

How good is your 'Business to Business' Customer Management?

Abstract

Mark Hollyoake of Springboard Consulting Services considers how organisations should take stock of the changed market conditions in which we operate in 2011, and how going back to the sound fundamental principles of customer management will help businesses positively respond to and serve a more sophisticated, savvy and demanding customer base. This is predicated upon SCS customer management assessment' business to business' customer management data base and analysis of the state of play regarding business to business customer management. This includes the Customer Management assessments undertaken within the last quarter, reflecting how businesses are coming to terms with a dynamic and rapidly changing market place.

Overall

Our research indicates that the economic crisis has resulted in many businesses being overly focused on internal operational efficiency; and that this phenomenon is now prevalent in the public sector.

This was brought about by an 'all hands to the pump' mentality - to manage the organisation through a period of uncertainty that was unprecedented in the working lives of most executives and managers employed today.

Your market has changed - but how?

Now, with companies thinking that they had survived the crisis and looking outward again, are trying to come to terms with the prospect of another downturn. Some may have emerged from the global crisis yet still face geographic or sectoral recessionary pressures - how many times have you heard "if it wasn't for China we'd have been done for", or something similar?

Even businesses that have prospered in the recession are reporting that their market has changed. As we emerge into this new environment, it is important to **take stock of the context** in which our business now finds itself.

Macroeconomic, political, fiscal, social, technological, sector and market shifts present both opportunities and threats. Important trends that directly affect business have continued unabated despite the recession such as web & mobile access; channel shift & proliferation; social media; brand stretching (and jumping); urbanisation, etc. Other trends come and go before the organisation has been mobilised to capitalise upon them.

Customer behaviour is key

The direct link between these unstoppable, uncontrollable, fast-moving phenomena and your business's performance is **customer behaviour**. Your **flexibility** enables you to make the connection between them.

A holistic approach to assessing Customer Management ensures a depth & breadth to customer management understanding is achieved - all the way from the strategic planning process through to the management of customers and the effect that experience achieves.

The Assessment

The score is based on organisations that operate business-to-business relationships within our database. They cover a number of sectors; industrials, FMCG, pharma and services.

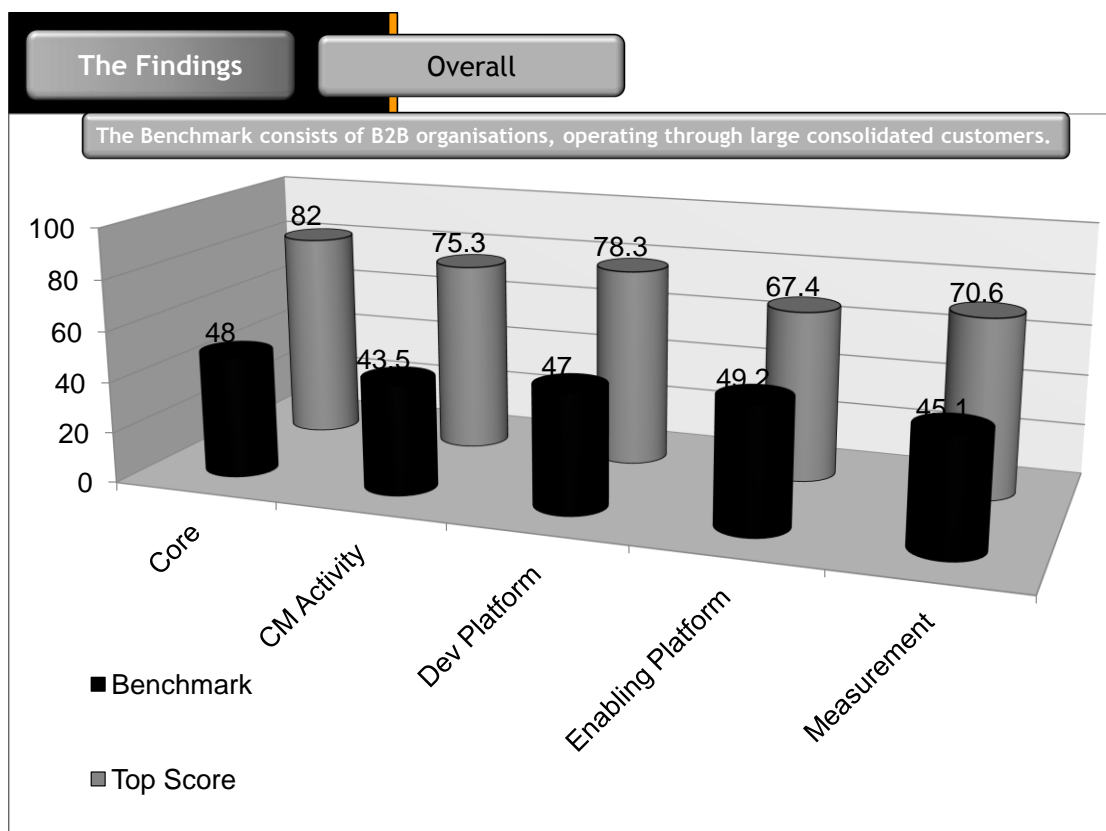
Benchmark

This represents the current average achieved across the database. It's a reflection of the organisations ability to achieve an effect from their customer management against a 'good practice' standard.

Top Score

We have selected the top score achieved by an organisation within our data base as an indicator of what can be achieved, in essence 'the art of the possible'.

"Business to Business Customer Management Assessment Output - Qtr 3 2011"



The Elements of our Model

Core; In this section, we look at how well an organisation understands the market it trades within and its customers in terms of needs, behaviours, trends and value potential. We examine what plans and strategies the company has in place to maximise the value they create. We ask if they have defined why customers do business with them and how this differs based on customers' needs.

Customer Management activity; Looks at how the organisation actively manages its customers. It considers whether they have put in place plans that help them develop and grow their customers/customer base. If customers have issues with them do they know how to resolve the issues? Finally - do they have a process to win customers back if they stop trading?

Development Platform; here we examine what sort of experience customers receive and whether the client checks how satisfied they are. We also look at whether the client knows what their competitors are doing and has plans in place to combat/negate them. Finally we look at what sort of research the client has in place to develop insight around their, industry, consumers and customers.

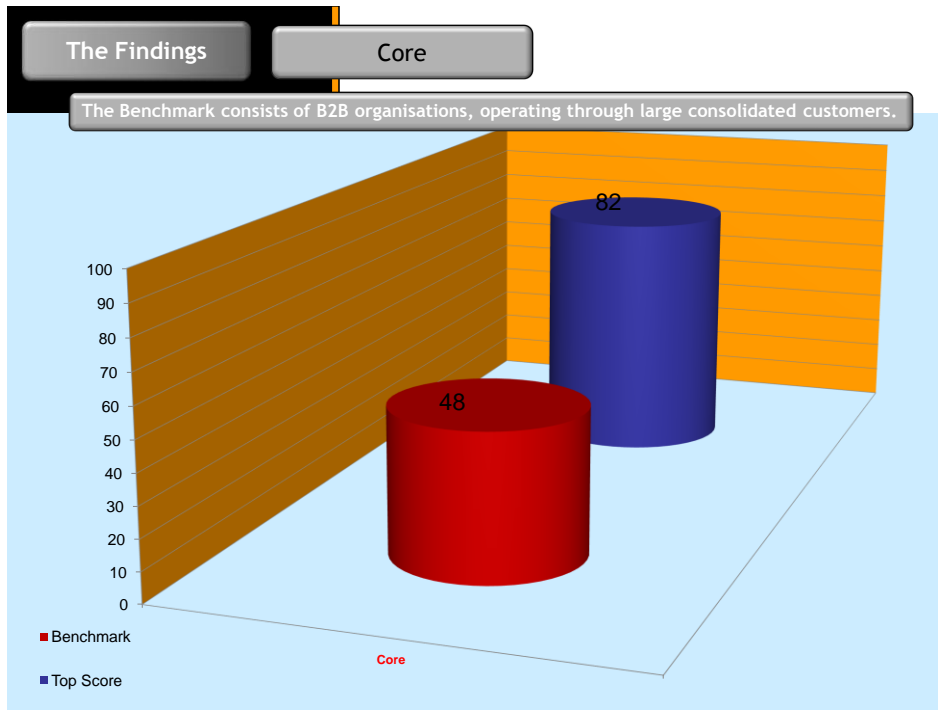
Enabling Platform; In this section we look at - the infrastructure the organisation provides to support its customer management approach. Are the processes and systems internally developed and driven from a product based perspective? Is the organisation enabling or disabling for good management of customers. Do they have the data and the information at the right level when they need it, where they need it?

Measurement/Finance/Review; in this last section we consider how the organisation measures its customer management. We ask - do the measures drive value or destroy it. We also look at the financial understanding that exists around cost to serve and the contribution a customer management approach delivers.

The scores by each element

We explore each element of the model and provide the latest insights (so what's) from our findings. This provides an up to date perspective on what is happening in the world of Business to business customer management, as they come to terms with economic uncertainty and increasingly demanding large consolidated customers.

Core

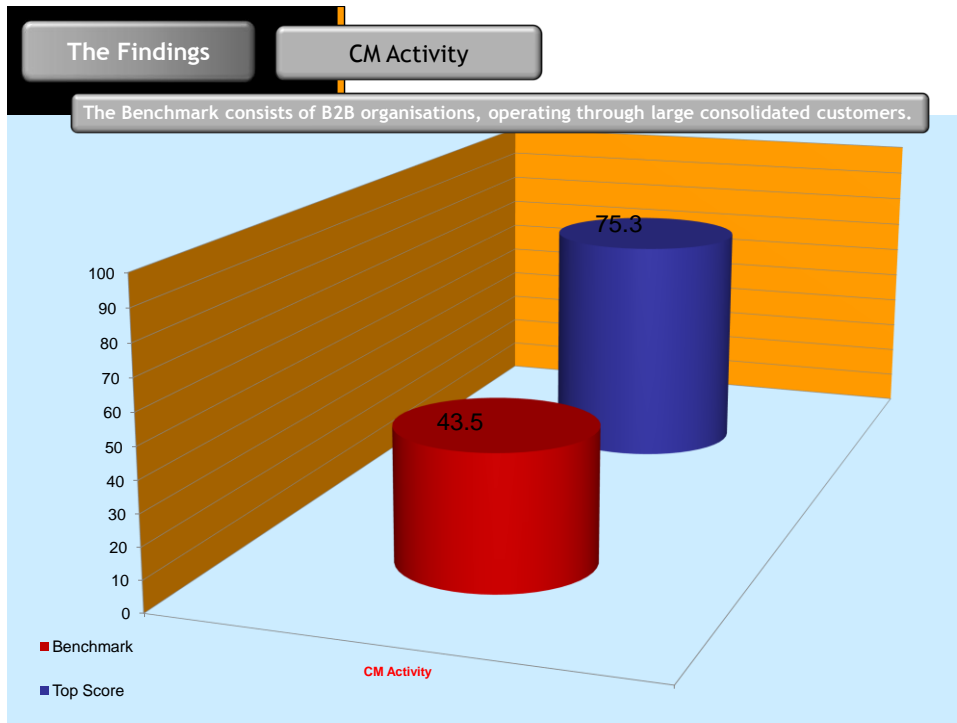


So What!

Here is our current take on the insights coming out of the assessment scorings / findings for the core section of the model -

We have seen a widening in the gap between best and average as organisations are focusing on the short term. They [the average managers of their customers] appear to be sacrificing a medium to longer term understanding of the market and customer in pursuit of the short term. Uncertainty regarding the future and inability to forecast or predict beyond the next crisis has led to less emphasis on having a vision or long term customer management strategy. Customer facing staff are tending to revert to short term fire fighting and operate without a sense of overall purpose or direction. The relentless pursuit of margin improvement and slide towards commoditisation has diluted the proposition and understanding of the companies points of differentiation.

Customer Management Activity



So What!

Here is our current take on the insights coming out of the assessment scorings / findings for the **CM Activity** section of the model -

The customer base surveyed often contains a small number of large complex and demanding customers. In this situation customer management activity can descend into a role of go-between; trying to deliver customer wants vs. coaxing the organisation to deliver. This leads to a short term value destructive cycle as the end game is all about maintaining the business within customers which have become too important to lose.

We are finding short term business demands and a stable customer base is reducing the focus on where new opportunities exist. The source of new opportunities often lie within; category development, listing extension, and new channels within the large customers. Our observation is that businesses require a long term plan to realise the opportunities which exist - sadly these plans are often missing.

In the new world of cutbacks any induction or welcoming has become a thing businesses used to do - a major missing.

The squeeze on resources and cost release has affected the customer service function at a customer level and has led to an over reliance on e-mail, web or the customer manager.

Many customer management teams have lived through significant re-organisation over the last three to four years. In the process, a lot of experience, tacit knowledge and understanding of 'how things get done' have been lost. With not enough being written down or retained within most businesses what we see is a continual learning experience [for new staff or those in new/different roles] and significant potential for value destruction.

Real breakthrough creativity within the short term is increasingly difficult to realise and the amount of data/ information often 'bogs down' decision making as managers attempt to mitigate risk .This in turn leads to a lack of genuine differentiation and makes the commercial element of the relationship overly reliant upon price and margin.

Long term customer planning in many instances has been abandoned and replaced by a budget which is controlled and administered by finance. Large customers often impose their own category [or joint business] plans, and we have seen many instances where these take over as the de-facto annual customer plan. This means the customers agenda is driving customer management rather than the suppliers own strategy/plans/objectives.

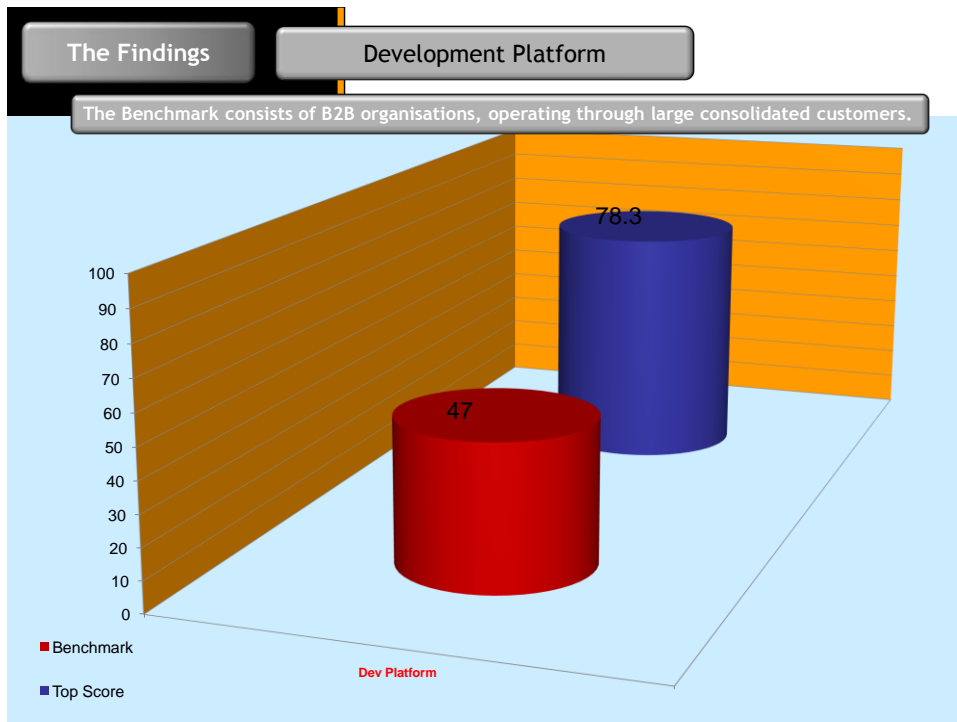
Dissatisfaction has become short term and reactive in line with the business environment.

The systematic, consistent and strategic approach to customer management has given way to short term reactive fire fighting and often wastes significant value.

Finally - loss of business with large customers has reached a point where it is too scary to contemplate. Despite this, any form of win back plan is typically non-existent, often replaced by panic and capitulation to customers demands no matter how unreasonable or unaffordable. This area was never a strongpoint in B2B relationships but has actually gone backwards recently.

The above represent our headline observations based on recent assessments of B2B commercial operations. Our process helps companies to fully understand their strengths and weaknesses and develop detailed commercial improvement plans.

Development Platform



So What!

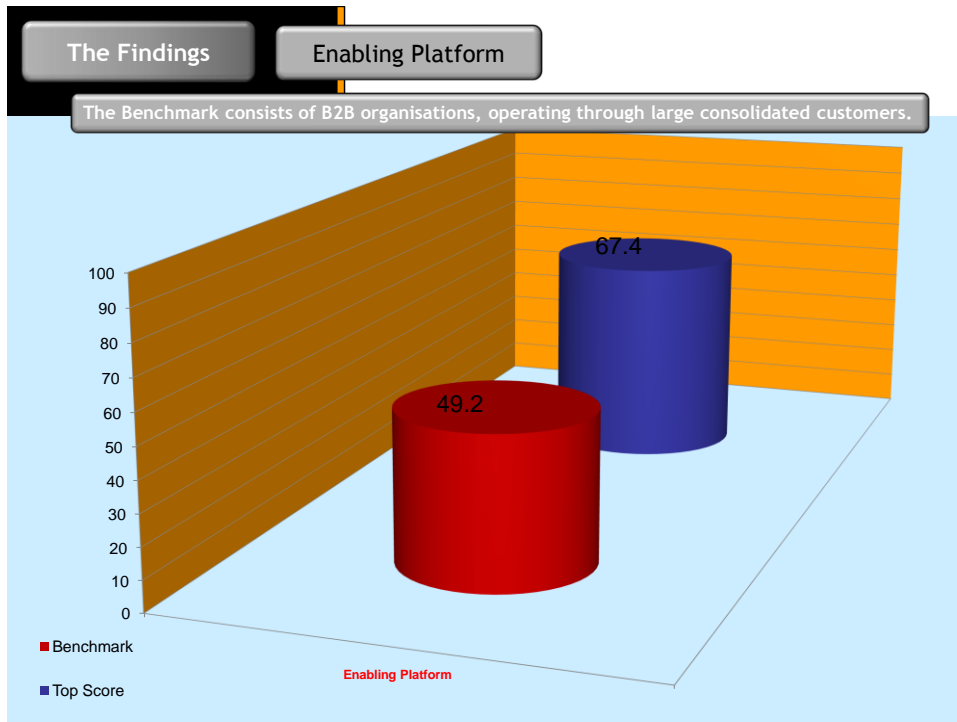
Here is our current take on the insights coming out of the assessment scorings / findings for the **Development Platform** section of the model -

We are seeing increasing amounts of data and information from numerous sources as the technology platforms improve within organisations. Companies now have the power to provide vast amounts of complex data and information to analyse even the smallest eventuality. Unfortunately, this data and information invariably lacks real insight and does not lead to productive action.

The short term focus many businesses are now facing / pursuing has taken their eye away from the competition. Increasingly we are finding a lack of competitor awareness or any form of competitor countering plans. It is as if this competitive gaming is just too much to deal with in the face of everything else!

The customer experience[CE] in many cases has become a 'nice to have' as financial pressure along with coping with short term customer demands have taken precedence. CE has been put on the 'back burner' until management perceive times are better. Unfortunately we know from past [and painful] experience that CE is an essential element within the overall proposition and is one of the few areas which can provide a real point of differentiation. CE can be the difference between yes or no and can genuinely blunt the edge of the price argument. It takes nothing to ask "how easy are we to do business with"?

Enabling Platform



So What!

Here is our current take on the insights coming out of the assessment scorings / findings for the **Enabling Platform** section of the model -

In this area, the pressures of the business environment are the most evident and having the most impact. The dichotomy between commercial and production / finance in trying to balance the internal demands to forecast, plan and budget accurately against ever increasing demands from customers for more tailoring and flexibility is creating genuine pain. Customer plans have descended into little more than a numbers game and large customer requirements are driving the planning agenda.

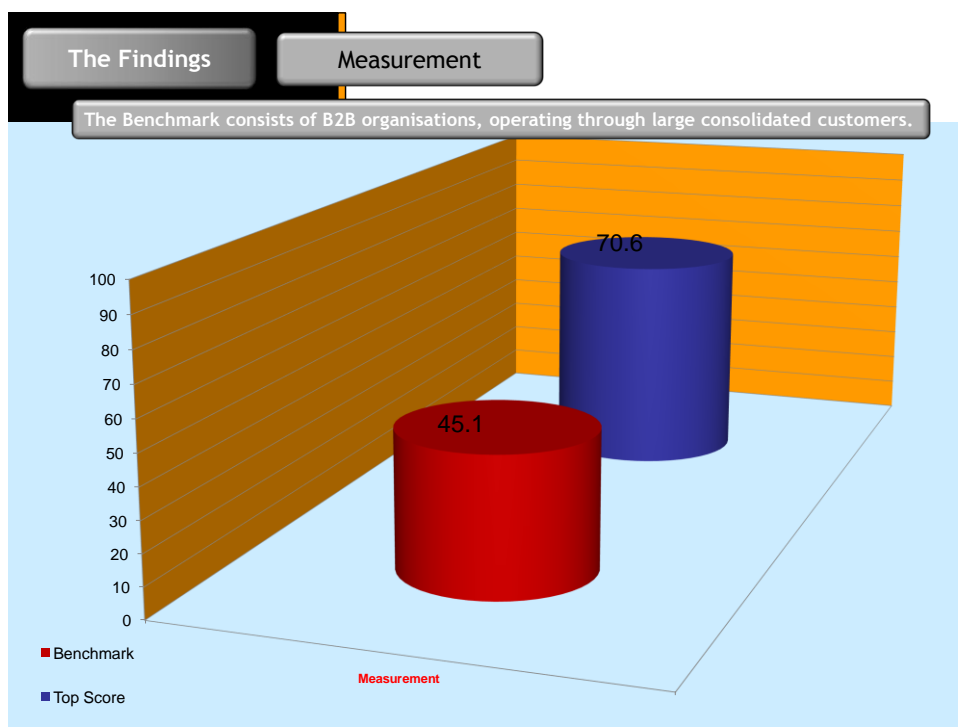
Many businesses have been through continual change for the last three years and are demonstrating change fatigue. People resources have been cut to a point where little slack exists within the system to manage anything out of the ordinary. This reduction in flexibility is affecting the ability to compete or meet customer needs in certain areas. We are witnessing various approaches to managing customers within the businesses we have surveyed - virtual customer teams, channel teams, category teams - all responses to the ongoing profit pressure.....

Equipping the people to cope with the changing customer landscape has lagged behind the market reality due to a combination of;

- a/Lack of clarity around what requires developing
- b/No internal will to invest in human capital.

Although the organisations surveyed have access to and produce a lot more information than previously, the way it's managed varies considerably. We have encountered two extremes - a wide number of databases that people need to unravel before they can effectively access the information they require, to weekly dashboards circulated from an insight team. Each extreme has its own merits and shortfalls but overall we are finding that this area continues to lag significantly behind the requirement of the user base.

Measurement / Review



So What!

Here is our current take on the insights coming out of the assessment scorings / findings for the **Measurement** section of the model -

We are findings an increasing reliance on a financially driven budget as the overriding measure of performance. As organisations have gone into short term 'fire-fighting' mode then other measures have slipped in importance. Customer reviews are increasingly adversarial as customers pursue additional commercial advantage through improved terms with less certainty or ability to offer growth. The customer driven joint business plans have become the de-facto measure of customer and supplier relationship development. *"Are the suppliers doing what the customers have laid down within the joint business plans"*.

Transaction patterns, distribution and service levels are all regular (weekly) dashboard hygiene factors. Increasingly we are finding an improvement and measurement of, trade / customer investment, defining the return on investment and holding customers to account for failure to implement effectively.



Measures are focusing on cost and cost management as customers increase pressure on margins.

Want to Know More?

If you would like to know how you stack up please contact;

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