2 Customer value

Creating a customer culture

Creating a customer culture is a hard won battle, but there are three basic resources in your armoury.

- Happy employees = better customer service
- Customer-based values
- Key account/customer relationship management

This theme evaluates how, as a manager, you can make an effective contribution to customer satisfaction in your organisation. It includes concepts such as valuing front line staff at all levels, creating a shared vision and understanding of how staff will work with customers, sharing values and beliefs with your customers, key account management and customer relationship management.

Interactions with customers can be at a range of levels and in a variety of relationships. To conclude the theme, we look at the emergence and potential of the partnership as a new way of working with both customers and suppliers to improve service.

In this theme you will:

- **Learn about the factors you can influence that make customers satisfied**
- **Evaluate your understanding of your own and your customers' values**
- **Understand the importance of key account and customer relationship management**
- **Assess relationships between customers and suppliers within partnerships.**

Happy employees

An organisation that is operating well will have fundamentally happy, motivated employees and an atmosphere of respect. Creating that organisational culture is a responsibility of the management team across all functions in the organisation. A culture characterised by support for both internal staff, suppliers and customers is likely to perform well in terms of satisfying customers.

The internal environment

Examining the internal organisational environment Kotler and Andreasen (1995) outline the factors that contribute to a customer focus with both satisfied employees and satisfied customers.

Figure 2.1 *The internal environment for customer focus*

Top management support

A company will not become customer focused until its leaders believe in it, understand it and want it. The mind-set and the tone of the organisation needs to be set from the top and permeated through its managers and employees. The tone is likely to be a positive one where people have respect for one another and value what each other does.

Effective organisation design

A well-structured company will contribute to this tone and the focus on customers. There is no one perfect design and it may not include a marketing department, but it does need to include people in senior positions who make a point of knowing and finding out what the customer needs and the changing customer perspectives. In many organisations departments are organised to respond to the needs of particular segments of their market.

In-company marketing training

Organisational awareness of marketing and market orientation can contribute to increased understanding of the importance of customer focus. Training in market awareness will help all employees to see where the organisation fits in the wider market and how they are contributing to the process. Messages that reinforce the concept and reward customer focused behaviours will support this process in the longer term.

A recent analysis of over 6,000 companies, by the PA Consulting Group showed that marketing, broadly defined, typically drives three times more value than cost efficiency. If this is the case do we value marketing and customer focus highly enough? And if not we ought to make more noise about it.

Better employee hiring practices

Kotler and Andreasen also propose a review of hiring practices. Instead of replacing new employees on a like for like basis every organisation needs to consider the dynamics of the market place and whether alternative skills or new attitudes could contribute more to the culture and skills base. New employees also need to be hired on the basis of their customer focus and responsiveness to customer needs, as well as for skills that in some cases could be easily learned. An organisation that is able to meet its employee's needs is likely to be able to retain staff to build longer lasting relationships.

Rewarding market oriented employees

Creating effective reward strategies is always a difficult balancing act. Rewards can be perceived in a number of ways. They can be valued or devalued based on the way they are delivered. Monetary and motivating rewards may be successful but ultimately unsustainable. Rewards may be capable of persuading people to emulate behaviours or set the bar too high leading to demotivation. Well planned, consistently applied and rewards valued by employers and employees alike do however work. The important part of the message is not that an individual has gained an award, it is rather that they have gained an award for displaying a particular behaviour. In this case, a behaviour that benefits customers as well as the organisation and supports longer-term relationships with valued customers. A number of companies are moving towards rewards based on customer satisfaction ratings rather than, or as well as, financial targets.

Planning system improvement

Finally, a well functioning organisation does not rest on its laurels. Rather it focuses on the internal and external environment to spot changes, opportunities and threats. Kotler and Andreasen look to the organisation's planning system to strengthen the capture and interpretation of information about customers and the market. By involving everyone in the organisation in the process of using marketing information the company will gain a better picture of the improvements it can make.

Happy employees = better customer service

What's New in Marketing website looked at the nature of customer-facing businesses.

> Research by a number of organisations has revealed that if you want to have happy customers, particularly in a customer-facing business environment, then you should be doing your utmost to make sure that your employees feel happy too, that their opinions are valued and respected; so that they become integral to the company, and more loyal as a result. The benefits of employee involvement are wide-ranging, and this includes a significant reduction in absenteeism. It can also increase the productivity of your employees.

Source: www.wnim.com/archive

They also reviewed what it is about employee involvement and consultation that works well and why it sometimes doesn't work.

What works well and why?	Why does information and consultation fail?
Working together to build a shared view of the business and its competitive environment	A lack of commitment from senior managers
Sharing information widely to enable all participants to have a shared grasp of the context within which decisions are being made	A failure to consult at an early enough stage and before the key decisions are made
Consultative processes which enable the workforce both individually and as a whole to contribute effectively to the debate on issues and to influence the outcomes	No dynamism – keep going around the same issues
A range of joint problem solving techniques to address issues	Poor agenda
Feedback systems enabling employee voice to be heard effectively and get messages back to the workforce	Little or no training in information and consultation for participants (both managers and employee representatives)
	Too much pressure on time and resources for participants
	A failure to follow up on promises or actions
	A lack of supportive infrastructure

Table 2.1 *Employee involvement and consultation*

Source: 'High Performance Workplaces; Informing and Consulting Employees, The IPA's response to the DTI's consultation document' (2003)

Communication and consultation form the basis for a customer-focused approach. The levels and standards of service need to be agreed throughout the organisation to ensure that they are achievable, profitable and sustainable. They then need to be communicated throughout the organisation so that everyone knows their role in providing the service to clients and customers. This

strategy should signal to everyone the priority given to customer focus in the corporate plan.

An illustration of a customer focused approach appears here from The Times 100. The example is from Travis Perkins, a UK building and plumbing merchant.

A quality focus

Travis Perkins is organised in such a way as to give customer focus a priority. It is important therefore to develop performance indicators to measure the achievement of customer focus. Ongoing performance of the organisation and its component parts can then be measured in terms of achievement of these performance targets. Comparisons can be made between the performance of individual stores, and parts of these stores. Benchmarking can be employed to communicate best practice enabling ongoing organisational improvement.

Customer Service Groups provides a structure for serving customers. Performance Indicators are established for Customer Service Groups and regular meetings take place within the Groups to plan research, review the results of research, review actions to improve customer service and review performance, as well as planning ongoing improvements, and the establishment of priorities. The CSG's are thus a form of Quality Circle focused on making customer service processes more effective.

The Customer Service Groups are a form of democratic organisation, in which members interact by sharing ideas and working in a collaborative way to the benefit of the company.

Rather than using external market research organisations to find out information about customers and their requirements, Travis Perkins prefers to build relationships with customers at point of sale in a personal way. Building ongoing relationships to find out about customer issues enables individual stores and the organisation as a whole to build relationships based on listening to customers. This is all part of the customer-focused structure of the organisation.

Travis Perkins is successful because the emphasis in organising the organisation is on building the organisation around customer service. Satisfied customers are likely to purchase more, and to purchase regularly rather than using rival firms. The result is that turnover and profit increases, enabling the company to generate higher growth and pay higher dividends to shareholders.

Source: www.thetimes100.co.uk/teachers

Activity 5
A customer-focused approach
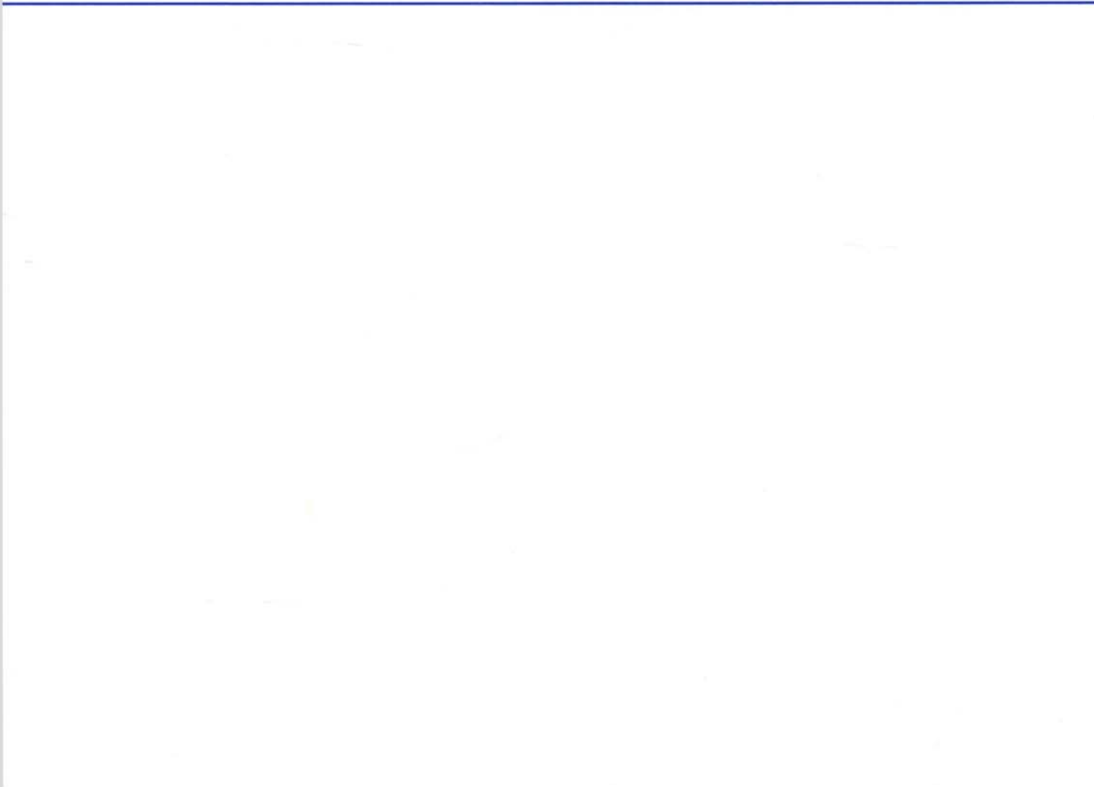
Objectives

This activity will help you to:

◆ identify ways in which you can influence attitudes amongst your team

◆ understand the importance of the internal relations in generating a customer-focused approach.
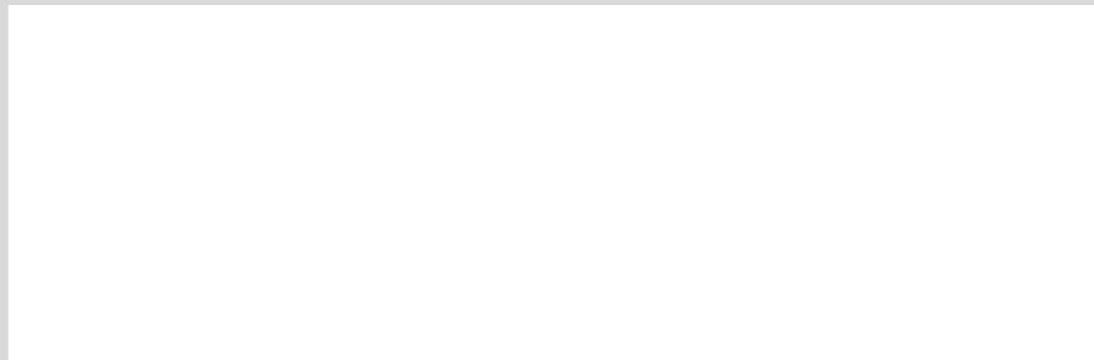
Task

1 Indicate on the list below what infrastructure you have in place to support customer focus.

☐ Top management support

☐ Effective organisation design

☐ In-company marketing training

☐ Better employee hiring practices

☐ Rewarding market-oriented employees

☐ Planning system improvement

2 To how many of the following questions can you categorically answer 'Yes'?

☐ Are your processes really customer driven? (Or are they driven by what is in the best interest of your organisation?)

☐ Does your service quality approach allow for flexibility and variability at the point of customer interaction?

☐ Does your data collection promote qualitative feedback about how the customer feels about your service?

☐ Is customer retention one of the key drivers in how you measure the effectiveness of your organisation?

3 Using the table below identify ways in which you can support your team and improve customer service – either to internal or external customers. Think about your current situation and use the example in Table 2.1 to help you.

What works well and why?	Why does information and consultation fail?

4   Outline any changes you could make to improve the commitment to a customer-focused approach.

Feedback

The aim of this activity is to provide structure to your analysis of your current situation. Your responses will be individual to you. Can you see ways in which barriers are being set up either against the people who need to provide a service or by organisational structures? You should be starting to think about the ways you can work with your team to contribute more effectively to the customer focus in your organisation.

Customer-based values

Here are two propositions to evaluate:

- ◆ Teams that share values are likely to work together better than those who do not.
- ◆ Organisations that share values with their customers and express those values are more likely to have a meaningful relationship.

Consider how far you agree with these statements.

The aim is to look at the values that we share amongst ourselves and the values that we share with our customers. Research findings suggest that to provide service quality managers need to create related, but different, climates: a climate for employee well being and a climate for service. Satisfied employees are motivated to deliver high service value, this in turn leads to satisfied customers, which in turn is more likely to lead to a wider public perception of the value of the organisation and its products or services.

Team values

People tend to get along and work well with people who are perceived to share common values and tend to conflict with, avoid, and reject those who are perceived to hold opposing values. Teams work well together when the 'espoused values' are reflected in the 'actual values' shown in the behavior of members. Organisations thrive and adapt to a changing environment when, for example, values associated with maintaining stability are balanced with values promoting creativity and change, values promoting group solidarity are balanced with values promoting individualism and risk, and values promoting prominence and power are balanced with values which support listening, caring, trust, and dedication.

Source: www.leader-values.com/Content

The journey begins with a clearly defined sense of purpose, supported from within at the highest levels. Customer focus and market orientation cannot be imposed.

There are a number of trigger points for a re-evaluation of the organisation and its employee's self image.
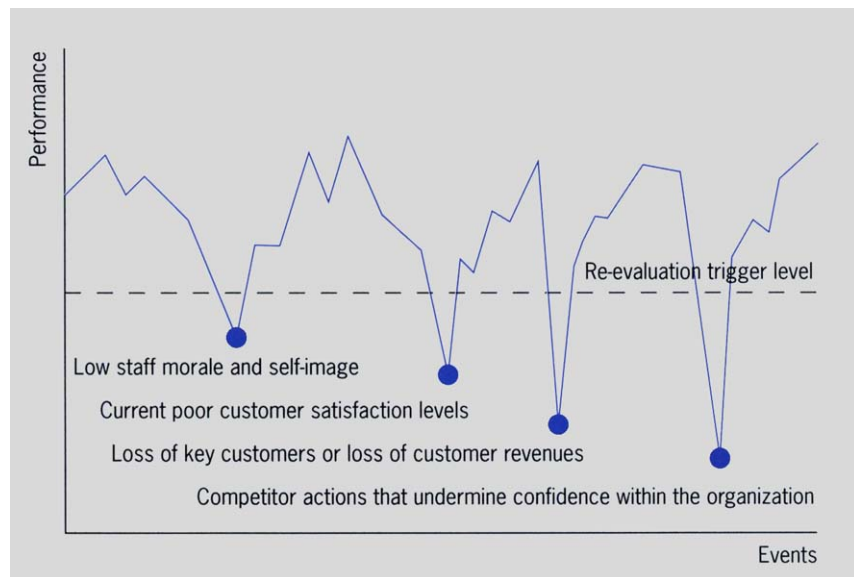
Figure 2.2 *Trigger points for a re-evaluation*

It may be tempting to think that the fault lies with the product, the service, the price or the prevailing market conditions. It could be any or all of these things, but it could also be a fundamental lack of trust or belief in the product or service from employees. Organisations relate to customers in many ways and it would be unrealistic to think that any are perfect. What makes organisations that succeed stand out is the widely held belief that everyone is working towards a common and respected goal.

Addressing the needs and values of the internal teams dealing with customers is a first priority. There are three key messages that employees need to understand to help develop confidence and trust:

◆ That they and their work is valued and respected and they are contributing to goals that will benefit themselves and the organisation

◆ That they are empowered to take action to rectify customer dissatisfactions

That they will be listened to when they feedback or communicate.

What is more is each of these messages is within the sphere of influence of any manager in the organisation and is not restricted to the remit of the sales or marketing team.

Proctor (2000) outlines a number of strategies he defines as internal marketing that will contribute to employee satisfaction and empowerment.

◆ Informing the internal market about the organisation's mission and its role within it.

◆ Ensuring that internal information and communication channels work effectively in order to sell ideas and services internally.

◆ Implementing special motivation programmes directed at front line service providers that recognise that front line personnel form a critical means of meeting competition.

◆ Recognising a greater desire on the part of employees to play an active role in all aspect of work life that affects them.

◆ Auditing employer – employee interactions: training and communications.

◆ Using mass communication techniques e.g. newsletters, intranets, notice boards, about new marketing strategies, organisational policies and plans etc to provide employees with helpful information.

◆ Viewing the development of knowledge and skills in employees as an investment rather than a cost.

◆ Motivating employees through reward incentives to provide excellent service.

◆ Continually trying to define employees, management's perceptions and expectations of them.

◆ Establishing a network service that answers employees' questions, fields their complaints, remedies situations and alerts top-level management to potential trouble spots in employees' concerns.

◆ Seeking employee suggestions as to changes and improvements that would be beneficial in improving the level of customer service.

Sharing values with customers

Customers may value the relationship they have with their supplier because, for instance, they know that they are getting a good price. Alternatively, they may value the relationship principally because they know they are getting locally produced goods. In each of these cases, the employees in the supplier company need to know and also value the service they are able to offer. They need to know their customers and that this is the service the customer is particularly looking for.

On the basis of this information an employee will be able to quickly tell whether the customer shares the values they can offer and if not what other offers they can make. The pivotal points are that employees:

◆ understand the benefits of their offer

◆ can recognise customers requiring that offer

◆ are empowered to make the offer.

Building high value, loyal relationships is the crux of the marketing conundrum and is the most powerful driver for success. Rewarding employees who have taken the trouble to understand and recognise

such relationships is essential. Similarly asking customers for their feedback to check that the field of play is not shifting is also important.

Perhaps not to be recommended, but illustrating the need to keep fully in touch with customers and their tolerance for change, the CEO of Amazon.com has said:

> 'I encourage everyone who works at Amazon to wake up terrified every morning. They should be afraid of our customers. Those are the folks who send us money. That is why our strategy is to say; heads down, focus on the customer, because the customer needs change at a slower rate.'

Communicating values

Understanding what motivates your customers and similarly what motivates your staff is essential. If you know this information about your customers and staff, do you know whether it is shared with everyone at all levels of the organisation? The value of knowing your customers and the influences on your customers is illustrated in the following case example.

> Take BP, a company that has prided itself for many years on shareholder values and the quality of its product. A sea change has taken place in the last year or so that has led the company to start to promote itself on the basis of its environmental credentials. Its values are starting to shift with public perceptions about global warming and environmental change. The company has always taken its environmental liabilities very seriously, the change has been in the way it wants to tell the community first and foremost that this is what it values. They are confident to do this in the knowledge that shareholders will now see this as a positive move, it is likely to enhance its reputation for quality and it will strike a positive chord with the general public.

Talking about climate change BP says on its website:

> As a global energy company, we believe we can play a major part in finding and implementing solutions to one of the greatest challenges of this century.

Talking about business ethics BP reiterates its commitment to people and responsibility:

> We believe running an ethical business is the right thing to do. Our new code of conduct, our ethics and compliance certification process, and OpenTalk, our employee concerns programme, can all help us achieve this.

Source: www.bp.com

Internally a company can make a very positive impact on results by changing the attitudes and beliefs of employees about the product or service offer. Employees are looking for elements of their organisation that they can be proud to talk about, that they can promote and feel good about as a team. They are looking for values that they can espouse.

Take McDonalds, a company racked by criticism of its high fat, high sugar food. The marketing and product development of the company now focuses on food, nutrition and fitness. They recognised that their key customers were fed up with defending themselves for using the convenience of a McDonalds store. Price was not a significant factor any more, instead people wanted to feel good about their decision to go to McDonalds. By promoting, messages about combining the food with exercise, and reducing portion size McDonalds was making a seismic shift in their own values to respond to the changing values of their customers. The result has been a happier workforce able to feel better about their role in providing food quickly and conveniently.

> McDonald's wants to lead our industry on the well-being issues so many of our customers care about. Helping people achieve the right balance between the energy they consume as food and the energy they burn in physical activity calls for involvement and collaboration by many sectors. We aim to play an important role.
>
> 'We have a responsibility to lead. But more important, we can and will make a difference.'

Source: Jim Skinner, Vice Chairman & CEO
www.mcdonalds.com

Both of these examples show how external influences have led to a turnaround in the way organisations talk to customers and their staff. A changing world environment and much faster and effective communications means that criticisms can be broadcast far more quickly. Companies must respond to the needs of their customers more effectively before employees and customers become demotivated.

Activity 6
Creating values

Objectives

This activity will help you to:

- understand the values that are important to your customers
- recognise how customer values transform into the services and products you provide.

Remember the initial propositions ...

> Teams that share values are likely to work together better than those who do not.
>
> Organisations that share values with their customers and express those values are more likely to have a meaningful relationship.

How well to they apply in your organisation?

Task

1 Identify strategies used by you or your colleagues in your organisation to empower individuals and increase work satisfaction. Think back to your responses to the last task and what works well.

2 What specific means do you use to share values and discuss the values of your customers?

3 Think about ways your organisation shares its values with customers. Make notes on the areas you share values with your customers and how you communicate your values.

4 What evidence can you find that this contributes to more satisfied customers? This is a difficult one, it may be found in general 'feel good', feedback from employees or customers, increased use of websites for instance.

Feedback

This activity will help you to recognise the value of feeling good about what you sell and the way this impacts on customer behaviour. It may come as a surprise the types of message the company or organisation expresses, or it may feel entirely natural. It is useful to think about the impact you can have in this area and what changes you could make. It is worth looking on your organisation's website to review the messages the organisation is sending out. Alternatively you could ask a range of people you know (external to the organisation) about their perceptions of your organisation. Don't forget to consider how you communicate with internal customers and the values that you share with them.

Managing the relationship

Key account management and customer relationship management are two dominating themes in market orientation. The aim here is to explore what each can offer a manager in their toolkit to support cultural and business growth. More detailed knowledge of the concepts and functions of each can readily be found in marketing literature. The actual operation of systems and technologies is not likely to be a feature of most manager's roles, but a knowledge of the benefits is critical.

Key account management is a business process with three main elements that allow an organisation to explore and capitalise on their valued customers. The three elements are:

- ◆ an approach to customer segmentation
- ◆ the basis for customer retention
- ◆ a strategy for growth and development.

Customer relationship management is a technological system to support the management of relationships with customers or a business philosophy that supports the development of long-term, sustainable and valued relationships with customers. This concept moves on from the transactional sales model adopted for short-term gain.

We start with a review of the elements of key account management.

Customer segmentation

The starting point for key account management is to understand the values espoused by the target market at a minute level. Whether key accounts are individuals or corporate buyers, the foundation for customer focus is to know their characteristics.

Typically, it should be possible to answer the following questions about your key accounts.

Do you know:

♦ what elements of your service your customers value?

♦ what elements of your products/ service cause most difficulty for your customers?

♦ how much each of your key customers spends with your company?

♦ what proportion this is of their total spends for this product or service?

♦ how financially healthy are your key customers?

♦ what are their strategic plans?

♦ what processes your customers use to purchase, sell, manufacture or use products or services?

♦ what else your customers buy?

♦ what they buy from your competitors?

♦ how they rate your services/products?

♦ how much it costs to look after key accounts?

♦ the profitability of key accounts?

♦ how much it costs and what period it takes to replace a major new account?

The answers to these questions will provide the information required to target marketing and promotional efforts. They will also help you periodically to measure and monitor customer satisfaction.

Key account management generally allows an organisation to focus marketing communications more accurately. An example will illustrate how apparently focused marketing communications can

go wrong when the organisation does not understand the values of the customer.

> A charity sends a specially printed, high gloss brochure to selected high value donators. The brochure is designed as a 'thank you' note depicting how their donation has been spent.
>
> The result: a set of disgruntled donators, furious about the apparent wasted cost associated with the brochure.

In this instance, the charity has not foreseen the reaction that the brochure is wasteful. It has not understood the values of their highest value 'customers'. It has not understood the elements of their service that their customers value.

Customer retention – supplier and customer relationships

The principles of key account management are based on meeting the needs of special customers more precisely. Recognising the value of key accounts and identifying the high costs associated with replacing key accounts will help to direct efforts towards retaining customers for longer and with a higher value.

Customer retention is achieved from the seller's point of view through the development of loyalty and customer satisfaction. It will involve tailored strategies for constructing and developing individual and corporate relationships.

Practical ways of retaining customers include loyalty cards, financial benefits, membership privileges and preferential treatment in terms of access to services or special offers. Many organisations email promotions and information, which serves to keep their brand at the top of a purchasers mind. It is easy to over reach with this kind of promotion, handled sensitively customers may see it as an important source of information.

Structural ties are another way to retain customers. The intention is to provide a range of services associated with the purchase that mean it would be more difficult for a customer to move to a competitor. Facilitating payment arrangements, legal agreements, use of protected patents and intellectual property are some examples. Offering groups of products which make the offer relatively unique can create a structural tie that a customer may not be inclined to break.

Reinforcing the purchasing decision and getting customers to understand the value of the service or product they have brought may also discourage defection. Customers may well feel a 'buyers remorse' or cognitive dissonance having made a large capital purchase. They need to realise the benefits of the purchase or the

relationship quickly with after-sales attention. Recognition in the wider community of the good purchase decision is also a powerful force in overcoming cognitive dissonance. So, whatever positive messages an organisation can get out into the community around the time of a large sale will be appreciated by the purchaser and contribute to a long term relationship.

Purchaser relationships

Purchasers are increasingly looking at the supply chain to develop mutually beneficial links with suppliers. A smooth transition of goods, services and electronic data creates structural ties between customers and purchasers it also creates a lot of good will. The benefits of establishing a long term relationship with a supplier include, preferential services, trust, mutual promotions, benefiting from association with another brand, simplified payment and credit systems, simplified logistics and distribution.

There is a self-interest on both sides, but the customer relationship climate is developing to recognise that both customers and suppliers need to work at a relationship to get the best out of it.

Growing and developing customers

Understanding the potential for growing key accounts and retaining their custom is central to key account management. This demands, in some instances, some fairly complex customer and market analysis.

The dimensions that are commonly explored in customer analysis are described by Proctor (2000) as:

♦ who constitutes the market?

♦ what does the market buy?

♦ why does the market buy?

♦ who participates in the buying?

♦ how does the market buy?

♦ where does the market buy?

This analysis provides some detailed information about the types and range of consumer buying behaviour likely to be encountered. It may include habitual purchases, impulse buying, limited decision-making and complex buying decisions.

The process then needs to focus in on particular customers across the continuum from high value, high volume to lower value, lower volume customers. The kind of information required at this stage includes:

♦ actual current value of sales

♦ profitability of current sales

♦ cost of provision – services and distribution

- external factors such as overall market profitability, trends and developments, competitor developments and activities
- customer developments and capital growth areas
- predicted future demands
- predicted future demands can be assessed using a number of tools such as:
  - surveys of buyers' intentions
  - market research
  - sales force opinion
  - expert opinion
  - analysing past data.

Growth predictions need to take into account any diversifications in business or operations, new product developments, technology changes and demographics. There are so many variables that absolute accuracy should not be attempted. The principle aim is to grow and develop customers without expanding the organisation's cost base so significantly that the strategy becomes infeasible.

There are occasions when for the sake of profitability steps need to be taken to divest yourself of a customer or set of customers who do not fit the profitability/feasibility criteria. This allows an organisation to focus communications and marketing on those customers who deliver the best, and usually long term, returns.

Customer relationship management

The generally accepted purpose of Customer Relationship Management (CRM) is to enable organisations to manage their customers through the introduction of reliable systems, processes and procedures for interacting with those customers. CRM is normally envisioned as a set of technology tools. Typically there are three parts to the architecture of CRM:
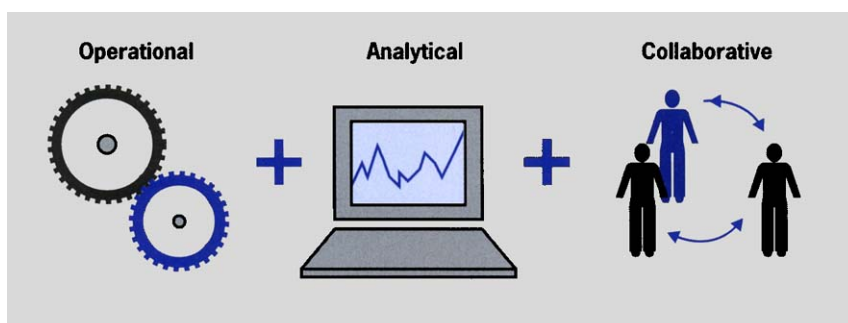

Figure 2.3 *CRM architecture*

A wider definition includes relationship marketing that brings in attitudinal and behavioural aspects of the relationship and forms part of the culture of the organisation. Relationship marketing

focuses on improving feedback mechanisms with the customer and developing customer loyalty through knowledge and long-term contacts. Relationship marketing and CRM work well when operating together.

Partnerships

Partnerships, collaboration or strategic alliances allow organisations to concentrate on their areas of expertise whilst benefiting from the association with organisations with other expertise.

Partnership models

The Audit Commission have examined the nature and successes of partnership arrangements in the public sector and concluded:

> The common themes that emerge from our reviews are neatly exemplified by the recommendations provided to one metropolitan district council. The audit report wanted the council to have:
>
> ♦ a shared understanding of the roles, responsibilities and accountabilities of each partner;
>
> ♦ a shared ownership of strategy;
>
> ♦ better financial management, with clear procedures for determining the financial liabilities of each partner;
>
> ♦ performance management arrangements between individual organisations and the partnership;
>
> ♦ more structured and comprehensive reporting on performance and finance; and
>
> ♦ evidence of the value for money of the partnership arrangements.

Source: Audit Commission
www.audit-commission.gov.uk/reports

This provides a useful benchmark for all organisations looking for partnership rather than customer/supplier relationships. The crucial foundations of this relationship are a relatively mature market, product or service – which facilitates definition of service levels and trust between the partners. Suspicion of motives or veracity of the information provided by any partner by another is likely to lead to failure in the arrangement.

Proctor (2000) outlines the conditions that facilitate partnership:

Success is most likely where there is:

♦ Corporate compatibility – cultures and objectives mesh

♦ Compatibility of managerial philosophy and techniques

♦ Benefits for all partners

♦ Similarity between the companies that facilitates inter-firm communication

♦ Willingness to shut out others who are not part of the network

♦ Shared competitors

♦ Prior experience of successful collaboration

♦ Shared end-users

Partnerships operate on a spectrum of relationships from transactional selling to virtual integration of operations. The closer the partners are in terms of values, beliefs and behaviours the easier the integration will be. At the same time, organisations are keen to see new expertise within their partners to make the effort worthwhile. Much of the move to partnerships has been as a result of earlier outsourcing efforts. Outsourcing was seen as a one way rather than a two way process and partnerships are designed to redress this balance.
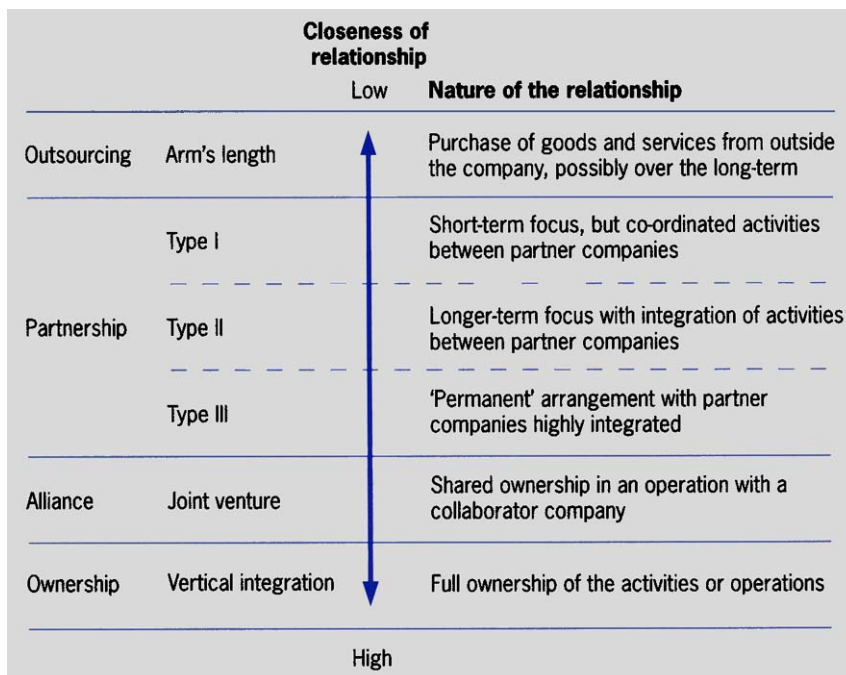
		Closeness of relationship Low	Nature of the relationship
Outsourcing	Arm's length		Purchase of goods and services from outside the company, possibly over the long-term
	Type I		Short-term focus, but co-ordinated activities between partner companies
Partnership	Type II		Longer-term focus with integration of activities between partner companies
	Type III		'Permanent' arrangement with partner companies highly integrated
Alliance	Joint venture		Shared ownership in an operation with a collaborator company
Ownership	Vertical integration		Full ownership of the activities or operations
		High	

Figure 2.4 *Collaborative relationships*   Source: Piercy 2002 p509

Customers as partners

Customers benefit from partnership arrangements by:

◆ having a very clear line of communication with a partner

◆ understanding the processes, profits and mark ups used by the supplier

◆ defining and having their expectations clearly understood

◆ not having to contract for each part of a project or product purchase

◆ gaining understanding in a new area of expertise

◆ sharing experiences

◆ receiving clear reports on performance.

Suppliers as partners

Suppliers benefit from partnerships by:

◆ having clear and predictable sales of product or services

◆ being involved in strategic decision-making with partners

◆ not having to bid for every contract

◆ sharing experiences

◆ understanding the customers expectations clearly through regular contact

◆ a better understanding of the customer organisation and their end-users.

Whether deemed partnerships or not closer relationships with suppliers are becoming more common as organsations re-examine the supply chain for opportunities to create greater value for customers. The benefits can be considerable for organisations that are prepared to put in the effort to replace ad hoc transactional sales with co-operative and mutually beneficial alliances.

Activity 7
Relationship management and partnerships

Objectives

This activity will help you to:

◆ think about the way your organisations manages relationships with clients and suppliers

◆ understand how the relationship can be improved for mutual benefit.

Task

Use the following questions to prompt your thinking on key account, customer relationship and partnership management.

1 Does your organisation have a clear customer management process? What does it look like?

2 How might it change in the future to accommodate new ideas or changes in business strategies or as competition, technology and other environmental factors change?

3 Do senior managers understand the relationship between strengthening (or weakening) of customer management and overall organisational success (e.g. profit)?

4 Does your organisation have partnership agreements with suppliers and / or customers? What benefits and drawbacks can you identify?

5 Identify the key features of your partnership or customer relationship agreements with suppliers and / or customers.

Customer relationships	Always	Often	Sometimes	Never	Don't know
We have very clear lines of communication with partners and key customers	☐	☐	☐	☐	☐
Our customers understand the processes, profits and mark ups we use	☐	☐	☐	☐	☐
We make considerable efforts to understand and define their expectations clearly	☐	☐	☐	☐	☐
We have agreements in place that mean we do not have to contract for each part of a project or product purchase	☐	☐	☐	☐	☐
We seek to gain understanding in new areas of expertise and share our expertise with customers	☐	☐	☐	☐	☐
We seek to share experiences	☐	☐	☐	☐	☐
We aim to send and receive clear reports on performance	☐	☐	☐	☐	☐

Suppliers as partners	Always	Often	Sometimes	Never	Don't know
We have very clear lines of communication with partners and key suppliers	☐	☐	☐	☐	☐
We have clear and predictable sales of product or services as the basis for our agreements	☐	☐	☐	☐	☐
We involve suppliers in strategic decision-making	☐	☐	☐	☐	☐
We are involved in the strategic decision-making processes of our suppliers	☐	☐	☐	☐	☐
We do not have to put out every contract to bid or tender	☐	☐	☐	☐	☐
We seek to gain understanding in new areas of expertise and share our expertise with suppliers	☐	☐	☐	☐	☐
We seek to share experiences	☐	☐	☐	☐	☐
We understand each others expectations clearly through regular contact	☐	☐	☐	☐	☐
Our suppliers have a better understanding of our organisation and our end-users	☐	☐	☐	☐	☐

Feedback

These are challenging questions that you may like to discuss with other managers in your organisation. Your answers may not always be positive; that is the nature of organisations responding to change. Think about ways partnerships could improve relationships, logistics, supply, distribution and procurement arrangements.

◆ Recap

This theme explores internal and cultural changes required in an organisation to support a focus on customers leading to an environment that puts customers first.

Learn about the factors you can influence that make customers satisfied

◆ Your impact on your environment extends at least as far as the people you work with and your internal customers.

◆ The factors you can influence include, vision, attitudes, training in marketing and customers, understanding customers, hiring employees and employee rewards.

Evaluate your understanding of your own and your customers' values

◆ Companies are radically rethinking the way they 'promote' their images. They are looking at new ways of appealing to customers through values.

◆ The values that your organisation and your customers share are the most powerful ones.

Understand the importance of key account and customer relationship management

◆ Key account and customer relationship management are founded on improving your knowledge of your customers.

◆ Targeting and segmentation of customers will become more accurate and longer term relationships with customers are facilitated.

Assess relationships between customers and suppliers within partnerships

◆ Partnerships are set up to support long term relationships and offer benefits to both suppliers and customers.

◆ Partnerships demand more than just logistical fit. They are supported and made successful by shared cultural and behavioural values.

▶▶ More @

Payne, A. (1995) *Advances in Relationship Marketing*, **Kogan Page**
Professor Payne presents current thinking on the need to strengthen relationships with both internal and external customers to create customer value in the longer term.

Proctor, T. (2000) *Strategic Marketing An Introduction*, **Routledge**
This is an introductory text which examines the nature of marketing strategy and practices. It includes sections on the customer in the market place and targeting and positioning.

Piercy, N. F. (2002) *Market-Led Strategic Change: A Guide to Transforming the Process of Going to Market*, **Butterworth-Heinemann**
This book takes a fresh approach to the concept of marketing and seeks to debunk some of the myths. It has a central focus on customer value and creative strategic thinking in the context of realistic and practical examples. It includes sections on customer relationships and partnerships.