

The Relationship Continuum

Proving the satisfaction link between firms, partners and customers.

By Brian Cooper and Joanna Matsis

In channel sales environments, a complex relationship exists across three levels of companies: a parent company, a partner and the customer. Understanding the impact that the partner has on driving customer satisfaction with the parent company is essential to establishing a sound relationship model in this business environment.

Taking this further, an analyst could determine the drivers of satisfaction for the partner and drivers of satisfaction for the parent company to assess which levers will most effectively improve customer satisfaction. Recent research has found that the parent firm-customer relationship dissolves when the partner-customer relationship fails to be very satisfying. This is compelling information that underscores the importance of managing the dynamics of the entire relationship continuum.

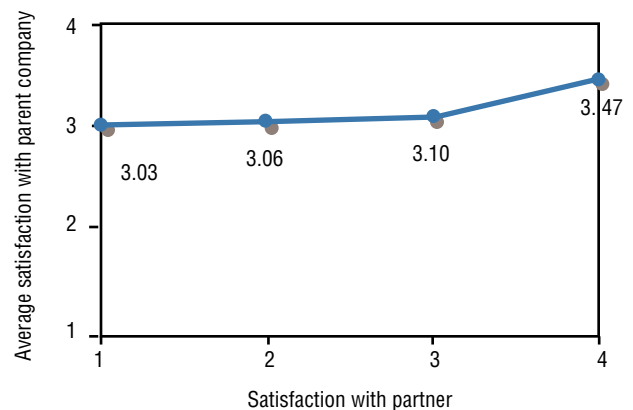
In order to examine this relationship, a major software company embarked on a customer-partner-parent satisfaction program and invited technology partners to participate in a fully automated and online customer satisfaction program. An online portal was developed that allowed partners to conduct their own customer satisfaction study at no additional charge beyond their annual dues for partner membership. Most of the questions in the study focused on the customer and partner relationship, but specific questions were asked to examine the relationship between the customers and the parent company.

This program allows partners to send their customer lists directly to the online, third-party system and bypass the parent company. In this way, partners can be sure their customer lists remain confidential. Furthermore, both the parent company and the partner benefit from this type of arrangement because the parent company obtains actual partner-level data at a reasonable cost and partners get a professionally written customer satisfaction survey at no cost.

In this study, 930 partners uploaded 89,432 customer records between January and March of 2008. At a response rate of 19.4 percent, 17,321 customers completed the survey across 34 different languages. Customers are generally managers or influencers of IT purchases at a company. Industries span all types, including government, finance, technology, manufacturing and so on. Using a partial least squares regression analysis ($r^2 = .541$) to examine the relationship across the continuum, it was found that partner performance contributed to about 25 percent of the satisfaction customers felt with the parent company. To be sure, the parent company's performance had an even greater impact, but partner performance could not be ignored.

Exhibits 1 and 2 illustrate the codependency that partners and parent companies have in generating customer

Exhibit 1 Partner/parent satisfaction





satisfaction. Exhibit 1 identifies various levels of customer satisfaction with partners (1=Very dissatisfied, 2=Somewhat dissatisfied, 3=Somewhat satisfied, 4=Very satisfied). It then plots this information against the average level of satisfaction customers indicate for the parent company at each level of partner satisfaction. For example, in Exhibit 1 customers who said they are very satisfied with the partner (a 4 on the x-axis)

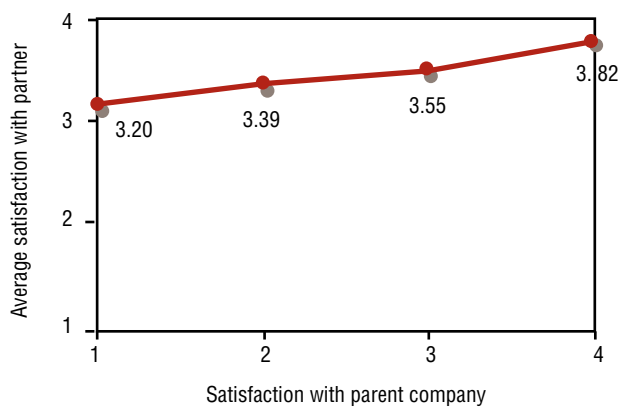
have an average satisfaction level of 3.47 out of 4 with the parent company. In Exhibit 2, the axes are exchanged but the concept is the same.

Results from this study demonstrate that customers must be very satisfied with the partner's performance to show a marked increase in satisfaction with the parent company (see Exhibit 1). These findings suggest that parent companies must encourage and support their partners to achieve very high satisfaction levels with customers in order to reap any rewards themselves. On the other hand, any increase in satisfaction with the parent company's performance—even among dissatisfied customers—benefits partners (see Exhibit 2). It can be concluded that partners will benefit from any level of increased satisfaction with the parent company, but the parent firm will only benefit if partners achieve very high levels of satisfaction among their customer base.

Researchers commonly look at several measures to define the customer relationship. Customer satisfaction, recommendation, ease of doing business and others are frequently examined to determine the health of customer relationships. In some cases, a composite of various important metrics is used to predict whether relationships are likely to be maintained or if there is a risk of defection.

The study in question uses such a composite score to measure customer loyalty. It consists of a combination of customer satisfaction, potential recommendation, potential

Exhibit 2 Parent/partner satisfaction



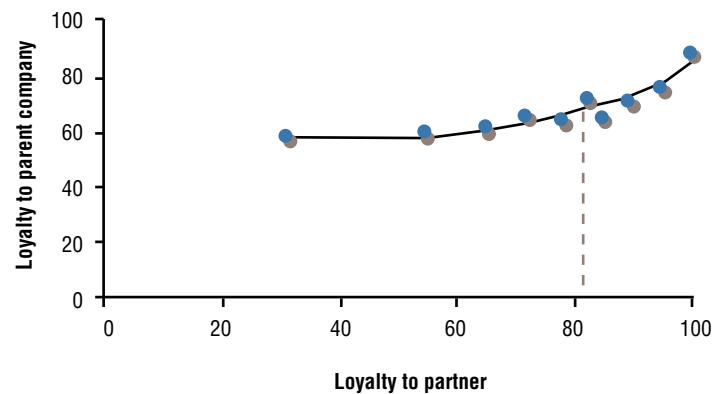
Executive Summary

A strong relationship exists between partners and their parent companies when it comes to customer satisfaction levels. The study discussed here shows that successful channel-based organizations can drive customer satisfaction across the relationship continuum.

repurchase and the perceived advantage of using the company in question over other competitors in the marketplace. This “loyalty score” has a minimum of 1 and maximum of 100. According to customer responses, partners must achieve customer loyalty levels of roughly 80 or higher in order for the parent company to experience increasing returns to scale of customer loyalty (see Exhibit 3). This suggests that customers who are less loyal to partners are also less likely to continue their relationship with the parent company.

Results confirm that parent companies have a vested interest in ensuring that customers maintain a healthy allegiance to partners. As partner performance dwindles, the parent company’s reputation suffers through association with the partner because the partner offers the parent company’s products and

Exhibit 3 Customer loyalty



services (see Exhibit 4). This compelling information further underscores the significant links within the customer-partner-parent firm relationship continuum.

Leveraging Relationships

The study discussed here identified two important results for this particular company. First, it illustrated the large impact that the partners had on driving overall satisfaction for

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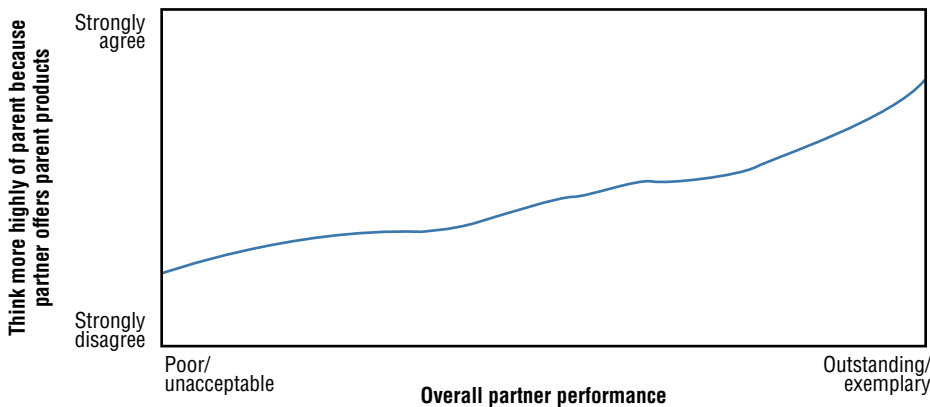
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Exhibit 4 How partner performance affects parent reputation



This can be done with various driver analyses techniques. This will help the organizations understand what can be done to most effectively improve loyalty for both the partners and parent.

There is a strong relationship between partners and parent companies in a channel sales environment. While much of customer satisfaction is dictated autonomously, this study shows that successful channel-based organizations drive customer satisfaction across the relationship continuum. An effective channel relationship research effort will help to mitigate customer pain points, leverage current strengths and identify new opportunities. ●

the parent company. Further, it demonstrated the strong linear relationship in driving customer satisfaction for both the parent and the partner organizations.

Additionally, with an appropriate set of attributes to cover partner business models, the organizations can discover which elements of their business effectively drive customer satisfaction for both the parent and partner organizations.

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