

Collaborate or Be Commoditized: The NEW 5Ps of Customer-Partnering

How a customer-partnering culture produces profitable, sustainable performance

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Introduction & Premise

Despite accelerating commoditization, opportunities to grow revenue and profitability are increasing. The intensity of competition promotes commoditization and accelerates the evolution of technology. Windows of opportunity close more quickly, and the period of exclusivity for innovations grows ever shorter, requiring prompt response and faster ROI. You have less time to capture the attention of prospects, and they have less time to justify purchasing your products or services.

Nevertheless, earning the trust of customers still requires an investment of precious time. Your customers feel the same urgency and confront similar market challenges, while balancing the need to achieve their goals with the appeal of working with trusted suppliers. Intensified competition has limited your customers' available time to evaluate suppliers and heightened their stress to accomplish more with less, so now they choose to work only with suppliers who can help them achieve their performance goals.

Having cut all the costs they can, your customers now must grow their top line to improve profitability. They need trustworthy, committed partners - not just cost cutters - to help them increase revenue while simultaneously controlling costs. They need suppliers who act differently...collaborating to discover their customers' goals, demonstrating commitment, earning trust and producing strategic value for their customers.

Achieving sustainable, profitable growth performance in today's challenging 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.

The most productive means of increasing your revenue is to help your customers achieve their growth goals. Concurrently, customer-partnering is only possible when your company's resources are aligned to deliver the strategic value promised to your customers. Fostering a customer-partnering culture requires a more comprehensive and intense collaboration with your customers, plus the nurturing of a more collaborative environment within your organization to produce the promised value.

The premise of this paper is:

If you're not collaborating with your customers, then you're being commoditized.

Collaboration = Performance: The NEW 5 Ps of Customer-Partnering

One of Peter Drucker's famous quotes states that: "The purpose of a business is to create, and keep, a customer." Preserving relationships with current customers continues to be the most productive means of growing a business. The trusted position earned with existing customers provides a more stable source of ongoing business and typically generates the most beneficial explorations of unmet customer needs, often leading to the development of innovative products or services.

As long as you remain valuable to your customers, the need to constantly re-sell your capabilities with every proposal is greatly diminished, freeing time for the pursuit of new customers. Current customers provide the most valuable referrals to prospective customers; at a time when gaining the attention of prospects is challenging, securing a referral from a trusted source expedites the development of rapport with a new business contact. Finally, with the cost to secure a new customer estimated to be four to five times the investment required to keep an existing customer, the retention of profitable customers is a vital growth ingredient.

For these reasons, the nurturing of a customer-partnering culture has become a critical priority for senior business leaders. Customer-partnering impacts the entire company, not just the Marketing and

Sales folks. It demands that your Sales personnel understand how your business makes money and behave more like business professionals than vendors with your customers. Sales personnel are obliged to discover your customers' visions, goals and strategies, and to propose how your company will produce strategic value for your customers.

To deliver the promised strategic value to your customers and achieve your performance goals, other company personnel are compelled to collaborate and align their resources to profitably increase sales, rather than making internal department goals the highest priority. For example, if your customer-partnering strategy includes offering more flexible production terms to customers (lower quantity minimum runs, reduced set-up costs, etc.), then your Operations personnel must be included in the development of that strategy, before it is proposed. If Operations pursues different, more departmentally-focused goals (higher departmental productivity, fewer set-ups, etc.), then your customer-partnering strategy will fail. Without senior management direction, the development of mutual, cross-functional goals within your company is not possible and a customer-partnering culture cannot thrive.

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. To accomplish the customer-partnering objectives, it is necessary to nurture collaboration with your customers and within your company. The power of this coordinated collaboration is that it produces strategic value for your customers, and for your business.

- Collaboration with your customers is necessary in order to learn what is most valuable to them in terms of their vision, goals, strategies and needs. You can't generate strategic value for them until you understand their business more thoroughly. Employing the following three customer-partnering business development strategies enables you to create a partnering proposal that achieves their goals:
 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:
Within any organization, there are two business strategies. The core, current strategy is generating the most sales for the company, but profitability is beginning to plateau so the priority is to optimize any dollar invested in this mature business. In many companies, the core business is often delegated to middle managers 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 managers 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 personnel concentrate on opportunities rather than pain. Proposing solutions that support the attainment of your customers' future vision generate sustained value that enable the building of relationships with these senior personnel 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. 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.

- Internal collaboration is necessary to cultivate the customer-partnering culture that fulfills your commitment to produce strategic value for your customers. Customer-partnering is only possible when your company’s resources are aligned to produce this value. The **NEW 5 Ps of customer-partnering** focuses your resources and enables the development of your customer-partnering culture. They extend and reinforce the execution of the traditional 5Ps of business marketing – products, pricing, promotion, physical distribution and people – by adding a more comprehensive and all-inclusive set of business development principles to better meet the challenges of today’s economy. They strengthen your unique offering and distinctiveness to separate you from competitors. Together with the three customer-partnering strategies described above, they help you earn the position of “trusted advisor” with your customers rather than being viewed as another commoditized “peddler.” And, by producing the strategic value you promised, they foster customer relationships that endure. When your **NEW 5 Ps** are aligned to support your customer-partnering initiative, you **maximize your Potential to achieve sustainable, profitable growth performance.**

The **NEW 5 Ps of customer-partnering** include:

1. **Channeling PASSION:**

Remember that feeling of enthusiasm and anticipation you experienced on your first day at a new company or in a new position? The exhilaration of those moments ignited your passion for your company and your career. Then, over time, the routine of daily activities and the constant stress of meeting challenges dampened your passion. Like all emotions, Passion will come and go, but it is an essential fuel for sustaining focus on achieving vision and goals.

Passion generates energy, the power that drives action. Passion is motivational, inspiring innovation and continuous improvement. Being enthused about an idea makes it more likely that the idea will be put into action.

Passion is contagious, and to foster a customer-partnering culture, Passion must spread across your organization. Encourage your personnel to get fully-engaged with your business, to buy into your vision and goals with their hearts and minds. There is no way in this age of rapid technological evolution that ownership or senior management can be the only ones proposing new ideas or technologies. You need all hands on deck! Those who work daily with customers or with your products and services are often anxious to share their ideas, if they have receptive and supportive managers. You can inspire this entrepreneurial spirit inside your businesses by providing a forum to propose and discuss ideas, and to share knowledge. Offer incentives for ideas that improve the company’s growth performance.

Help your associates learn how your business operates efficiently and how it makes money. This strengthens their capability to build your business and to deliver value to your customers. Specify that ideas be proposed using the language of management – the “language of money.” How can an idea increase revenue dollars, reduce cost dollars, save time dollars or reduce inventory dollars? Discovering how to convert the “language of things” (number of hours or items produced, quantity of errors, amount of waste, etc.) into the language of money enhances their ability to contribute to your company’s performance.

When Passion is fading within the organization, consider using one of these techniques:

- Introduce a new idea or technology that disrupts the status quo and compels a response;
- Radically accelerate your speed to market or response time;
- Redefine a service as a product, or visa versa;
- Change the infrastructure, the rules or the flow of information to empower or quicken decision-making;
- Dramatically alter pricing structure;
- Organize the disorganized, or connect the disconnected.

Passion generates energy. Channeling Passion focuses that energy to drive your company forward, infuse your actions with vitality, and help you continually seek ways to produce strategic value for your customers. This is why “PASSION” is the first of the 5 NEW Ps of Customer-Partnering.

2. Fulfilling Your Unique **PROMISE**:

While Passion can preserve focus and keep the heart fires burning, it is commitment that sustains Passion over time and underlies all successful ventures. Pairing Passion with commitment replenishes the energy needed to steadily improve your competencies, allowing you to deliver on the unique Promise you offer to customers. This unique Promise is your distinctive value proposition - the broad, exclusive experience you provide to customers when you produce strategic value for them. Your unique Promise is more comprehensive and beneficial to your customers than a typical, narrowly defined transaction that occurs between vendor and customer.

Commitment empowers imagination, enables vision, and provides the tools to achieve your goals. It's the commitment to yourself, your business, your customers, your family, and your community that drives you to overcome obstacles, continue to learn and improve, and survive during challenging times. Commitment is the heart of the Promise you pledge to customers.

Nothing in the life we live is more vital than keeping our promises. When we make a promise to someone, we are committing ourselves to fulfilling that promise. This is the substance of trust, the foundation of enduring relationships - **it forms the core of our reputation.**

Promoting your unique Promise to a customer in exchange for that customer entrusting business to you creates an obligation for you to deliver what you promised. When you fulfill your commitment by producing promised value that aligns with the achievement of your customers' goals, then you earn the position of trusted advisor rather than vendor with that customer. Given the many challenges and time constraints confronting your customers, discovering a trusted, **collaborative supplier-partner who keeps promises and produces strategic value creates a compelling differentiation that encourages your customer to continue relying on your relationship.**

The origin of your unique offering or Promise is found in understanding the definition of your core customer. This understanding is much deeper than market statistics like served market, annual sales amount or number of employees. It requires your team to define your preferred customers in terms of which ones buy your products or services in amounts required to optimize your profitability. Only when your personnel comprehend how your business makes money, can you profitably commit to helping your customers make money.

With your core customers in mind, you can next identify the distinctive competencies that differentiate you from competitors and enable you to sustain business with your core customers. Proposing strategic solutions that strengthen a customer's differentiation and competitive advantage requires that you thoroughly grasp your own distinctiveness and use it to produce value for your customers. This exercise of defining your differentiation is more comprehensive than evaluating narrow transactions and compiling a SWOT analysis. You ultimately seek to ensure that your customers "experience" the fulfillment of your unique Promise whenever you work together, which is the foundation of customer-partnering. This "experience" is fostered by the emotional connection built with your customers when fulfilling your unique Promise helps them achieve their goals.

Once your customers learn that the fulfillment of your unique Promise produces strategic value for them (financial advantage plus stronger competitive advantage), it transforms their perception of you. When they see that you are more interested in helping them make money than taking their money, then you earn the position of trusted partner with your customers. "PROMISE" is the second NEW P of Customer-Partnering because there can be no partnering without keeping promises.

3. Committing To Your **PRINCIPLES**:

Core Principles are values or behaviors that are essential to the organization's success and sustainability – like commitment to customer satisfaction, initiative, teamwork, reliability or financial strength. They are often derived from the company's critical success factors, vision and strategies.

Core values are all-important and universal. They cannot be compromised, and typically, they do not change. They sustain the direction of the organization, and the decision-making within it, during good

times and bad. Management consultants often note that core Principles form “the essence of the company’s culture” and an “expression of its personality.”

Leadership is responsible for ensuring that all personnel share a clear understanding of these core values and how they are measured. The consistency with which core Principles are demonstrated by all of the company’s personnel influence the future of the company and how its customers, employees and stakeholders come to perceive it. When core Principles are understood and consistently employed, they ignite Passion and encourage commitment so that personnel strive to exceed expectations and deliver the Promise that builds enduring customer relationships. An organization that lives in accordance with its core Principles creates a culture that inspires innovation and initiative from everyone.

Principles can be difficult to define precisely. What is initiative, or customer service, or quality, or teamwork? Yet in order for the values to be useful, the meanings must be clear and measurable. So, once specified, expected behaviors must be articulated using standards. For example, a core Principle of “Commitment to Customer Satisfaction” might list response time goals (respond within a maximum of 4 hours after receipt, or provide a proposal within 24 hours of a request, etc.), or follow-up targets (solicit feedback from customer within 30 days of shipment, etc.). Documenting specific examples like these for your business in a competency dictionary helps refine your definition of each Principle and enables the objective, consistent measurement of its application across your organization.

Principles build culture, and culture helps align your organization to produce the strategic value demanded by your customers. Principles enable the development of your company’s reputation as trusted advisor rather than as vendor. Core Principles that focus on adding value for your company and your customers are contagious, fostering a powerful employee-oriented, customer-focused culture in which all personnel feel connected, engaged, passionate and interested in delivering your unique Promise to your customers. They focus the actions of your personnel on elevating your company’s performance.

Committing to manage your business in accordance with your Core Principles cultivates a customer-partnering culture that is nurtured by Passion and sustained by the commitment of your unique Promise which is why “PRINCIPLES” is the third NEW P of Customer-Partnering.

4. **Engaging Your PEOPLE:**

In today’s economy, we are evermore dependent on technology to accelerate responsiveness, increase productivity and enhance service. Yet as our dependence on technology grows, so does our thirst for human contact. This phenomenon is often called the “High Tech-High Touch” trend, first described in the early 1980s by John Naisbitt in his book MegaTrends. To understand this trend, just recall a time when you had a crisis or critical question, but could not connect with a human being to get the help you needed. There are critical situations in business where we need People to resolve issues that computers cannot.

In business, success belongs to those who employ the most competent and knowledgeable personnel. Materials are commodities that can be accessed by anyone, anywhere, at any time. Technology is quickly copied and commoditized, accelerating the rate of technological evolution. Sustainable competitive advantage for any company is applied through the knowledge and capabilities of its personnel. The competency of your People and the extent to which they are empowered to serve your customers is what differentiates your company and strengthens your edge over the competition.

Maintaining your competitive advantage over time requires an organization to constantly be educating managers and employees at every level so that they acquire new knowledge and skills to remain valuable to your company and your customers. Committing your company to Principles of initiative, innovation and continuous improvement obliges that you include the pursuit and sharing of knowledge as a related Principle.

One of the business development strategies of customer-partnering is to “focus on the future.” Helping your customers carve out their future vision while sustaining their relationship with your business, involves ensuring that the strategic value you continue to produce remains significant and beneficial for your customers. To determine what new knowledge and skills your personnel will need to remain

valuable to customers, compare the vision and goals of your core customers with your long-term goals and vision. Next, enhance your personnel's understanding about your company's operations and how the business earns its profit so they recognize how their work contributes to the successful performance of the company. Finally, educate your personnel about your core customers, how your business with these customers improves your company's performance, and why your company is valuable to them.

To sustain the competency of your personnel at a high level, you might offer training that challenges them to learn more than the functional skills related to their duties. Keep the scope of such training opportunities tightly focused on professional development that support the plans and growth goals of your organization, because your personnel won't learn what they believe they won't use and your investment could be wasted. Investing in skills training for business basics, communications, teamwork and self-management, aligned with your vision, goals and core Principles, will earn a rapid ROI in terms of higher levels of engagement, initiative and customer satisfaction.

Sharing knowledge that already resides within your company is also important. Many companies have vital information and skills in-house, but it is often not accessible in the areas where it could be best utilized or is most needed. There are numerous proven methods for encouraging continued learning or facilitating the spreading of needed knowledge within your organization.

The key point is: "Build your people and they will build your company." Nurturing your personnel with continued education and knowledge-sharing enables them to consistently deliver your unique Promise to your customers. Furthermore, productivity is increased, recruitment and retention are improved, and costs are reduced, all positively impacting your profitability.

The basic Passion, Principles, spirit and drive of an organization contribute far more to its achievements than do its technology, financial resources, structure or timing. While all of these factors contribute significantly to business success, they are surpassed by how robustly the People in your organization believe in its basic Principles and how consistently they demonstrate them. Knowledgeable, competent personnel who act with accuracy and urgency drive your company - they are the lifeblood of a customer-partnering company culture. Engaging your People in your business sustains their knowledge and competency which is why "PEOPLE" is the fourth of the 5 NEW Ps of Customer-Partnering.

5. **Producing Your Promised PERFORMANCE:**

The objectives of customer-partnering are to differentiate your business, accelerate your growth and improve your performance. Accomplishing these objectives requires a dedicated focus on achieving customer goals and helping customers attain their vision by producing strategic value for them. Leveraging Passion, Principles and People to deliver your unique Promise in a manner that demonstrates your commitment to your customers improves their Performance and yours. You win when they win.

Improving performance necessitates that it first be defined in quantifiable terms, in the language of money, the language of management. Goals are typically specified in financial terms, but measuring performance towards assigned goals requires that appropriate "measurements" be identified and translated from the language of things (items, data, time) into the language of money. This enables you to validate how a customer investment in your product or service produces the value you promised to generate and achieves the customer goals you committed to reach.

There are so many metrics available in today's business environment that identifying the most essential ones to measure the progress of your solution can be challenging. Your objective is to identify measurements that reveal the quantifiable value you are producing for your customer in terms that align with the customer's goals. To achieve these linked metrics, clarify with your customer what will be measured and how each metric will be expressed in the language of money. For example, a revenue growth percentage should be converted into a dollar increase. Improved profitability should be measured at a specific line in the P & L (Gross Profit, Operating Profit, Pre-Tax Profit?) and translated into a dollar improvement. A time savings should be converted into a dollar savings using a standard hourly rate.

Measuring performance also involves specifying the frequency with which the measurements will be made and reported, and clarifying the baseline against which performance will be measured. For example, will performance indicators be recorded weekly, monthly or quarterly? Does the type of measurement or specified baseline affect this choice of measurement frequency?

Establishing appropriate metrics, how they will be measured and how frequently they will be reported to your customer, prior to implementing your solution, demonstrates your commitment and accountability. It confirms to customers that you respect the business entrusted to you and are accountable for fulfilling the unique Promise specified in your proposed solution.

Producing promised Performance is the cornerstone of customer partnering. It fulfills your commitment to produce strategic value for your customer through the application of your unique Promise. Delivering Performance is the culmination of channeled PASSION, fulfilled PROMISE, committed PRINCIPLES, and engaged PEOPLE, making “PERFORMANCE” the final NEW P of Customer-Partnering.

Summary

If you're not collaborating with your customers, then you're being commoditized.

Achieving sustainable, profitable performance in today's economy requires the cultivation of a customer-partnering culture that transforms your entire enterprise and builds enduring customer relationships.

Intensify your collaboration with your customers, using the **3 customer-partnering business development strategies** to identify and achieve their goals as the most productive means of increasing your sales. Concurrently, since customer-partnering is only possible when your company's resources are aligned to deliver the strategic value promised to your customers, utilize the **NEW 5 Ps of Customer-Partnering** to foster the necessary collaborative environment within your organization.

Aligning the NEW 5 Ps inside your company to support your customer-partnering business development strategies strengthens your competitive differentiation and maximizes your Potential to achieve your growth performance goals.

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