

Leverage Your Customer Experience In Growing The Top Line Cheaply

By John Goodman

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You can't cost-cut your organization into sustainable prosperity – a better customer experience is key to a company's financial well-being. An extraordinary customer experience enables an improved bottom line. Customers enjoying a great experience become a motivated, lowercost sales force – one that is more powerful than the best advertising, marketing, or sales campaign.

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BY JOHN GOODMAN

You can't cost-cut your organization into sustainable prosperity—you must grow the company's financial well-being.

The challenge is how you do it that is, without massive investment in advertising, marketing, and sales staffing.

The answer is to let your customers do your selling for you while reducing operating costs. There is a solid link between a better customer experience and an improved bottom line; that is, you can achieve a better customer experience at lower cost.

FOCUS ON THE CUSTOMER EXPERIENCE

There are three factors impacting revenue, all of which can be estimated using existing data sources, with your customer base able to offer a precise estimate of your revenue opportunity.

Let's look at these three factors.

1. Loyalty. Loyal customers are a continuing stream of revenue. Each problem decreases loyalty by an average of 20%. The resolution of a problem increases loyalty further—from 30 to 50%. So for every five problems you prevent, you retain the revenue of one customer.

2. Word of Mouth. A negative experience causes two to four times as much word of mouth as a positive experience. Every interaction, whether sales, information or seeking a service, has the potential of generating word of mouth; and if even 20% of interactions are unsatisfactory, the net word of mouth can be negative.

The impact on sales can be substantial too, with between 4% and 25% of those hearing the word of mouth actually acting on it, depending upon the marketplace.

For most organizations, at least 25% of new customers are obtained via word of mouth referrals. In the most successful companies where positive word of mouth attracts as many as 75% of new customers, marketing expenditures can be very small. On the other hand, if your net word of mouth is negative, your marketing and sales dollars are much less effective. Word of mouth on the Web (“word of mouse”) is usually four times as great if it is negative, creating an even larger liability.



3. Margin. The best way to increase profits is to increase margins. But there are only a limited number of ways to increase price and decrease costs. Organizations such as Neiman Marcus, John Deere,

GE, Xerox and American Express, charge a premium for superior quality and service.

For example, when customers encounter a problem, their sensitivity to price usually doubles. If they encounter a second problem, the percentage of customers who feel a company's prices are excessive doubles again. When customers have bad service they say, "Given what I'm paying, this should not have happened!" If they get great service, they will say, "You're expensive but you're worth it!" Superior service and quality are the easiest ways to justify higher prices and margins.

ELIMINATE UP TO 30% OF SERVICE COST

The key to reducing service cost is understanding and eliminating the causes of questions and problems that, in turn, cause excessive service expense.

Most executives believe that the primary cause of dissatisfaction is the improper actions and attitudes by employees, but they are dead wrong. Almost all employees come to work wanting to do a good job; less than 20% of customer dissatisfaction is due to attitude. Most dissatisfaction is caused by products and services that don't meet customer expectation. Customers can have incorrect expectations or make mistakes because they don't read the directions. Therefore, the best ways of preventing dissatisfaction (and customer service expense) is to produce products, marketing and sales processes, and customer education activities that eliminate unpleasant surprises for the customer.

Customer problems and questions cause unnecessary calls, repairs, claims, and lawsuits. Up to 30% of your contact workload is preventable if you educate customers on how to avoid problems and how to service themselves. Customer problems can be resolved quickly and easily if you allow customer service representatives more flexibility in handling most common customer problems. Flexibility dramatically reduces escalated and multiple customer calls from clients who seek better answers.

So, by reducing the workload of your customer service department, you can not only lower costs but achieve higher customer satisfaction.

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“You can lead a horse to water, but you can’t make him drink.”

But if you can get the horse just to take a sip, he is much more likely to continue to drink.

Interestingly, underlying customer problems often drive risk and regulatory costs. If you examine the lawsuits, major insurance claims, and regulatory complaints your company incurs, you will find that almost all started as customer problems.

When your Website is designed to help customers with their problems easily and intuitively, customers will happily service themselves. However, if the Website functionality is unclear, then more angry calls will ensue. Customer service personnel can direct people to the Website if they have future questions, allowing the customer to work proactively on solving any future problems, rather than wait on hold again.

MAKE YOUR CUSTOMERS YOUR PRIME SALES FORCE

The concept of delighting customers to promote word of mouth has existed for decades. The problem is how to foster that feeling inexpensively. Simple personal actions often have more impact than expensive heroics and, when happy with their service, customers usually tell from three to four persons outside of their family about the experience.

Surprisingly, the actions that require the greatest staff effort, such as handholding during a tragedy and expediting complex transactions, do not result in the greatest lifts in loyalty or word of mouth. On the other hand, three types of personal interactions resulted in a 25 to 30% rise in word of mouth: a friendly 90-second personal interaction about something other than the basic transaction, like the customer’s dog, to create a “connection” with the customer; telling the customer of a new product or service that fulfills a genuine need; and proactively educating the customer about how to avoid problems or get more out of a product or service.

For every four customers satisfied, one new customer will be won over by a referral, which makes service a fabulous investment. I wouldn’t encourage employees to stop to chat when the line of customers is out the door but would give employees permission to chat when business is slower.

LOWERING SERVICE COST VIA WORD OF MOUTH

Successful companies apply one broad strategy that leads to fewer problems, questions, and calls, and higher self-service adoption and proactive education and service, which is best implemented using these two key concepts: the “Psychic Pizza” and the “Sip of Water.”

The “Psychic Pizza” concept refers to anticipating and delivering education and/or service to customers “just in time” or, better yet, before they even know they need it, such as a pizza delivery man would say as he approached your door, “This is the pizza you were about to order!” It also sets customer expectations from the start with accurate marketing and readable welcome packages that both reset expectations and educate on how to prevent problems.



Recommended Actions to Prevent Customer Problems and Systematically Create Positive Word-of-Mouth Marketing

- Identify and fix common “Points of Pain” that exist in your basic processes to assure you “do the basics well.” This saves service expense and prevents negative word of mouth.
- Identify the actions that cause positive word of mouth in your market. Review the compliments received directly and from surveys and other parts of your customer-service system. Determine what percentage of new customers come from word of mouth. Evaluate the relative cost and impact of each type of action and pick three easy ones to test.
- Select the top three opportunities to eliminate service contacts by delivering the action or information before your customer knows he needs it. What information and opportunities provide the customer with genuine opportunity and benefit and will be a surprise that will produce significant word of mouth?
- Test these concepts with a few of your best customers. Better a small success than a big disaster.
- Track impact and celebrate your successes. Track loyalty and word of mouth impact for each type of transaction with a short survey.
- Proactively educate customers on the utilization of self-service. Look at the two-minute lesson given by your service person as an investment in reduced cost.
- Enhance first-call resolution. Give your staff flexibility in resolving common customer issues and “break the rules for good customers, without breaking the rules.”

You have heard the saying “You can lead a horse to water, but you can’t make him drink.” But if you can get the horse just to take a sip, he is much more likely to continue to drink. Guiding a customer through an initial use of self-service will greatly increase the likelihood that the customer will continue to use self-service. Therefore, take the time to educate customers and you’ll reap huge dividends in reduced future calls.

In summary, the key to enhanced marketing and sales is to get your customers to do your marketing for you. The best way to accomplish that is to minimize unpleasant experiences for customers and, instead, come away from each interaction with positive feelings and a few positive words to say about you to others. Excellent customer service can enhance your business at a lower cost. ^{MW}

John Goodman is the vice chairman of TARP Worldwide and author of Strategic Customer Service: Managing the Customer Experience to Increase Positive Word of Mouth, Build Loyalty, and Maximize Profits (AMACOM, 2009).

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