

# Timely exchange in a highly competitive market

[Technology](#)



Transactional (timely exchange of products and services) Value-added (falls between transactional and collaborative) Collaborative (alternatives are less, complex purchases and high prices) Transactional: Timely exchange of g/s in a highly competitive market in terms of prices. Autonomous, no/little concerns towards the need of customers or sellers. The relationship ends once the purchase is done Types of products- packaging, cleaning products or commodity products where bidding is involved Collaborative:

Occurs when few alternatives are present and involves complex purchases. Prices too are high. Switching costs are very high and extremely important to collaborative customers. This is because the organizational customers invest in their relationships in the following areas: Money People Training costs Equipment Procedures & Processes The needs of both the customer as well as the seller is taken care of. Trust and commitment are the key factors In such a relationship and they exist when one party has complete confidence In the other partner's Integrity and ability.

Egg: IBM/GE/ Intel/ DuPont- Sucrose, etc. In case of high tech IT products, collaborative relationship can be very beneficial. It focuses on joint problem solving and resource sharing. Value drivers in Collaborative exchange: Value creation through core offerings- direct cost, delivery performance Value creation within sourcing process- acquisition cost Value creation at the customer level of operations- ops In order to achieve the key supplier status In collaborative exchange, one must- Target the right customer

Match with their purchase requirements Develop strategies to build trust and commitment in order to reduce the perceived risk in the minds of the buyers.

Value-added In-between transactional and collaborative. They are those businesses which apart from just attracting customers also try and retain customers by: Providing additional services Developing customized services according to customer needs Provide incentives to the customers on a regular basis to retain them Egg: Tate & Lyle and foodingredients The buyer seller relationship depends mainly on:

Market conditions- Highly volatile/ less alternatives go for collaborative, Low prices/ low complexity go for transactional o/w collaborative Improving transactional customer loyalty: Adopt differentiation strategy- this strategy suggests that the value created to the customers which is measure by high margins and sales should exceed the cost involved in creating and delivering the customized product/ services. Adopt activity based costing- BBC is a method that allocates the cost of performing various service to each customer.

This will enable the firms to accurately identify who are the most profitable customers. The whale curve which is the result of BBC tells that 80% of sales revenue comes from 20% of the customers. The firms should therefore either retain the most profitable customers, convert unprofitable one to profitable or fire those who are not profitable. Managing unprofitable customers- Reduce cost to serve Increasing profitability- life time value All this can be done through adopting the right CRM strategy The CRM strategy: Acquire the right customers