

Customer feedback improves customer value

Many failing companies fail totally to listen to their customers and act on what they hear. Phil Allen of MarketAbility develops his series on customer value management by stressing the role of obtaining customer feedback.



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In my first article, I introduced the concept of Customer Value Management, which is a best practice five-step model to enable supplier and customer to create value through a planned and systematic exploitation of mutually beneficial sustainable and profitable market opportunities. The subsequent articles have explored the first three steps of this model, *Understand Your Customers*, *Commit to the Customer* and *Create Customer Value*, linking all marketing activity back through a customer value commitment to customer value-based segmentation.

The model sets up and reinforces the linkage between customer needs, supplier offering and implementation by the supplier of the offering to meet the customer needs, at the same time providing value to both parties: for the customer in the form of value received (through product and service delivering benefit) and acknowledged (through price paid); for the supplier in terms of value created and captured (through price received exceeding costs to supply and serve and through a concentration of resources where they will have the most impact and create the most value).

In this fifth article, I would like to explore in more detail the fourth and fifth steps in this five-step model:

- 4: Obtain Customer Feedback**
- 5: Improve Customer Value**

This step is probably the most neglected and poorly managed in this five step process, with many companies failing to listen to what their customers really need and value.

This poor performance on the part of many major companies starts with a failure to track and analyse won and lost business. My recommendation – if you do not do so already – is to appoint a senior executive to examine all won and lost business. The person should have executive power and should be independent from the actual business process of marketing and selling, in order to provide a completely objective and unbiased view.

Why was business actually awarded to your company? How was your offer perceived by the customer to be different from and better than the offer of competitors? How strong was the difference and how much is it valued? What could be done to improve the offer even more?

Why was business awarded to the competition? Which competitor won the business? How was their offer perceived by the customer to be different from and better than your offer? How strong was the difference and how much is it valued? What could you do to improve your offer and win the business in future?

A second common mistake in many companies is their failure to capitalise on the many and various contacts between their company and the customer to obtain customer feedback. Any representative of

the company who has regular contact with the customer either physically or by telephone should be briefed to keep their eyes and ears open and to obtain some basic feedback from their customer contacts in terms of the level of satisfaction or dissatisfaction of the customer, the reasons for it and what could be done about it. A simple set of questions provide a framework for such contacts (but only to be used as a mental checklist and not actually posed as questions to the customer):

■ How is it done today?

e.g. how does the customer use our product in their business, what role does our product play, how critical is it to the customers' process, how do they discover, order, receive, store, use, dispose of our product?

■ What does it cost?

e.g. how much does the cost of our product represent in their total business or operations costs, how does our product impact other costs of the customer, how critical is it to the customers' process, how does our cost compare to competing products or alternatives?

■ What's wrong with how is it done today?

e.g. what challenges or issues does the customer face in their business either directly or indirectly related to our product and its use, what keeps the customer awake at night?

■ What's the value of improvement?

e.g. how could this be improved, what would improvements be worth to the customer?

■ What's will change?

e.g. what will change in the customers' world in the next three to five years and how will this impact their business and/or the use of our product?

In addition to these regular feedbacks from the customer, I would still recommend obtaining regular feedback from customers

through an independently run customer satisfaction programme, as this provides an objective forum for the customer to air their views in an uninhibited way. But purchasers of such research should be wary of some common faults and failings:

Don't assume that you can pre-define what is on the customer's mind.

Always give the customer an open-ended and unprompted chance to express what the really important issues are for them.

Beware of thinking that a score of 7/10 is good.

Research indicates that customers who rate suppliers as high as 8 or even 8.5 out of ten may still be prepared to switch to alternative suppliers.

A good score in customer satisfaction is more than 9/10.

A third common failing in many companies is their inability to manage or their ineffectiveness in managing complaints and queries. Too often complaints are left to junior staff with no empowerment, who are then often left no alternative but to elevate the problem up through to hierarchy until a sufficiently empowered person (reluctantly) offers a solution; by which time a highly frustrated customer is already buying from the competition or actively seeking an alternative supplier.

Better practice is to put the management of complaints in the hands of a senior and empowered executive, who can:

- immediately apologise to the customer for the cause of the complaint
- reassure the customer of an imminent solution or resolution
- delegate the solution to an appropriate individual in the company
- ensure that action is taken swiftly to resolve all customer complaints.

Saving customers saves you money

Depending upon the nature of your business obtaining new customers can cost you between five and twenty TIMES what it costs you to retain an existing customer. So

my advice is: don't give them a reason to seek an alternative.

Using the inputs you have obtained from these various sources of customer feedback, you are now in a position to improve the value to your customer.

There is never a good time to be complacent. There is always a competitor looking to usurp your position at a customer.

Look immediately for any "low-hanging fruit" – things that you can fix quickly and easily that will represent improved value to the customer.

Challenge your customer understanding:

Do you really understand what your customers need and value? Have you segmented customers and potential customers in the most meaningful and relevant way to enable you to develop valuable offerings to the customers.

Challenge your customer value commitments:

Are your offerings really getting the attention of the customers to whom they are targeted? Are your offerings seen by those customers to be different from and better than competing offerings? How can you improve the offering further?

Challenge your customer value creation:

Have you really developed the best and most appropriate marketing mix to deliver your offering most effectively and efficiently to your customers; how can you further improve the way you implement your offerings to the customer; are you getting the right price?

In closing, I'd like to offer a couple of wisdoms from others:

"Vision without action is merely a dream. Action without vision just passes the time. Vision with action can change the world." Joel Barker

"To stay ahead, you must have your next idea waiting in the wings." Rosabeth Moss Kanter