

Building Stronger B2B Customer Relationships

Unlocking Value through Strategic
Supplier-Customer Collaborations

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Industrial and B2B companies have traditionally excelled at extracting the maximum possible value out of capital assets, such as their production and distribution infrastructure. There is, however, an opportunity to bring this focus to a different type of critical asset: their relationships with their largest and most valuable customers.

These relationship assets are potential sources of transformational growth. Think of iconic examples such as Corning’s collaboration with Apple on impact-resistant glass or Alcoa’s work with Ford on aluminum truck bodies. These organizations took industrial innovation beyond better sameness by transforming their most critical B2B relationships. In every value chain, there is potential for supplier-customer collaborations that – if made more strategic – could capture substantial value for both parties.

Yet companies often erect formidable institutional barriers to more strategic collaboration. Many industrial supplier relationships can be adversarial in nature, characterized by intermediation, contentious price-centered negotiations, short-term focus, and a win-lose mindset. As industry ecosystems shift over time, this relationship model limits the potential for higher-value pursuits, relegating joint problem solving largely to tactical issues.

But a more strategic relationship model can help companies tap into attractive collaboration areas: joint product design for sustainability and circularity, operational complexity reduction, coordinated investments in capabilities or assets, jointly developed industry-level solutions, or global expansion. Such areas represent a potentially game-changing trade space. In it, buyers and suppliers may be more willing to exchange items like longer-term sourcing commitments, higher share of wallet, or increased product margin to gain benefits like net cost savings or critical enablement of their growth strategy.

Taking a “strategic relationship management” approach to transforming B2B relationships is an ideal way to unlock this latent value. SRM is a practical approach to continuously discover, develop, and maximize the value of customer and supplier relationships—and shift them from transactional to consultative and strategic. For many companies, this will require a shift in mindset, skillset, and toolset along four dimensions.

Four Dimensions of Strategic Relationship Management



1. Deepening Insight into Your Customer's Jobs to Be Done

To get started on SRM, companies need to develop hypotheses about where the most attractive value opportunities exist. This involves training strategy and account teams to look through a customer's eyes to better appreciate their most important threats and opportunities.

A unique lens to do this is the “jobs to be done” approach. It provides a method, mindset, and language to understand customer “jobs” — the problems they are trying to solve or goals they are trying to achieve—the circumstances in which these jobs are encountered, and the barriers preventing the customer from reaching those goals.

When applied to strategic customer relationships, jobs to be done helps teams identify or re-examine customer strategies as they become prospective collaboration partners. While identifying the job is in and of itself valuable, the uniqueness of jobs insights comes from identifying the barriers or circumstances that customers are facing in pursuit of their goals. Zeroing-in on the barriers or circumstances under which customers struggle to get their jobs done helps teams align on differentiated areas to bring value to a partner.

Like any other application of jobs to be done, it is important to recognize there are socio-emotional jobs as well as functional jobs. It's easy to focus on the functional jobs in most B2B relationships and lose sight of the fact that these types of relationships are the sum of a complex network of individual relationships. Even the most seemingly rational business decisions are influenced by social and emotional forces within this network. Key influencers and decision makers always have their own jobs to be done. Those influencers and decision makers are human beings with strong preferences to work with providers they know, like, and trust to help them accomplish their own personal and professional jobs to be done.

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The Alcoa partnership with Ford to create a lighter weight and more fuel-efficient aluminum F-150 truck demonstrates the importance of considering the full range of customer jobs. Ford itself had functional jobs such as “improve the fuel economy of our truck fleet given looming regulatory and consumer pressures” – as well as social jobs – such as “maintain the image of and sales associated with ‘Built Ford Tough.’”

Navigating this social job to be done likely required managing a complex network of individual relationships between Alcoa and Ford. And thus, despite uncertainty around the durability of aluminum, Alcoa, by understanding all these concerns and intents, brought new insight into the design and adapted materials to meet Ford's needs and create a “military-strength” aluminum body with its Micromill technology. All this while competing with multiple materials manufacturers, which had contending solutions based on light-weight steel and carbon fiber.

The insights to better understand customer jobs likely already live in most organizations. Sources for insight range from your salesforce, direct customer interviews, account plans, and strategy documents. What jobs to be done provides is a different lens to describe and discuss a strategic customer's intent.

For one industrial supplier, the jobs lens helped a team crystalize and align that a strategic customer had an important and unmet job around “ensuring security of supply.” This was, of course, a functional job for the organization. It was also closely tied to socio-emotional jobs of the key stakeholders who were on the hook for how they successfully achieved security of supply. In discussions, they kept hearing concerns about access to a set of proprietary IP-protected materials and being sole sourced in light of supply challenges. Jobs provided the team with language to align on the customers' intent and a specific job and barrier for which to design solutions.

2. Opening Up New Ways to Create Value



Armed with deeper customer insights, companies can pursue an expansive assessment of all the potential ways of creating value that would be meaningful to both parties – beyond products or technologies. This assessment should be grounded in a clear inventory of the capabilities that a company has, which even if not traditionally part of their offering today, could be clearly valued by customers.

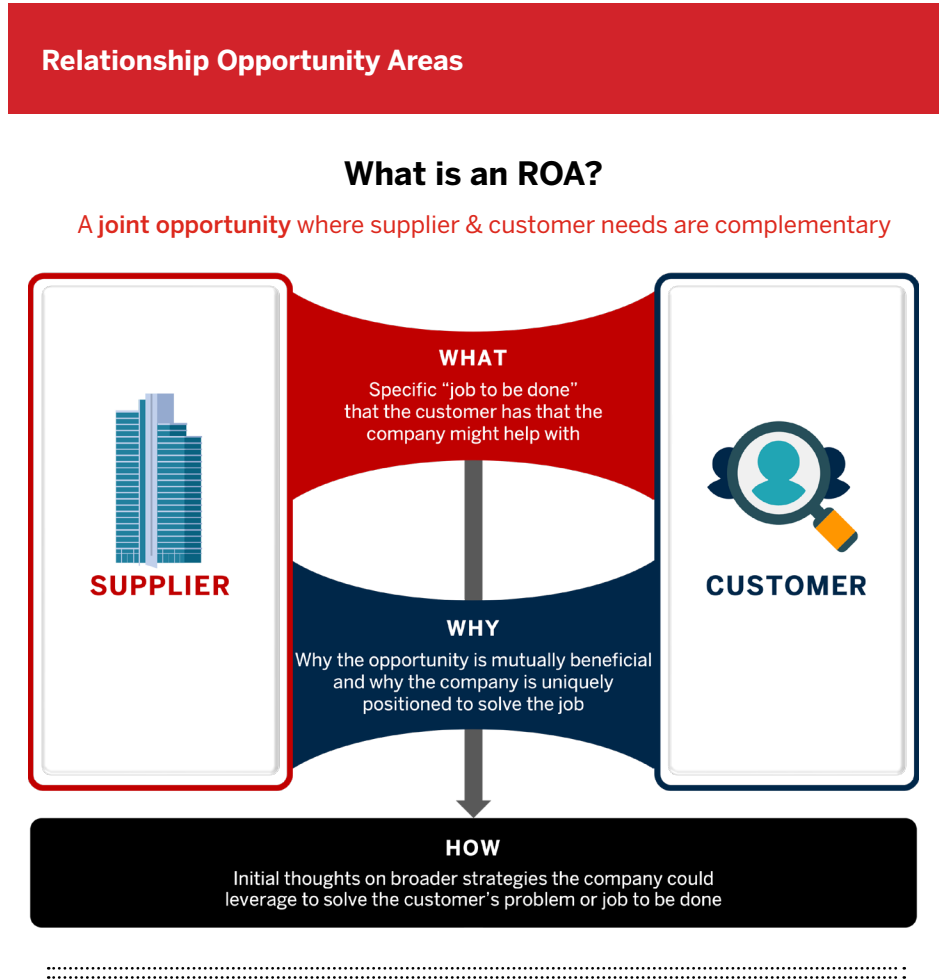
Companies can identify a more expansive set of capabilities by looking at two areas. The first is core capabilities that can be adapted towards new problems.

For example, a chemical company we advised had world-class material scientists and engineers who traditionally focused on improving the performance of their core products to maintain and extend premiums derived from technical leadership. As part of the SRM process, the chemical company identified that their customers were struggling to commercialize new technologies in their own end-use markets as the rate of new technology adoption slowed.

Customers thus focused less on big breakthroughs and more on incremental improvements along a wider range of performance dimensions. The company realized that those same scientists and engineers could focus their efforts on a more modular set of inputs that were easier for the customer to integrate into manufacturing processes. These changes would result in significant benefits for the customer but had not been a historical focus of innovation both because the supplier didn't think it was in the business of “reducing operational complexity” and because there was no contractual way to get paid for that value.

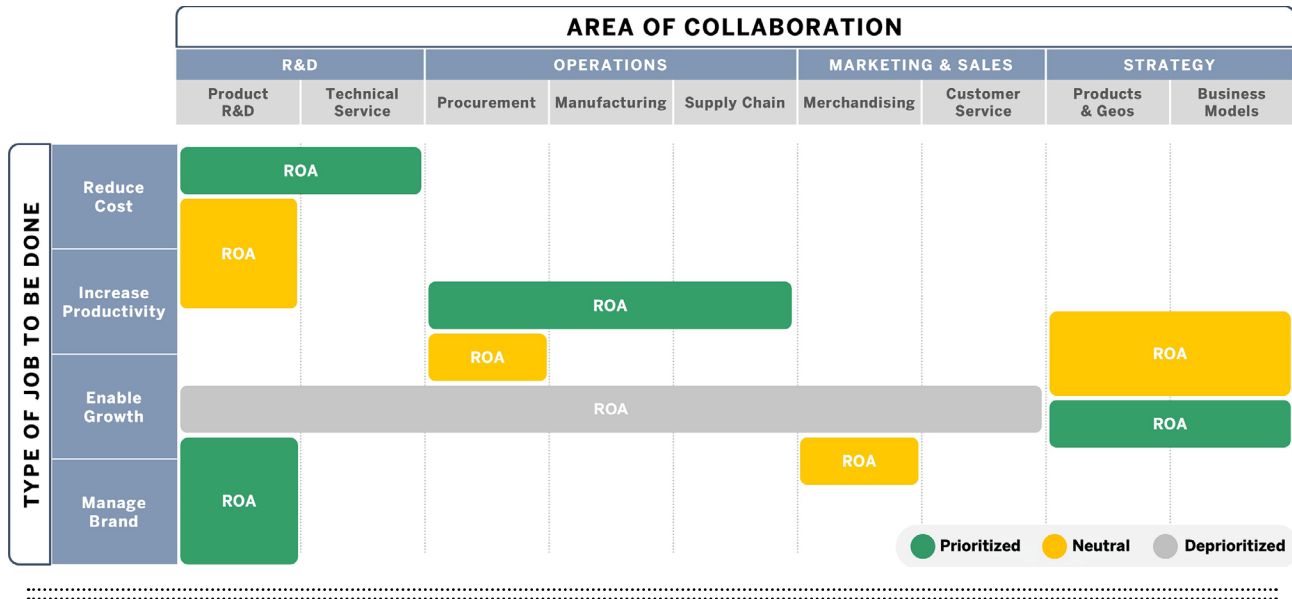
A second place to look for opportunity is in capabilities like managing inventory that have historically been internally facing but that could be “productized” or bundled into existing services to a customer. A materials company we advised, for instance, had a strong order management and forecasting system and leveraged it in SRM discussions with an important customer. They used this capability to generate insights about their customers’ orders that would net them cost reductions and that justified the value the company provided when negotiating contract pricing and product premiums. The company now routinely has operational reviews with their customer as part of their relationship.

Capabilities targeted at an important and unsatisfied customer job create the basis for new modes of collaboration. We describe these new areas for collaboration as “Relationship Opportunity Areas” (ROAs). When defining them, we find it critical to focus on “what” (the specific job to be done), “why” (why mutually beneficial and why the supplier is best positioned to solve the job), and “how” (initial thoughts on broader strategies the company could leverage to solve the customer’s job to be done). This ensures the joint opportunity is focused on the most critical shared strategic objectives.



It is often helpful to map out the landscape of possible ROAs to visualize how the company can help a customer. The map-matrix typically focuses on the business challenge (type of job to be done) and business area of collaboration supported for the customer (beyond the ones the company plays in today). For example, at the intersection of procurement and cost reduction jobs to be done could be opportunities for both companies to gain cost advantages on inputs they both buy, or in growth opportunity enablement there are likely joint opportunities for product or global expansion.

Collaboration Map Matrix



To remain customer-centric, we typically help companies build these from the customer’s point of view, keeping the customers’ strategic priorities front and center. This work equips the team with powerful hypotheses around significant win-win opportunities that can help to open the dialogue on a different footing than that which governs typical day-to-day interactions between customers and suppliers.

3. Establishing New Relationships

The roots of any B2B relationship are grounded in the relationships between individuals at both organizations. Transforming B2B relationships requires building new individual relationships, as well as taking existing relationships to new levels. A suppliers’ ability to address any identified ROAs is therefore a task that must be carried out by understanding and addressing the socio-emotional jobs of key customer stakeholders.

Creating a relationship map can be useful to outline both the current stakeholders a supplier is connected to and the stakeholders where there are no connections but would be valuable to access given the ROAs. A candid assessment of the relationship is also critical to identifying what kind of senior leadership involvement would be needed to gain support for the relationship reset. A realistic assessment of the strength of customer stakeholder relationships can be determined by the level of insight the supplier has into the jobs to be done of customer stakeholders.

One of the most significant barriers companies face when pursuing these more strategic relationships is when broader conversations are gated by key stakeholders in the customer’s organization. To address this challenge, a team then needs a well-crafted plan and engaged

senior leadership to overcome gatekeeping, leverage existing relationships, and ultimately open-up new ones with the stakeholders for whom the ROAs represent critical objectives.

For example, an industrial company we advised found themselves in two very different scenarios. It had identified two important accounts to develop into more strategic relationships. For one strategic account, the other party was willing to engage and had designated their own relationship strategist. Engaging this account in an SRM process was a matter of aligning on an approach and a mutual exploration of opportunity areas. On the other hand, a separate account had a relatively tumultuous relationship history, with challenges over the last few years, and recent leadership changes on both fronts. Making progress in this relationship required top-to-top discussions to create the opportunity to discuss ROAs with the right parties.

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One important element of preparing senior leaders for these conversations is resetting their expectations for what a more expansive relationship might look like. As a consequence of where they sit, many senior leaders are inherently primed to see the value in strong, strategic relationships

with large customers. However, they may have legacy biases that limit the potential the supplier is prepared to explore.

For example, one large industrial company we advised wanted to reset their relationship with a larger downstream partner and brought their CEO in to have a “top-to-top” conversation. The CEO was receptive to the effort, but her initial response was to showcase the company’s latest technical innovations, which was the historical source of value creation. Should they have gone with this approach, it would have simply reinforced the traditional mode of value creation (i.e., technical improvements to products) and missed an opportunity to signal interest in collaboration on new areas not tied to the existing product set. Instead, the account team convinced the CEO to discuss broadening up the aperture of areas the two companies collaborated on – and agreed to set up teams for joint exploration.

4. Engaging in Mutual Discovery and Development

With the groundwork laid, supplier and customer teams can work together to explore, validate, prioritize, and develop solutions. SRM ultimately takes shape as a sustained model of strategic collaboration that continually discovers and exploits these mutual opportunities over time.

This has implications for how companies organize internally to support a different type of relationship. For example, “account leads” often need to expand their focus from simply

being product experts and responsible for managing existing sales and support to more of a “relationship strategist” role. They need an ability understand fully the range of issues the customer is facing and to lead on a range of innovation types. This often requires different skills and support models such as shifting order management to more junior support staff or digital tools and any accompanying internal change management required to make evolving account support models effective.

In today’s business environment, characterized by unsettled macroeconomic conditions and the intensifying pressure of sustainability imperatives and digital disruption, making the most out of existing customers through strategic relationship management is a powerful way to unlock latent value.

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