

## **II. IMPACT OF CUSTOMER RELATIONS ON LOGISTICS OPTIMIZATIONS**

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## **IMPORTANCE AND OPPORTUNITIES OF BUILDING CUSTOMER RELATIONS ON THE B2B MARKET**

### **INTRODUCTION**

The aim of the discussion is an attempt to analyse the significance, manner and conditions of building customer relations on the B2B market. The assumed assumption, according to which partnerships in the situation of global competition allow to strengthen and stabilize the market position.

### **METHODS**

An attempt to identify the manner and scope of relational activities on the B2B market was made on the basis of in-depth interviews in twelve medium-sized enterprises of the construction and transport sector.

### **KEYWORDS**

Relationship marketing, key customers, relationship building, CRM

### **Grounds for and importance of using relationship marketing**

Building and maintaining long-term customer relationships is particularly difficult in small and medium-sized enterprises, which generally have limited flexibility to adapt to changing customer needs. The scale of difficulties in this area was attempted to show on the basis of surveys of enterprises in the construction and transport sectors. This allows to indicate the possibility of possible changes in the operation of enterprises resulting in specific activities in contacts with customers.

A competitive market with relatively high specialization of producers makes it necessary to take special care of customers. This care must manifest itself not only in the offer of high quality products and services and a high level of service, but also in the creation of a well-thought-out action strategy taking into account the specificity and value of customers, forecast changes in business activity, as well as the opportunities and directions of development of a given company. The development of such a strategy, despite the great workload and the

necessity to incur large expenditures, is a sure guarantee of the stability of the company's operations.

One of the principles of creating such relations is to ensure that the benefits of the developed strategy apply to both parties, both the company and the customer. Another is the integration of sales and customer service activities, as well as the orientation of the entire company's activity towards customer needs. It is connected with the necessity of constant observation and detection of changes in customer needs. Neglecting these activities usually quickly results in losing customers. For each company, therefore, the priority should be to create and communicate as much value as possible to the customers [Burnett 2009]<sup>1</sup>. It is obvious that attracting new clients is not only more expensive, but also more risky. This does not mean, however, that the efforts to attract new customers can be abandoned. Most often, they are the ones who provide opportunities for expansionary development of every company.

Making the assumption concerning the necessity of relational activities for the success of the company, it is difficult not to point to a very wide range of analysis and a special way of developing this strategy of the company. First of all, it requires constant observation and in-depth research. It is necessary to identify factors on both the supply and demand side. This applies both to competitors and their position on the market, as well as in-depth knowledge of customer needs in terms of production and services. On the other hand, it is necessary to estimate the costs of adapting the company to the needs of customers [Payne, Frow 2005].

A company deciding on relational activities should also consider the possibility of some kind of distinction of its products, attractive to potential customers. This allows for a certain degree of independence from competition, or at least reduce the strength of its impact. However, such a distinction of products may not bring the designed results in situations where, for example, products are poorly differentiated and customers in their decisions are mainly driven by price. Generally speaking, it may be stated that the objective of a company implementing a relationship marketing strategy is to shape a high perceived value of a product or service for the customer. It is necessary to take into account the place that a given product or service occupies in the structure of customer expenditures and costs. Building a relationship, which requires a significant investment, requires, as mentioned above, continuous observation of demand and detailed characteristics of customers. This makes it possible to prepare a customer

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<sup>1</sup> This is confirmed by the well-known thesis that every five years companies lose half of their customers.

base and assess the possibility of generating revenue and profits. It is also necessary to assess the position of the company in relations with the customer. To determine this, it is necessary to know the current share of the company in the activities of the customer against the background of his or her involvement in the activities of competitors and to analyze the existing trends in this area. This is how the attractiveness of the customer for the company can be estimated. Each of these estimates must be based on a number of parameters. The most important in assessing the customer's attractiveness is the sales volume, growth trends, total sales potential, exclusive supply, etc. However, in order to determine the position of the company in relations with the customer, such information as: the share of customer purchases in the company, the share of competitors, trends in changes in purchases, the duration of the relationship, etc., are necessary. Estimation of both values requires assigning appropriate importance to particular parameters, estimating their significance and calculating a weighted product indicating the attractiveness of customers [Januszewski 2011]. The position of the company in customer relations can be estimated in a similar way.

The presented initiatives should form the basis for the assessment of customer value and decide whether some of them should be classified as key customers. In relation to these clients, the company should apply a strategy of development, strengthening relations and, at the same time, fighting against the attempts of competitors. Less attractive customers tend to suggest a different way of maintaining relationships. In general, customer retention measures are taken here, but only if they do not require major investment. Thus, a company should not always seek to deepen the relationship at all costs. In some cases, it is most effective to withdraw from such relationships.

Undoubtedly, however, building a larger or wider portfolio of key customers is the basis for the safe functioning of the company. Building relationships usually requires a long time, regularity in constant monitoring of the needs of key customers and acting in such a way that both the company and its customers are interested in strong relationships. This is connected with a number of projects leading to a deepening of trust on both sides, strengthened by preferential actions.

### **Stages and methods of building relationship activities**

Suggested actions in building relations with key customers require significant resources, so it is advisable to thoroughly analyze the allocation of these resources among customers. IT systems are extremely helpful in this area. Despite the fact that there are many of them, the CRM system has been used relatively most frequently for a long time. It is a concept designed to maintain profitable customers while reducing costs and increasing the value of relationships. This system enables the customer to be perceived in terms of the commercial activities performed in the relationship with the customer. It optimizes the work of departments having direct contact with the customer.

Designing the development of customer relations requires observance and rethinking of the conduct and gradual strengthening of the ties between the company and the customer. As already mentioned in the current analysis, an attempt was made to confront the method of establishing and deepening customer relations existing in the literature with the practice applied in the surveyed enterprises.

In terms of literature, the successive stages are [Burnett 2009]:

- Designing a map of relations between the operating departments of a given company and those of the client company;
- A deepened customer profile, including definition of the competition and the policy and needs for procurement;
- Identification of business contacts in retrospection of at least 3 years;
- Monitoring of results;
- Level of utilisation of competing products;
- Outline of the strategy for the customer;
- Objectives of the customer's activity;
- Business development initiatives;
- Objective of the action and resources needed to achieve this objective;
- Initiatives to create links and the investment needed to do so.

The presented information necessary to build correct and effective relations indicates that one of the most important skills in management is not only to identify and detect changes in customer needs, but also to react quickly to changes. However, in order to induce sales effects, it is also necessary to reach an emotional and cognitive agreement.

### **Relational activities in medium-sized enterprises on the basis of surveys**

In an attempt to identify the way and scope of relational activities in medium-sized companies, in-depth interviews were conducted in twelve construction and transportation companies<sup>2</sup>. The authors attempted to analyse relational activities in selected medium-sized enterprises operating on the B2B market in the construction and transport sector. In the construction industry, or more precisely in the production of construction elements, the relationship strategies were diversified, different activities concerned distribution networks, construction companies and investors. However, in the surveyed companies there was a basic package addressed to all customers. As part of this package, the companies tried to adjust their products to the customer's requirements. This required the development of specialized forms identifying customer requirements for the product and the launch of consulting in this area.

The second element of the package addressed to the customer was price fixing. In the case of an individualised product, these were usually negotiable prices. Prices of standard products, on the other hand, were usually determined based on the competitive method. In relational activities with the distributors, additional discounts and loyalty programs were used to determine the final sales price. The distribution method in the analyzed companies was usually adjusted to the customer's needs and delivery dates were agreed on an ongoing basis. There was also an option to store goods if the customer's wishes were to do so. Promotion was used to attract new customers. The promotion was actively pursued and used a number of instruments in the field of promotion-mix. Among the information channels used, the Internet dominated, but the trade press was also used. The promotional activity of the companies is also based on the thoughtful shaping of its positive image.

Among the surveyed companies, special attention was paid to direct contacts with customers by companies whose products were characterized by high prices. For this purpose, procedures were created to ensure frequent contacts, facilitating and enhancing the communication process. In some companies, there were positions of the so-called customer caretakers, who are responsible for the customer at each stage of cooperation and are also involved in the analysis of the customer's needs.

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<sup>2</sup> The intention to conduct a survey could not be fulfilled due to the refusal of randomly selected companies to respond. Even during the interviews, the responding companies did not consent to the disclosure of their names and data enabling their possible identification.

In companies that sold standard products, with only a small number of key customers accounting for 90% of turnover, quality control and compliance with important standards by key customers was a major focus of the relationship. Among the tools used to maintain relations, particular attention was paid to payment terms, such as payment terms adapted to the convenience of key customers. However, discounts and various types of reductions were used to a very limited extent.

The relational strategy in transportation companies was conducted in a completely different way. In carrying out relational activities, companies focused primarily on establishing the profile of potential customers. Based on this, a database was created and the credibility of potential customers was evaluated. In this way, specially developed offers were sent to selected partners, specifying the type and conditions of the service. After "winning" the customer, the companies tried to synchronize their activities by creating compatible quality, logistics and communication systems. None of the surveyed companies had a CRM system in place, which made it difficult to collect information about customers in an orderly and systemic manner. It was not fulfilled by the rationally applied technique of customer survey, which was carried out by the surveyed companies in different scope and with different frequency. It is worth noting, however, that the results of the conducted research were most often translated into changes in the conducted strategy of relations. None of the analyzed companies had a thoroughly thought-out and consistently conducted relational strategy. Part of the documentation concerning the portfolio of clients and the intended activities in relation to them was missing. As a result, no specific operational activities were outlined<sup>3</sup>. While the needs of customers were identified fairly superficially, there was no interest in trends that would allow predicting changes also on the basis of information on the demand and use of competitors' products. In this context, it is hardly surprising that the companies did not plan investments clearly linked to the different needs of the customers in their portfolio.

## Conclusions

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<sup>3</sup> The lack of an in-depth approach to relational activities was also evidenced by the statements of interlocutors such as, for example, the following: "you have key customers in mind", "we have been doing the same for many years and customers use our company", etc.

Observations and conducted interviews indicate that although companies try to implement a strategy of cooperation with customers, seeking to satisfy their needs and strengthen ties, these actions lack consistency and coherence, which can lead to unwavering cooperation for many years. Undoubtedly, medium-sized enterprises apply only some elements of a deepened relationship strategy. This is most often the case with occasional analysis of customer needs and maintaining direct contacts with key customers. In spite of the fact that in the enterprises accepted for the survey there were departments of "customer cooperation", they focused only on current cooperation resulting from current conditions. The in-depth activities preparing a systematic, permanent and in-depth relational strategy were not only not carried out but, on the basis of the interviews, it could be concluded that they were not part of the company's plans. Undoubtedly, one of the reasons for such behaviour is the labour and cost intensity of this type of activities and the need for a systemic approach to developing a long-term relational strategy. In the correct operation of companies, the customer profile should be systematically verified in the relationship strategy, including the determination of competition and the level of use of competitive products. In terms of monitoring the achieved results, it is also necessary to define long-term goals of the client's activity and adjust the necessary investments to it, taking into account its own capabilities in this area.

Generally, it can be said that the necessity of relational activities is perceived in all analyzed companies, but the way of its implementation is quite random, not based on calculations of profit, which this well thought-out relationship strategy can create. It is important to continuously and accurately analyze the way and scope of changes in the profile and needs of customers. Conventional market research does not provide such a diagnosis. Such knowledge can only be acquired through in-depth direct contacts with the customer. Thus, relational marketing must implement one of the basic theses of marketing, indicating that a modern value chain starts with the customer and that the customer is the driving force behind everything else. A sustained dialogue with the customer therefore provides an opportunity to increase profits. It should be remembered that episodic market research gives knowledge about the past, while in order to effectively conduct a relational strategy it is necessary to have up-to-date knowledge about the priorities and preferences of customers in the near future. Such reflections require not only skills and methods, but also comprehensive information (e.g. CRM system) and anticipation of changing economic conditions.

One of the most important elements of the relational strategy is to get to know the customer, which requires time and cost-intensive expenditures. It also requires changes in the organization of the company and a specific approach to the recruitment of employees who carry out relational activities and try to determine the current and future needs of customers. All actions should be confronted with the possibility of making a profit. It cannot be assumed that customers remain the same in the long term and focus attention only on the product, treating the sale of their products as the only mechanism for creating value.

In an environment of intense competition, where everyone strives for low costs and high quality, profitability tends to decline. As the needs and priorities of customers change, the area of profit creation also shifts. Profit is realized by creating high value for users and maintaining lasting relationships with customers. One of the manifestations of this valued and customer loyalty-enhancing activity is, for example, advice from the company on how to use the goods supplied and thus improve the customer experience [Welch 2000].

The consequence of the presented actions is a change in the way the company operates, i.e. a transition from short-term transactions to a gradual transition to long-term relationship marketing. It is important to maintain close and good relations with partners (suppliers, customers). It is necessary to be aware that effective relationship marketing must provide customers with specific benefits resulting from a common strategy and actions. On the other hand, companies have to assess the viability of the purchasers and decide whether it is worthwhile to retain all customers. This requires a systematic analysis of the clients' portfolios and the possible selection of potential partners. These are the basic conditions for maintaining and developing long-term and valuable relationships. An example of the analysis of the activity of Polish medium-sized enterprises shows that in this area they have a lot of tasks to perform. Actions aimed only at increasing loyalty through a very limited set of instruments will not in fact generate an effective relationship strategy.

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