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The friend or foe fallacy: Why your best customers may not need your friendship

Frédéric Dalsace [a], Sandy Jap [b,*]

[a] HEC Paris, 1 Rue de la Libération, 78350 Jouy-en-Josas, France
[b] Goizueta Business School, Emory University, 1300 Clifton Road, Atlanta, GA 30322, U.S.A.

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Abstract Organizational transactions are handled along a continuum of the firm's customer relationships, ranging from relational and friendly to more adversarial and us-versus-them in demeanor. For top customers, the approach is almost always close and relational. In this article, we question this view and suggest that it is beneficial to condition the firm's relationship development efforts on an understanding of the true value to be gained from partnering and increased closeness. We provide a framework with which managers can diagnose their current portfolio of relationships with key customers or suppliers and offer suggestions for action. We provide an empirical illustration of the typical distribution of responses among five regions of the framework and discuss its implications.

1. To friend or not to friend?

"Get closer than ever to your customers. So close that you tell them what they need well before they realize it themselves."
— Steve Jobs

"Spend a lot of time talking to customers face to face. You'd be amazed how many companies don't listen to their customers."
— H. Ross Perot

"Every great business is built on friendship."
— James Cash Penney

"There are no traffic jams along the extra mile."
— Roger Staubach

It is a truism that firms should treat their best customers well, and so it is not surprising that salespeople will work to develop close, collaborative relationships with them (Verhoef, Franses, & Hoekstra, 2002; Yim, Tse, & Chan, 2008). Time is spent wining and dining customers, taking them to major sporting events, exclusive resorts, and

* Corresponding author
E-mail addresses: dalsace@hec.fr (F. Dalsace), sjap@emory.edu (S. Jap)

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treating them to other premium experiences in order to create friendly, relational exchanges marked by trust, rapport, and other social linkages as recommended by the existing literature. This is where we beg to differ.

In this article, we make the case that not all of a company's best customers need or require a close relationship. Recently, a group of marketing academics (Bettencourt, Blocker, Houston, & Flint, 2015, p. 99) found that "contrary to the widely held use of the relationship metaphor in business, customers do not actually want interpersonally meaningful relationships; in fact, these are often viewed with cynicism and are seen as a burden." The authors conclude that what customers really want instead is for a business relationship that will help them grow their value and identify new sources of revenue growth.

From our perspective, developing strong interpersonal relationships with customers does not make sense for another critical reason: A sales representative's time and effort spent to build, cultivate, and create such relationships are scarce resources. As such, valuable bandwidth may not be allocated optimally. Managers must ask themselves: Do you know whether your customer relationship development efforts are optimal? Many firms go to market with a relationship-building approach. Some firms call their sales reps 'relational managers' instead of salespeople and regularly reinforce the need for better relationships with customers.

Consider the example of Jeff, a sales rep at a transportation company. When asked how close his relationship was to one of his top customers (using a scale where 1 = not at all close to 7 = very close), he proudly revealed that the relationship was now a 6 through his efforts; prior to his taking over that customer account, the relationship scored a 1. But as we walked him through our framework, the analysis clearly revealed that there was no long-term value to be gained or made with this particular customer. In fact, Jeff would have been better off allocating those efforts to a customer relationship where partnering value truly existed. The firm also would have been better off if Jeff had focused less on building a social relationship with this customer and more on working to create greater transactional efficiencies and sales volumes instead. In other words, the fallacy of close relationships—believing that it is always better to have such relationships than not—can lead to enormous opportunity costs on two fronts: We fail to spend those efforts on more deserving customers and we focus on the wrong things with those customers we do target.

Not all best customers are equally worthwhile as potential friends or close partners (Mende, Bolton, & Bitner, 2013; Palmatier, 2008). However, this does not have to mean that they should become foes, either. We call this syndrome the *friend or foe fallacy*, which implies that customers should only be one or the other. We believe that this perspective negates the possibility of a strategic decision not to invest in customer relationships: In order to avoid becoming a foe, managers and reps become the customer's friend, even if this is neither necessary nor warranted. Transactional relationships are built on efficiency—the development of stable, predictable routines that enable exchange with minimum effort, monitoring, or the need to wine and dine the partner. Each partner is free to pursue other profit-maximizing opportunities. This is a viable long-term equilibrium and does not necessarily have to imply that partners are competitive or combative; the focus in transactional relationships is not on pie division and fighting over the size of shares, but on executional efficiency at minimum cost.

We have spent the last 2 decades studying the role of interpersonal relationships—the 'soft stuff' of how firms buy and sell with each other—within the hard, economic realities of business. And while there is significant evidence that close relationships between firms and their best customers can expand the pie of benefits for buyers and sellers (Jap, 1999, 2001), we have also found that a one-size-fits-all strategy in which sales reps strive to develop warm interpersonal relationships with all their best customers can in fact be economically irrational (Buvik & John, 2000; Godfrey, Seiders, & Voss, 2011). This cannot be a winning strategy. In most organizations, the decision to develop customer rapport is just a function of the specific personalities of key decision makers on both sides (e.g., sales managers, chief purchasing officers). Some are friendlier than others, which makes doing business easier and more pleasant than with others (Mende et al., 2013). However, this approach may not always translate into sources of growth or profitability.

We propose a cold calculation that systematically considers not just where the relationship is on the spectrum currently (e.g., high or low rapport), but where it should be. Ultimately, our goal is to help sales forces determine whether and when they should be building rapport and close relationships with their customers and how to position those relationships where they should be. Money should neither be left on the table nor blindly wasted. We begin by first talking about how the partnering engine works before providing a framework for how organizations can determine whether their customer strategy is pursuing a fallacy.