

# About Customer & Supplier Relationships: Giving and Receiving in Everyday Life

By Rainer Busch

## Foreword

The idea for this article was generated by consulting assignments involving problematic customer & supplier relationships. However, rather than presenting a case study, I decided to explore the theme of customer & supplier relationship in a broader context. The purpose of this article is to stimulate and generate discussion about how we, as individuals, behave as customers and suppliers in everyday life.

## Introduction

There appears to be a prevailing attitude in the market place that groups customers and suppliers into opposing camps. We are being told that as customers we demand greater choices and better deals for products and services. This attitude is being used as justification by many businesses to 'squeeze' their suppliers to breaking point. In this article I will argue that all of us act in roles of customers and suppliers interchangeably and that there is no 'us and them', only 'us'.

## The 'Customer' Perspective

The Australian Oxford Dictionary defines 'Customer' as "someone who purchases goods and services." However, I feel that in today's context, this definition is too simplistic. A customer today is not just a person who purchases goods and services, but effectively anybody who takes or receives something. *(Example: A recipient who draws social services from a government agency or a charity is as much a customer as someone who buys a loaf of bread from a shop).* - Customers could also be called 'Takers' or 'Receivers'.

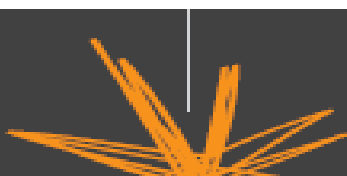
Everybody has needs and wants that arise as part of everyday life. In some way or another we are all continually 'taking / receiving' something. This essentially means that we are 'customers' all the time. We must 'take/receive' to satisfy our requirements. The multitude of different variations of products and services that is on offer is evidence of this.

Abraham Maslow grouped individual needs into what is known as 'The Hierarchy of Needs'. Maslow stated: "Man is a wanting being. He is never satisfied, he always wants and he wants more. .... Human needs constitute a hierarchy made up of five broad classes." He defined these classes from the bottom up as:

- Physiological (i.e. Food, Drink, Housing)
- Security (i.e. Personal Safety; Knowledge)
- Social (i.e. Friends)
- Esteem or status (i.e. Love; Admiration)
- Self-realisation or actualisation (i.e. Being who one wants to be.)

In order to satisfy our needs:

1. We recognise and work out what is needed.
2. We work out how to satisfy this need. *(Example: Once I have worked out that I am hungry, I know that I need food. I can now think about what I may want to eat.)*
3. We begin to communicate with others and start looking elsewhere if we are unable to meet our immediate needs with the resources available to us. *(Example: I may decide to go to a bakery and ask for a piece of my favourite cake.)*



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4. We must be prepared to give something in return for what we require - 'pay a price'. *(Example: I will give the baker some money in return for the cake. Alternatively the baker may just need someone to help him move a piece of equipment. I offer to help him and so he lets me have the cake in return.)*

As consumers we are responsible for defining and communicating what we want. We must also be prepared to give something in exchange and take responsibility for the choices we make. *(Example: If I cannot communicate to the baker what I want, she may either not give me anything or may give me something I do not want.)*

## The 'Supplier' Perspective

The dictionary defines 'Supplier' as "one who supplies something (needed or useful)." Another name for supplier could also be 'Giver' or 'Responder'. We all give something as part of everyday living. However we may not realise we are doing this. *(Example: If someone gives us a smile we may smile back.)*

Most suppliers tend to take the following steps to satisfy customer needs:

1. Market and advertise goods and services that customers may need.
2. Communicate with customers to understand what their needs are.
3. Assess the ability and capacity to satisfy the customer's needs and make an offer.
4. Negotiate and agree with the customer on the scope of supply. (i.e. What are we prepared give? What consideration do we expect? What is the customer prepared to receive and give in return?)
5. Finalise the exchange.
6. Obtain feedback from customers to ensure that goods and services supplied were satisfactory and use customer feedback to improve goods and services.

Any exchange of goods and services for compensation (i.e. money) can only be completed if both, the customer and the supplier, agree on the exchange. Both parties must want to complete the transaction successfully. Without this 'goodwill' the giving and receiving process cannot be completed to the satisfaction of both parties.

*(Example: If I go into a shop and just take something without paying for it, there is no agreed exchange. The shop owner will be far from 'satisfied' and in the eyes of the law I will have committed the crime of 'theft'. So I would be 'a thief'. If caught I may have to give up some of my personal freedom by spending time in jail. – There is always a price to pay.)*

## The Customer - Supplier Relationship

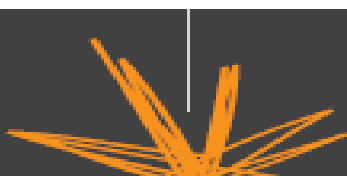
In line with the definitions listed above we can deduct that all of us are customers and suppliers as we go about our daily life.

Here is another example: *If we continue to plant and harvest vegetables in our garden and we do not return to the soil the nutrients this practice removes, our crops will lessen and the soil will eventually stop producing. - In an organisational sense this means going out of business.*

In a work situation we supply our labour in return for money and other benefits. This money is then used to obtain goods and services from other suppliers.

However, not all 'supply' is based on the exchange of money. Supplying love and understanding to our partners and children usually reciprocates their love and respect in return, etc.

The most important issue here is that for anything 'taken' something must be 'given' in return. - It is all about maintaining a balance.



## 'Giving and Receiving' in Business

To illustrate the flow of goods and services from suppliers to customers the term 'Supply Chain' is frequently used. The supply chain is usually depicted as a linear process with the supplier on one end and the customer at the other.

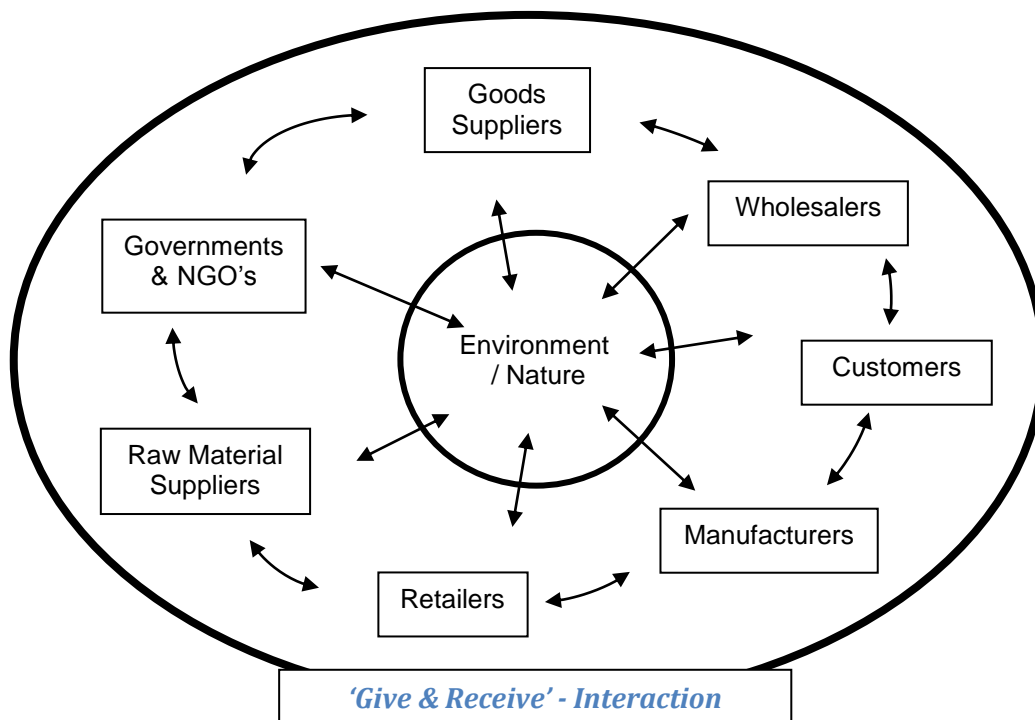
### Example 1:

Suppliers → Customers

### Example 2:

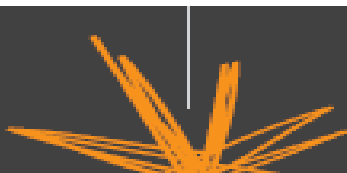
Raw Material Suppliers → Manufacturer → Wholesalers → Retailers → Customers

I want to argue that the 'Supply Chain' is a circular process where all 'Givers' and 'Receivers' are linked. In other words there is a connection between all participants, including nature. This may not be obvious when we first look at a business that we have no known connection with. However, upon closer examination, we will find that there is a connection somewhere showing that this business is part of our supply chain.



## Our part in the 'Supply Chain'

As suppliers are also customers it would make perfect sense to treat each other with respect and courtesy. (i.e. "Treat your suppliers as you would like to be treated yourself")



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Taken into a business context I believe that we must ensure that the demands we make on our suppliers do not exceed the demands our customers make on us. We must remain aware that our suppliers are also our customers, if not directly, then indirectly. - Unfortunately this is often forgotten. Businesses are made up of people. It is people and their goodwill and cooperation that cause the supply chain to work. Whilst we use money as the main means to facilitate the exchange for goods and services, the choices and goodwill of the people involved will ultimately decide if a transaction will be completed successfully.

Example:

*Let us assume a manufacturing company has various suppliers that supply components for the products it makes. In order to offer a competitively priced product the manufacturing company continuously applies pressure on its suppliers to provide components at a lower price.*

*This behaviour seems to be driven by:*

- *A fear that somebody else will offer cheaper products*
- *A belief that customers always want and will buy only cheaper products*
- *A desire by businesses owners and shareholders to generate ever-increasing profits*

*Let us further assume that the people at the manufacturing company use various tactics to avoid paying the supplier.*

*This may be done by:*

- *Not paying invoices on time (stretching payments well beyond agreed terms)*
- *Not paying invoices in full*
- *Making unjustified claims for discounts*
- *Demanding regular price reductions for no return*
- *Refusing to negotiate price increases that are due to events out of the supplier's control (ie. rise in global commodity prices)*

*This means the 'Giving and Receiving' process is now out of balance. As a consequence one supplier's business starts to suffer. It struggles to pay its people and suppliers on time and it has to defer planned investments into new technology. - Eventually the business fails.*

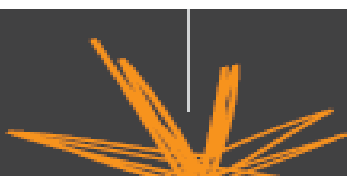
*If this happens it may cause the manufacturing company many problems. It will have to find another supplier, possibly at short notice, prepared to supply on the same terms. However, this may not be an easy task and, depending on the circumstances, could cause severe problems for the manufacturing company.*

Supplier's employees are of course also customers and suppliers in their own right. Some of their remuneration comes out of the money suppliers receive from the manufacturing company for components supplied. A percentage of employee's wages may in fact be used to purchase the products that the manufacturing company produces.

This example illustrates that whilst the effects on a manufacturer in the short term may translate into cheaper component prices that will contribute to cheaper products and/or higher profits, the long-term effects will be negative. If a supplier has to close their business their people will lose their jobs and they will no longer have the means to purchase products such as those supplied by the manufacturer. – Everybody loses.

Maximising a company's profits by 'squeezing' its suppliers can prove counterproductive.

## Conclusion



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A push for cheaper supplies and increased profits may cause a strong 'imbalance' in the supply chain.

There is a permanent connection between suppliers and customers. Whatever one does will have an effect on the other and therefore has an effect on the whole (i.e. all of us.)

Nobody can escape the giving-receiving process. Partaking is essential for life as we know it. The idea that somehow customers, suppliers and shareholders can exist in isolation is absurd. We are all participants in the same 'Giving and Receiving' process.

Our challenge as participants in the 'Giving and Receiving' process is to find and negotiate balanced, sustainable outcomes. Everything we require to satisfy our physical needs is ultimately provided by and/or taken from nature. This means we must take into consideration not only our needs as individuals, but also the needs of the environment around us. - We all have choices and we are all responsible for the choices we make.

When you next demand more from your suppliers please ensure that what you contribute in return is enough to keep this balance. - At the same time, if someone asks you to give more, ensure that you can actually sustain what you are asked to give.

### **A final note**

We are all guardians of the giving-receiving process and as such responsible to keep the process in balance.

*When all has been taken, there is no more to give.*

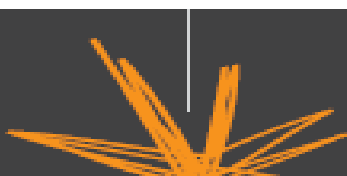
*When all has been given there is no more to take.*

Rainer Busch, January 2012

*Raidho Solutions assist businesses with harmonizing their customer – supplier relationships through effective contract negotiation, contract management and conflict mediation.*

#### References:

Maslow, Abraham, H.; (1954) 'Motivation and Personality', Harper and Row, N.Y.  
The Australian Modern Oxford Dictionary, 1998



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