

Problem Identification

Identifying the right problem is the most important step. If this goes wrong, how much ever well an analysis is done, adds no value.

But how do we identify the right problem(s)? This is where the interaction with business owner(s)/ contacts helps!

We (Aaditya & I) recently spoke to a few vendors who are into general trade. General trading almost constitutes 60-70% of the business in India. The problems indicated below are based on the frequency values.

1. Opportunistic behavior by employees, neighboring shops and business owners! Most of these businesses do not have formal contracts and tend to run on relational norms (shared expectations about each other's behavior). Since most of these employees work on daily wages, or do not have formal contracts- they tend to work for different shops and often work overtime. Employees often complain of unfair practices and lower salaries provided to them.

2. Price bidding to win a customer- In B2C especially, customers tend to be price conscious and keep switching. While financial bonding is not advisable, customers switch when they see a competitor offering lower prices. Extant literature by Stauss and Friege (1999) mentions that customer defection/ churn occurs due to five key reasons: 1. Defected due to pricing, 2. Defection due to better value, 3. Defection due to service failure(s) (unintentionally pushed away customers), 4. Built in house capabilities/ needs changed, 5. Not profitable customers (customers who have been intentionally pushed).

For those wanting to explore more on this: Stauss, B., & Friege, C. (1999). Regaining service customers: costs and benefits of regain management. *Journal of Service Research*, 1(4), 347-361.

3. Customers purchase on credit and repay in 5-10 installments. Sometimes even default- Most customers tend not to pay in time and purchases (especially in unstructured business) happen on a credit basis. Shopkeepers tend to be scared fearing loss of business. Especially the wholesalers who deal/ sell in volumes. While this cannot be avoided, it needs to be exercised with caution.

4. Presence of middlemen (agents) in the business- This cannot be avoided, given the geographic disadvantage/ unawareness of the producer(s)/ other factors. The agents are intermediaries

connecting the producer and the customer. They tend to take commissions, at times also exploiting the producer who may not be aware of the “true” market prices.

5. Suppliers supplier quality shirking practices- Customers and their clients tend to be impacted (Refer to the Type 1 and Type 2 error taught in stats. What are the producers and consumers risk here?). This results in negative inheritance of domino effect. When a failure happens upstream, it not only impacts the downstream, but also all the networks involved in the chain.

For those wanting to explore more on this: [Zhu, X., & Zolkiewski, J. \(2015\). Exploring service failure in a business-to-business context. *Journal of Services Marketing*, 29\(5\), 367-379.](#)

6. Unpredictable demand- This was witnessed especially during the Covid-19 pandemic, when it became difficult to predict the demand and supply.

7. Dependency- Lower availability of alternatives creates a dependency on a supplier/ service provider.

For those wanting to explore more on this: [Baliga, A. J., Chawla, V., Sunder M. V., Ganesh, L. S., & Sivakumaran, B. \(2021\). Service failure and recovery in B2B markets—a morphological analysis. *Journal of Business Research*, 131, 763-781.](#)

8. Poor work life balance. Working at odd hours. Experiencing mental health and related issues due to work-family conflict and or family-work conflict. This is inherent in every job.

For those wanting to explore more on this: [Chaker, N. N., Schumann, D. W., Zablah, A. R., & Flint, D. J. \(2016\). Exploring the state of salesperson insecurity: how it emerges and why it matters?. *Journal of Marketing Theory and Practice*, 24\(3\), 344-364.](#)

9. Unprofitable customers- buy volumes, but not profitable. You often find many such customers!

What we suggest: a) Retain your profitable customers, b) Convert unprofitable customers to profitable customers (From free to a fee- read the paper below), c) Fire customers who are not profitable.

For those wanting to explore more on this: [Mustak, M., Ulaga, W., Grohmann, M., & von Wangenheim, F. \(2023\). Free-to-fee transformation of industrial services. *Journal of Service Research*, 26\(1\), 21-43.](#)

10. **Loyalty is conditional.** Many customers tend to be price conscious. B2B customers need not be price sensitive!

For those wanting to explore more on this: Naumann, E., Haverila, M., Sajid Khan, M., & Williams, P. (2010). Understanding the causes of defection among satisfied B2B service customers. *Journal of Marketing Management*, 26(9-10), 878-900.

11. **Other factors** (Demanding bribes to issue licenses/ certificates, and other miscellaneous issues)

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