his earlier political writings to extracts some principles of success relating to discipline and planning, and was often cited by later generals, partly because he was thought to articulate well the practices followed by the Romans. But perhaps the most famous military thinker to which management writers refer is Carl von Clausewitz, whose unfinished work On War, which first appeared in 1832, is famous for its focus on intelligence and simultaneous doubt of the accuracy and hence value of tactical, operational intelligence in the "fog of war, while stressing the need for top quality strategic and political intelligence. His work is controversial for its focus on military genius, as today we would argue that commanders who consider themselves geniuses because of their ability to appraise a situation quickly and make rapid decisions are the very opposite of geniuses and may destroy their armies or even their own nations.

**Applying competitive principles**
My learning was that competitive intelligence by itself is not enough. As an attacker or a defender, you need to focus it, though you must also continue horizon scanning activities to identify unexpected threats and opportunities. I also learned the power of senior management denial. The work of Xerox UK's Department of Competitive Information and Strategy, of which I was just a junior member, was dismissed by Xerox US senior management. This was despite evidence not just of intentions but also the demonstrable facts of import volumes and market penetration. This is the same denial seen at Tesco in 2011 under the leadership of the almost deified Terry Leahy and the board of Tesco in the face of strong evidence of competition not just from Aldi and Lidl (who are very successful but in terms of their market share small in each country in which they operate due to their narrow product ranges) but from Waitrose and a variety of other retailers, and by the boards of scheduled airlines in the face of competition by low-cost airlines. An interesting character of leaders in denial, also exhibited by Leahy, is their accusation of failure of subsequent leaders, even though the responsibility for the failure lies squarely with them – in the case of Tesco through Leahy's adventures abroad and over expansion in the UK.

**Common faults of managers in competitive strategy and intelligence**
In rejecting the content of good intelligence, senior managers are merely repeating the faults of military leaders, as identified by Dixon in his work on the psychology of military incompetence (Dixon 1976). Dixon defines incompetence as chronic inability to do a particular job or activity successfully. Incompetence may be due to a lack of adequate training, skill, aptitude or experience. The characteristics of military incompetence identified by Dixon that are most relevant to this article are:

- Fundamental conservatism, clinging to outworn tradition and inability to profit from past experience (perhaps associated with clinging to familiar models) and a love of regularity and regimentation (for which read structured planning processes)
- Rejection, suppression or ignoring information that is unpalatable or conflicts with pre-conceptions, particularly news of setbacks – a familiar symptom of this is hockey-stick planning, in which the recovery is always over the horizon
- Over-estimating one's own side and/or under-estimating the enemy, particularly if they are using a model you do not recognise
- Seeking scapegoats (marketing blaming manufacturing or research and development, or vice versa)
- Abdication of leadership and/or indecisiveness, often cause by uncertainty as to what is happening
- Lack of intellectual ability, often in the form of inability to comprehend the impact of a competitive challenge based on a new model
- Crushing individual thoughts, devaluing initiatives, and too much respect for hierarchy, including hostility towards juniors who initiate positive achievements without permission

Note that most of the above can apply to individuals or be characteristics of a corporate culture.

**The battle for customers**
In the world of B2B marketing and selling, the battle takes place not just between competitive products and services, but also between competitive sales forces, distributors and service forces, and also between

competitive researchers and technical developers. In other words, competitive success depends very much on your people as well as your strategy, and whether they trust you to lead them to success.

But where does the customer fit in all this? One of the problems with applying ideas from military strategy is that the customer was often seen as being "conquered", won from the competitive enemy and then ruled in some way. Today, this view seems old fashioned. It never was appropriate, except for pure monopolies. The customer is another force, one that may be closely allied with the supplier, neutral or antagonistic to the supplier. The building of trust and a strong relationship with the customer is a critical part of competitive marketing. A supplier is usually doing it under competitive conditions, when other companies are themselves trying to build trust and relationships with customers and (perhaps) even trying to destroy the original supplier's relationship. A supplier's group of customers is a critical part of its competitive advantage (Bindroo et al2 012), indeed its ecosystem (Moore 1996)

**Marketing of IT and telecommunications**

After I left Xerox in 1983, I began a period of marketing consulting. I focused first on marketing and customer service in the information technology industry, where the first personal computers were causing mayhem among computer marketers because their skills in managing corporate clients did not fit too well with the world of dealers and distributors. Here the seminal work was being done by El Ansary and Stern (1977), and it was to their work that I turned to understand how marketers saw third party distribution. Apart from this, there was not then much useful literature on high technology marketing, so I tried to articulate the requirements for success (Stone & Macarthur 1984, Stone 1985).

**Moving to direct marketing**

When companies outside traditional direct marketing users started to implement customer databases in the 1980s, my knowledge of computer marketing helped. The late Mike Walbridge, whom I had known at Xerox, managed all the below-the-line marketing communications at the recently privatised British Telecom, and asked if I could apply my knowledge of computer marketing to using computers in the marketing of telecommunications, especially to using large customer databases. This led to twenty years of focus on direct marketing and then customer relationship management (CRM), in B2B and B2C. Here, a central issue was how information technology could be used to apply the principles of B2B account management, particularly key account management, to B2C customers. There was little literature to help. The literature of direct marketing at the time focused mainly on consumers. So working with co-authors who were consulting colleagues at British Telecom, I made my own contributions to the literature, covering database marketing and the management of customers via the telephone (Shaw and Stone 1990, Stone et al 1990).

**Business solutions**

My time in consulting led to a research partnership with IBM, and eventually this changed into employment for a few years, in the early part of this century, during which I produced two books with my closest colleague, Bryan Foss (Stone and Foss 2001, Foss and Stone 2002), each composed of chapters by experts from IBM and other companies. The books covered both B2B and B2C, with some chapters specific to B2b. In some ways, these books showed that most issues were common to B2B and B2C, with the difference mainly due to the depth and breadth of the relationship. Many B2B relationships were becoming increasingly transactional under the influence of the web, while many B2C relationships were becoming deeper and broader without the added costs that would have been normal before the days of email and the web.

One area that I focused on was B2B outsourcing, where a supplier such as IBM took on management of activities further down the value chain. My close colleague Mark Cerasale, now with SAP, proposed that we wrote a book about this area, and so we did (Cerasale and Stone 2004), him drawing on his experience of working with IBM and me on my consulting experience with many outsourcing companies, not just in IT but also in logistics, where I had worked on the outsourcing of parts inventory management for DHL.

**Today's B2B marketing**

Many things have changed in B2B marketing since my early days, including

- An explosion in volume and variety of information available, due to the Web, and therefore a much greater awareness by all players of what is happening in the market, and in particular how ecosystems that support particular markets or suppliers are developing, but with the corresponding risk of information overload and inappropriate selectivity in information digested
- The ability of customers to find their way quickly and precisely to better products and services, using the Web, so that a new product or service can emerge almost without warning and succeed globally and quickly – this is helped by the emergence of web-based global B2B exchanges
- The ability of companies to target very precisely the customers they want to attract (and win from their competitors), using a combination of digital and database techniques
- A massive change in the way that customer service is handled, from having very large numbers of front line (service engineers, contact centre) staff - a world documented in Stone and Wild 1985 Stone and Young (1992), to where as much as possible of service is carried out remotely
- The growth of content marketing as a critical discipline, with a strong focus on ensuring that customers can find the right content, in a world drowning in content that is easily generated and posted
- Increased complexity, sophistication and professionalism of BB marketers, who now combine the best of off- and on-line techniques, but with corresponding skill shortages as digital techniques evolve
- Much greater sophistication of B2B buyers
- A much greater awareness of the existence and importance of the ecosystem that includes participants from all stages of the value chain (for a description of the digital marketing ecosystem, see Stone 2014)

**Building defences**

These do not all apply equally in all markets, but they do apply in virtually all B2B markets, and particularly those subject to rapid technological change. In these circumstances, competitive attacks designed to win away one's best customers can be expected. So most companies that operate in these markets have general defences, their customer retention programmes. These programmes are designed to reinforce customer loyalty, often through incentives or service benefits, and to ensure that a customer that has been approached by a competitor knows where to go to solicit a better offer from the incumbent company if the competitor's proposition proves very attractive.

The latter can be expensive. When such an approach is deployed, the retained customer's profitability to the supplier is normally lower, unless the incentive to stay is low cost e.g. involving use of spare capacity. In such cases, proactive retention work can be undertaken, involving communicating better with customers deemed most likely to be at risk. This too can be expensive, particularly if false positives are targeted (i.e. customers deemed likely to leave actually have no intention of doing so). However, if it works well, it can be very profitable. One reason for this is that the reasons for switching are generally known and customers experiencing these reasons can be identified before they switch.

Retention is more difficult if vulnerable customers are subject to a focused attack, or offered a much superior product or proposition, e.g. service package, better product. A competitor has many choices as to which customers to try to win. The question is whether a company should develop generalised defences to retain their customers, or try, using competitive intelligence ideas, to identify customers that would be targeted by competitors. It is possible to identify specific threats in advance, using competitive analysis of (for example), the reasons for customers leaving and their antecedents, analysis of posts and on social media by customers suffering from typical churn-inducing problems, blogs by commentators, analyst reports and comments, analysis of past practices - focusing particularly on issues of culture and capabilities, and presentations and other public statements by competitors' suppliers (e.g. marketing services).

**Implications**

With this and similar information, a company might be clever enough to bluff about what it is doing, hoping to mislead its competitor(s) as to where they should place their defences. This trap can only be avoided by defenders who consciously search for attempts at deception. Success here is only likely with companies with a very open-minded approach to information search and interpretation, avoiding conventional wisdom. They also need a strong framework of data gathering and analysis, covering the kinds of data described above, which allows them to identify early signs of a challenge, for example, and separate them from any other trends or developments for individual customers, segments or markets.

**Conclusions**

In my career as a B2B marketer, I have found support from the concepts of great marketers, but also from theorists and practitioners in different disciplines, from my home discipline of economics to warfare. I have been blessed by having a particular blend of academia and experience, almost entirely by chance. This blend only occurred because people kept asking me – how about trying X? And I always said yes to X, moving happily from academia to industry and back again. It did not make for a very smooth career, but it was full of the excitement of either applying academic ideas to industrial situations, or applying my own ideas, only to find that I was doing something recommended long ago by one of the great theorists.

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