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I recently heard about an account management team at a marketing services provider that had been inflating invoices by adding on imaginary services. They were small amounts, but over several months, they made a big difference to the team's bonuses. This reminded me of one of the two most important principles in choosing and managing suppliers.

The first one is to understand what motivates the company and its staff and the second is to ensure that, where their motivations might conflict with yours, there is strong governance. In the case above, governance processes picked up the misdemeanour, but only after several months.

Outsourced relationships, such as in customer data management, are complex mixtures of technology,

Beware of the box ticker

Merlin Stone splits suppliers into six segments. Which ones do you recognise?



To achieve a high success rate, the problem solver turns clients down when it believes their aspirations are unrealistic

money and people, and it is client/supplier staff interactions that are usually the source of success or failure, profligacy or cost-effectiveness. Key reasons are supplier staff's attitude towards clients when they sell, sales incentives received relative to delivery incentives, and how well those on both sides plan and execute the agreed relationship. There's also an obligation on the client to pair with suppliers that complement them. Put simply, it's a failure in operational due diligence.

To help, I have developed six simple profiles to describe suppliers. These are: niche player, rip and replace merchant, box ticker, cookie cutter, quick fixer and problem solver. Let's see how many you recognise.

The niche player sells on its strong specialist knowledge and expertise, but may be unaware of how their area relates to other niches or with the rest of the business. It may also attempt to persuade clients that its services match requirements perfectly

when they don't. The rip and replace merchant convinces clients that they have the complete solution, but risks sweeping out the good with the bad. Tried and tested approaches may be thrown away, along with all organisational learning.

The box ticker focuses on winning large contracts regardless of whether or not it can deliver. Staff incentives for new business are high and senior sales people can become rich selling a few contracts. Their approach is to say that anything can be delivered and only to begin to consider how to do the job when the contract is won. Then the contract will be "thrown over the wall" for services people to sort out. Mismatches with client needs may cause huge problems, but the box ticker will claim these to be due to poor client briefing and will demand more money to "fix the problem".

The cookie cutter sells packaged solutions, offering great prices on limited services and claiming to meet most of the client's requirements, but warning the client that to aim for more is a "bridge too far", and that services which claim to be more comprehensive are not best of breed but "lowest common denominator". The cookie cutter has a strong sales team that spends time getting to know the client, understanding the client's business and convincing the client that their services meet the client's needs. The main problem here is customisation, but implementation can be very fast.

The quick fixer works around what the client has and needs now, producing a quick and short-term solution, but ethically. However this may make it harder to solve issues over the longer term, as future needs are not considered.

Then there is the best of the bunch, the problem solver, whose culture is based on listening and then providing a well-matched solution. It accepts that its services may not always suit client needs, but if a problem solver takes a contract on, it will get the job done. To achieve a high success rate, the problem solver turns clients down when their aspirations are unrealistic. It's hard to be a problem solver, when commercial pressures deliver short-term success by adopting other profiles, but additional revenues from existing, satisfied clients usually sustain suppliers with a strong record of problem solving.

Apart from the box ticker, all these suppliers have a place in delivering services though a rush to sell and a lack of engagement with relevant client staff will almost inevitably cause delays and sometimes failures later in a project. Making sure your supplier's profile fits your goals will help avoid this outcome. ■

Professor Merlin Stone is a director of Nowell Stone and The Database Group. For details of his Customer Management Group, email merlin@merlin-stone.com.