



ideas & inspirations

FOR CUSTOMER SERVICE PROFESSIONALS

From KIWIHOST

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ideas

Every business has its share of customers who are annoying. How often do you question the value of the perpetual complainer constantly looking for concessions or favours?

These customers can be a wake-up call. They may be showing you exactly how you devalue yourself, or they may be helping you decide to release them. Either way you are the one who needs to consider some changes. We are not always aware how we devalue ourselves. We can let customers stay with us for too long, leaving us upset and frustrated.

So the first question is – “Are you charging what you’re worth?” Have you packaged your service or products with the same pride and attention to detail as the leaders in your market? Are you offering an under-priced service or product and skimping on the specific treatment that important customers expect? Are you running yourself ragged taking care of customers you don’t even like working with?

If your experience with customers who drain the life out of you, wakes you up to this possibility, then YOU need to change. Now here’s what to do.

Identify the customers that you know cause you problems and then advise them that you will no longer be able to serve them after the end of the year. Then have a discussion with yourself about how you would operate if you offered high value products and services in your market. Consider the strategies that you could use to bring this about.

Remember, your inner-self, your self-talk can often be the best and most effective business advisor you will ever meet – and it doesn’t cost a cent.

WORDS OF WISDOM

To give real service you must add something which cannot be bought or measured with money, and that is sincerity and integrity.

Douglas Adams

inspirations

DISCOUNT PRICING

Companies use discount pricing for many reasons: To stimulate short-term sales; to match a competitor’s price reductions; to get high-traffic display space at a retailer.

But before you slash your price, consider the impact this could have on customer loyalty. Walk down a supermarket soft drink aisle, and you’re likely to notice Coke or Pepsi is on sale at a reduced price. These sales have become so common that most consumers either wait for the brand they want to go on sale or buy the competing brand that is on sale.

“The loyalty factor is a very important reason not to compromise pricing or over-use promotional pricing,” explains Michael Goodman.

Why? If a customer is more loyal to price than to your brand, your brand is vulnerable to pricing moves by your competition, and you may be forced to cut your price—and your margins—in order to maintain your market position. What are the alternatives?

- Offer a bonus pack. Use creative packaging to demonstrate the additional benefit the consumer is receiving.
- Offer a free premium like McDonald’s does with the Happy Meal.
- Offer a purchase with purchase. “Buy a designer label fragrance at the regular price, and get a \$59 silk scarf for just \$9 more.”
- Offer a free month of services for a yearly retainer.

The Point: There are many ways to earn customer loyalty and increase sales. Discount pricing is one, and it can backfire.⁽¹⁾

IN THIS ISSUE

- **THE COST OF A LOST CUSTOMER**
- **“IT’S NOT MY FAULT” – IS THAT REALLY TRUE?**
- **THE 5 MYTHS OF SELLING**
- **HOW TO AVOID EMAIL CUSTOMER SERVICE DISASTERS**

THE COST OF A LOST CUSTOMER

Have you ever lost a customer because of a mistake you or someone else in your organisation made? Have you ever thought of the potential cost of that defecting customer? There's a reason that conflict resolution training and service failure recovery training is so important in today's competitive environment.

Here is a model to illustrate how important it is that we minimise defecting customers - put in the numbers from your own company to give you an idea of how much an angry customer can be costing you.

There are two basic factors involved in calculating the cost of a defecting customer:

The average Customer Lifetime Value (CLV)

The ripple effect

Calculating a CLV

The Customer Lifetime Value is the average amount one customer might be expected to spend with one business over a lifetime. It involves three components:

The average dollar amount per transaction

The average number of transactions per year

The average number of years a customer remains in a business's primary target group

Let's use a coffee shop as an example. You might think that losing a single customer because of poor service in that business isn't a big deal. Think again.

Assume an average dollar amount per transaction of \$3.00, and that the average customer is there once a day, for approximately 200 days a year. That means \$600 (\$3 per transaction x 200 transactions) per year, per customer. How long does an average customer remain in a coffee shop's target group? Let's estimate just five years to be conservative. That means that the lifetime value of an average customer is \$3,000 (\$600 per year x 5 years). That \$3 customer has just turned into a \$3,000 customer. And it doesn't stop there.

The Ripple Effect

The Ripple Effect is the impact of a service failure beyond the initial incident and initial customer. A large body of research shows that the average customer will tell 7-10 people about a bad service experience; and that people will tend to avoid businesses they have heard negative things about, and patronise businesses they have heard positive things about. Turn to page 4 to discover the real cost of the Ripple Effect.

So, let's assume the worst case scenario: that a customer has a negative experience in the coffee shop, and says she's never coming back. She then tells ten people about her experience, all ten people also fall in the primary target group, and all ten subsequently choose to avoid that coffee shop in the future. The CLV is now multiplied by 11 (the initial customer, plus the ten others).

With the Ripple Effect, therefore, the potential cost of a single service failure over a five year period in a coffee shop is as high as \$33,000. Even if these numbers are only half correct, it's still a lot of money for a single bad coffee experience! ⁽²⁾

monday morning motivations

ideas & inspirations offers a weekly customer service success idea, delivered by Pod Cast. Each Monday start your week with a 90 seconds dynamic

message that will inspire you to focus on one aspect of your customer service. It will get your mind stimulated to look for ways to implement real customer service improvements.

July Pod Casts:

Sept 3 Look for Opportunities to Add Value

Sept 10 Building Co-operation

Sept 17 Customers Buy From People They Like

Sept 24 Good Things Take Time

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inspiration

“IT’S NOT MY FAULT!”— IS THAT REALLY TRUE?

When someone says, “It’s not my fault”, is that really true? When things don’t get finished on time, or there are quality problems, is everyone really completely blameless? Or is there only one person who is at fault?

Before we answer these questions, let’s consider what some experts have discovered about the “Blame Game”.

Psychologists have established that when things go wrong, people attribute the blame to factors outside of themselves, sometimes even making up bogus reasons! Most people want to succeed, to be well thought of, and to have others believe that they are capable and competent. When we fail to get things right, these come into question and we try to defend ourselves, so the first defence is to blame other people or events.

In the book “Leadership and Self Deception”, the author points out that when people don’t do what they know is right, they justify their behaviour by blaming another person. A manager who knows they should tell their boss about a problem on a key project, but doesn’t do it, will justify their failure to communicate. They might blame some attribute of their boss, such as saying, “He gets angry when he hears negative news”. It seems we don’t want to look too closely at ourselves, and we certainly don’t want to consider the possibility that we sometimes betray our own principles and standards in order to avoid conflict or upsets.

Obviously there are times when things go wrong or don’t get done and it is justifiable to say, “It’s not my fault”. The weather, motorway accidents, natural disasters, illness and injury are all examples of that. But these occasions are rare. We can gain more benefit from trying to find other explanations than playing the Blame Game.

A good manager knows that playing the victim is not the road to success. Even if we are confident that we have done everything in our power, we must consider the ways we might have contributed to failures when they happen. When someone considers what role they played in a breakdown, they have the opportunity to take different actions in the future - actions that might make a difference and prevent a problem. Here are some ideas to improve your chances of success:

1. Communicate sooner than you think necessary – give people time to plan and prepare. Avoid surprise.
2. Give people reminders - don’t trust their memory or their time management system.
3. Give specific deadlines - vagueness is counter-productive.
4. Ask more questions to be sure everyone understands what is wanted, expected, and needed.
5. Clarify the kinds of information and resources that might be needed to complete a job on time - do this as part of the job assignment so it doesn’t become an excuse later.

So, the next time you are about to say “It’s not my fault”, stop and consider that it may not be true. Consider if there is something you did, or something you didn’t do, that contributed to the situation. Then learn from that and make changes to the way you work and communicate. ⁽³⁾

BUSINESS BOOSTER IDEAS

THE 5 P’s FOR SUCCESS! — PATIENCE

For most of us this is hard. When asked, we will say we wanted it yesterday, but that’s just not realistic. No matter what it is in life we are trying to achieve we need patience. At some point and time in your life, you’ve asked yourself will it ever happen. Most people have a constant battle within themselves trying to decide if this is going to be THE year? Many people “feel” they are ready but “truthfully they are not”. This is where patience comes in. There comes a point when you have to realise if something is for you, it’s for you. Nothing or no one can take it away. Sometimes in life we have to simply be patient and see things through, irrespective of what obstacles lay ahead. Being patient is a skill or state of mind that evolves with age and is a measure of those who achieve success in their lives.

special announcements

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THE 5 MYTHS OF SELLING

For more than three decades I have had the opportunity to interact with thousands of salespeople and I have discovered a few myths that many of them have fallen prey to. Here are just a few.

Myth 1—Anyone can be persuaded to buy. This may be true of impulse purchases but in today's business world, buyers are more savvy than ever before. The real key is to determine whether or not the person or company you are speaking to has a genuine need for your product or service. If they do not, then your best strategy is to move on to someone who does need AND want your particular solution.

Myth 2—A technique that works well for one person will work for everyone. Countless books have been written about one sales strategy or another and I have read many of them. In this search, I have discovered that we all have our unique personality and what works well for someone may not work as effectively for us. However, instead of discarding that particular idea you should look for a way to integrate it into your natural style and approach.

Myth 3—It's critical to close the sale as soon as possible. This is one of the craziest beliefs. Yes, it's important to move people towards a buying decision. Yes, it is important to gain commitments along the way. Yes, it is important to include a call to action in your proposals and conversations. But, it is also important to recognise that not every sales decision will be made quickly. Decisions can be delayed for a number of reasons, and in certain situations, trying to rush the customer to a commitment will actually cost you the sale.

Myth 4—Close the deal at any price. Too many people feel they have to close every deal, even if it does not make good business sense. I have spoken to countless sales people who will accept a deal that has virtually no margin just so they can get the sale. Decisions like this cost you or your company money. If you are not making your planned gross profit on a particular sale, then you need to consider whether it makes good business to accept it. I know small business owners who will offer substantial discounts to a large company in the hopes of generating additional business from that client in the future. They end up giving away their services and expertise because they don't get any more business from that company.

Myth 5—Do whatever it takes to get the sale. Manipulative, aggressive, high-pressure sales tactics work. But, they don't create loyal customers and clients. You may win the sale, but in the long run, you will lose the customer. I once had a participant in a workshop proudly state, "I don't care what my customer's want, I'll sell them what I need to hit my quota". Ouch! As a sales professional I take serious offence to this mentality and behaviour.

Selling is an honourable career and sales professionals need to avoid falling prey to these myths. Focus on helping your customer make an educated buying decision. Concentrate on asking high-quality questions and positioning your solution appropriately and these myths will not affect you. ⁽⁴⁾

HOW TO AVOID EMAIL CUSTOMER SERVICE DISASTERS

It takes just one click on the 'send' button and a company's reputation with its customers could be ruined, with references and reports lingering in cyberspace for years. The business environment of today is littered with business disasters because a staff member had a sudden rush of blood to the head and responded angrily to a customer demand. Anger and frustration are understandable human reactions and they're difficult to control, particularly if the customer has consumed valuable time and energy and then decided not to buy. The best solution is to equip employees with tools and choices that help them deal with the emotion and then communicate better – ultimately, customer service is an individual responsibility that can't be regulated.

KiwiHost teaches the Four Fs Formula:

1. Feelings
2. Facts
3. Fix-it
4. Follow-up

The first step in the process is train staff to delay their response to the email. Read it and go away from it for awhile. Attempt to understand why the customer feels they way they do. Next, get the facts right. Write back to them with a response along the lines of 'if I understand your email correctly, you're concerned that this and this happened?' Develop a template email which helps the staff member ask for clarity in a polite, professional manner. Once the staff member understands customer's feelings and has clarified the facts, they're in a position to offer a solution.

The most important step, however, is the follow-up. It will repair all the damage and strengthen the relationship.

Colin Kennedy - Media and Marketing Communications

Articles in I&I include reference to the following sources:

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