PROMISING OUTCOMES

Better Relationships Stronger Bottom Line

Buyer Beware

Customer Expectations vs. Price

Latest Mori study reveals customer loyalty still outweighs price.



Consumer buying behaviour is always an interesting reflection of group think in the B2B customer relationship world. Whilst the spend and triggers may be different, the attitude towards customer relationships and loyalty tend to have many similarities across the 2 audiences, which is why I found the recent research by Ipsos Mori and The Logic Group interesting.

According to the study, the bargain online discount organisations have the highest uptake across loyalty schemes, although customer satisfaction with these types of schemes is amongst the lowest. Put simply, the bargain hunting British consumer will shop around for the best discounts, but a majority (70% of respondents) still prefer loyalty schemes where they can get better offers and services for being more loyal, and almost half (48%) expect to get better service from their loyalty scheme membership than normal shoppers.

Is this really any different in the B2B environment, I ask myself?

I think not, and more to the point, it made me re-visit a few questions about shared responsibility and the trends I see constantly in our B2B buying decisions.

In business there is much at stake if the supplier does not deliver, and in many cases a lower price is not indicative of some fantastic new streamlined supplier capability, but a trade off on some level within the offering, or at the very least is a loss leader for the supplier who consequently has trouble affording the support required for the contract.

Financial cuts mean most companies are shopping around for the best deal in the current environment (just like the consumer) and some are forced into buying on price alone due to their internal mandates

The reality is that our expectations as customer organisations are still high, and rising, but we want it all at a knock down price. The trend is becoming almost extreme, and all the calls to action put the responsibility on the doorstep of the suppliers. It truly is a buyers market.

But Is this a **realistic expectation?** Is it fair that suppliers should have to go to extreme lengths and massive engagement costs to jump through your hoops and tick all your boxes only to be told in the final stages that they have to cut their price by a 3rd if they want to do business with you?

Do customers not bear some of the responsibility for finding the right balance? Are we not prepared to pay a bit more, lock in for a bit longer, or simply come back more often to the company that makes our lives easier, delivers what we need and adds value without the hassle, so that we can focus on our own core business?

The long term data suggests we would! Just like the consumer, we would rather be loyal to a good supplier than hopping round from place to place every time, and yet we still can't resist that bargain!

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A sensible balance is supposed to be managed through our increasingly sophisticated purchasing practices. We give purchasing a long list of requirements and quality standards and leave them to hunt down and negotiate hard on price. Nice idea, but something seems to be getting lost in the execution.

Once the bargain solution is acquired, reality starts to dawn. We will whine about poor quality or service, complain to the supplier, get frustrated, thump the table a few times and eventually may leave when it gets to a mission critical Point.

Meanwhile – Hassle has a cost. Lack of value add has a cost. Fire fighting issues has a cost, lengthy repetitive sourcing has a cost, and yet all too often we seem to be willing to absorb this into our organisations, not counting the wastage and lost opportunity once it is hidden and dispersed amongst our daily practice. The irony is, when added up, this “hidden” cost is usually worth considerably more than the supplier discount you were fighting over.



"I'm sorry, once your account drops below a certain amount, you get me."

Our suppliers are also effected. What if they could spend their money on delivering quality value and service, rather than spending it on high engagement costs, cutting their resourcing to meet low price demands and then re-working quality or delivery issues, spending hours fielding your complaints and managing your (maybe) unrealistic expectations?

The net result is that neither party is happy or able to deliver their best to their intended audience.

If customers were smarter, we would would be better at using our management and measurement systems to track this kind of wastage, and balance this against the associated prices and specs that our suppliers give us at the point of buying.

To some extent customers do this already, particularly in technical or manufacturing environments, but broadly speaking we are woeful at this type of absorbed cost measurement.

Customers would be clearer on their expectations – not the SLA demands per se (although that often needs polishing!) but the things that often don’t get voiced openly – those indicators of value and good service that will keep us or make us abandon the supplier.

If our suppliers were smarter, they would already have some of that data to demonstrate the point and be able to talk about VALUE to your business, not price, when they engage you in their sales conversations.

By return, I have to be skeptical here and ask if customers would really listen to their arguments, or would they turn it back round to a commodity type price discussion again?.

Either way, the suppliers should be clearer on their trade off points and managing a customers expectations up front – they would be able to articulate where, when and how adjustments in price would effect you, and what their honest limits are.

However, the truth is they are keen, if not desperate, to get the customers business. Their sales force and negotiators may not be technically competent to have that negotiation, or worse still may not care in pursuit of the sale, and many will agree to a bargain price or a service level, leaving their organisation to worry about how to achieve it later when they heave the responsibility over the wall to their delivery team, The ability of a supplier to say “NO” and/or “Goodbye” in the engagement cycle is a rarified thing, even when they will consequently shoot themselves in the foot.

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There are countless more tactics and business practices that could be done on both sides, and with good reason.

But there comes a point when the focus become less about driving breakthroughs and efficient business practice and more about reactive tactics to navigate through an extreme set of competing demands; A set of demands, that may be unrealistic in the first place perhaps.

So for today, am reflecting on the questions that the consumer research is inadvertently highlighting –

Is it realistic to think that deep discount bargain hunting will deliver anything other than a short term fix?

Can we really expect our suppliers to deliver a miracle on a shoestring?

Shouldn't we give them a break and enough funding/loyalty to help them meet our expectations?

…….because lets face it, we may well pay for it anyway further down the line……..

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