

## VALUE-BUYING CATEGORIES OF CUSTOMERS<sup>1</sup>

Net Price	H I G H	4) "Loyal Friends" (suckers) <hr style="width: 50%; margin: 0 auto;"/> 3) Value Accepting "Customers"	High Personal Attention Buyers  (6)
	L O W	2) Cost-plus Contract Buyers  1) P.P.B.	Aggressive Value Buyers  (5)
		Low	High

**Cost to Serve**

1. Pure price buyers (P.P.B.) - 5-10% of all consumers fit into this category. Such a buyer would switch to an unfamiliar supplier for a slightly lower price. They either don't see, understand, or pay for "best value," or they reluctantly must buy by decree the lowest bid. Then, sell the person(s) who can understand/command "value."

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2. Cost-plus, contract buyers need no special or occasional services. They buy large volumes for commodity items on an automated, repeat basis. They may agree to long-term purchase arrangements with customized, simplified unbundled services.

3. Value-accepting customers are realistic about value and switching costs. It isn't their style to haggle, but they don't want to be excessively charged for their loyalty (#4). They need more services on a regular basis than (#2).

4. Loyal friends are almost extinct - our best friends who gave us 100% of their business for book price. They found out that we were giving it away to the price-buyers and aggressive-buyers and demanded a deal. They have become either (#3's) or (#5's) today.

5. Aggressive value buyers pretend to be price buyers to get-best value, all services, and low prices. Each time we give into them it reinforces their behavior to be even more aggressive the next time. If we have basic service brilliance, and if we can sell our service's total procurement cost benefits; then we can call these customer's bluff and convert them begrudgingly to category 3 buyers.

6. High personal-attention buyers (carriage trade) want high-fuss attention and will pay for it in higher prices and/or inferior execution of service. They are loyal to the people who have given them the most strokes, the longest ("We cost more because we are worth it" as a slogan that only rarely works in retail).

\*Most full-line distributors best serve categories 2 - 5, but they should know the difference between them and sell them differently.

<sup>1</sup> The four-square grid is adapted from an article entitled "Manage Customers for Profits (Not Just Sales)," by Shapiro, Rangan, Moriarty & Ross. Harvard Business Review, Sept.-Oct. '87, pp. 101-108.