



Creating a Framework for Buyer Relations

The Foundation of Forming Lasting Relationships with Buyers

By Jean Van Rensselar

This is the first of four articles on developing, maintaining, and growing great buyer relations on a mass scale. Much of this information is based on the marketing theory and research of C. B. Bhattacharya, of Emory University; and Ruth N. Bolton of the University of Maryland.

3 Necessary Conditions for Buyer Relations

Any relationship forms only when there are benefits to both parties. For the seller, benefits include the cost savings of retention, immunity from competition, and ease of up-selling. For the buyer, benefits include lower risk, cost savings in the form of special pricing, and time-savings. Following are 3 requirements for a buyer-seller relationship.

1. Personalization. For relationships to develop, personalization must be possible within the product category. This personalization can be delivered through products (specially designed for the buyer), people (sales and service reps that know the buyer's business), or technology (special login privileges). Mass personalization will build loyalty where quality in an industry is no longer a differentiator—lack of quality differentiation among competitors is one of the signs that a high growth industry is settling into maturity.

2. Buyer Intimacy. A critical feature of relationship marketing is the mutual recognition that exchanges between the seller and buyer are about more than just buying and selling. This means that there is an emotional component to exchanges. B2B marketing has traditionally downplayed the role of emotion in buying decisions, yet for both B2C and B2B relationships, there is a very strong emotional component in a buyer's decision to remain loyal to the seller. These positive relationship-promoting emotions include self-esteem, peace-of-mind, and a sense of companionship.

3. Two-Way Interactions. There must be direct 2-way communication between the seller and buyer. This means that in order to build relationships, sellers must make it easy for buyers to have a conversation with them. Contact is not the same thing as conversation. Email and texting don't create meaningful conversations. Only phone calls and in-person interaction do.

Building a relationship takes time, but not necessarily a lot of time. How long it takes depends on the quality and frequency of the interactions. People form lifelong bonds at weekend retreats and don't know next door neighbors after 30 years. Not surprisingly, those who cultivate strong business relationships, tend to have strong relationships with their own family and friends.

Personalization, intimacy, and 2-way interaction form the framework of buyer-seller relationships. When any of these 3 factors are missing, a buyer-seller relationship cannot exist. Assuming these 3 factors are present, there are 3 ways to increase the odds of forming a long-term relationship.

Increasing the Odds

There are 3 key product/service category characteristics that will further influence the buyer's decision to invest in, maintain, or end a relationship with the seller.

1. Differentiation. While personalization is essential, some product categories are easier to personalize—and thus more differentiated-- than others (hair care products vs. iron ore). Product category differentiation refers to:

- Many different alternatives in the category (hair products)
- Complex alternatives (technology),
- Significant differences among alternatives (vehicles)
- Levels of buyer-service (more options for preferred buyers)

This differentiation can also be achieved through *perceived* differences, which is where branding comes in. Buyers tend to be more loyal when the product is unique in ways that *matter* to them.

2. High Perceived Risk. There is risk to a buyer when the decision to buy or not buy a will have unpredictable consequences. Perceived risk is the loss that could result when a buyer excludes a product from consideration. The risk is magnified by the potential consequences. Risk can include financial risk, performance risk, physical risk, and convenience risk. All 4 of these factors come into play in the technology sector.

The greater the perceived risks, the greater will be the buyer's tendency to seek out a long-term relationship with a seller who can reduce or eliminate those risks better than competitors.

This is a very important consideration for organizations that are selling high end products and services; those that involve a commitment (such as a contract); and those that have the potential to cause significant business disruption. The bottom line is that perceived risk creates a major competitive advantage for sellers who can create trust and a major disadvantage for those who cannot.

3. High Switching Costs. Switching costs are defined as the one-time costs the buyer encounters in switching from one supplier's product/service to another's. In addition to the financial costs, switching costs include research costs (which are high when buyers have little knowledge of the category) and the time and emotional investment of forming a new relationship. Buyers are likely to value existing solutions more highly when search and switching costs are greater. This is a major hurdle for consultants that need to persuade buyers to outsource rather than continue performing a service in-house. However, existing buyers are more receptive to a continued long-term relationship with a seller when they perceive switching costs to be high.

Making Diversity, Switching Costs & Perceived Risk Work in your Favor
Buyers are much more likely to form a lasting relationship with a seller when there is; greater diversity among products/services in a class, a higher perceived risk; and a higher switching cost. These three factors are not always independent. When it comes to expensive and complex products and services, the mere existence of a wide range of choices will equate to high switching costs in the minds of buyers.

About the Author

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