The development of B2B2C in marketing theory and practice: Conceptual foundations and qualitative insights

Abstract

This paper explores why more and more business-to-business companies take greater account of the end consumer in their business activities. Drawing on extant literature and in-depth interviews with marketing and sales executives from the construction industry, this study conceptualizes the business-to-business-to-consumer (B2B2C) business model and reveals the reasons for adopting a B2B2C model from a managerial perspective. The results contribute to extant literature in two ways. First, this study conceptualizes B2B2C from a managerial perspective, delineating it from related marketing terms. Second, it uncovers intra-organizational, strategic, consumer-oriented, technology-oriented, and external reasons for adopting a B2B2C model. It uncovers capturing market share in an increasingly digitalized environment as main reason. It is the first study to combine managerial insights with extant literature on indirect and multi-stage marketing and integrate it into the B2B2C literature.

Keywords: *B2B2C; business model; conceptualization*

Track: *Marketing Strategy & Theory*

1. Introduction

The distinction between business-to-business (B2B) and business-to-consumer (B2C) markets has a long tradition in marketing literature (e.g., Cooke, 1986). Yet, in a digitized world, both markets are becoming increasingly intertwined and the strict dichotomy becomes obsolete (Dant & Brown, 2008; Gummesson & Polese, 2009). Technological advances and greater empowerment of the end consumers have made the focus of B2B markets transcend beyond the seller-buyer interaction to a ecosystems view of interdependent actors (Vargo & Lusch, 2011; Wind, 2006). Actors integrate resources and co-create value, this becoming, thus becoming part of a wider, complex ecosystem beyond the traditional notions of B2B and B2C markets. Mixed business models incorporate that idea (Mingione & Leoni, 2019). Scholars have addressed the need to study mixed business models like the business-to-business-to consumer (B2B2C) model (Brotspies & Weinstein, 2019; Iankova et al., 2019).

The term B2B2C has only recently been introduced in marketing research and is still surrounded by ambiguity (Mingione & Leoni, 2019). The definitions range from B2B2C in terms of a technology-enabled platform (Asokan-Ajitha, 2022; Zhao & Guo, 2012) to an integrated view of different value chain actors involved in the co-creation process (Mingione & Leoni, 2019). To avoid B2B2C degenerating into a new buzzword, this paper builds on extant literature and insights from practice to conceptualize the term B2B2C more coherently. While studies have explored how actors in a B2B2C context co-create value (Mingione & Leoni, 2019), little is known as to why organizations opt for adopting a B2B2C business model.

Building on extant marketing literature and on in-depth interviews, this study makes three contributions: First, it shows how B2B2C has evolved in research and links it to existing marketing terms. Second, it conceptualizes B2B2C from a managerial perspective to dissolve its ambiguity. Third, it is the first to explore the internal and external reasons why companies shift from a B2B to a B2B2C business model from a managerial perspective. An industry known for its complex value chain, the construction industry, was selected as research context. Following a theories-in-use approach, 15 in-depth interviews with marketing and sales executives in the construction industry were conducted.

2. Literature Review

A comparison of the understandings of B2B2C found in the literature and in common parlance reveals the ambiguity of the term (Mingione & Leoni, 2019). More and more B2B companies and brands consider themselves to be B2B2C companies. In 2022, *Henkel's* B2B professional hair care division announced the launch of a new B2B2C brand *SalonLab&Me*. The brand will be sold exclusively to salons and via the brand's online shop. By offering a digitally supported professional hair analysis, Henkel "combines in-salon hair consultation with a convenient online shopping experience in a new […] B2B2C business model" (Henkel AG & Co. KGaA, 2022). For Henkel the term B2B2C is thus directly linked to an e-commerce strategy. In an industrial context, the sanitary products manufacturer *Geberit* positioned itself as a B2B2C company (Reidel, 2021) which for them involves, among other things, "addressing end users directly with more and more products" (Geberit Group, 2022, p. 343). However, Geberit does not offer direct-to-consumer (D2C) channels, but sells most of their products wholesale and through specialist dealers. These examples might indicate the relevance of the phenomenon in practice, yet they demonstrate the lack of a common understanding of the term B2B2C.

Research defines B2B2C in different, even fragmented ways. Some scholars closely link the concept of B2B2C to B2B companies offering thei products via technology-enabled platforms to end consumers (e.g., Asokan-Ajitha, 2022). Iankova et al. (2019, p. 170), however, refer to a B2B2C company as one that "directly earn[s] revenue from organizational customers, [but] manage[s] customer experience (or the marketing of products and services) to the customers-customer". Hence, an organization markets itself simultaneously to B2B and B2C markets. This idea is closely linked to the concept of indirect customer marketing in B2B (Homburg et al., 2014) and multistage marketing (Kleinaltenkamp et al., 2012; Thomas, 2016). The latter comprises "all sales-related measures which are aimed at the subsequent market stages ('customers of the customer')" (Kleinaltenkamp et al., 2012, p. 141). Nonetheless, those terms have not yet been linked conceptually in marketing research.

Linking B2B2C to the concept of value creation, it can also be defined as a "market that includes a B2B market and a B2C market, that are inextricably linked for the purpose of creating market value" (Mingione & Leoni, 2019, p. 72 in line with Chernev, 2019, p. 7). Notably, in a B2B2C context, the manufacturing company collaborates with another company to create value for the end consumer (Chernev, 2019). This view incorporates the idea of the interconnectedness of various actors involved in the value co-creation process and adopts a systems orientation to value creation (Vargo & Lusch, 2011). Adopting an ecosystem perspective, Mingione & Leoni (2019) acknowledge that value is created through social interactions between multiple stakeholders, each of whom adds value to an offering. All these views have one thing in common: The B2B2C organization does not simply serve one actor but puts emphasis on multiple actors, each with distinct needs. Thus, creating a marketing strategy becomes even more complex than in traditional B2B or B2C markets as B2B2C companies must align customer and consumer needs across multiple market stages (Brotspies & Weinstein, 2019; Thomas, 2016). Nevertheless, the actual buying process is not fully in their control if they sell their products to their B2B customers and not directly to the end consumer.

3. Methodology

Given the ambiguity of the term B2B2C and the limited literature available to this date, this study applies a discovery-oriented, theories-in-use approach (Zeithaml et al., 2020). Insights from in-depth interviews are combined with extant literature to discover interesting, new concepts (Challagalla et al., 2014).

3.1 Data collection and research context

Interviews with fifteen marketing and sales executives from eleven companies within in the construction industry in Germany and Switzerland were conducted. Following a purposeful sampling strategy, participants from top management and middle management with expertise in either marketing, sales or both were selected. To better understand the phenomenon B2B2C, the interviewees backgrounds differed in terms of their experience with B2B2C and their functional level within the organization. This way, diversity could be maximized and different perspectives were included. An expert from wholesale and external documents (e.g., newspaper articles and interviews) were included to triangulate the data.

The construction industry was selected for three reasons. First, manufacturing companies in the construction industry generally sell their products through a two-to-three stage sales model which makes it a complex, yet highly interesting research context. Second, even though the construction industry is often deemed to be conservative and inert (Bygballe & Ingemansson, 2014), structural changes (e.g., digitization and circular economy) fundamentally challenge existing business models (Matinaro & Liu, 2017; Pfnür & Wagner, 2020). Third, an increasing number of companies from this industry have already publicly declared themselves as B2B2C companies (e.g., Geberit, Warema) (Kober, 2020; Reidel, 2021).

The data were collected between March and November 2022. The interviews were conducted in person and virtually depending on the interviewee's preference. On average, the interviews took about 70 min. All interviews were conducted by one person to ensure consistency. They were audiotaped, transcribed verbatim and anonymized. The experts were encouraged to share their personal experience in detail. Based on initial insights from extant B2B2C literature, the interviews followed a guideline with open ended questions pertinent to the research goals. Yet, the researcher had the flexibility to include questions spontaneously.

3.2 Data analysis

Data were coded using the qualitative data analysis software Atlas.ti. Data analysis followed the inductive qualitative content analysis approach proposed by Gioia et al. (2013). First, data were coded inductively focusing on managers' definitions of B2B2C and the managers' reasons for the shift to a B2B2C model. Data were organized into categories (first-order concepts). This way, a large number of categories were identified, although the research questions served as a mental anchor (Glaser & Strauss, 2017). In a second-order analysis, the categories were clustered at a more abstract level, considering existing theory. Five factors (dimensions) were aggregated for the shift to B2B2C: (1) intra-organizational, (2) inter-organizational, (3) consumer-oriented, (4) technology-oriented and (5) external factors. The data were constantly revisited based on emerging themes, thus developing a theoretical understanding of the phenomenon. The codes were discussed with another researcher and will be independently coded by another researcher in the next step to ensure intercoder reliability (Charmaz, 2014).

4. Major Results

4.1 B2B2C from a managerial perspective

The interviews helped to delineate B2B2C from other terms (e.g., D2C) and to provide a coherent conceptualization. The Chief Marketing Officer (CMO) of a leading building technology manufacturer and supplier described the concept as follows:

> B2B2C means for me that we bring the professional and the user, the end consumer, together. B2B and B2C in one, so B2B2C. The basic idea is to link these two worlds. […] We sell to the distributor, the distributor sells to the installer, and the installer then sells to the end consumer. (I03)

In line with that, the Head of B2B2C at another company added:

> My understanding [of B2B2C] is the value chain between producer, trader to end consumer. […] And where value is actually added at every point in the value chain. It's not pure retail. (I14)

Thus, in contrast to traditional B2C sales via retail, in a B2B2C business model value has to be added and the offering will be adapted in the value chain. In many cases, the B2B2C company does not sell directly to end consumers. Instead, their B2B customer is the buyer who applies knowledge to add value to the offering (e.g. installs it) and then sells to end consumer (Powell, 2018). Some interviewees (I03, I14, I12, I15) differentiated B2B2C from a D2C strategy:

> The term we usually use to describe directly going to the consumer is direct-to-consumer and that is exactly what we don't do, And we were always very clear that we don't want to do this. To me the term B2B2C implies much more. […] That's why I think it's a great term, because it reflects the value chain and not a bypass of it. (I01)

Seven out of the eleven B2B2C companies in the sample stated unaided that they applied a push and pull strategy (I01, I02, I05, I07, I09, I14, I15). The Executive Vice President Global Market of a sun and weather protection manufacturer further explained this principle:

> [W]e sell to our specialist customers, but we also do pre-sales to the end consumers. This is the classic push and pull principle, i.e., we push via our B2B customers, who then address the end consumer on our behalf. Our marketing activities, however, are very much aimed at the end consumer. (I05)

Many of the interviewees echoed the perspective that a push and pull strategy is an integral part of a B2B2C model. One interviewee further explained that "B2B is only push and B2B2C is also pull" (I05). It implies that a company's communication efforts are on the one side directly targeted at the end consumer to create brand awareness and demand ('pull') and on the other side to the next step in the value chain ('push'). It has been discussed in the context of multi-stage marketing (Kleinaltenkamp et al., 2012) and ingredient branding (Homburg et al., 2014; Kotler & Pfoertsch, 2010), "in which key attributes of one brand are incorporated into another brand as ingredients" (Desai & Keller, 2002, p. 73). These strategies focus on communication and advertising efforts (Homburg et al., 2014). The B2B2C business model, however, offers a more holistic and cohesive view on the co-creation processes in the value chain. The two distinguishing aspects of B2B2C business models are that the B2B2C company directly interacts with the end consumer (e.g., in marketing communication) and that they enable and support their B2B customers actively to meet the end consumer's needs and create a "seamless journey" (I14). They take the end consumer into account in all their considerations. Thus, B2B2C is defined as follows: *In a B2B2C business model, the manufacturer or supplier (first B) directly interacts with the end consumer (C) and enables and supports its direct customers (second B) to create added value for the end consumer at every step of the value chain*.

4.2 Reasons for the shift to B2B2C

B2B2C per se is not a new phenomenon, but as one interviewee has put it "at some point we called a spade a spade" (I07). The interviews identified five key factors that explain why recently more traditional B2B companies shift to a B2B2C business model: (1) intra-organizational, (2) inter-organizational, (3) consumer-oriented, (4) technology-oriented and (5) external factors. Table 1 lists all factors including exemplary quotes from the interviews.

These five factors fuel the shift to a B2B2C business model in different ways. First, inter-organizational factors concern the relationships and value-creation-constellations with the B2B2C company's B2B customers. Information and power asymmetries can increase the urge to gain independence by creating a market pull on the end consumer side and at the same time push or (framing it more positively) empower the B2B customer (Rehme et al., 2016). Second, strategic factors include the idea that directly addressing the end consumer increases brand awareness and consequently secures market share. The positive relationship between those two constructs is supported by marketing literature (Homburg et al., 2010). Third, customer-oriented factors highlight that, due to the availability of information online, end consumers have become more sophisticated and better informed. Fourth, technology-oriented factors facilitate the empowerment of the end consumer (Füller et al., 2014) and enable companies to improve the interaction with the end consumer. Fifth, the interviewees mentioned, among others, the fear of economic slump, shortage of skilled labor and new disruptive companies challenging the industry as external factors. The bottom line is that the construction industry faces a fundamental structural change which corners many traditional B2B companies to rethink their business models and to secure market share by creating demand at the last stage of the value chain.

Factors	Exemplary quote *Bold added for emphasis
Inter-organizational factors	"The showrooms are, depending on the distribution structure, **wholesale driven***. And what has happened in the past few years, the wholesalers have introduced **private labels.**" (I01)
	"So a **specialist trader** of [our brand], sells [competitor's brand 1], […], and different product categories. **He does not convey at all, what we want**. We can't expect that from him and unfortunately from many traders. Hence, we don't want to go over his head, but we want to be faster, better and clearer. […] So we can seldom **achieve our strategic goals** this way." (I14)
Strategic factors	"Now the bigger lever for growth would be that we create **awareness among end consumers** so that they **demand our products**. This also protects us above all from foreign competition, which has […] gained **market share**." (I15)
	"We want to **sell added value.** We don't just want to sell products that are comparable. We need value-added products [which] tend to go in the direction of digitization and smart home solutions. […] That's our **enabler for more sales**. And a specialist trader cannot do that." (I14)
Consumer-oriented factors	"The end consumer is of much **better informed** and much more influential than before." (I05)
	"And what has also changed is that the **consumer** has **informed himself about the prices**. And which prices do you see on the internet: You just see the cheapest prices […] without transport, without assembly, without warranty, without return if it does not fit. And that means the consumer is much more **sensitive about prices**." (I07)
	"What we perceive quite strongly is that because of the increased **environmental awareness**, there is much more interest in heating. All of a sudden, heating has become a sexy topic." (I02)
Technology-oriented factors	"What has certainly changed is that there is no end consumer who deals with the product, i.e., with our brand, and who does not first **obtain information about us online**."(I02)
	"We also try to accompany the customer in a better way with **digital tools,** so that when he comes, we can record his questions and interests faster […]. Digitization also helps us to **improve this interaction**. [It is] on the consumer side, it's going on in parallel on our side." (I07)
Economic factors	" Basically the construction industry has lived excellently [in the past 20 years]. That's finite, the end is already looming […]. How do we deal with it when new construction drops?" (I05)

Table 1: Factors for the shift to a B2B2C business model

5. Implications and Future Research

The results contribute to existing literature in three ways. First, they offer a coherent conceptualization of B2B2C from a theoretical and managerial perspective. B2B2C companies interact directly with the end consumer and at the same time empower their direct customers to fulfil end consumer needs. This conceptualization emphasizes the core idea of value co-creation and interconnectedness in the B2B2C value chain and stresses the pivotal role of the end consumer. Second, based on in-depth interviews and a literature review, this study links the term B2B2C to related terms in research literature. Third, it unveils five factors that prompted the shift to a B2B2C business model from a managerial perspective. At the core, by adopting a B2B2C business model, companies intend to counteract fundamental structural developments in the construction industry and improve revenue sources. It helps managers to make a better-informed decision whether a shift to a B2B2C model is the right step for their companies.

Given the qualitative nature of this study, the specific characteristics of the construction industry could be accounted for. The results are not intended to be universally applicable. The clear conceptualization provides the basis for future research. Scholars could focus on creating a nuanced picture of the challenges, capabilities, and causal relationships in B2B2C business models. In line with Mingione & Leoni (2019), the customer buying process in the integrated B2B2C value chain and the role and influence of the end consumer within this process offers a promising research field. B2B2C research could benefit from an integration of B2C and B2B literature, e.g., to better understand how different channels in a complex B2B2C value chain can be managed (Frazier, 1999) and how a push and pull strategy affects loyalty (Chiou et al., 2010) and brand awareness (Homburg et al., 2010).

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