

CUSTOMERS ARE YOUR BUSINESS

*Customers are not important to your business; they are your business.
Without them, you would have nothing.*

The main thing.

Everyone goes into business to make a profit but what I've learned over the years is that if you want to make a profit tomorrow, the main thing today must be having profitable customers who stay with you for a long time. It makes sense, doesn't it? If you made money from every one of your customers, and if each one came back again and again you would have a very successful business.

There are only three ways to grow a business. You can acquire new customers, sell more to existing customers, or keep your existing customers with you for a longer period of time.

Most businesses use the acquisition strategy to grow their business. In a small country like New Zealand, in mature industries like most of us are in, and in the crowded and competitive market in which we all operate, this is the dumbest strategy to follow. Any prospect you have your eye on is likely to be happily doing business with one of your competitors. In that case, it will take a lot of time and effort, which means money, of course, to persuade them to switch their business to you. That makes the cost of acquiring that customer quite high. But it gets worse because in order to persuade them to switch, you're probably going to have to give them a discount or special offer which means the payback period for acquiring that customer will be longer. Often they don't stick around because now they are no longer with their traditional supplier, they are easily lured away by any other offer that's dangled in front of them.

The best way to grow your business.

The best way to grow your business is to keep your existing customers with you for a longer period of time. It costs less to retain a customer than to acquire a new one, they will be less price sensitive and they won't require a discount or special offer to keep trading with you. Besides, you can't use the strategy of selling more to your existing customers unless you keep the ones you have. But the biggest irony of all is that if you do such a great job of looking after your existing customers that they just love you to death, they'll run out and tell everyone how good you are, so you'll get new customers anyway.

Why is it that most companies do not understand that their best customer is the one they've already got? I think it's because they don't think about the lifetime value of their customers. Customers are not likely to buy what you sell just once in their lives. If you understood what your customers could be worth to you over 15, 20 or even 25 years, you might treat them differently. For example, a family of four or five is likely to spend \$250 per week in a grocery store. That works out to \$1000 per month, \$12,000 per year or \$240,000 over 20 years. Now, when's the last time you walked into a grocery store and they treated you as if you were worth one-quarter of a million dollars? If grocers started thinking about this, they might just change the way they run their businesses. For a start, the person who gets the best service might be the customer with a fully loaded trolley, not the person with 12 items or less!

Would anything change in your business if everyone understood the lifetime value of your customers?

Provide a great customer experience.

To have profitable customers who stay with you a long time, your goal must be to create the kind of experience that will:

1. Attract your customers to purchase your products and services.
2. Persuade your customers to pay the prices you need to charge for them to be profitable.
3. Encourage them to keep their business with you.
4. Interest them in buying more from you.
5. Motivate them to tell others about you.

The customers' reality.

Are companies both in New Zealand and around the world able to create that kind of experience for their customers?

The answer is a resounding, no!

Results from studies around the Western world show that large numbers of customers are very unhappy with how they are being treated. What is staggering is not what upsets customers but the number who are upset. For example, 90% of British consumers who made a complaint last year were unhappy with the way the complaint was handled. Another study showed that 82% of people who used a call centre said they had to wait too long. In that same study, 77% complained about having to repeat their story to different people, and after all that, 70% said they did not get their problem solved.

A global study showing that customer satisfaction with airlines is at a 15 year low and another British study where only one out of eight companies gave service their customers rated as excellent. Call centre customers are not that generous. In a recent study, not one customer surveyed said they had had an excellent call centre experience. Fifty percent described the service they experienced as poor or very poor. Companies appear to perform just as poorly responding to emailed sales leads. Fourteen percent of such emails are never answered, and the companies that do respond take on average four days to send a standard automated response.

A New Zealand banking survey found that approximately half of all bank customers had a problem with their bank last year. Only about half of these people thought it was worth complaining to their bank and of those who did complain, only 42% were satisfied with the way their complaint was handled. Indeed, at the time of the survey, 44% still had not had their problem resolved.

A New Zealand study by Rainger and Brunton¹, showed that 42% of New Zealanders changed suppliers last year because of poor customer service. More alarmingly, a significant percentage of customers said customer service is deteriorating in New Zealand. One customer was even reported as saying that the level of service is so bad that, "you can understand how people become violent!"

Today's customer experience

77% in the UK had a major problem with something they purchased last year.
50% in NZ had a problem with their bank.
48% of shoppers avoided a store because someone had told them about a bad experience they had had.
21% of shoppers complained about waiting too long to be served.
34% waited too long to pay.
90% in the UK were unhappy with the way their complaint was handled.
37% said they never had their issue resolved.
58% in NZ were unhappy with the way their complaint was handled.
44% said they had not yet had their problem resolved.
95% using a contact centre had to call back repeatedly.
50% said the service was poor or very poor.
82% said they waited too long.
77% had to tell their story over and over again.
70% said they did not get their problem solved.
14% of emailed sales leads get no response.
67% in the UK say service has not improved in five years.
30% in NZ say service has got worse in petrol stations and from local authorities.

Poor service results in customer dissatisfaction, defections and lower profits.

Companies should worry about these results because they affect the way people shop.

In the UK and USA, 50% of customers change at least one major supplier every year because of poor service. In the New

Zealand study by Rainger and Brunton, 42% of New Zealanders said they switched suppliers last year because of the way they were treated. When customers telephone a company and cannot get through, 31% hang up and try another company and 24% give up altogether. Poor experience with a contact centre caused 56% of customers to stop doing business with that company. In New Zealand, 25% of customers who had a bad service experience said they would never do business with that company again.

The experience customers receive also impacts on the bottom-line. Overseas research shows that there is a direct link between the quality of the service customers get and the prices they are prepared to pay. In New Zealand customer service expert Paul Linnell estimates that the problems Kiwis have with their banks puts 29% of banking customers at risk of defecting and thus creates a 23% drop in customer loyalty. This puts between 8% and 12% of a bank's profits at risk says Linnell.

The gap.

There is a gap between what customers want and what companies offer.

IBM research shows people want fast, friendly service that is personalised to them and delivered by people who know their stuff.

Research by the Public Trust shows that New Zealanders want to do business with companies that are honest, trustworthy and make them feel safe. They also want to do business with companies that respect them and put their interests first.

There is far more to service quality than most of us think.

Providing excellent customer service is rocket science! There is far more to being able to create a great experience for our customers than most of us think. Therefore we underestimate what has to be done. (See the speech outline: The key drivers of service excellence).

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 customers 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 customers' 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.

Sell what customers are buying.

Customer driven companies understand they should sell what 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 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!

Create superior 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 we build in so they can take out value.

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. I once asked a senior bank manager whether his bank competed on price or on value. I asked him what they 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 = Benefits – Costs.

Value can also be described as an equation: Value = Benefits – 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 have 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.

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.

Avoid the service trap.

In customer driven organisations, people aim to deliver more than great customer service. They even aim to do more than satisfy their customers because they know that even satisfied customers defect. Their objective is to make their customers successful.

Customers will tell you everything.

Competing in this crowded and competitive marketplace is not easy. And knowing what to do is not the same as knowing how to do it. In customer driven companies people may not know all the answers, but they know where to find them. They know their customers will tell them everything they need to know to be successful. They understand all they have to do is capture the feedback their customers voluntarily tell staff everyday. They listen to their customers, record their feedback, learn from it, and use these insights to change the way they run their business. Those wishing to go to the next level, develop a process for asking their customers a different question each month so that they are continually learning about their customers.

Conclusion.

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!

