The B2G Manifesto:
Structured approach to Business-to-Government

Stefan Morcov [1]

- *B2G - Business-to-Government is a relevant marketing and sales area, distinct from B2B or B2C.*
- *B2G is huge and opportunistic. It is poorly defined and not researched. While there are mountains of data available and a strong need, there are no repeatable methods or tools.*
- *We attempt to define B2G. We then introduce specific B2G segmentations and metrics, such as Governmentgraphics.*
- *We propose a structured, systematic approach to B2G strategic marketing, which builds on already established B2B/B2C methods.*

1. Introducing B2G marketing

Business-to-Government (B2G) is the sale and marketing of goods and services to international, national, federal, regional, and local public administration. [2] [3] [4]

B2G is a fundamental market, alongside Business-to-Consumer (B2C) and Business-to-Business (B2B). [5]

The concept is novel, and the terminology is still being defined. Some other terms used are: B2PA Business-to-Public-Administration; B2PS - Business-to-Public-Sector; PS public sector; PP public procurement.

The B2G domain is **relevant**: public sector represents 54% of EU GDP, and 47% of US GDP. Public sector procurement amounts to 14-20% of GDP. [6] [7] [8]. More than 60% of Fortune 1000 companies are active on the B2G market, with government customers generally having a positive impact on a firm's value. [9]

The domain is recognized, but has not been yet researched: there are almost no published articles or books on this topic. [9] [10] [11]

1.1. B2G market characteristics

The B2G (public sector) market is very different from B2C, and **distinct** from B2B.

B2G actors, products, and opportunities have characteristics which are specific, relevant, and distinctive. **Public sector organizations** are:

- Bureaucratic, formal.
- Long decision cycle, management by committee – comitology. [12] [13]
- Parkinson's law: work expands so as to fill the time available for its completion. [14]
- Hofstadter's law: it always takes longer than you expect, even when you take into account this law. [15]
- The Pygmalion effect, or Rosenthal effect: is the phenomenon whereby higher expectations lead to an increase in performance.

Public sector projects are:

- Large or very large.
- Complex. [16]
- Critical.
- Complex stakeholder map.
- Complex regulatory environment.
- Driven by political agenda and influenced by varied political interests, formal and informal.
- Vulnerable to political change, which might change priorities and discontinue or derail projects. [17]

The B2G market is characterized by:

- Fewer buyers than in B2C or B2B, thus fewer marketing segments.
- Fewer opportunities.
- Individual opportunities are significantly larger in B2G.
  - In fact, *black swan* projects are more likely to occur: rare, mammoth projects, particularly large, that disrupt the market significantly. [29] [18]
  - Thus, it is more difficult to use traditional statistics methods.
  - In contrast, the B2B market operates according to the 80-20 Pareto rule: 20% of customers generate 80% of revenue. The B2C market generally follows a normal Gaussian distribution, due to higher numbers. [29]
- The sales cycle is much longer (up to several years).
- The barriers to entry and corresponding costs are higher - especially for SMEs. [19]
- The B2G market is more stable than B2B, and much more stable than B2C. This means that segmentation variables are also more stable, and data can be used longer. [29] [9]
- The procurement process is formal. It includes specific formal bid/tendering procedures.
- Public procurement is in principle more transparent, and more data is publicly available. [20] [21] [22] [23] [24]
- Contrary to B2B or B2C, B2G buyers are neither manufacturers, nor consumers. [25]
- B2G buyers are driven by political objectives, in contrast to B2C or B2B which are driven by commercial and financial objectives. [9]

A comparative analysis of the differences between B2C, B2B, and B2G is presented below. Business-to-Big-Business (B2BigB) is a stepping stone between B2B and B2G.

Table 1. Market comparison: B2C, B2B, and B2G

	B2G	B2BigB	B2B	B2C
Project/deal size	Very Large, huge	Very large	Medium	Small
Diversification	Low (few buyers)	Low	High	Very high
Fragmentation	Low (few contractors)	Low	High	Very high
Negotiation power	Buyer	Buyer	Shared	Seller (non-negotiables)
Process & purchase criteria	Formal (references, CVs, turnover, certifications)	Semi-formal. Networking, quality, price	Informal. Quality, price	Informal. Quality, price
Sales cycle	Long, formal	Long, heavy	Medium	Short, informal

2. B2G market segmentation

Market segmentation is the identification of the most important, significant differences among customers that will influence their purchase decisions or buying behavior, while keeping the scheme as simple as possible. [26] [27]

The objective of market segmentation is to make targeting and product positioning decisions.

Segmentation variables are characteristics defining key differences in customer behavior. They must be:

- Relevant, aka meaningful.
- Identifiable, aka distinct, and measurable.
- Substantial, aka sizeable; i.e. relevant to a substantial group of customers.
- Responsive, actionable, and stable in relation to a marketing strategy. [26] [28] [29]

Marketing analysis follows mostly a quantitative approach. Contemporary marketing relies on the considerable amount of available data, and on the significant opportunities offered by data science, in order to extract qualitative conclusions; to transform raw data into information, and into knowledge.

The analysis of the segmentation variables can be:

- Cross-sectional (static).
- Longitudinal (dynamic), which includes the analysis of trends.

B2G relies on already established B2B/B2C methods. In fact, business marketing, including B2B and B2C, is a solid, well-researched domains and fields of study. [30]

2.1. Market segmentation based on traditional B2B/B2C methods

The traditional **B2C marketing segmentation** is based on:

- Geographics.
- Demographics.
- Psychographics. [31]
- Behavior. [32]

These are translated to **B2B macro-segmentation** as:

- Geographics. *Where*.
- Firmographics (or emporographics) – which is similar to demographic; i.e. company features, the characteristics of the buying organization. *Who*.
- Product and product usage. *What,* and *How much*.
- Benefits desired, i.e. needs, preferences and desired relationship. *Why*.
- Purchase Behavior. *How.*
- Attitudes, or psychographics (*What they think*). [29] [33]

Micro-segments are homogenous groups of buyers within the macro-segments [26]. Sometimes the same variables are listed by literature as macro, and sometimes as micro-segmentation.

The most commonly used **B2B segmentation variables** are: [34] [26] [35]

- Geographic location of customers.
- Geographic coverage.
- *Firmographics*
- - also known as *emporographics*, or feature based segmentation. It is the B2B equivalent of the B2C demographic segmentation. [36] [37] [29] [38] . It is feature-based, and includes characteristics such as:
  - Company / organization size.
  - Industry, or vertical, or business domain.
  - Type of organization.
- Benefit segmentation: the product's economic value to the customer.
- Technology, brand (operating variables).
- Business potential, including size, budget, spending, and trends.
- Purchasing strategies, e.g.:
  - Global vs. local decision-making structure.
  - Structure of the decision-making unit.
  - Decision-making power of purchasing officers vs. engineers or technical specifiers.
- Supply Chain Position.
- Situational factors: perceived importance of the product to the customer's business, application, urgency, size.
- Psychographics, or attitudes towards the supplier: personal characteristics of buyers, such as age, education, job title and decision style, character, approach.

The industries, suppliers, and products are classified according to various segmentations such as:

- *Market-based classification systems* such as the Global Industry Classification Standard (GICS), the Industry Classification Benchmark (ICB) and The Refinitiv Business Classification (TRBC) are used in finance and market research. [39]
- *Supplier segmentation* approaches. [40]
- *Product classification*. [41]

2.2. B2G segmentation. Governmentgraphics

B2G segmentation has specific particularities compared to B2B and B2C:

- Geographics: the location of suppliers is also an important variable, besides the location of the customers.
- There are specific language requirements.
- Regulatory environment and applicable legislation. [9]
- The feature-based segmentation of public procurement institutions is different.

- Due to comitology, psychographics and the analysis of attitudes and behavior are less relevant for the B2G market [12]. This is aligned with the perception of analysts that purchasing behavior is more rational in B2B than in B2C. [29]

Therefore, in addition and complementary to traditional B2B/B2C segmentation, we propose a specific approach for B2G marketing.

Governmentgraphics is the specific B2G segmentation approach, which analyzes specific variables and indicators. It is a feature-based segmentation. It is similar to firmographics in B2B, and to demographics in B2C marketing.

Figure 1. B2G segmentation
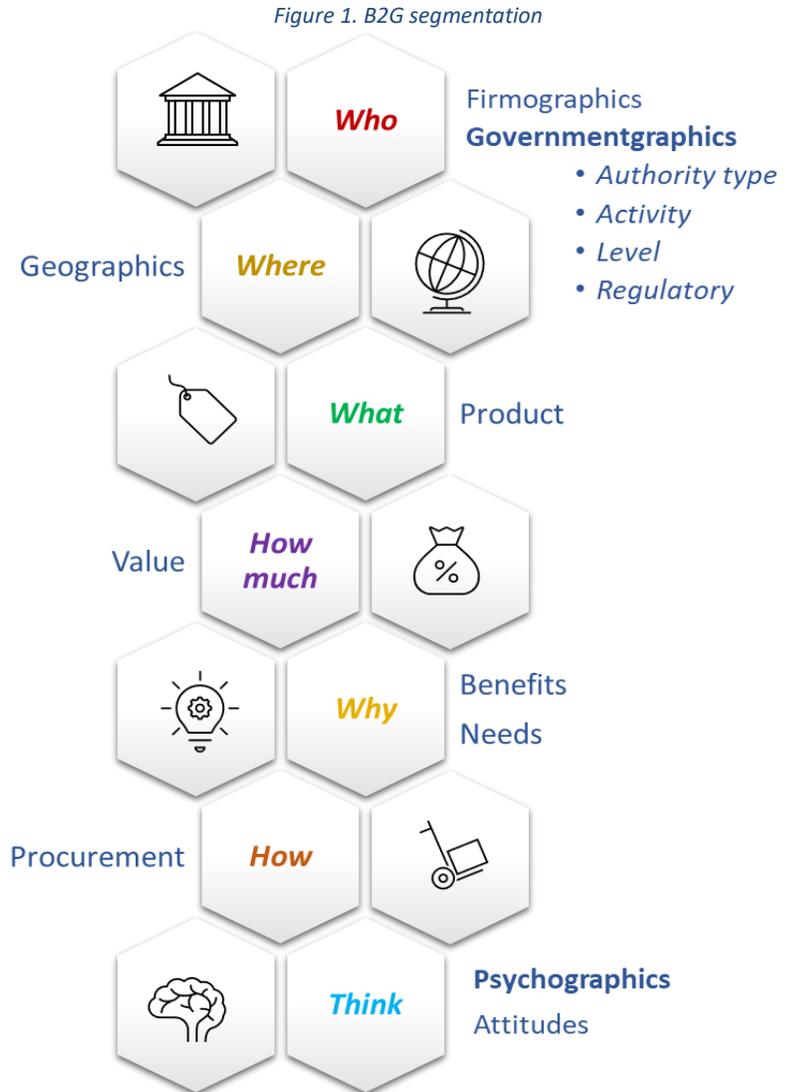
Our proposed approach to B2G consists of the following segmentation categories:

Table 2. B2G segmentation categories

Segmentation	Question	Examples
Governmentgraphics	Who buys	Authority type, activity (sector), regulation, level, size.
Firmographics	Who sells	Industry (vertical), company size, type.
Geographics	Where	Location of authorities and of suppliers. Coverage.
Product	What	Product, industry, technology, brand (operating variables).
Cost	How much	Customer budget. Product price.
Procurement behavior	How	Procedures, regulations.
Business objectives	Why	Benefits. Needs.
Psychographics	What they think	Attitudes. Behavior.

Table 3. B2G segmentation variables

Authority type	International organization, national or federal institution, national agency, regional authority, local authority, utilities entity, institution governed by public law, private non-government organization, private for-profit organization. [42]
Activity (domain, vertical)	Health, defense, social security, employment, education, environment, transport.
Level	International, national, regional, local.
Value	Transactional, or monetary segmentation: • Market size, i.e. the total value of all projects. • Budget - a proxy for market size. • Average project size.
Regulation	Applicable legislation and regulatory environment.

In addition to the proposed macro-segmentation, we also introduce a set of transactional indicators for Governmentgraphics segmentation, describing recency, frequency, and monetary market characteristics. These indicators are contextual:

Table 4. B2G transactional indicators

Market diversification	Number and variety of contractors (suppliers).
Market fragmentation	Number and variety of authorities, projects, or procurement procedures.
Partnership appetite	The overall openness to partnership.
Partnership affinity	The strength of the relation between 2 specific authorities and contractors. The set of all relations form a ***market affinity graph.***
Entry difficulty	The openness to new suppliers, or the difficulty of the entry-barriers.

3. B2G strategic marketing

The essence of strategic marketing is: segmentation, targeting, and positioning. [43] [44]

A **marketing strategy** consists therefore of:

- **Segmentation**, i.e. the contextual, relevant analysis of the market.
- **Positioning**, i.e. the analysis of the *current* position on the market. [45]
- **Targeting**, i.e. the analysis of the *desired* position on the market.
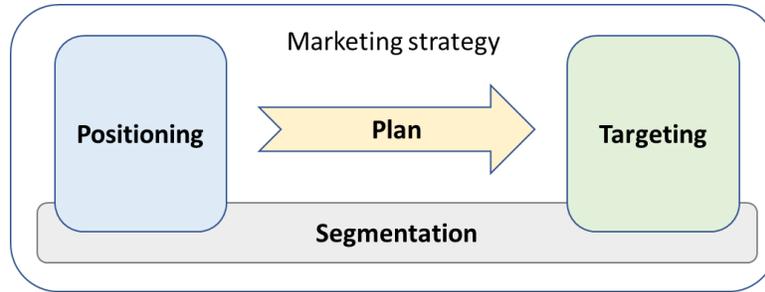- **Plan** for transitioning from the **current** to the **target** market position.

Figure 2. Marketing strategy

Bibliography and Notes

[1] **Stefan Morcov** is a Computer Science Engineer, with an Executive MBA from Tiffin University Ohio, and a PhD in Engineering from KU Leuven.

He has 22 years' experience in IT, management, business development & sales, HR, marketing, project and program management. He created and managed 3 successful companies in Belgium, Luxembourg, and Romania, and managed operations on 3 continents.

He is currently working on developing a structured approach for B2G marketing and sales. Based on this theoretical foundation, he also started to develop Hermix – an innovative IT product, that aims to support strategic B2G marketing, by analyzing and segmenting the public sector market; charting market positions, projects and players; in order to identify opportunities, support decision-making, and accompany suppliers in their sales and bid process.

[2] https://dictionary.cambridge.org/dictionary/english/b2g

[3] https://www.thesmbguide.com/business-to-government

[4] A few articles consider B2G to be a form of e-commerce, or e-procurement, and sometimes a subset of e-government. We disagree with such approaches and definitions.

We take a marketing approach to B2G, not an ICT perspective. Therefore, our definition of B2G – Business-to-Government intentionally encompasses all marketing and sales activities where the buyer or financier is the public sector; regardless of the sales or marketing channels employed.

This definition and approach is aligned with the state-of-the-art definitions of B2C and B2B marketing and sales, which also do not differentiate on the sales or marketing channel.

[5] https://www.investopedia.com/terms/b/business-to-government.asp

[6] European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2021). An analysis of SMEs' needs in public procurement.

[7] Statista. Public spending ratio in the member states of the European Union in 2020.

[8] Trading Economics, from Eurostat.

[9] Brett W. Josephson, Ju-Yeon Lee, Babu John Mariadoss, & Jean L. Johnson (2019). Uncle Sam Rising: Performance Implications of Business-to-Government Relationships. 83(1) 51-72. doi:10.1177/0022242918814254

[10] Grewal, Rajdeep, Lilien, Gary L. (2012). Business-to-Business Marketing: Looking Back, Looking Forward. In Handbook of Business-to-Business Marketing. Cheltenham, England: Edward Elgar, 3–14

[11] We were not able to identify peer-reviewed scientific articles that define or study the B2G - Business-to-Government marketing and sales.

Various articles mention the term, but there is no attempt at a rigorous definition or study of the domain.

Most articles mention the term as a secondary topic or an example, without studying it. Some articles research particular situations, such as corruption in some countries. There are several studies on the impact of e-government, e-commerce tools, data-exchange, or open-data policies, in public procurement or in citizen relationship management (CRM). There are several commercial documents that mention the term.

The databases searched were: the entire KU Leuven library, including SSCI, SCIE, Emerald, Pro Quest, Scopus, Springer, Taylor & Francis etc.

The search keywords were: B2G, Business-to-Government.

Examples of search strings and results:

Title contains B2G and any field contains "marketing"	8 articles - none of them relevant.
In contrast: Title contains (B2C or B2) and any field contains "marketing"	*4639*
Title contains "Business-to-Government"	78
In contrast: Title contains "Business-to-Business" or "Business-to-Consumer"	*4,181*

[12] European Commission. Comitology

[13] Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers

[14] Parkinson, C. N. (1958). Parkinson's law: or, The pursuit of progress. London: John Murray

[15] Gödel, Escher, Bach: An Eternal Golden Braid. 20th anniversary ed., 1999, p. 152. ISBN 0-465-02656-7

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[18] Taleb, N. N. (2007). The Black Swan: The Impact of the Highly Improbable. Random House

[19] European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2021). An analysis of SMEs' needs in public procurement

[20] EU projects are specifically transparent. See also:

European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2021). Study on the measurement of cross-border penetration in the EU public procurement market

[21] https://living-in.eu/news/business-government-b2g-data-sharing-workshop-5th-and-final-workshop

[22] https://data.europa.eu/en/datastories/business-government-b2g-data-sharing-europe

[23] Projects related to security are less transparent - e.g. NATO procurement is rigorous, but not transparent.

Procurement transparency is linked to democracy and corruption (Bajpai,Rajni; Myers,C. Bernard. Enhancing Government Effectiveness and Transparency : The Fight Against Corruption. Washington, D.C. : World Bank Group)

Notably, UN institutions communicate very little information regarding their procurement process. In fact, UN institutions never publish or communicate who are the winners, the winning prices, or award criteria. There are subsequently numerous issues signaled related to UN procurement, such as:

Akanksha Arora (2022). How the UN Has Been Reduced to Corrupt Deal-Making and Rule-Breaking. News18.

David A. Fahrenthold and Farnaz Fassihi (2022). A Pot of U.N. Money. Risk-Taking Officials. A Sea of Questions. The New York Times.

Fox News (2015). U.N. Procurement Scandal: The Case of the Official Who Never Was.

[24] Michèle Rivasi, Committee on Budgetary Control, European Parliament (2021). Report on the evaluation of preventive measures for avoiding corruption, irregular spending and misuse of EU and national funds in case of emergency funds and crisis-related spending areas

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27 Simplicity is defined and used according to the principle of Occam's Razor.

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30 Roberto Mora Cortez, Ann Højbjerg Clarke, Per Vagn Freytag (2021). B2B market segmentation: A systematic review and research agenda. Journal of Business Research. (126): 415-428. ISSN 0148-2963. doi:10.1016/j.jbusres.2020.12.070

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35 Hutt, Michael D., & Speh, Thomas W. (2004). Business Marketing Management: A Strategic View of Industrial and Organizational Markets (8th ed.). Thomson/South-Western. ISBN 978-0324190434

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37 https://en.m.wikipedia.org/wiki/Firmographics

38 Mitchell, Vincent-Wayne; & Wilson, Dominic F. (1998). Balancing Theory and Practice. Industrial Marketing Management. 27 (5): 429–445. doi:10.1016/S0019-8501(98)00002-9.

39 https://en.wikipedia.org/wiki/Industry_classification

40 Numerous proposed supplier segmentation approaches and methods, e.g. listed on Wikipedia: Parasuraman (1980), Kraljic (1983), Dyer et al. (1998), Olsen and Ellram (1997), Bensaou (1999), Kaufman et al. (2000), van Weele (2000), Hallikas et al. (2005), Rezaei and Ortt (2012)

41 https://en.wikipedia.org/wiki/Product_classification

42 Publications Office of the European Commission (2020). Ted Help Pages.

43 Weinstein, Art (2014). Segmenting B2B technology markets via psychographics: an exploratory study. Journal of Strategic Marketing. 22(3): 257–267. http://dx.doi.org/10.1080/0965254X.2013.876072

44 Kotler, P., & Keller, K. L. (2010). A framework for marketing management (12th ed.). Upper Saddle River, NJ: Prentice-Hall.

45 Market positioning can thus be defined as: the analysis of the current position, of a specific market player, in a specific market, based on a specific, relevant market segmentation.