

The Buy-Sell Hierarchy: Understanding Customer Relationships

Miller Heiman Company White Paper based on their book [The New Successful Large Account Management](#)

Whatever your industry, you want your customers to look to you – and not your competitors – to meet their needs. At level 5 in the hierarchy, your customers see you an essential business partner. For this to happen, you first need to think about the relationships that you have with your customers. For example, do they see you as one of many potential suppliers, or as a business partner who they rely on to solve strategic issues? Do you listen to their needs and work hard to meet them, or do you just offer them products that meet a basic specification?

In this article, we'll look at the Buy-Sell Hierarchy. This model helps you explore the relationships that you have with your customers, and, in particular, think about how closely you work with them. We'll then look at how you can use the model to build more strategic relationships.

About the Tool

Consultants Robert Miller and Stephen Heiman developed the Buy-Sell Hierarchy, and explained it in their 2005 book, "[The New Successful Large Account Management](#)."

The Buy-Sell Hierarchy, shown in figure 1, below, features five levels that represent an increasingly strategic collaboration between yourself and your customers.

Figure 1 – The Buy-Sell Hierarchy Note: The level is determined by the Customer's perspective, not yours.



From "[The New Successful Large Account Management](#)" by R. Miller and S. Heiman. 2006. Reproduced with permission.

At level 1, there's no collaboration between your organization and your customers. You provide a product or service that meets customers' basic specifications, but you may be one of many suppliers. Customers may shop around to get better support and service, and to meet more strategic needs.

You can move up the hierarchy by understanding more about your customers' needs, and by doing more to meet them than

your competitors do. For example, at level 2, you provide higher quality products and services. At level 3, your products and your services outperform others in the market.

By level 5, you and your customers are strategic partners: you understand their long-term needs, and you work together to meet them. Most importantly, your customers recognize that you're a key partner, and that you're indispensable to their growth. Clearly, this is a great place to be!

The Five Levels

Miller and Heiman point out that it's your customers who ultimately decide which level your organization has reached in the hierarchy. However, you can still make your own assessment of your customer relationships.

Below, we outline the characteristics of each level of the hierarchy. Use these to think about your customer relationships, and then apply the approaches identified to move to higher levels.

Level 1: Delivers a Commodity That Meets Specifications

At level 1, your customers consider you to be one of many suppliers. Your product or service meets basic specifications, and it's similar to those offered by your competitors.

There's little sense of a relationship at this level. You've likely won this account based on price or availability, which means that your position is not secure. If a competitor makes a better offer, your customers will switch supplier.

Level 2: Delivers Good Products and Services

At the second level, your customers see you as a supplier of "good" but not "great" products. You've understood some of their needs, you've gone an extra step to meet them, and they can see a tangible benefit to sourcing from you because of this.

However, you can't stay at level 2 for long. Once your competitors learn about the new aspects of your product, they'll quickly follow suit. These features will then become industry standards, and, without further innovation, you'll be back at level 1.

How to Move to Level 2

To move from level 1 to level 2, you need to ensure that your products go beyond meeting customers' basic specifications.

- Conduct a **USP Analysis** to understand how you differ from your competitors in a way that matters to your customers. This helps you plan how you can make your product sustainably more attractive.
- Use **Consultative Selling** to get a detailed insight into how you can meet your customers' most complex needs.
- Apply **Kotler and Keller's Five Product Levels** to explore the full benefits of your product, and to understand how you can refine it to exceed expectations.
- Adopt a **customer service mindset**, and develop a passion for impressing your customers.

Level 3: Provides Dedicated Service and Support

Level 3 relationships are often based on customization or exceptional customer service. You demonstrate your commitment to your customers by investing a lot of time in your relationships, and by providing close personal attention.

However, competitors can still "up their game" and match your offering.

How to Move to Level 3

If you want to move to level 3, you need to meet customers' deeper needs. This could be through customization options, or through enhanced support.

- Use **Customer Experience Mapping** to understand in detail how customers interact with your organization, and to

make each experience as good as you can.

- Apply **Value Chain Analysis** to explore how you can create more value for your customers. Could you provide faster delivery? Free training? A quality guarantee?
- Use the **RATER Model** and **Kaizen** to measure and improve the service you offer.

Level 4: Contributes to Business Issues

Miller and Heiman describe the leap from level 3 to level 4 as "crossing a chasm." When you have a level 4 relationships, your customers see you as an ally who helps them solve business issues, and helps them be more profitable.

To reach this level, your customers must see the connection between your contribution and their success. For example, you may have worked with them to find solutions to complex problems, or helped them meet the needs of major clients.

Your customers are unlikely to want to work with more than one supplier at a strategic level, so, if you can reach level 4, your competitors will no longer pose a serious threat.

How to Move to Level 4

The jump from level 3 to level 4 is a large one. As well as understanding customers' concerns, you'll need to present practical solutions.

- Use the **Problem-Definition Process** and **Simplex** to explore, define and solve customers' problems.
- If you're working with a number of people at your customers' organizations, consider using group problem-solving tools such as **Hartnett's Consensus-Oriented Decision-Making Model**. This will ensure that everyone involved feels that they have input into the decision-making process.
- Focus on building solid, **trusting relationships** with clients, and always be worthy of their trust.

Level 5: Contributes to Organizational Issues

When you reach level 5, you've truly become your customers' partner. You work closely together to solve pressing organizational issues, and they see you as an expert that they can't do without.

At this level, you have an ironclad competitive advantage, because you provide solutions that robustly contribute to your customers' bottom line.

How to Move to Level 5

At level 5, you'll offer solutions to strategic as well as day-to-day issues.

- Make sure that you feel confident **working with senior leaders** at your customers' organizations.
- **Become an expert on your industry**, so that you can anticipate your customers' problems, and be ready to discuss solutions.

Key Points

Robert Miller and Stephen Heiman developed the Buy-Sell Hierarchy, and explained it in their 2005 book, "The New Successful Large Account Management.", "The model helps you assess how your customers view you as a supplier. You may fall into any one of the five levels that the authors set out, depending on how closely you work with your customers: Level 1: delivers a commodity that meets specifications. Level 2: delivers "good" products and services. Level 3: provides dedicated service and support. Level 4: contributes to business issues. Level 5: contributes to organizational issues. You can use the Buy-Sell Hierarchy to gain a sense of where you stand with your customers. This will help you strengthen the relationship, and add value, so that you all benefit in the long term.