

BUSINESS IS A GAME OF TWO HALVES

Business is tough but it ain't complicated.

In fact, it's really just a game of two halves. In the first half, you take shareholder money and use it to create superior value for your customers. In the second half, you convert that value into cash. The object is to have more cash at the end than you did to start with. It's that simple!

I talk about creating value for your customers because that's what business is. It's the activity of creating value. Your customers don't want your products and services, they want the value they can extract from them. What value have you created for your customers? That's the question you should ask yourselves everyday because every day your customers ask themselves, "What has that company done for me lately?"

A customer is anyone who uses your product or service. To succeed in business you must convince the customers you deal with that you have created superior value for them.

Here are three steps for doing that.

1. Become customer driven.

If you agree that the main thing should be to have profitable customers who stay with you for a long time, you'll want to become customer driven. Most companies aren't. They are customer focused, not customer driven. Customer focused companies think their customers are important to their business but customer driven companies know that their customers are their business because without them they would have nothing. Customer driven companies therefore put their customers in the centre of their world. They learn as much about their customers as they can and they use this information to change the way they run their business. People who run customer driven companies know they must operate their business in a way that works for their customers, not a way that works for them.

In customer focused companies, people think about their customers. In customer driven companies, people think like their customers. There's a big difference between the two. If you think like your customer, then you would put yourself in your customer's shoes. Before you set any policy, before you spent any money, before you made any decisions, before you took any action, before you even opened your mouth, you would ask yourself, "If I was the customer, what would I want to see happen?" Then that's what you'd do. Would your customers have a different experience if your people (including senior managers) put themselves in their customer's shoes?

In customer-focused companies, staff are advocates for the company. When a customer complains, or offers a suggestion, staff will explain to the customer why things have to be done the way they are being done. But in customer driven companies, staff are advocates for the customer, they listen to what the customer has to say and then they pass that information on to their team leaders, managers and senior managers. And when they do, these managers don't take the view that this is just another whinging employee. They understand that they are effectively listening to the voice of the customer, and that's the most important voice in the company.

2. Create superior customer value.

People who are customer driven understand what drives customers, and what drives customers is at the heart of what business is all about. In a nutshell, business is the activity of creating value. That's what customers are buying. Your customers don't want your products and services; they want what your products and services will do for them. They don't even want quality. Quality is what you build in so your customers can take value out.

What is value? Value is not what people want, or even what they expect. Value is what people are prepared to pay for. Customer driven companies constantly strive to understand what their customers are prepared to pay for. Most of us,

however, don't know that. I once asked a senior bank manager whether his bank competed on price or on value. He said they competed on value. I then asked him what his bank had that their customers valued. "I haven't a clue," he answered. Most of us would have to say the same thing. But if you did know what your customers were prepared to pay for, and if you could segment your customers on this basis, just think how much easier it would be to develop new products and services, to price them, market them and even sell them.

Value can also be described as an equation: $\text{Value} = \text{Benefits} - \text{Costs}$. In customer driven companies, people use this equation to drive everything they do because they know their customers use this equation to judge everything they do. They understand, that to keep their customers for life, every contact their customers with them must leave their customers believing they got more benefits than they paid in costs. It's that simple.

The costs customers pay include more than the price. Customers pay three 'expensive' non-financial costs: time, effort, and emotional costs. If you want to increase the value you offer your customers, look for ways you can be quicker, easier to do business with, and more reliable and hassle-free. Benefits on the other hand, are solutions to problems. The more you understand the problems your customers are having succeeding in business, the more you will see opportunities to create value.

Remember, value is either created or destroyed. There is no intermediate position. If your customers believe they are paying more costs than they are receiving in benefits, you have created a value drain. This will significantly weaken your competitive advantage and it will affect what your customers are prepared to pay.

3. Convert the value in cash.

The first step to converting value into cash is to have the right view of selling. Selling is not persuading people to do something they don't want to do. It is giving them the opportunity to purchase a solution to a problem that bothers them. Selling the value you have created is your job. Remember selling is easy. The trick is getting a good price!

The next step is to sell what your customers are buying. Very few of us are doing that. Car dealers sell cars, mortgage brokers sell mortgages, and grocers sell food. Unfortunately, their customers aren't buying these things. Broadly speaking, there are two customer segments: business customers and consumers. Business customers are buying only one thing and that's profit enhancement. Businesspeople are in business to make money and they will only spend their hard-earned money if they believe that will help them earn more money. Therefore, anyone selling business-to-business should outline how buying their products and services will increase their customer's profitability. By the same token, consumers are buying lifestyle so anyone selling to consumers should describe how their products and services will maintain or enhance their customer's lifestyle. If they're not, they will be trying to sell something different from what their customers are in the market to buy, and that can be difficult!

Price is not the main issue. There is always something we are prepared to pay more for. That's why we shop at the dairy even though we know the prices are higher. Are you driving the cheapest car you could buy? Or living in the lowest priced house? Why would your customers think any differently from you?

There are no free lunches. Help your customers to understand that the problem they have is costing them money. Usually people forget that. When people look at the price of something, they say to themselves, "Will I pay that amount of money or will I pay nothing?" That's not the choice they have. The choice really is to pay that amount for the solution to the problem or to pay another (usually larger) amount because they have the problem.

Finally, show people that the cost of the solution is less than the money they would have to pay if they continued to have the problem. In reality, your product or service is likely to solve a number of problems for your customer. Make sure they understand how much money they will gain because you can help them solve all of these problems. Also, because you have done a great job of creating superior value, you will be fast, easy to do business with and reliable and hassle free. All of these will save them money. Make sure they understand how much they are saving.

In customer driven companies, people keep one idea in the forefront of their minds. They know that each and every one of them, each and every moment of each and every day, should treat their customers as if their future depended upon it.

Because it does!

