



The new B2B value chain:
Competing on experience,
cost and responsiveness

Executive summary

Consider this scenario: an industrial product manufacturer has an end-to-end value chain that engages its customers similarly to how Amazon interacts with its shoppers, offering visibility into availability, delivery time and progress. The manufacturer delivers supply chain transparency and real-time tracking like FedEx and SenseAware. Its ecosystem works together in a way reminiscent of how Apple connects and bundles its products, services, app developers and customer support. And its products are supported by human-centred design on par with what Warby Parker provides to customers shopping for glasses.

The common thread that links these new ways of thinking about the B2B customer is a differentiated and valued experience. Yet for many B2B organisations, experience has meant a focus on product characteristics and the promise of customisation; these companies often lack an end-to-end view of their customer interaction along the value chain. Instead, the ability to provide best-in-class delivery (responsiveness) at a competitive cost has traditionally been the winning combination for industrial manufacturers and other B2B organisations that have outflanked their rivals.

Increasingly, however, such optimisation has become ubiquitous in many markets. At the same time, COVID-19 has triggered supply chain disruptions, shifts away from face-to-face relationships towards always-on digital experiences, and changes in customer needs and buying patterns. The B2B value chain evolution started before the pandemic but is now imbued with an even greater urgency.

The priority for B2B organisations will be to identify and implement balance: understanding how, when and where along the value chain the customer experience can be enhanced efficiently. This is critical because even as B2B companies recognise the need to embrace experience, they cannot do so by sacrificing hard-won efficiencies in cost and responsiveness.

To achieve the right balance, B2B leaders should focus on several key areas. To start, they'll need to rethink the way they define and deliver experience at each stage along the value chain. They'll need to create a cohesive ecosystem that supports all customer interactions. They'll also need to foster an understanding of and high-quality engagement with the individuals who represent their customers, for example, those working in procurement, maintenance and distribution. To develop this understanding and effectively incorporate experience into the value chain based on the needs of each customer, leaders can focus on six strategic priorities.



Defining and delivering the B2B customer experience

Experience spans the customer life cycle, permeates the end-to-end value chain and ecosystem, and is manifested throughout the product's lifetime and beyond. It can be delivered in different ways by multiple employees and partners, and a variety of factors should be considered in its design.

B2B and industrial organisations need to ground every decision—including design, sales, planning, production, delivery, service and support—in an intimate understanding of markets and customer segments, and they need the agility to deliver a great experience for each of these segments. For example, companies must understand the occasions during which customers have needs and make decisions, and who makes these decisions. They must tease apart the specific needs of each customer and segment, particularly where current offerings leave needs unmet. They also must assess how the company will interact with the customer after the initial product delivery and measure the impact of each decision based on how the customer will realise value.

It's also important for B2B players to fully understand the user perspective—otherwise, providing a great overall experience will be difficult. This may require special effort for customers, distributors and employees, because B2B industrial manufacturers often know their immediate customer but lack user insights. (For an example of a company that controls and designs for both, see “Connecting the dots at John Deere,” page 8.)

What does this comprehensive approach to experience look like when mapped to the value chain? From the manufacturer's perspective, the value chain can be seen as a continuum. But for the purpose of illustration, we can consider it to begin with the product or offer, then move along a familiar path from presales and customer acquisition to sales, to operations planning and production, to delivery and installation, and then to after-sales and service (see Exhibit 1, page 4). Points of interaction occur at these stages, as well as in the experience of repeat customers and through the influence of marketing.

Exhibit 1: Experience along the B2B value chain



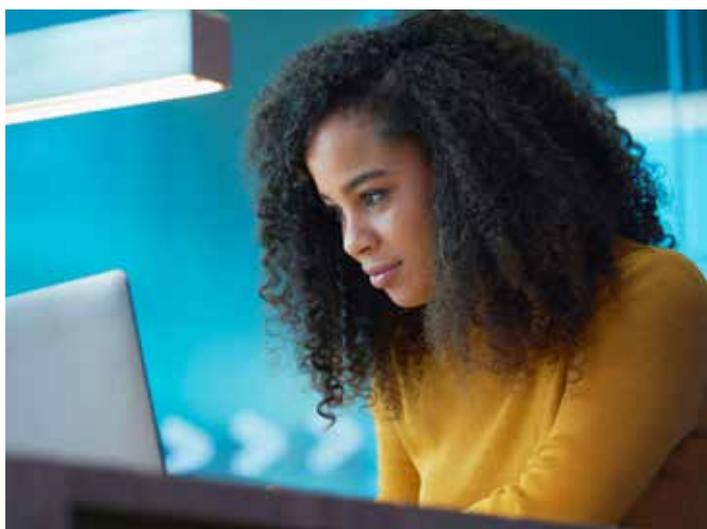
Source: PwC

At each of these stages, companies should reflect on their customer interactions, ensuring that the tasks involved reflect the needs of each customer, with the intent to serve the customer throughout the integrated journey. Not every company will need to rethink every step of the value chain for every customer. An important part of this strategy is determining where the pain points or opportunities are for each client and then making decisions based on these assessments.

For example, during the offer or product development stage, B2B organisations need to update their products, solutions and services on an ongoing basis given changes in requirements, competitive improvements, digitisation and other factors. They can better understand the market by seeking input from current and potential customers through interviews and surveys and by analysing what competitors are offering. Based on their assessments, they should ensure that they have the right digital collaboration and simulation tools in place, as well as the right go-to-market and channel options.

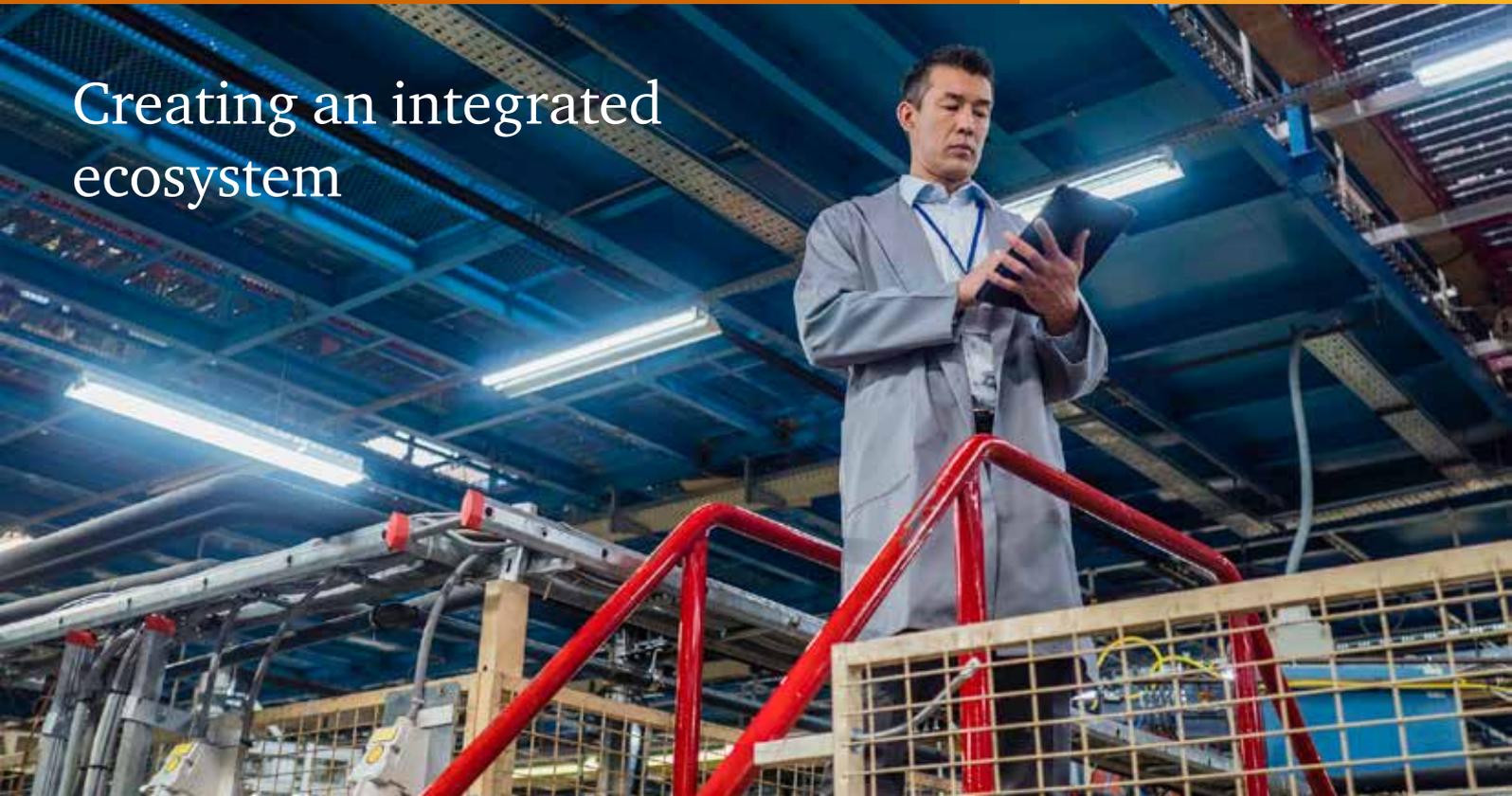
During the presales stage, B2B organisations need to be able to demonstrate how their products meet or exceed the customer requirements and to customise configurations for individual customers, for example, based on co-innovation. It is important to recognise that the presales stage is not linear and can be long and iterative. For many complex products and purchase decisions, as in the energy or defence sectors, this stage can take several months or even years. Furthermore, the digital experience plays a much more significant role in B2B buyers informing their own thinking and then researching and validating their decisions, so that they are actually engaging with a much smaller number of prospective sellers before they get to a proposal. (For a more detailed look at how experience can be integrated and enhanced along the entire value chain, see the Appendix.)

Customers may find it difficult to articulate what elements of the experience add value. It is therefore critical to be objective and to use analytics strategically to identify and understand the most important elements of experience for each customer. Tools that have been employed in consumer environments—such as conjoint analysis using discrete choice, customer surveys and journey analysis, and customer and employee listening via closed-loop feedback (surveys) and text analytics (call centres, chatbots)—can offer helpful insights. These insights, in turn, are part of the **enterprise agility**¹ and learning process, which enables adjustments to various stages of the B2B value chain.



¹ Sujay Saha, Matt Egol and Matthew Siegel, "Enterprise agility and experience management efforts work best when they work together," *strategy+business*, 23 Sept 2020: <https://www.strategy-business.com/article/Enterprise-agility-and-experience-management-efforts-work-best-when-they-work-together>.

Creating an integrated ecosystem



Examining and optimising the physical flow of the value chain is critical, but experience is also enabled and delivered by a company's ecosystem—its employees and the suppliers, partners, distributors, experts, technicians, service providers, trainers, analysts and others involved in the end-to-end customer journey. The goal is an integrated and optimised ecosystem of capabilities, processes, apps, and user and expert communities that creates bundled value propositions beyond the product itself.

Apple, for example, makes careful choices about the design and features of the iPhone and has achieved industry-leading retail performance. But the company also provides an ecosystem that serves consumers' needs with apps, media content, photo storage and connectivity to their business email, as well as a platform that enables connection to social media—all enhanced by one of the most advanced user experiences in the world. Apple's supply chain and distribution model reflect a similar focus on quality, flexibility and visibility, with their focus on Apple stores, digital distribution, app ratings, chip design and approach to contract manufacturing.

Of course, alternative technologies, platforms, solutions and suppliers exist for almost all its capabilities. But the significance lies in how Apple has brought its ecosystem together. The company's distinctive understanding of how consumers value each element has enabled it to achieve outsized performance for more than 20 years.

The same experience excellence is within reach for industrial manufacturers and those that serve the B2B marketplace. Leading industrial companies have developed a deep understanding of their customers' experiences and are tailoring their offerings to similarly deliver exceptional value. John Deere has made notable progress in this area, and companies such as Bosch, Dow, IKEA, Siemens, Bayer, Trumpf and others have recently embarked on similar journeys, recognising the importance of experience across their ecosystems.

We have found that looking at the ecosystem with a broader lens that considers a combination of value chain, stakeholder needs and industry structure can be useful. Such a lens can be used in multiple ways, including to design-in experience. Exhibit 2 (page 7) illustrates how the ecosystem aligns with the stages along the B2B value chain.

Exhibit 2: The B2B value chain ecosystem



Connecting the dots at John Deere

Over the past two-plus decades, John Deere has been transforming from a pure equipment manufacturer to a [data-driven technology company](#)² in order to deliver more value to farmers, helping them to collect data and harness it for improved farm management. It has taken the following actions as part of this evolution:

Customer and technology

- Emphasises deep customer knowledge and insights enabled by technology
- Updated its digital tools to enable additional value, such as links to weather data
- Maps customer journeys for multiple segments
- Enhances its products and platforms in terms of modularity and customisation
- Uses its online presence and e-commerce capabilities to supplement its dealers and its own customer service and support

Ecosystem

- Streamlines the role of its dealers and distributors to be value- and customer-focused
- Designed an account management approach that treats every corporate customer as a ‘consumer,’ with a focus on being personable and accessible
- Provides services such as electronic billing and payments to help its dealers and customers with efficiency
- Trains dealers, maintenance technicians and users, and sponsors vocational training programmes at colleges in the US and Canada

Supply chain

- Reconfigured its manufacturing and distribution network
- Creates supply chain visibility internally and for its customers and dealers

Brand and culture

- Emphasises a culture of customer- and human-centricity
- Positions its brand to represent all the preceding themes

² Sebastiaan Nijhuis and Iris Herrmann, “The fourth industrial revolution in agriculture,” *strategy+business*, 10 Oct 2019: <https://www.strategy-business.com/article/The-fourth-industrial-revolution-in-agriculture>.

Embracing a human-centred experience

A **human-centred experience**³ respects the often unseen employees of your B2B customer as the ‘consumers’ of your company, and emphasises a shift from a transactional exchange to a meaningful interaction and relationship. Consider, for example, a supplier of industrial pumps, selling to a paper manufacturing company (the B2B customer in this scenario). Individuals in various functions of the paper manufacturer—including procurement, finance, operations, maintenance and logistics—are involved in a series of exchanges with the pump supplier, such as sales, service, engineering and accounts receivable.

These interactions involve the product, as well as associated elements such as service and life-cycle support. But they also involve ongoing exchanges with the customer’s procurement and supply chain team regarding delivery information and performance; the health, safety and environment team regarding safety and risks; and the finance team regarding billing and payments, among others. Each of these interactions creates value for the customer and has an element of experience tied to both financial and non-financial metrics.

In addition, interactions in the ecosystem outside the pump manufacturer’s direct supply chain—including with distributors, service shops and suppliers—shape the experience of the paper manufacturer. Each of these touchpoints can convey elements of value and experience, a ‘moment of truth.’ Your customer listening efforts should pinpoint where there are both issues and opportunities across your customer touchpoints, creating a strong insights-to-action loop. These experiences can and should be anticipated, and designed, based on a cost-benefit analysis.

The ‘customer’ is not a single person or entity but represents the various functions and stakeholders at the customer, and the relevant people involved in these functions. And behind every business customer are the people who choose or influence the products and services chosen for their organisation. They make or shape these choices based on their assessment and perception of value.

As in the consumer context, these decisions are often driven by many dynamic factors, including how customers believe the product or service will deliver value and how

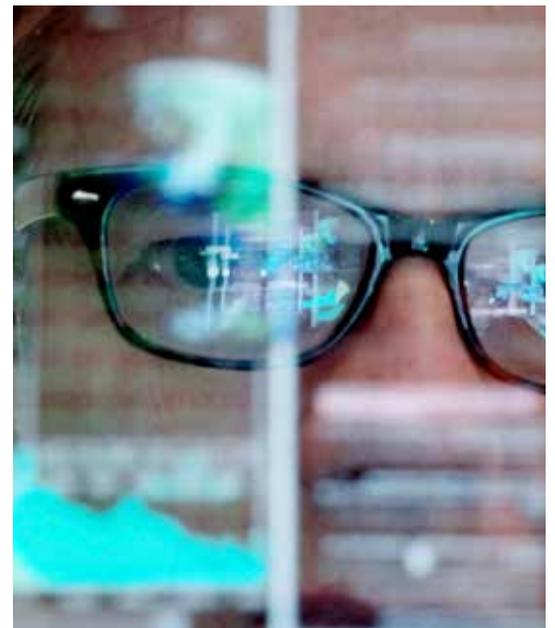
³ Tom Adams and Ryan Hart, “Redefining B2B customer experience: COVID-19 catalyzes big changes,” *strategy+business*, 4 June 2020: <https://www.strategy-business.com/blog/Redefining-B2B-experience-COVID-19-catalyzes-big-changes>.

it compares to competitors' offerings; how the product or service is supported by dealers, after-parts and service providers, and experts and training institutes; and how various functions and individuals in their organisations will experience the product or service. It is a deep understanding of how these decision-makers and influencers balance options that defines what companies should prioritise.

The human-centred experience needs to be designed into not only the product or service, but also the interactions and touchpoints between the company's organisation and its supporting ecosystem. Most of the interactions and customer journeys can be anticipated and designed, with particular attention paid to the moments of truth. Doing so will require the use of data and insights, as well as a method to communicate about interactions and transactions, such as traditional or social media

marketing, dealer interactions, website exchanges and customer service. Many of these interactions will need investments in systems and operating model elements and, most important, in training and culture change.

The foundation of all this is empathy—the ability of an organisation and its people to consistently be aware of the customer's frame of reference and context, and to anticipate and respond accordingly. Among the more well-known and high-impact examples of empathy in action is GE Healthcare's redesign of the MRI experience for children after an engineer observed their terror and connected it with the high rate of sedation required. When the overwhelming experience became an adventure, that rate dropped drastically, and customer satisfaction increased by 90%.⁴



⁴ Jason Ogle, "The Life-Changing Impact of Empathy in Design," *Medium*, 31 Jan 2018: <https://medium.com/user-defenders/the-impact-of-empathy-in-design-b55c3157d070>.

Conclusion: Six priorities for B2B company leaders

Once companies define and map their customer experiences, create the right ecosystem to support customer interactions and embrace a human-centric approach, they'll need to develop a strategy to bring the new B2B value chain to life. Here are six priorities to help company leaders get started.

- 1. Think about the value chain, not just your physical supply chain.** The B2B customer relationship begins before the sale is made and continues through the customer's use of the product and return to buy again. To balance cost, responsiveness and experience, B2B organisations need to look at the end-to-end customer journey, making individualised choices for products and services, various elements of purchase, the supply and distribution chain, and so on. This also means being able to measure the end-to-end value chain, on both traditional operational data and experience data.
- 2. Know your customers' priorities.** Although most companies understand product and customer segmentation well, they do not adequately embed it in their value chains. Segmentation must be based on customer needs, in terms of product, sales model and supply chain. B2B manufacturers should consider this process to be dynamic, rather than fixed, to enable them to respond to different customers in different ways.

Dynamic supply chain segmentation is the design and operation of distinct end-to-end value chains from suppliers to customers. The configuration of the supply chain is determined by attributes such as customer value, product, and [manufacturing and supply capabilities](#).⁵ Because the company can react flexibly to customer preferences and business requirements, this segmentation shapes the notion of tradeoffs among cost, responsiveness and experience.

Consider, for example, what Trumpf has pursued for the past ten-plus years. In 2009, the company began allowing customers to initiate the ordering, configuration and production process digitally. In 2015, it started using its laser-marking machines to inscribe a unique data matrix product code on every part—similar to a three-dimensional QR code—to simplify re-ordering and identification. And since 2017, customers have been able to photograph and upload an image of the code with Trumpf's service app to place an order. The codes have also enabled end-to-end traceability and improvements to after-service performance, including the ability to remotely monitor a tool's usage.

When an order is received, it triggers the company's semi-autonomous production system, which determines the order priority and assigns each order to the right machine with open capacity—under the watch of plant employees. As a result, compared with its performance in 2009, the company has reduced its throughput time from four days to four hours, doubling capacity while increasing the service level from 40% to 97%.

- 3. Establish clear experience leadership.** It is widely recognised that the right leadership is needed to embed experience into products and marketing. As a result, in recent years, the role of customer experience has been highlighted—particularly in B2C—as a key convergence of the marketing and product dimensions. The next challenges are to consider the rest of the end-to-end value chain and to not only consider the customer's journey across these functions but also to establish the organisational leadership and culture to enable such an end-to-end experience.



Increasingly, that's the role of the chief experience officer—a role that is responsible for what PwC has defined as **'return on experience' leadership (ROX³)**,⁶ a system of metrics that captures a company's return on its investments in customer and employee experience. The emergence of this role in B2B companies elevates the issue of experience and increases how sales and operations collaborate and supplement the product to truly **delight customers**.⁷

- 4. Enhance your digital capabilities.** A digital sensing and analytic capability is one of the fundamental building blocks for creating an experience advantage. Leading industrial manufacturing companies have been investing in big data, machine learning and AI for many years to increase the pace of innovation, lower costs and remain competitive, by enabling them to rapidly derive insights from data and translate those insights into opportunities to better serve customers.

However, companies that have been able to apply their digital and analytic capabilities to include improved

experience have set themselves apart. They'll need sharper and more focused visibility into the customers' end-to-end experience and a minimised lag in information—all to enable better delivery, decision-making and responsiveness. What's critical here is separating the signal from the noise and focusing on the handful of elements that are differentiating. Companies should always be asking how data informs their understanding of the market, including current and potential customers.

Bayer Crop Science is using digital technologies in its value chain as a key enabler of its customers' business transformation. For example, Bayer enables new business models by making data on climate and field conditions available to customers. It uses machine learning and AI to predict demand—a necessity in a volatile business with long production lead times. And it uses connected ordering and e-commerce tools to improve planning and demand sensing and to provide a 360-degree view of the end-to-end supply chain.

⁶ Matt Egol and Sujay Saha, "ROX³: Boosting returns on leadership, customer, and employee experience," *strategy+business*, 27 Jan 2020: <https://www.strategy-business.com/article/ROX3-Boosting-returns-on-leadership-customer-and-employee-experience>.

⁷ Denise Lee Yohn, "Why Every Company Needs a Chief Experience Officer," *Harvard Business Review*, 13 June 2019: <https://hbr.org/2019/06/why-every-company-needs-a-chief-experience-officer>.

5. Focus on physical capabilities and skills. B2B companies need to take into account not only their physical assets and capabilities—including product, manufacturing and warehouses—but also the firmware that determines how they interact with customers, the variety they can offer and the speed at which they can deliver. As the importance of each competitive priority is determined by its customer or product segments, the ways a company chooses to balance these will shape the operating model. This process includes choices around such things as vertical integration, capital allocation, network footprint, IT systems, processes, decision-making, organisation structure, performance management and alliances.

Each of these operating model components must be informed by the direction in which the business is trying to move, and the impact to the balance of the three critical priorities. How does each part of the company's infrastructure—including manufacturing, distribution and footprint—operating model and platforms support the customer experience, and how do they do so collectively? Does it create an agile experience that can react quickly to the customer's changing needs? As part of this effort, companies should establish a continually improving organisation by attracting digital talent and upskilling the supply chain workforce, and optimise collaboration models with an extended partner ecosystem to drive innovation in the supply chain.

IKEA is driving innovation and sustainability across the chain by working in 'development networks,' in which teams of experts collaborate across functional areas and geographies. These networks define innovation priorities and create a development plan that summarises the status quo and articulates a clear vision. The company has developed a road map that details priority initiatives and helps it to avoid repetition and to take advantage of synergies across the development networks. It also has established clear leadership, including two heads for each development network and their executive-management sponsors.

6. Make an emotional connection. How does your customer feel when interacting with your company? The emotional side of creating an experience advantage is possibly the most important attribute, but it is also the hardest to achieve. Doing so requires a fundamental shift from a transactional exchange to a meaningful, customer-oriented, human-centred experience. And it requires intimacy and empathy to fully understand the customer and its various users to create a connection between the physical and emotional. Trust is the ultimate goal—which in turn drives brand loyalty, value creation and return on investment.

For example, as highlighted in the sidebar above, Deere has been successful in its efforts to inspire its account teams to understand the emotions involved in working with their corporate customers as consumers. The company has adopted customer-centricity as part of its culture and brings the customer's perspective into all business and technical decisions.

Companies that achieve the right balance of cost, responsiveness and experience in their end-to-end value chains will be able to create platforms for value creation. Those that do not include experience in this equation risk being commoditised and marginalised. The imperative is clear: now is the time for industrials to rethink the B2B value chain to meet their customers' evolving needs.

Appendix

A detailed look at experience along the value chain.

Product/offer

Voice of the customer and needs analysis: seek input from current and potential customers through customer and other interviews and surveys; analyse competitive products; explore opportunity for services and digital accompaniments.

Design and engineering: co-development with customers' engineers; use of collaboration tools; ease of customisation; use of virtual reality and augmented reality for product experience; simulation models.

Offer and go-to-market design: explore alternatives to deliver the product and accompanying services, including digital options, based on the understanding of needs; assess go-to-market and channel options.

Presales and customer acquisition

Demand/lead generation: targeting existing or new customers or responding to customer requests, directly or through channel partners, to identify upcoming marketing demand; digitising of trade shows and innovation centres, creating an always-on experience for the customer.

Configuration and channels: co-innovation of the product or service; a digital-enabled channel approach; and customisation of configurations.

Demonstrations and technical support: support discussions of how the product and configurations fit the customer needs; conduct demonstrations; help validate configuration options.

Configuration and sales

Confirm final product configuration, installation needs and after-service: finalise configuration to fit the customer needs; obtain installation requirements; agree on after-service needs and scope.

Agree on final pricing, financing and delivery needs: negotiate overall and module pricing; confirm financing requirements and terms; make delivery schedule and other commitments.

Finalise terms and contract: confirm payment and delivery terms; finalise contract.

Operations and planning

Operations planning: demand planning, which involves engaging with customers; managing vendor inventory for customers.

Purchasing: confirming customer standards; engaging customer-specified suppliers as appropriate; use of sustainable suppliers, such as fair-trade coffee bean suppliers.

Production: confirmation of production location and other details; batch tracing; customisation.

Quality and inspection: quality and inspection results; batch control; required regulatory approvals.

Delivery and installation

Warehousing and transportation planning: planning of warehouse location; order batching; transportation.

Fulfilment and logistics: providing order status; delivery tracking; and milestone-based automated billing and payment.

Installation: on-time installation, accompanied by demonstrations or pilots and supported by experts.

After-sales support, service and second life

After-sales delivery model and adjustments: assign appropriate internal or external service team and location; seek ongoing feedback; monitor service level agreements.

After-sales and service: Remote monitoring; spare parts availability; predictive maintenance; user training; individualised customer service.

Second life: Reverse logistics; refurbishment; resale; seeking customer feedback.

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