



Customer-Partnering Overview

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There are only three ways to increase sales:

1. Increase the number of customers served;
2. Increase the frequency of transactions or repeat orders;
3. Increase the average unit price of products or services.

The most productive method to achieve profitable, sustainable growth has proven to be option #2. It takes five times the investment to earn one new customer (#1) as it does to sustain an existing customer relationship. And using increased prices (#3) to grow sales is a sure way to irritate and lose customers. So what strategy works best to increase the number of repeat orders per customer? How do you become a customer's partner, their preferred supplier?

Commoditization

The rapid evolution of technology, coupled with the easy retrieval of information via the internet, has presented customers with many options to fill their needs. Like all of us, they are pressured by limited time to accomplish much. Having ready access to multiple options makes it easy and quick for them to evaluate their choices. Many customers now believe that they don't need anyone else to help them clarify and choose.

Of course, choosing a supplier among all the options, without securing confirmation that the supplier of choice will be supportive, increases the customer's vulnerability. If things don't go as planned, then they have no one to blame but themselves; there is no supplier relationship on which to rely for resolution.

The need to efficiently evaluate all applicable options is a growing trend among customers, and it is the primary driver of commoditization. Buyers seek to define you by a set of specifications & capabilities, and then put you in a box with similar suppliers. This makes it quick and easy to compare the options. They don't invest time to meet you or learn more about you. It's more productive for them to treat every possible supplier like a commodity.

Responding to "requests-for-quote" from this type of customer by sending standard proposals just confirms for them that you see yourself as the commodity business they expect you to be. They throw your quote in the box with the other responses. They will choose a vendor by assessing who is better, faster or cheaper. You lose the opportunity to be different...to earn preference from them. To defeat commoditization, you must become preferred by customers.

Be Preferred

Today, customers care ONLY about the strategic value you can produce for them. But they are not going to take the time to determine this for themselves, so you must do it. It's your ticket to preference! Your products or services don't mean much to prospects or customers...they don't have time to thoroughly evaluate them or to justify why they chose to purchase your product or service versus some other vendor's option.

Becoming preferred is a simple proposition...you must produce more quantifiable value for your customer than they can get from some other supplier. Understanding how to produce that value requires that you:

- 1) Thoroughly understand how your business makes money, why your business is distinctive and consistently deliver your unique promise to the customer; and
- 2) Leverage your distinctiveness to produce value that is "strategic" for your customers. You must help them make money, and you cannot do this without first learning how they do business, discovering their goals and understanding how they plan to achieve them (*their strategies*).

Once you've earned a trust relationship with your customers, based on the value you produce for them, you will be seen as a partner, an advocate for their business, rather than a "commoditized" vendor. You will be different from alternative competitive suppliers. You become preferred by them because you took the time to learn about their business and used that information to produce more quantifiable value for them than they can get from some other supplier.

Customer Partnering

Customer-partnering is a proven strategy that creates sustained preference with customers and profitable growth for organizations. The benefits of customer-partnering are:

- Increased sales productivity - the need to keep reselling your company with each new proposal is eliminated;
- Stable source of ongoing business – there is ready demand for your approved product or service;
- Development of innovative new products or services - discussions with customers about their unmet needs produce ideas that can be developed at lower risk and higher probability of success;
- Greater access to senior customer leaders – once you are perceived as partner rather than vendor, you become a source of knowledge and ideas for those who must create the future for their companies.

Customer-partnering is executed through three principles:

1. Produce strategic value:

As mentioned above, in today's economy, customers care only about the strategic value you produce for them. Strategic value is defined as generating a quantifiable financial advantage for customers combined with strengthening their differentiation or competitive advantage. To produce strategic value, your products or services must accomplish both objectives, and the value produced must align with identified customer goals.

2. Focus on their future:

There are only two business strategies in any organization. The core, current strategy generates the majority of revenue for the company; but profitability is beginning to plateau, so management will optimize any dollar invested in this mature business. In many companies, the core business is delegated to middle managers or purchasing folks who focus on the short term, the current pain, and seek solutions that are cheaper, better or faster. Solutions proposed to address the current pain do not produce sustained value.

Those responsible for delivering the future for their business are the senior business managers, the leaders, in your customer's organization. They are the ones who develop and execute the growth strategy intended to replace the mature business and create the company's future prosperity. Senior leaders concentrate on opportunities rather than pain. Proposing solutions that support the attainment of your customer's future vision generate sustained value that enable the building of relationships with senior managers who seek stronger differentiation and long term financial return.

3. Win when they win:

Make it easier for your customers to choose you and to experience the value you produce for them. Propose several alternative ways to achieve their goals, and specify how your performance may be measured and connected to goal achievement for each alternative. Demonstrate that you are committed to helping them make money rather than taking their money. This is accomplished through pay-for-performance programs, key customer value programs, etc.

When your entire organization is aligned to support your customer-partnering initiative and to deliver the promised strategic value, you earn a lasting trust that creates enduring customer relationships and elevates your performance.

Sustaining Strategic Value

To remain valuable to your customers over time, you must stay abreast of their vision, goals and strategies, and consistently produce strategic value for them that builds their business as well as yours. You can't generate strategic value for them unless you understand their business more thoroughly. Since every business changes over time, it is essential that customer relationships be sustained on a strategic level as well as a tactical level. Sustaining your strategic relationship with a customer is the responsibility of your business development or sales personnel. To accomplish this, sales folks must understand how your business makes money and what defines your unique value or promise. With customers, they behave more like business professionals than vendors. They stay in touch, share knowledge and visit on a regular frequency (*depending on scale of the relationship*).

Delivering your promised strategic value to your customers is the responsibility of your operating personnel. Their relationship with your customers is more tactical – they're delivering the goods, delivering your unique promise. To do so, they collaborate with Sales and suppliers, and align resources to profitably serve customers and increase sales. Their highest goal is the same as Sales - business growth – not internal departmental goals. Operations personnel must be included in the development of your partnering strategy, since they must deliver what is promised. Without this alignment, your customer-partnering strategy will fail.

Ensuring that this Sales-Operations alignment occurs is the responsibility of senior leadership. These leaders guide the development of mutual, cross-functional goals and behaviors within your company to drive your customer-partnering culture.

Summary

The objectives of customer-partnering are to significantly differentiate your business and accelerate your profitable growth performance. It takes more than launching a novel product or increasing your “feet on the street” to maximize growth performance. Achieving sustainable, profitable growth performance in today’s commodity-driven business environment requires the cultivation of a customer-partnering culture that transforms your entire enterprise and builds enduring customer relationships. Partnering with customers maximizes your potential to achieve your performance goals, while producing the strategic value demanded by your customers.