Customer—Supplier Engagement Framework Explained

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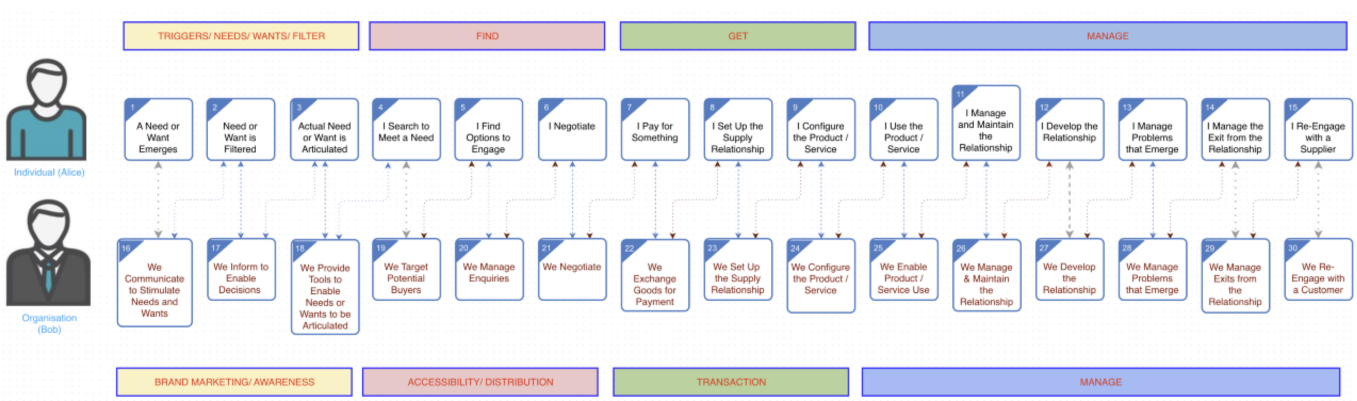
The Customer Supplier Engagement Framework (CSEF), which has evolved over the last 15 years provides a means to understand and explain 'the dance' that happens between customers and suppliers. The framework looks through a 'jobs to be done' lens for both parties rather than from the more typical perspective of data flows and processes. This method works best when applied to 'considered purchases; that is to say when the consumer/ customer is in the market for a specific product or service that merits some effort. It does work for simple purchases too, albeit some of the steps may be condensed by prior experience, or missed altogether for small purchases.



The problem with the dance analogy is in the early phases; the individual is running the same dance over and again with multiple partners. So ultimately, these views, even though they appear sophisticated, are much simplified when compared to the actual reality that people face.

Customer View

From the customer/ individual perspective, one can assume that there is no overt structure in place beyond industry/ life aspect norms, having evolved over many years. For example, current norm around the early phases of a buying process would be to look what friends have, discuss with them, subscribe to consumer publications or web sites, and look at review sites/ services. Beyond those steps, customers are, to a significant extent, passive participants in the supplier dance, with a small degree of 'rebellion' in the form of attempts to optimize their position. However, this optimization effort continues to be squeezed from all sides in the race to surveillance capitalism in which countless opaque intermediaries stack up behind the scenes seeking to extract 'behavioral surplus' (i.e., commercial value) from more or less any move a customer or potential makes in the digital realm. The reality is only slightly countered by the emergence of comparison shopping/ decision support tools that at least attempt to support the customer perspective, albeit the commercial models of the vast majority of these services mean that they are ultimately agents of the seller.

All that said, the potential customer/ customer does still work through a series of steps, consciously or unconsciously. The larger/ more significant a purchase is in a person's context, the more conscious and overt the steps in the buying process will be. And in some regulated sectors, decision points put in place by regulators attempting to limit the powers and behaviors of the seller.

In any case, let's assume an individual (or household) is in the market for a new mobile phone and related network service. One of the more significant considered purchases; we could equally as well use 'buying a vacation/ trip, a financial services product, a new vehicle, a property, a substantial piece of equipment, a new household service or anything beyond a basic impulse or time-bound purchase.

The steps in the dance are:

- Something triggers a need; it might be a change in personal circumstance, the breakdown or expiry of an existing solution, or an exciting new product emerging. Initially, these needs might well be poorly formed not assuming any particular solution; it may disappear again altogether, or to re-surface at some point down the track. If we assume that this need downstream becomes an 'in the market for a new phone and contract' scenario then the need itself might be 'my current contract lease expires soon', or 'my phone has broken/ lost/ been lost', or 'I've won the lottery', or 'I've got a new job and could do with better connectivity'. Some needs evolve into something that drives action, or at least conscious thought; that action or conscious thought begins to take more specific shape, likely at this point still in the head of the individual. Ironically, whilst the need may remain in the head of the individual from their perspective; prospective dance partners are already circling based on early signals that show a need can be derived from existing known product/ service relationships. For example, when the trigger is the expiry or breakdown of an existing product/ service, the incumbent supplier will already know that.

- The need evolves into a 'I want to find a solution for this need'. At this point the need/ solution sought crystalises most typically into a search term entered into a search engine. In entering that search query the individual is consciously or more likely unconsciously moving from 'need' to a solution 'long list' to used old parlance from the corporate world of 'requests for proposals'. The search engine is acting as the filter that constrains the view from 'all possible solutions/ the market view' to that sub-set of the market view that the choice of search engine and search term has chosen (algorithmically) to present, and in which order. It can be taken for granted that even with 'all shields up' the number and type of dance partners emerging begins to grow quickly at the earliest tangible buying signal.

- From the long list, or a parallel process, the individual now begins to further filter their solution options. This becomes the 'short list', i.e. that sub-set of the long list that, after first pass, the individual believes are most likely to meet their need. This is likely the first point at which direct engagement occurs between potential buyer and potential seller. This engagement leads to further filtering down to one, possibly two options with whom detailed review or, in some cases, negotiations take place to hone in on a specific product/service 'deal'. This deal is wider than just price, and might include terms, financing options, service delivery options. Ideally this deal is perceived by both parties as a win-win; all too often though that is not the case from the individual perspective. It can often be the lesser of poor choices that wins the deal.

- The deal becomes a 'done deal' when money or an alternate changes hands and goods are exchanged, or services made available. In today's digital world that usually also leads to the establishment of a digital relationship if one did not exist previously. In many cases this phase also includes an element of configuration of the product/ service to the specific needs of its new owner/ user.

- Ownership / Me2B Relationship Finally, our customer gets to use the product/ service. Hopefully for both parties, that happens smoothly over the relevant period of time. In some cases, maintaining the relationship comes with the territory, e.g. monthly payment for a service. When all is going well it is also quite likely for the relationship between customer and supplier to develop (broaden into more products/ services, or deepen into more of the existing product/ service).
- Of course, problems can emerge with the products/ services which lead to customer service interactions. If they work well then great, use is extended, if not they can lead to exit from the product/ service and the wider relationship. These problems may not be actual failure of a product; it might be as simple as another product/ service tempting the customer to try them instead. It is perfectly feasible for these supply relationships to start, finish, then start again. Ideally, they pick up from where they left off, retaining the shared knowledge; but often they just start afresh. That said, in many cases the relationship has ended from the customer perspective without the supplier side knowing that; this can lead to a range of problems.

Supplier View

The supplier perspective on 'the dance' is much more structured; it is in fact a whole industry in its own right worth billions of dollars, and which has been evolving at pace since the start of the digital era. That industry includes adtech, search, martech, e-commerce, CRM, customer experience, consent management platforms, review services, data management platforms, data brokers and no doubt many more. Martech alone, one of the smaller sub-sets, is believed to have around 8,000 participating firms as at 2020 according to the Martech lumascape.

The overarching structure on the supply side is 'the funnel'; the mechanism through which customers are attracted, nurtured, become specific sales opportunities, engage and transact (or not as the case may be). There is then a second phase of 'usage and customer service'. Breaking those down into what is typically happening in each phase; we see the following:

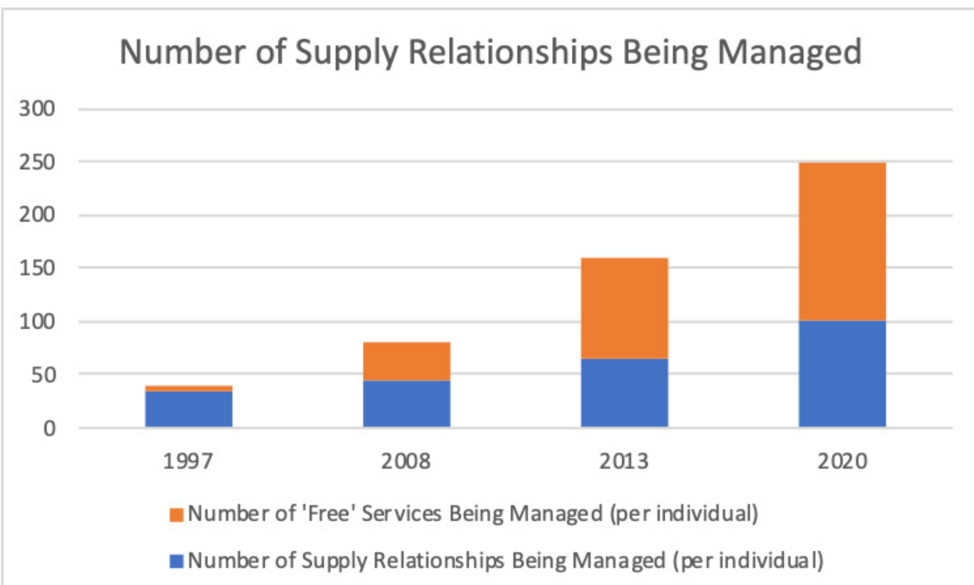
- Brand marketing and awareness designed to trigger (demand generation) or stimulate customer perceived needs and develop an awareness of both a brand and what it stands for, and also the products and services that sit below the brand.

- Heavy duty surveillance activity designed to identify and pounce upon the slightest sign of a buying signal.
- Enquiry management; dealing with the customer's 'short list' queries; with real sales people where the transaction value is high enough, and via contact centre or web self-service where lower.
- Presentation of 'the deal', including the terms and conditions and privacy policy; unfortunately the latter are typically in a format that the customer is extremely unlikely to read, or have any chance to negotiate.
- The done deal, money or other payment mechanism changes hands; typically, the payment mechanisms are defined and controlled by the seller.
- Relationship set-up and product/ service configuration; mechanisms and defined and controlled by the seller.
- Use of the product/ service beyond base level provision is increasingly of interest to the supplier in that Internet of Things and data-enhanced products are major areas of growth; for example the 'black box' is an extension of both a vehicle and vehicle insurance into telematics These days even toothbrushes and running shoes have digital emissaries and extensions (which primarily seem to exist to sell more equipment).
- Retention, development and monetization of the relationship is now key for the supplier; keep the customer for longer, sell them more of the current product, and sell different products.
- Product/ service problems generate customer service cases; typically, these are resolved at minimum cost; the more enlightened organisations will deliver excellence in customer service and constantly learn from the relationship.
- Relationship exit is a weak area for the supplier; rarely handled well and, as noted above, in many cases the supplier in unaware of the exit.

Problems with the Dance

There are two key points that need be made about this dance. Firstly, it is critical to understand that in many phases of each buying process, a buyer is interacting with multiple organisations. Secondly, and what makes this situation so problematic, is that the supply side dominates these relationships, defines the terms, and runs the information systems that most of them run on. The individual/ buyer is running many complex relationships without having the option to support that with tools of their own.

Then we have the volume problem. One of the many effects the Internet has had has been to massively increase the number and types of organisation relationships individuals need to manage; and by default, they do most of that online. The chart below shows how this has evolved over time; the initial sample (Royal Mail, UK, 1997) was large scale and robust and that has been repeated less formally since then.



What is clear today, individuals have to deal with a much greater volume than before, and without tools on their side to support them. This 'relationship management' gap is a key area being explored in the Me2B Alliance.

All in all, this dance is therefore not an enjoyable one from the individual perspective. On the one hand, one could say that the individual needs protection in this area, clearly the role of data protection regulation such as GDPR, CCPA, or others in the consumer regulation space. What is clear though, is while one could be very concerned about the overall effect of the above scale and complexity on the individual/ household; what is less obvious is that despite the enormous capabilities and investment brought to bear on this dance from the supply side, it is not working particularly well for them either. Consider that the average response rate/ conversion rate when looking across all sectors, all advertising/ marketing media is likely around 1% response and conversion rate around 0.01%. A broad-brush clearly, but not an indicator of something that is working well for either party. It represents enormous amounts of waste, if not financially, certainly in terms of time consumed.

What is Required to Improve on This?

It is quite clear that the current modus operandi in the management of customer-supplier relationships is not working well. To address that, it is clear that something new must emerge. Subject to further research, two areas of activity are already making progress in this area via the Me2B Alliance:

Tools and capabilities will be built on the side of the customer/potential customer to begin to address that power imbalance. These will appear across all parts of the customer journey, just as they do on the supply side. These tools will include:

- Personal data management service for individual
- Palgorithms (personal algorithms) to nudge/ remind individuals in ways that match their own set of preferences
- Automation/ intelligent agents to break the current inertia and enable marginal gains with minimum effort

The concept of Me2B Relationships is emerging. In essence, these are not like today's digital relationships; they are based on respect, trust and reciprocity. It takes two parties to engage in the customer-supplier dance. Each party brings value to the relationship. When both come with the tools and spirit of reciprocity in place, then we move beyond the current zero-sum game to what we all wished the Internet had enabled in the first place.

In our next paper we will overlay the concept of a Me2B relationship onto the customer-supplier engagement framework, and assess what difference that might make.