

Are you offering genuine partnership or



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Characteristics of partnership relationships

Different companies use different terminology for the supplier/customer relationship to mean the same things, and the same terminology to mean different things. Some companies over-use certain words and as a result, the meaning of these words becomes lost. Commonly there is widespread use of the terms strategic, partnership, value, world-class, without an accompanying definition of exactly what is meant.

Consequently, some senior managers believe that their company is applying a strategic customer/supplier partnership model simply because they have heard these terms used repeatedly. So a good place to start the discussion is a survey of the typical characteristics of the strategic partnership relationship, which will offer a better idea of what is meant by this type of relationship.

Every element will not occur in every case - relationships can still be rather different – but the list is intended to establish the overall vision, rather than being comprehensive. The specifics will be driven by the situation, objectives and constraints on both sides.

The list (right) shows the typical point of departure and the vision towards which we want to move. In most cases, there are significant differences between the concept of partnership characteristics and the traditional key account/supplier model.

Generally the change starts with mutual intent and a development plan which (ideally) proceeds by small steps. As experience and confidence grows and as both sides start to see commercial results coming from

Away from...		Towards
focusing on products/ services	••••	mutual value and competitive differentiation (rarely found in the product or service)
focusing on selling to the customer	••••	focus on selling to the user and customer's customer
supplier/customer focus	••••	focus on the total value chain
focusing on price	••••	focusing on cost elimination and efficiencies
short term selling/buying	••••	assumed ongoing business
supplier derived benefits	••••	mutual value development
separate operations	••••	separate operations joint working parties to address specific questions
restricting data and access	••••	sharing data and promoting access
single point of contact with additional managers as required	••••	towards multi-disciplined dedicated teams with regular formal communication
Account Manager and Buyer led discussions	••••	multi-level discussions coordinated and overseen by the Key Account Manager and Supplier or Purchasing Manager
middle-manager Key Account Managers/ Buyers with limited decision-making authority	••••	senior-level managers with the highest level decision-making authority
limited or ad hoc senior engagement	••••	regular full board active role
formulaic Account/ Supplier plan	••••	mutual strategic plan underwritten by both boards
separate measurement	••••	separate measurement joint measures and reporting
separate operations	••••	merged or mutually dependent parts of the operations
playing one customer/ supplier off its rivals	••••	long term commitment

their joint activity, commitment and activity increase.

Changes in the internal management operation

In the traditional model of Key Account Manager/Buyer interaction. Strategic partnerships do not work

with ad hoc occasional input from other managers or with both sides separately setting objectives driven by their own corporate demands.

The way we think about and communicate with 'the other side' needs to change. That means moving away from the idea that the customer

just rebranding Sales?

relationship is the sole responsibility of the Sales department and the supplier relationship is the sole responsibility of the Purchasing department, towards the idea that the supplier or customer is truly a strategic partner and therefore demands the full attention of the whole Board and an extended management group on a regular basis.

Both sides must recognise that they will have to change aspects of their current internal model to accommodate the legitimate requirements of the other side. Internal managers, uncomfortable with the changes, will object to the extra work, cost and disruption, typically in:

- provision and availability of data
- KPIs, measurement and reporting
- order processing
- supply chain and logistics
- new product development
- market and value chain knowledge
- user knowledge
- time commitment of senior managers and so on.

The active engagement of all senior managers is critical. Many decisions will demand Board level approval, at least at the start. There must be regular and active engagement from a wide set of managers, starting at the most senior level: unless the senior management team is engaged the model will not work.

The roles of the Key Account Manager and Buyer change significantly: the revised roles of both are elevated in stature, responsibility and authority.

Extending the thinking beyond the immediate relationship

The traditional model used today sees the supplier considering a range of 'preferred' customers or key accounts typically based on volume (high volume customers typically become 'strategic' accounts), and the customer considering a range of 'preferred' suppliers based on their

ability to meet specifications and their price.

In a partnership relationship, the thinking is extended beyond the simple supplier/customer interface with its focus on the short term, to embrace the complete value chain and the medium to long term. That implies an interest in where the two parties fit into the value chain and how the chain develops in both directions, particularly taking in the final users and routes to the final users.

From focusing on the complete value chain we can discover all sorts of insight to inform our thinking about value at different levels and about the total offer presented to the user by upstream players in the chain. Early wins in the initial stages of the partnership relationship development can be gained by jointly studying the supply chain, where initial wins on cost reduction and efficiencies and to be found.

In the partnership model the focus for the supplier is on selling to the customer's customer or user with and through the customer, not simply selling to the customer. Similarly the Buyer must be buying with a focus on his or her own company's customer and the user, not simply concentrating on the price using a standardised specification.

Which is often a very difficult issue for many supplier and customer managers to grasp, particularly those suppliers focused on the measurement of volume sales and customers focused on price. So understanding the value chain and core influencers is an important aspect of the process.

The nature of the relationship

This is important because, whilst many senior managers on both sides understand the idea of using collaboration to increase the pot, they balk at the idea of changing a

model of relationship which they have known for many years. Intellectual understanding and emotional acceptance are not the same thing.

There are four main stages in the simplified, traditional view of the relationship:

1. RFP/RFQ and selling
2. haggling (often not much in the way of negotiation – more just haggling over price)
3. agreement
4. implementation of the agreement (the operational aspect of the deal).

In the partnership model there are rather more stages, which can be broadly summarised as:

1. establishing intent and mutual objectives
2. research and analysis
3. identifying and agreeing mutual opportunities for gain
4. negotiating the collaborative operational framework
5. creating the joint plan
6. joint action
7. measurement and reporting
8. review and changes.

As an image, the traditional model may be seen as two sides on opposing sides of the table, and in the collaborative or partnership model the two sides should be on the same side, facing the mutual issues.

Final Question

How much have you really changed your thinking around and approach to your key customers? Is it still fundamentally the same, an intense glare from Sales that goes no further along the value chain and fails to involve other managers in either organisation? Are you actually developing value for your customer as well as your company - because you will get very little co-operation from them if you are not, and definitely no partnership.