

6 STEPS FOR CREATING SUPERIOR CUSTOMER VALUE

In a talk based on his best-selling book, **SECOND TO NONE**, Ian outlines six strategies for creating superior customer value that will help you become number one in your market. "Business is the activity of creating value," says Ian. "That's what we get paid to do. Our customers do not want our products and services, they want what those products and services will do for them."

Business is the activity of creating value. That is what you get paid to do. Customers do not want your products and services - they want what those products and services will do for them. Business people **must** learn to become value creators because those who understand value best will prosper and those who do not will fail.

1. Focus on value

Features are what we build in to our products and services but value is what our customers get out of them. Value can be explained by the formula $\text{Value} = \text{Benefits} - \text{Costs}$. As long as customers believe the benefits they receive outweigh the costs they have paid they will consider they have received value, and they will be satisfied. They are therefore likely to come back with repeat business and they may even tell others about their good experience. Everyone in your business needs to use this formula to guide their actions because at the end of every encounter with your business your customers ask themselves "What benefits have I received and what costs did I have to pay to get those benefits." Creating superior customer value must be the primary focus of everyone working in your business.

2. Compete on value not price

In a crowded and competitive market place it is tempting to compete on the basis of price. Obviously this is dangerous because unless you accompany your discounts with cost savings, you are giving away your profits. But not only can discounting destroy your own business, it could destroy the profitability of your entire industry. Fortunately, price is not the only thing that matters otherwise we would all be driving Ladas! The trouble is, if you don't have a value-based competitive strategy, you have no option but to compete on price alone. There are many value based competitive strategies you could use. Some choose to offer low benefits at low cost, while others offer high benefits but at high costs. Unfortunately most of us use a very ineffective strategy. We offer the same benefits at the same costs as our competitors and then wonder why no one sees us as being unique. In this crowded and competitive market you are likely to find that delivering more benefits at a lower cost (but not at a lower price) will be the most successful strategy to follow.

3. Look through your customers' eyes.

Most people today would agree that customer service is the key to commercial success. This is wrong! Nearly 80 years ago Conrad Hilton pointed out that customer service is the only difference between one hotel and another. Since then we have written thousands of books on customer service, set up customer service departments and written vision and mission statements proclaiming our commitment to our customers. Yet most of us would say that we have had a poor experience as a customer within the last two weeks! How can that be?

Customer service is a trap. Service is what you do for someone else and therefore if you aim to deliver excellent customer service you will think about what you are going to do. But what you do for your customers is not important. What they **need** you to do is the important thing. By focusing on what you will do you look at the world from inside your business out. Your customers, on the other hand, look at your business from the outside in. Sometimes the disconnect is so great your customers cannot even talk to you.

Since value exists in the mind of the customer, businesses must learn to see the world through the eyes of their customers. Most of us do not. Our vision is limited, even distorted. Policies, procedures, traditions and businesses practices give us a narrow view of the world and prevent us from providing what their customers are looking for.

Successful business leaders make their customers the centre of their universe. They find ways of seeing the world through

the eyes of the customer. They bring the world of the customer into the workplace. They make sure everyone knows, and never forgets, how their customers see the world.

4. Make your customers successful.

Customer satisfaction is a much better target to aim for than customer service. Satisfaction is the emotional state we get when our needs are met. If you aim to satisfy your customers you will start by finding out what they needs and you will measure your success not by what you have done but by how your customers feel after you have done it. Many business leaders have discovered that customer satisfaction translates onto the bottom line. Some companies have discovered that simply by increasing customer satisfaction by one percentage point, they can increase their revenue by tens of millions of dollars.

Unfortunately, in this tough market place, even satisfying your customers is not enough. You know that your future financial success will come not from attracting new customers, but from getting existing customers to return more often to buy more. Customer satisfaction is not enough to get customers to come back. Studies show that anywhere from 68% to 85% of the customers who switch from one supplier to another were happy or very happy at the time they switched! That is very scary. Today's happy customers could become tomorrow's ex-customers. The reason is that when people get what they expect, they do not notice it. And, people who do not notice you will not stay loyal.

The aim must be not to service or satisfy your customers, but to make them successful. That means you must get inside your customer's world and find out what it is they are trying to achieve and then commit yourself to helping do that. If your customers are in business themselves, you must understand their business as well as your own. It is not enough to talk to your customers, you must talk to their customers to find out what their customers want from them. Then you can help them deliver to their customers. But even customers who are not in business themselves have customers. All of us spend most of our time trying to please others. Find out what your customers are trying to do, help them to do that and they will not think of themselves as being your customers. They will believe that your are their partners. If they believe that you are an important part of their own success, they will want to maintain a relationship with you.

5. Reduce the costs.

You need to be a low cost supplier but this does not mean reducing the price. Three other costs that customers pay, which they consider the be even less affordable than the purchase price - are time, effort and anxiety. If you can reduce these costs customers will not be so price sensitive. In fact, they might even be prepared to pay more. The key to reducing these costs lies in understanding and improving your business processes. Never forget that our society is one that competes on speed, convenience and reliability. We must be able to respond quickly to our customer's' requests, we must be easy to deal with and we must do what we say we are going to do.

6. Give them something extra.

Businesses must also increase the benefits they provide to their customers. There are three levels at which benefits are created but two of these, the basic product and service and support services, are today just hygiene factors. You must get them right to be in business but you will not get a competitive advantage by doing so. You can delight your customers by giving them something extra and, thereby, gain an advantage over you competitors. These delighters are simply solutions to problems your customers would love you to solve but cannot reasonably expect that you would. And when you do, you knock their socks off. Also, if you can help your customers improve their business performance by reduce the costs their customers have to pay, then you will have created more benefits for your customers.