

HOW TO:

Increase your business

Trying to grow your business? Fine, but don't forget the customers you already have.

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The same factors of service that may have been important to your customer five years ago may be practically irrelevant today.

Many companies today spend a significant amount of energy trying to increase the size of their business. At the same time, few give as much thought to the satisfaction level of their current customers. What many companies do not realize is that the same changes in approach that will increase the satisfaction of their current customers will usually be the key to growing their business with new customers.

Although there is no magic formula that is right for every business, the following five steps can help any business increase customer satisfaction and thereby contribute to growth. Think about your customers and how these simple steps can be applied to your business.

1. Understand changing customer expectations

Successful companies consistently meet or exceed their customers' expect-

tations by understanding those expectations and using that understanding to establish operational goals and customer service targets.

Both business and consumer customers today have changing expectations regarding business relationships. The same factors that may have been important to the customer five years ago may be practically irrelevant today.

One example of this is the shift in the relative importance of service vs. price. Many companies have witnessed a downward shift in a customer's level of service expectations in return for an expectation of lower prices. This is often referred to as the "branded commodity" phenomenon and has been driven in part by the increasing number of customers devoting more and more purchasing dollars to online shopping (or at least pricing). This is forcing many companies to consider introducing a two-tiered pricing system, with different pricing for high service and low service ("cash and carry") customers. *The danger to com-*

panies during this shift is holding on to the assumption that what customers wanted yesterday is still what they want today.

Businesses should study the expectations of both existing and potential customers. The following are examples of areas that should be considered when developing a core set of expectations for various customer groups.

Price. Does the customer expect the low-cost leader, or are they willing to pay a premium based on additional value provided to them?

Service. Does the customer expect a great deal of service both before and after the sale, or are they interested in a more self-service model?

Sales process. Does the customer prefer to do business with a sales representative or would they rather conduct transactions over the Internet, fax or phone?

Note that these are only a subset of the many categories of expectations that

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you should consider when attempting to create an overall view of a customer's expectations.

When businesses deal with customers in both the business and consumer markets, it is critical to understand their differences in expectations. Then it is possible to customize offerings and set product and service attributes to meet the needs of each distinct customer group. For example, a business customer may expect a much higher level of product availability and quick delivery time, whereas a consumer may expect a high level of service and a simple transaction process. Whatever the differences, companies must focus on delivering products and services that meet the expectations of each customer or customer group.

- Do you understand what is changing in your current and potential customers' expectations?
- Have you changed your offerings to respond to those needs?

2. Define value through the customer's eyes

Once you determine what customers expect, it's equally important to place a value on those expectations. Value comes in many forms and varies greatly from customer to customer. *Many times what you perceive as the most value-added aspect of your business is not the same as your customer's perception.*

For example, many studies consistently show that companies overestimate the importance of price in customer's expectations and underestimate the value of other aspects of the product or service. The reason, perhaps, is that when new prospects decide not to use your products or services or established customers leave, it is far easier to explain their decision in "your price was too high" terms rather than go into the details of how you failed to meet their other service expectations.

Did you know that all your products and services are not equally important to your customers? To understand this concept, we will revisit the tried and true 80/20 rule of business. Businesses need to focus on defining which 20 percent of products or services provide 80 percent of the value to customers. When asked, your customers will readily tell you those things you do that add real value. Spend your energy improving those "critical 20 percent" services and



You've made the sale. Now it's time to follow up. Not doing so is one of the quickest ways to lose your customer to a competitor.

spend less time on the "trivial 80 percent" of services. *Understanding and exploiting differences in customer value perceptions is the most effective way to differentiate yourself from your competitors.*

Understanding this 80/20 principle will also help you prioritize objectives and investments towards increasing business in the most value-added areas to both you and your customer.

- Do you understand what your customers and prospects value the most?
- Are you focused on improving and expanding the "critical 20 percent"?

3. Target your customers

Did you know that not all customers should be equally important in your planning? The 80/20 rule states that 20 percent of a company's customers deliver 80 percent of its business profits (note that we are talking profits; many customers drive volume but not profits). By evaluating your current customers with this method, you can determine which customers provide the most value to your business and therefore should receive special time and effort.

First, you must calculate your total cost of servicing customers and then allocate those costs back to individual customers or customer groups based on time and energy spent (not allocated on the percentage of sales). Subtracting this from gross margin per customer will yield net profit per customer, which should be the basis of your efforts to target customers or customer groups.

Once you define which customers or groups of customers drive your profits, you can identify the things these customers value (see above) that makes them willing to pay a premium. Then focus your energy on providing more of those kinds of services and attracting more of those kinds of customers.

- Have you identified which customers drive your business success?
- Do you know why they buy?
- Do you spend extra time with your most important customers?

4. Follow through with your customers

Many companies put far more focus on getting the sale than on delivering on the details. One of the most frustrating experiences for a customer is a lack of follow-through once they give you their business. Be it an employee arriving late for an appointment or not having all of the necessary equipment for an installation, these events leave the customer feeling like you have not followed through on your end of the agreement.

Lack of follow-through can be one of the quickest ways to lose your customer to a competitor. This issue is far more serious for service companies than for product companies. Why? Because if a product is defective the company can generally quickly replace it and manage customer fallout. But customers of service companies often view problems in service on a more personal level. They often feel as if they have lost personal

<u>Quality of Experience</u>		<u>Viral Marketing Result</u>
Great		← Unsolicited positive message
Good		← Solicited positive message
OK		← Neutral
Slightly poor		← Solicited negative
Poor		← Unsolicited negative

5. Reinforce and reward loyalty

One of the most valuable untapped resources that businesses disregard today are past customers. How often as companies do we really take the time to review our past business relationships to determine areas we are excelling in and (more im-

energy to maintaining existing relationships.

With the increasing level of competition and decreasing level of customer loyalty today, it is more important than ever to reinforce and reward these relationships. Through personal visits, phone calls, postal mailings or e-mails, you should actively work to find the best way to work with your customers. Using this feedback to evaluate and drive change in your organization not only creates a customer friendly organization, but also works to build a relationship where your customers feel that you appreciate them and that you are committed to making your business work for them.

The costs of losing this repeat business go far beyond the dollar value of the lost sale. They also include the marketing dollars necessary to acquire new business, the time and cost of a salesperson to replace the lost business and the intangible benefits of a satisfied customer.

Another major consequence, for good or bad, from repeat customers is

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time or energy that cannot be recovered or replaced by "making it right". Once you have wasted a customer's time, coming back and making it right often will not eliminate their frustration.

- Do you follow through on what you say you'll do?
- How do your customers view their experience with your company?

importantly) areas that we could improve on to better drive customer satisfaction?

Why do we disregard the returning customer? Although most of the time we don't consciously disregard this returning customer, we just get too focused on growing and expanding a business that we fail to properly devote an appropriate level of time and

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viral marketing. *Viral marketing* is the process of one customer passing on information to another customer, either positive or negative, about an experience they had with a company. In other words, word-of-mouth. Often, viral marketing can have a far greater impact on company sales and customer perception than any type of company marketing or sales program.

Think back in your own life to the number of purchase decisions, both service- and product-related, that you made based on the input of friends and coworkers. As the chart on page 35 shows, compared to positive experiences and messages, negative experiences more easily result in customers passing on negative messages. Companies who effectively execute follow-through and increase customer loyalty will have a far greater chance of benefiting from viral marketing.

By reinforcing and rewarding customer relationships of this nature, you not only improve customer satisfaction, but you also increase the

likelihood of additional sales to that customer. Use this "after-sale contact" with the customer as a means to explain and present new or updated product or service offerings. Many current customers are prime candidates for these additional offerings but do not actively pursue them on their own, either because they don't recognize the need or are not aware of their availability. If you don't take the time to present customers with the opportunity to purchase these offerings from you, then most likely it won't be long before your competitor does.

In summary, many companies overlook the opportunities of increasing business through current customers and, instead, are driven only by the acquisition of new ones. These current customers can provide a great deal of growth potential once companies better understand what they expect and how they can provide value to them. Companies that target those customers to which they can provide the greatest value while

maximizing profits within the "critical 20 percent" will be the successful companies of the future. In order to strengthen these relationships, companies must focus on consistent follow-through combined with a better understanding of how to increase loyalty within this core group of customers.

- Are you rewarding your customers for their continued loyalty to your business?
- Do your customers truly feel that you appreciate their business?
- Do you follow up to see if your customers have new or additional needs that you can meet?
- Do you remind them of your current services and introduce them to new offerings as they become available?

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