QUIRK'S MEDIA

A framework for creating satisfied b2b customers

The author uses the concept of the Customer Loyalty Wheel to explore touchpoints in business-to-business relationships.

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Paving the way

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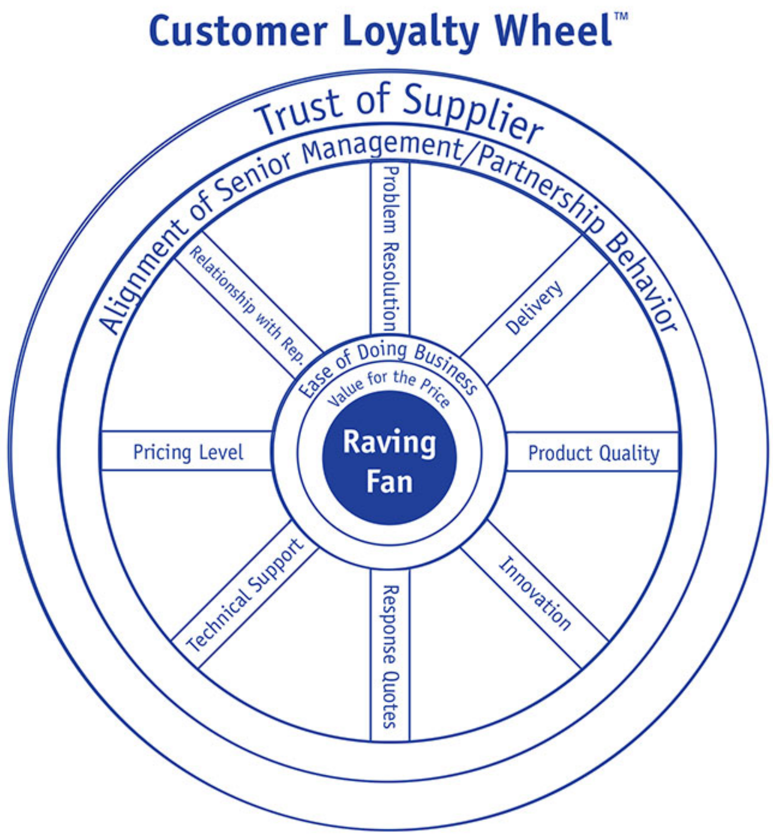
I have been fortunate to have spent over 38 years in the field of marketing research and consulting, doing work in over 250 engagements, primarily for companies in b2b markets. My experience has exposed me to many marketing issues across different industries. There have been many successes but I also have observed mistakes that have been repeated by companies across different industries.

Much of our work is in the areas of customer loyalty and satisfaction and in our opinion, the existing frameworks of customer loyalty did not appear to reflect the findings of our research studies. We looked for a model that was a more dynamic representation of how all the elements – from product and service to relationship and transactional aspects – related to each other. After a few months and several iterations, we developed a framework that looked at the relationship of these factors, including everything from pricing, delivery and service issues from the rep to technical support and customer service delivered by the supplier organization.

This framework (Figure 1) is called the Customer Loyalty Wheel and at its center is the Raving Fan, as coined by author Ken Blanchard, who wants to be delighted by a combination of relationship- and transaction-related factors. This article will describe each of the components and the impact they have on creating a Raving Fan, which should be the goal of every marketer, and provide a few actual client examples to add some color.



Quickly fall apart

The outer and inner hubs are more relationship-driven. When there are cracks in these hubs, the relationship can quickly fall apart. The spokes are transactional elements (with the possible exception of the rep relationship). When there is a small crack, the customer is not happy but probably not looking to switch. But if enough cracks happen in one spoke (like delivery being constantly late) or there are cracks across several of the spokes, the result is the same: a very dissatisfied customer.

The outer rim starts with trust. If there is no trust between the organizations, the relationship is perilous. If you have a supplier who has been servicing you for years with few or no mistakes, you are happy. If they make a mistake such as missing delivery by a day, you're not thrilled but more than likely you will be forgiving based on history.

In one example where a breach of trust ruined a relationship, there was a company in the industrial world that used manufacturer rep firms and senior management became upset that they could not control the selling time of the reps and fired them all. They then hired direct salespeople. The problem was that the reps had the relationships in the market and sales then rapidly declined. When the firm realized it had made a mistake, it approached the rep firms to hire them again. The rep firms firmly declined their offer. A painful lesson learned.

The next rim is the alignment of senior management and becoming a value-added partner. There needs to be alignment between the senior management of both organizations. If the senior management of the vendor has no desire to fix the things the customer has complained about, the customer becomes angry.

But removing the irritants is not enough. One has to add value and become a partner. This changes the relationship from a transactional relationship to a partnership relationship, which makes it much more difficult to replace with another supplier.

Whatever the supplier can do to achieve the customer's initiatives sets the vendor apart from other suppliers and minimizes the "lowest cost will win" mentality. The supplier starts to become a partner.

Taking this example even further is providing this extra level of support to the client's own largest customers. This helps lock in the relationship from their customers to your customer and then to you.

Now let's turn to a discussion of the delivery and product quality spokes of the wheel.

Delivery

Delivery is obviously a very important metric to your customers. It is important because product lines are delayed if the products are not there when production is scheduled. The plant loses money (and the plant manager can lose his or her bonus) if they cannot keep their production line consistently going.

Customers will usually have a metric of on-time delivery for their vendors. In many industries, this delivery metric is called OTIF – on time in full.

There are several elements of delivery:

- The product has no backorders. It consists of exactly what the customer ordered. Walmart allows very few violations before it replaces the vendor.
- There are no incorrect products being shipped.
- The product arrives on time as promised. Note: this is different than measuring against the promises made by the supplier.
- The product arriving from a trucking company/carrier does not meet the scheduled hour at the unloading dock, which causes other trucks to be backed up. Walmart now will penalize vendors whose trucks show up either late or early at the loading dock.
- The product is not configured correctly. The wholesaler and retailer have strict requirements on configuration of products on their pallets which include barcodes and RFID.
- The product is not delivered to the correct location: It is left at the dock, when the contract called for it to be brought into the building.
- JIT or just-in-time delivery is a concept made famous by Japanese companies and American car manufacturers. This is when the product is delivered on the hour and at the location when the production line needs it.

Product quality

Product quality is obviously another key component of customer satisfaction and loyalty. In one instance, a company had a significant amount of product manufactured in China because it was much cheaper and the extra profit added to its bottom line. But there were so many complaints about inferior products breaking that a great deal of bad word of mouth was generated, which resulted in lost market share.

Another problem with poor quality is when the product does not consistently meet the customer's specifications. There was a chemical company that sold highly technical proprietary chemical products to compounders who used different chemicals to develop unique compounds. But each batch had slightly different characteristics, making it harder to bake the recipe. This caused a lot more technical support to modify the recipe than if the company had developed a more standardized consistency.

Next we turn to the service spokes of the customer loyalty wheel: responsiveness to quotes, problem resolution, technical support and the relationship with the rep.

Responsiveness to quotes

The vast majority of issues with this category arise when a supplier promises a target time for the quote and misses it. If you are going to be late, call the client, let them know and apologize. Do this before the deadline, not at or after it. Better yet, instead of overpromising and underdelivering, underpromise and overdeliver. The responsiveness will be recognized by the customer as an indicator of future service levels.

Problem resolution

The responsiveness of the supplier in resolving problems will determine how satisfied the customer is. Studies indicate that when a company messes up, fesses up and then steps up to heroically respond to fix a situation, customers are more satisfied than if a company hadn't made the mistake in the first place. Note: We are not advocating a strategy under which firms mess up and then heroically fix the mistakes (although it would be an interesting experiment).

Some other problems that can arise include:

- Difficulty reaching someone or the right person to resolve an issue.
- Arguing whose fault it is. The customer is blamed for the problem. When a production line is down, it costs money and makes the manufacturing person look bad and possibly lose his or her bonus. Get someone to the plant as soon as possible.
- Technical competency. Does the technical support team have the technical skills to solve the problem?
- Is the problem fixed or does it reoccur? Is the root cause identified and remedied? Nothing makes a company more upset than getting someone out, fixing the problem and having it pop up the next day or week.

Technical support

Besides the above problem-solving aspects, there can be other complaints about the technical support department:

- Does the company offer ongoing employee training? A common practice is to provide initial training and then stop there. But people forget their early instruction and get into bad habits. Also, workforce turnover has an impact.
- Do they periodically inspect the product and the process to prevent a problem? It is better to have a planned shutdown than to have a process problem stop the production lines.
- Is the staff technical enough? Some companies try to reduce costs by getting rid of more senior technical support engineers and replacing them with engineers coming out of school. The problem is that these newly minted engineers do not have the real-world experience of their more-seasoned peers.

Relationship with the rep

The following are common problems seen with rep relationships that cause friction with customers.

- The rep does not contact them enough. The rep may be busy but there are always other competitive reps willing to call on large accounts the required frequency. The amount of purchases should dictate the frequency of calls. A common problem is that reps try to spread

around their calling time. If they have 20 accounts and one account generates half the purchases, the rep should not be spending 5 percent of their time with this account. It could be 50 percent or possibly even more.
- The rep is more concerned with talking and selling than listening and presenting the best solution. This is a common mistake with newer salespeople, although this also happens with more experienced reps. This was best noted by Stephen Covey's *The 7 Habits of Highly Effective People*: "First seek to understand, then seek to be understood."
- • The rep is more social but does not bring in value-added solutions. The rep can be social but they also need to understand how to help the customer achieve their objectives.
- Rep turnover. The reps turn over so quickly they have to continually develop a new relationship with the client and get trained on their operations and what they expect.
- Poor responsiveness. The rep does not return a call for a day or two. There really is no excuse.
- There is no central point of contact. This is more of a structural issue relating to account management. In a large multinational firm you have operations in different countries. The supplier has account reps in each country along with other people like product managers, technical support, etc. The client wants to have one contact to funnel all the information to and from the supplier. The fix is to assign a global key account manager.
- The rep is not a true advocate for the customer. The customer can feel that the rep cannot deliver on what is needed or was promised. Reps should be fighting for products, for additional resources for the customer, etc., but they may be new and not know the system. Or, the rep may not have authority to marshal the company's resources. A client's customer told us, "We know he is trying but he can't seem to get us the stuff we need."

The final two spokes of the wheel are innovation and pricing.

Innovation

Innovation can become frustrating to the customer and to the channel when it does not include the features wanted by the customers. Engineers coming up with their idea of what features are warranted is not the same as having input directly from the customers. Another innovation-related frustration is having engineers overdesign a next-generation product and make it too complicated and too expensive.

Pricing

There are several irritants with respect to pricing:

- The price is too high. The product or service may have a price point much higher than the competition. If a company is consistently 20 percent or higher more than the competition, why waste time getting them to respond to an RFP?
- Price increases are too frequent. This occurs a lot in industries where the product is made with a raw material which has a lot of volatility in its pricing such as the petrochemical industry. Channel members are especially frustrated because they have to keep changing their computers and fliers to reflect the latest price increase.
- Pricing is sticky downward and does not come down when the price of key raw materials is reduced. An example of this used to be the tire industry. When raw material prices went up, the

product price went up. When they came down, the manufacturers would not adjust the pricing downward for a while, giving the manufacturer more profits but alienating the customer base.
- Pricing errors. There is nothing more frustrating than having to chase the supplier around for credits to adjust for incorrect pricing. It wastes a lot of people's time and shows a lack of professionalism if done repeatedly. One of our client's customers begged, "Please tell your client to get it right the first time."

Now let's turn to the inner hub of the wheel and discuss ease of doing business (EODB) and value for the price.

Ease of doing business

Think of EODB as the lubrication that makes things go smoothly. Everything being equal, a company would rather give its business to a supplier who does not give them any headaches. People are too busy doing more with less and don't want to spend time with vendors who are not easy to do business with. A channel may have hundreds of suppliers. If one supplier has 20 percent of their business but causes 50 percent of their headaches, customers will look to replace that supplier.

The following is an example from a client study. We interviewed a major customer of a supplier. The client was viewed as extremely difficult to do business with. "Your client views everything as a battle. They win when someone loses. It takes six months to fight to get credit for defective products that they should not have manufactured in the first place. The documentation they make us supply is unbelievable. This has cost us many, many hours chasing them down to get a response. No other supplier treats us like this."

Value for the price

The customer will evaluate the value for using a brand versus the costs of using it, as well as the cost to switch to a new supplier. The more benefits are increased and/or costs are decreased, the more value there is for the customer. Conversely, when costs go up and/or benefits go down, there is less value and more of an incentive to search out a new supplier.

Given you a blueprint

When all the spokes and the two rims work in holistic harmony, you have a better chance of securing customer satisfaction and loyalty. Creating and maintaining an organizational ethos in which all of the elements of the wheel are strong and functioning in a coordinated manner is the goal of every company and hopefully by presenting and explaining the wheel's various components, we have given you a blueprint for how to engender your own group of Raving Fans.

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