Knowledge for Decision Makers

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B2B customer relationships

International competition is ever more intense, so the actual customer relationship is becoming the focus of strategic business-to-business-marketing. Any analysis of the status quo will be multilayered, yet it will provide valuable information which will strengthen the quality of the relationship in the longer term.

Customer relationships in B2B markets

Markets are constantly changing, so the quality of customer relationships is increasingly becoming the key influencing factor for strategic business-to-business marketing. If one wishes to deliberately analyze one's own strengths and weaknesses, one has to be aware of the complexity and multilayered nature of these relationships.

You won't be successful if you don't have any customers—that much is obvious. But why do new customers come to you, and above all: Why do they stay? How do they actually rate the current customer relationship? And not least of all: What measures can you adopt in order to positively influence, actively shape, and sustainably consolidate these relationships to suit your own interests?

All these questions preoccupy companies within the business-to-business (B2B) sector, since globalization and the increasing similarity of the products on offer are making it increasingly difficult to differentiate via price or product quality alone. The relationship with the customer is consequently becoming the focus of strategic marketing.

But what characterizes a B2B customer relationship? We need to get one thing straight: There isn't one single type of B2B relationship, since—depending on the sector, product, or service—it can look very different. Nevertheless, one thing remains the same: Business customers aren't classic consumers. They aren't merely making purchase decisions for their own benefit, but are striving to gain competitive advantages so they can score points with their own customers.

The services that are purchased are of varying complexity, and to some extent extremely individualized. Moreover, products are frequently bundled with (extra) services/features, for example when it comes to the turnkey construction of a given facility with a subsequent maintenance service. And the more complex and individual these services are, the longer the business relationship will last (and with a greater number of associated contacts).

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Any analysis of the quality of relationships in the B2B area must take due account of all these aspects, because only then will it be able to holistically reveal the actual strengths and weaknesses in one's own processes and customer touchpoints; only then will it be possible to deduce concrete—as well as effective—improvements; and only then will one's own company be able to noticeably set itself apart from the competition in a way that will bring profits over the longer term.

Voluntary loyalty is the key

Business customers can stick with you because they want to, because they think it will serve a given purpose, or because they have no choice. However, only if customers actually feel their loyalty to a company is voluntary will this lead to a successful and long-lasting relationship.

The success of a customer relationship is usually measured in terms of how loyal a customer is to the company. In other words: Whether they buy again, or choose not to. And yet customer loyalty can assume a variety of guises; whether a customer remains loyal out of conviction or because they have no choice can definitely make a difference. It‘s vital to gain a better understanding of this motivation if a company wants to actively persuade its customers to make repeat purchases.

Customer loyalty can be promoted via different strategies.

Customer loyalty can essentially be achieved in three different ways: Companies can try to engender voluntary loyalty; they can stress the convenience/expedience of the relationship; or they can erect barriers to switching.
Voluntary loyalty is customer loyalty that‘s based on conviction, and this leads to high-quality and lasting business relationships. Voluntary loyalty is fostered if customers are satisfied, namely their previous expectations have been fulfilled. This is backed up by trust-building initiatives which reinforce customers‘ confidence that their expectations will also be fulfilled in the future. And finally, the customer is made to wish that the business relationship will be maintained, not purely for economic reasons either. This is where personal relationships can matter just as much as the conviction that there is an ideal customer-provider set-up.

One alternative strategy is to persuade customers that their loyalty serves some particular purpose; although this type of

loyalty is voluntary, it is nonetheless based solely on weighing up the possible benefits. The latter may rely on discounts and/or payment terms, or the provider/supplier may represent the most attractive solution out of all the suboptimal alternatives that are available.

However, customer loyalty alone will tell you nothing about the quality of the relationship.

One third option is for companies to retain customers by making it harder for them to migrate to the competition. This can entail barriers to switching which they have erected themselves (such as contract periods) or their own technical standards, as is the case with IT and software solutions. Companies can also exploit existing barriers to switching which arise from the way in which the market is configured. This means that alternatives can be unviable, or at the very least difficult to find, and this noticeably increases the costs associated with searching and/or switching.

However, these three types of loyalty should not be seen as "either/or" options: Business relationships usually comprise elements of voluntary loyalty, purpose-driven loyalty, and involuntary loyalty, and it's right (and important) that this should be the case, since it strengthens the safety net if one type of loyalty suddenly disappears, for example due to a critical event.

Matthias Haker, beauty in blue

It is therefore vital to identify the "loyalty mix" that will optimally promote customer loyalty, although this requires one to take a detailed look at the motivations behind one's own customer relationships. At the end of the day, two providers can manifest relationships that have very different qualities, even though their Customer Loyalty Indices are identical (see Chart 1):

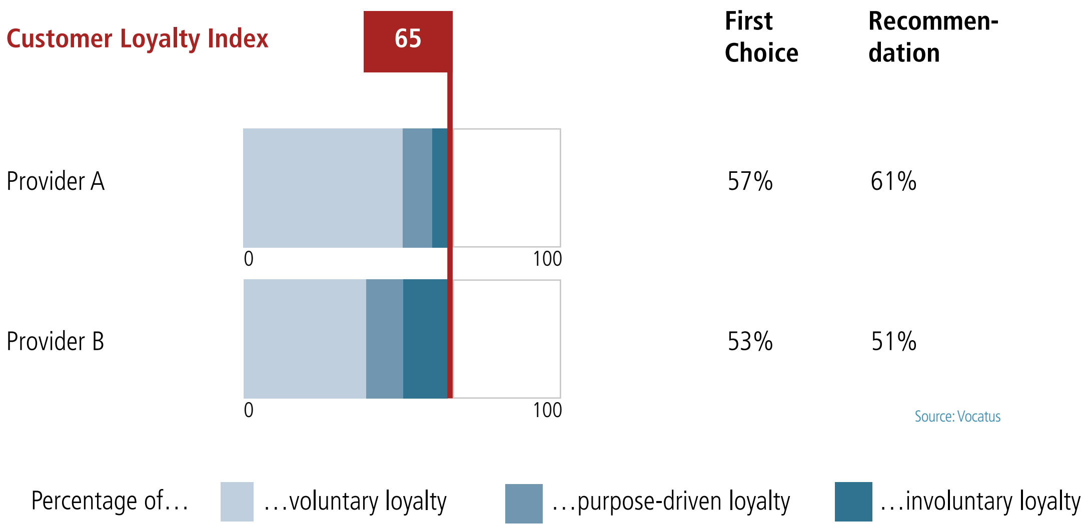
Voluntary loyalty leads to successful long-term customer relationships.

Customers of Provider A manifest greater voluntary loyalty, so the latter is not only likelier to be their first choice, but is also likelier to be recommended. By contrast, his competitor (Provider B) is more reliant on barriers to switching; this means his products are equally likely to be bought again and he manifests the same level of customer loyalty, although this is less attributable to any inner conviction.

Maybe this won't worry Provider B too much at the moment, so long as his customers stick with him. Nevertheless, the success of this strategy can be somewhat short-lived, since experience shows that involuntary commitments will often have a negative impact on business customers after a certain time has elapsed, and they will increasingly consider the options for switching. Moreover, one ought to remember that barriers to switching aren't necessarily permanent: Changes to the legal situation, new technologies, changing customer requirements, or even new competitors can rapidly undermine this supposed advantage.

Thus a relationship that is more substantially based on voluntary loyalty is without doubt the more sustainable strategy if one is to enjoy long-term success in ever-changing markets. Nevertheless, this can only be achieved if one manages to win over customers in every business phase and at every crucial level.

Chart 1:
Identical customer loyalty, but the quality of the relationship differs.



Matthias Haker, silencium

Checking the various business phases

Any analysis of B2B customer relationships should be geared toward the various business phases. This will provide detailed information about internal weaknesses and one's standing amid the competition, thereby allowing one to accurately adjust one's internal structures and processes.

Customer relationships in the B2B area usually consist of interconnected business phases, starting (for example) with the needs analysis, then moving on to agreeing the contract, implementation, and finally operation and maintenance. This in turn frequently leads to follow-up purchases and subsequent orders, so the cycle of business phases starts again from the beginning.

Depending on the business phase, one has to survey different people.

It's normal on both sides—provider and business customer—for different players to be involved in the process at different times, and their collaboration will influence the business relationship as a whole. As a consequence, it's very rare for there to be one single contact person on the customer's side, someone who has contact with the provider at every interface throughout the entire business relationship, and who is equally able to offer a sound verdict about the various touchpoints. Instead, a purchaser will only be qualified to rate the negotiations about the offer and the resultant contract, and will have very little to say about maintenance and ensuring safe and reliable operation. On the other hand, somebody who is responsible for production-related aspects ought to be more than able to provide information about the machinery, yet that doesn't mean they ought to have been included in the needs analysis and the planning in advance of the purchase decision.

It therefore makes sense to construct a B2B satisfaction survey in such a way that it takes account of every business phase. For example, this can mean splitting ordering and deliveries and allocating them to two different business phases, namely "ordering" and "delivery". This procedure makes particular sense if there's a lengthy gap between the two sub-processes, as is for example the case with custom-made products, and if the purchaser and ultimate consumer on the customer's side aren't one and the same person.

If one allows the contact people on the customer's side to specifically rate those areas they've actually been in touch with, one will obtain high-quality and detailed information about individual sub-processes, and this will in turn subsequently lead to targeted and effective improvements. This procedure has yet another crucial aspect in its favor: If one combines the ratings of every respondent, one can see which areas tend to have a positive or negative impact, and at what point during the customer relationship (see Chart 2).

For example, it is apparent that field-based staff can crucially influence customer satisfaction in a positive way, especially during the later stages of the business relationship—even though they tend to be rarely involved in this. One possible reason is that it's particularly likely that problems will crop up in relation to commissioning and maintenance of equipment, and reps who have been trained in the area of customer contact will be in a much better position to deal with this than their colleagues from the engineering division who have actually been envisaged for this purpose. As a consequence, field-based staff should in future be included much more in these phases in order to improve the overall quality of the relationship.

The rating of a contact person changes throughout the course of the relationship.

This sort of analysis is not only beneficial if one looks at the business relationship as a whole: A similar logic can be applied to individual phases to reveal why satisfaction is less pronounced, and how this might be remedied (see Chart 3, Page 10). When it comes to the commissioning of machinery or other equipment, it is—for example—apparent that in addition to the field-based staff, it's the team responsible for its assembly/installation that's particularly well placed to positively influence customer satisfaction—assuming that they're also the main contact people for customers during this phase.

The provider can now not only recognize what adjustments must be made to his own structures and processes; he also obtains important information about the particular skills he might need to foster within the individual areas, since it's highly likely that the aspect of design engineering cannot be completely ignored during the commissioning phase, for example if one is dealing with the technical implementation of the agreed parameters. However, any discernible shortcomings when handling problems should then be swiftly tackled via targeted training sessions.

This way of looking at the various business phases not only helps when it comes to the internal analysis of strengths and weaknesses; it can offer a crucial advantage when compared to the competition. Depending on the respective business phase, it's not unusual for a company to be competing against totally different rivals: When the decision is made, an equipment manufacturer might be in direct competition with other equipment manufacturers who are in a similar position, whereas in the maintenance phase the latter might be replaced by smaller, local service providers who are able to offer comparable services more quickly, and possibly less expensively too.

Chart 2:

A longitudinal study shows how a touchpoint influences customer satisfaction throughout the course of the business relationship.

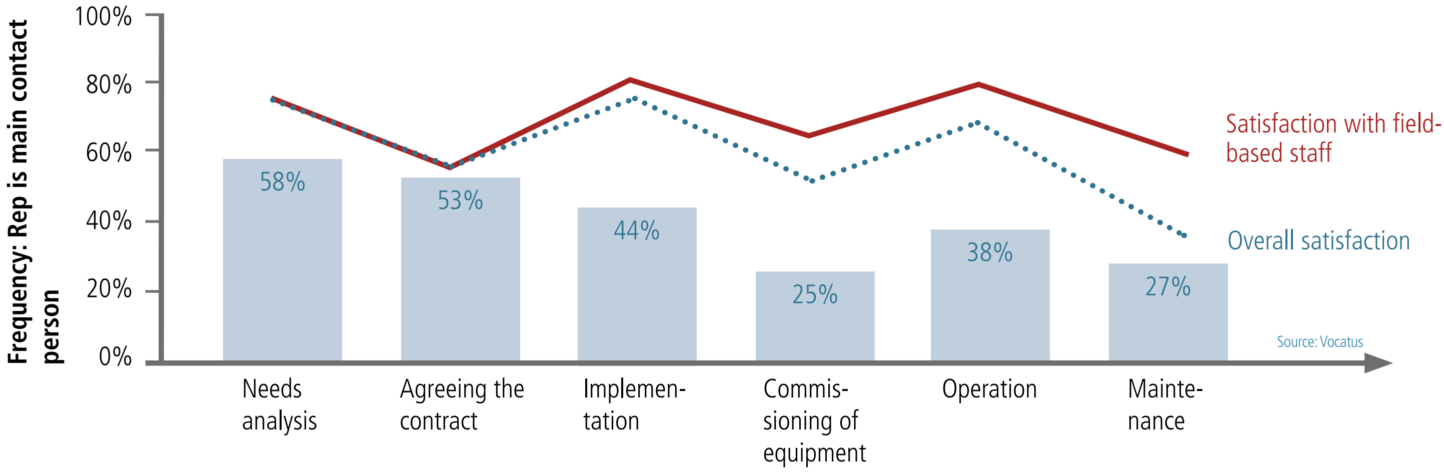
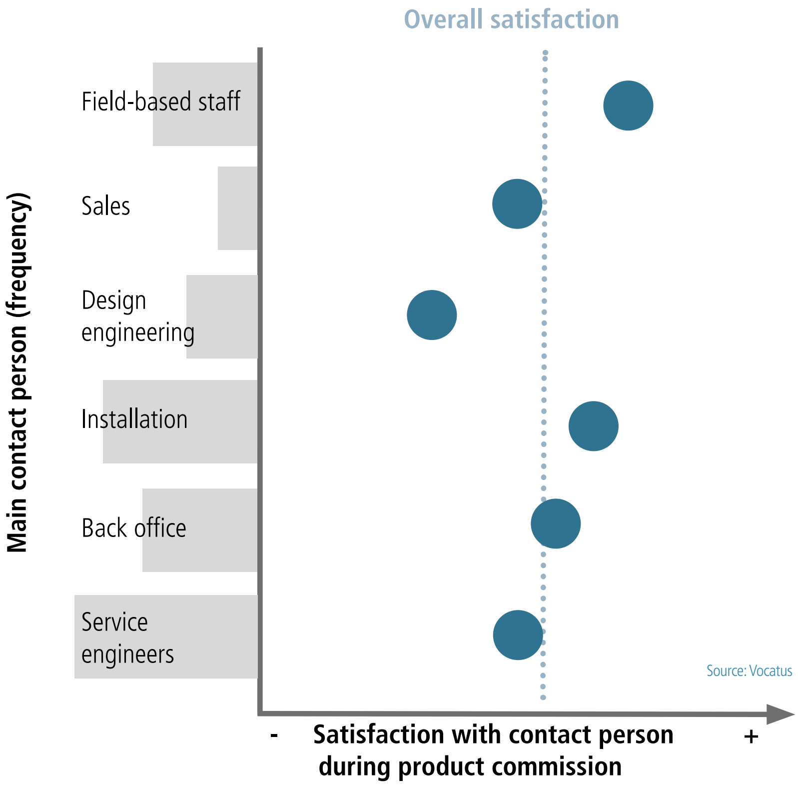


Chart 3:

A cross-sectional analysis of individual business phases also reveals how internal structures and processes might be optimized.




Matthias Haker, remembering the sunny days

All this demonstrates that shortcomings and problematic areas should not only be analyzed in general, but above all with an eye to the various processes. One can then come up with accurate and tangible recommendations for action as well as concrete areas of responsibility on the company's side. This in turn is the prerequisite if one is to kick-start the operational improvements in a meaningful and efficient manner.

Usually, competitors also differ throughout the various business phases.

Whether these improvements relate to internal changes, trust-building measures, the eradication of barriers to switching, contractual terms & conditions that are more "customer-friendly", or—for example—pricing very much depends on the product and sector too. However, we would always recommend that any analysis of customer relationships should not merely focus on satisfaction alone, but also bear in mind what one's customers' customers actually need. This offers a really important lever if one is to strengthen the business relationship in the longer term and manage it in a holistic way.

But ultimately the corporate culture is just as important for success. Only if there is the corresponding openness and desire to change (and work with the results) will it be possible to actually improve customer relationships in a tangible way and thus protect one's competitive advantages.

Matthias Haker

Matthias Haker lives and works as a freelance photographer in Dresden and Berlin.

A central theme in his work is a particular fascination with the beauty resulting from the transitory nature of urban architecture. Matthias' images depict mysterious places, a forgotten parallel world that is divorced from the hustle and bustle of modern society. His work has already been published in various magazines, and has been exhibited in Berlin, London, and Paris.

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