

Handout 1 - Characteristics of three types of categorisation criteria

1. Customer outcome-based criteria

These are the criteria that come to mind first. They are generally;

- ‘Hard’ or quantitative factors, i.e. they can be unambiguously defined and objectively measured
- Outcomes that represent the business which suppliers like you could do with the customer, like:
 - purchases
 - margin
 - contribution
 - profit
- Factors that reflect the customer, independent of your company:
 - customer size/turnover
 - growth in customer’s markets
 - spend with any supplier on goods and services from the category into which they put your company

2. Customer needs-based criteria

Customer needs-based criteria suggest the likelihood that your company in particular will retain the business, and are therefore:

- Aligned to your company strategy specifically
- Representative of the chance to your company securing and retaining the business (because your strategy will be aligned with the customer and you will be differentiated and supportive of their strategy)
- Qualitative but should be quite specific and are still measurable
- Factors that reflect your strategy, and are therefore different for each supplier; examples are:
 - global pressure
 - dedication to compatible platforms
 - importance of low customer churn in their business

3. Customer attribute-based criteria

Customer attribute-based criteria represent what the relationship might be like, and are therefore:

- Indicators of whether the business will be successful and profitable
- Perhaps ‘softer’ than either of the other two categories, but can still be quantitatively assessed
- Factors about how the customer may behave in relationships (which is not necessarily the same as in the relationship you have with them currently), like:
 - central decision-making structure
 - right attitude to relationships
 - prepared to pay for value
 - prepared to invest in relationships