



What is a Customer?

CRM! Customer Relationship Management. This is the mantra for business today. Advisors now remind business executives that all successful companies provide top quality service to their customers. And, especially when times are tough, support and continuing revenue from existing accounts is paramount.

What is a customer? This might seem obvious, but with expanding types of business relationships today, and multiple channels of distribution for products and services, clarity is mandatory for developing marketing and sales strategies, as well as expanding distribution through the Internet.

Traditional Customer

The traditional customer is one who purchases *and uses* the product or service. Today, this person or organization is often called the *end-user*. All of the goods and services eventually reach an *end-user*, who derives benefit from the product or service.

The *end-user* customers are divided into two distinct categories. The more common type is *driven by the transaction, and building loyalty is important* to insure that each separate transaction is a repeat purchase by the customer. Brand loyalty has been proven to be critical to revenue growth and profitability.¹ The repeat customer is less likely to be persuaded by the slightly lower price of a competitive product or service. Every transaction must be a positive one, since the buyer can change supplier immediately and with little disruption to the buyer's business or lifestyle.

The *end-user* customer may also be *driven by the relationship, especially in the service economy*. A continuing relationship is important to customers of doctors, mechanics, lawyers, banks, mobile phone companies and situations where an historical perspective is an important part of any transaction. Service providers often refer to their customers as *clients*. In these situations, it is often difficult, or at least inconvenient, to change service provider. It is always a challenge to close a checking account and establish a new one, to change primary care physicians, or to change cell phone supplier. Continuity enhances profitability with the supplier and increases client satisfaction. Highly satisfactory support service simplifies new account acquisition, due to word-of-mouth referrals by happy *clients*.

The Intermediate "Customer"

¹ Reichheld, Frederick F., *The Loyalty Effect*, Harvard Business School Press, 1996

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Many businesses today sell their products and services through intermediaries, distributors, and/or retailers. These intermediate “customers” take physical possession of goods, add them to their inventory, and sell the product or service to the final *end-user customer or client*. Examples are manufacturers and who sell through retailers to consumers, and wholesale distributors who represent manufacturers to other businesses.

Although they are often referred to as customers, these intermediary organizations represent *an extension of the sales force of the manufacturer*. Although they may take title to the merchandize, and include the products in their inventory, they usually have the option of returning the merchandize to the manufacturer. They often have protection against obsolescence of the merchandize. The supplier sells its products *through* the reseller, rather than *to* the reseller.

Continuing support for products and services sold to the *end-user* can be complex. In some instances, the reseller is an agent, and the manufacturer provides continuing support. In other instances, the manufacturer provides training to the distributor, who provides continuing support.

Business and Alliance Partners

Organizations often refer to themselves and related organizations as partners. This is a specific legal term, yet it is used to categorize very different relationships. A common use of the term “Business Partner” is to communicate a relationship where each party shares some of the risk and some of the reward from joint activities. Similarly, an “Alliance Partner” commonly refers to a relationship where each party operates independently, but co-operatively to achieve a common business objective. *The common denominator of virtually all “partnerships” is risk sharing*. Both parties assume some business risk, and both parties achieve a business reward upon successful completion of a project.

Summary

Clearly identifying the business relationship between customers, clients, and partners is an imperative when developing marketing and support strategies. The evidence supporting improved revenue growth and profitability with a loyal set of customers demands a comprehensive view of going to market.

The Innovative Strategies Group works with clients to define and refine their view of customers, clients, channels of distribution, and alliance partners. This knowledge results in improved marketing plans and growth strategies.

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