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# Is Your Organization Reptile or Mammal?

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***When it comes to customer and supplier relations, some companies are like reptiles, some like mammals, and some haven't quite made up their minds. Jonathan Byrnes explains why you need to know the difference.***

**by Jonathan Byrnes**

When it comes to customer and supplier relations, some companies are like reptiles, some like mammals, while others haven't quite made up their minds. Let me explain.

Reptiles and mammals are fundamentally different in two crucial respects: reproduction and metabolism. First, reproduction. Reptiles lay dozens of eggs in the hope that a few will survive. Mammals, on the other hand, generally give birth to a few young and nurture them over a period of time.

**Reptile strategy**

Most companies have customer and supplier relationships that at their core resemble reptile or mammal reproductive strategies. For example, most catalog companies send direct mail marketing pieces to thousands of potential customers. They often work from purchased mailing lists of relevant magazine subscribers and other sources. If a company achieves a success rate of 2-3 percent, the investment usually pays off. This approach to the customer market is analogous to the reptile reproductive strategy: The catalog company touches thousands of prospects in the hope that a few will convert to customers. Think about classic door-to-door sales, auto dealers, and retailers.

On the supplier side, consider a company that sources most of its products from a network of alternative suppliers on the basis of bids. It might send RFPs to dozens of companies, or might simply source its products from online auctions and marketplaces. This transactional buyer behavior also resembles key elements of the reptile reproductive approach.

**Mammal strategy**

Look at the sales process in companies that have well-designed integrated account management systems. The best of these companies have carefully defined a hierarchy of customer relationships, ranging from arm's length to integrated operations, that they can develop. Their account managers, marketing managers, and supply chain managers work together to map the market. They have sorted current and potential customers using qualifying measures like potential margin, operating fit, and transactional versus relationship buyer behavior.

These companies have established account relationship migration paths in which they might engage a new customer with a core set of value-added services, and then progressively layer on other services to deepen the relationship if the account potential warrants. Through this systematic process, they develop and nurture deep relationships with the highest-potential accounts, gaining economies of scope in their account development efforts, while building barriers to entry through account knowledge, account trust, and the ability to manage change within their key customers.

This complex form of relationship selling over an extended period of time is analogous to the mammals' reproductive focus on essentially doing fewer things better. (For more on this, see my column "Account Management: Art or Science?")

**Vendor co-destiny**

Vendor co-destiny is a Japanese concept that represents the ultimate in mammal-like buyer-supplier relationships. This concept describes a relationship in which the supplier is treated as an extension of the buyer's company, and vice versa. These relationships are characterized by extensive information sharing, longer-term partnering, and a greater scope of products purchased from one supplier.

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In these arrangements, both customer companies and suppliers gain great operating efficiencies and quality improvements. Because each partner has a deeper knowledge of the other, and a lasting commitment to the relationship, each can adjust its business practices and even make long-term investments to accommodate the other's needs. In this way, they change the fundamental operating paradigm and cost structure of doing business together. Vendor co-destiny produces the ultimate win-win.

The potential hazard of vendor co-destiny, of course, is that a company "gets married" to a key business partner. This means that great care must be taken in both partner selection and in structuring the relationship. For example, contracts must be written to contain "migration out" clauses that specify how to unwind the relationship in a way that leaves both parties whole again if either party elects to withdraw. This ensures that the relationship remains in the best interests of both parties. Benefit sharing also requires careful thought. These are all solvable issues, and best practice exists to guide those companies interested in these relationships.

Vendor co-destiny offers a number of sweeping benefits, and manageable risks. In fact, McDonald's employed co-destiny relationships with its key vendors from the start, and these suppliers became enormously successful as McDonald's grew and prospered.

For more on this, see "Intercompany Operating Ties: Unlocking the Value in Channel Restructuring," a paper that I coauthored with HBS professor Roy Shapiro (http://web.mit.edu/jlbyrnes/www/publications.shtml).

**The platypus choice**

Think about Dell: reptile or mammal strategy? Dell might be described as the platypus of the customer relations world. A platypus is a mammal that lays eggs like a reptile, but in a very special mammalian way. The platypus usually lays two small eggs that stick to the fur on the mother's belly. When the babies emerge, they attach themselves to the mother's hairs, and the mother cares for them. The upshot: Don't be fooled by the eggs.

**Mammal-like strategies require more upfront investment, which takes energy, discipline, and organizational coordination.**

Dell conducts what appears to be a broad market outreach through mailings, advertisements, and Web site activities; in this respect, the company appears to have a reptile-like approach to market development. But when you look carefully, Dell is systematically and relentlessly mammal-like in its go-to-market philosophy. It does this is three ways.

First, Dell conducts a major portion of its business with large corporate accounts. In this set of business activities, Dell employs a classic mammal-like account management process like that described above. For example, with its largest customers, Dell establishes comprehensive intranet sites within the customers' businesses; these sites feature custom-designed configurations and other special features agreed upon with the account.

Second, through its pricing, Dell seeks relatively sophisticated repeat buyers who do not need extensive technical assistance either in the buying process or after purchase. Dell specifically prices its products above most competitors' products, and uses this pricing strategy to select the customers it wants. This pricing policy enables Dell to keep its customer service costs under tight control.

Third, Dell carefully analyzes its customer lists, looking for (1) buyers that fit the company's target profile, and (2) purchase patterns among the target customers. This information enables Dell to focus its direct mail activities on the customers it wants to keep, and to target offers to individual customers based on when they are most likely to buy.

There is an important lesson here. Most companies necessarily have some elements of broad outreach, or "prospecting," coupled with more intensive key account sales. What separates the successful companies from the unsuccessful ones in this area, however, is whether, like Dell, a company has made an explicit choice of which strategy will dominate its market development efforts. In the absence of this explicit choice, a company generally winds up in the untenable position of pursuing two fundamentally different go-to-market strategies, often with the go-to-market team similarly split and the two factions competing with each other for resources and attention.

**Metabolism: Who's in control?**

Reptiles and mammals differ fundamentally, in a second important area. Reptiles are cold-blooded. This means that they cannot regulate their internal temperature and must find environmental situations that enable them to survive. Picture the lizard sunning itself on a rock to gather energy to sustain its hunt for food.

Mammals, on the other hand, are warm-blooded. This means that they can keep their bodies at a constant temperature almost regardless of the environment. Being warm-blooded gives mammals more flexibility to do what they want when they want, but it requires a big investment in obtaining the additional food-based energy to fuel their constant internal temperature. Think of it this way: Cold-blooded reptiles are controlled by their environment, while warm-blooded mammals control their environment.

Here, the analogy to business shifts from company to individual, and offers insight into two classic forms of sales rep behavior. If you look carefully, you can see that some sales reps have more reptile-like selling strategies, and others are more like warm-blooded mammals in this respect. Some reps are relatively passive in market development. They send out general prospecting pieces, and find some accounts willing to buy. They may go for long periods of time in this transactional mode, probing the environment and happening on satisfactory situations almost by chance. Much like a lizard in search of a warm rock.

When these sales people find repeat buyers, they return to them time after time, spending their time chatting in generalities with the purchasers, "keeping the relationship warm," sort of like a lizard on a rock. This strategy has the inherent danger of leaving the environment in control of the sales rep's situation: If the purchaser leaves the company, or a competitor befriends the purchaser's boss, the relationship dissolves.

By contrast, other sales reps in other companies, or even in the same company, are much more mammal-like in their sales approach. They invest in developing ways to control their selling environment. They prospect vigorously for new accounts, and qualify them carefully to ensure that the reps' time is as productive as possible. When these reps land an account, they sell by carefully managing the customer's decision-making process in a way that inexorably increases their account penetration.

These proactive reps do indeed chat with customers in sales calls, but here ends the parallel with the less effective reps mentioned earlier. The reps with a mammal-like strategy are always listening for an opening in the conversation to improve their selling position, by (1) looking for an opportunity to suggest a new product, service, or further contact, or (2) seeking to understand how the customer's business is changing so they can position favorably into the change. When one travels with one of these reps, one can ask in advance about the objective of the sales call, and the rep's answer will be very specific and action oriented, not just "keeping the customer happy."

The mammalian sales approach takes a lot of upfront energy and investment of time, in terms of understanding the accounts, qualifying them carefully, discovering the "lay of the land" in the accounts, and thinking through how to penetrate and manage the customer's extended buying center. These reps often talk about the importance of studying a customer's purchases for clues on how the account's buying activities are changing. They always strive to deeply understand the customer's business, and to devise new ways to create value for the customer.

Like warm-blooded mammals, these reps are always investing in their ability to control their environment, rather than being controlled by it. Not surprisingly, they are always the most successful producers, with great results that endure even as their selling environment changes and evolves.

**Lessons for managers**
Here are three lessons for managers charged with overseeing or executing customer-supplier relations.

First, both companies and individuals with reptile-like approaches to business can survive, but they are at the mercy of their environment. Remember what happened to the dinosaurs.

Second, mammal-like strategies require more upfront investment, which takes energy, discipline, and organizational coordination, but both companies and individuals pursuing this approach gain control over their environment and earn the ability to create their own success.

Third, beware of not choosing. This dooms a company or individual to the worst of both worlds, not the best. While most companies necessarily have elements of both strategies, the key to success is to have clarity on the basic operating mode, and to drive all buyer-supplier activities toward consistency with this core operating vision. wK

See you next month . . . here and at my Web site!



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