

EMBRACING CUSTOMER-CENTRICITY

Two affordable methods of creating customer insight boards



Here are some eye-opening statistics on customer loyalty and why customer retention can drive financial success:

- 98 percent of dissatisfied customers never complain
- Customers rarely leave because of the product
- Most customers switch companies because they didn't feel appreciated
- 85 percent of dissatisfied customers tell nine people about their poor experience
- 13 percent of dissatisfied customers tell 20 people
- A satisfied customer tells just five people
- A typical American business loses 80 percent of its customers over a five-year period
- Companies that lag in customer loyalty had margins of two percent

And on the flip side:

- Operating income improves 20 percent for every one percent improvement in customer retention sustained over five years

- The top five businesses in any industry have over 90 percent customer retention
- Most businesses average 78-82 percent retention
- Companies retain 92 percent of referred customers
- Companies retain 67 percent of customers from channels other than referral
- A five percent reduction in customer defections can lead to an 85 percent boost in profits
- Market leaders in customer loyalty generate operating margins of 13 percent

Clearly, customer loyalty and retention have financial implications. Companies that invest in a customer-centric approach by establishing processes and tactics to identify key customers and deliver customer value do achieve a superior ROI. These companies manage and analyze customer data to gain insights and deliver consistent customer interactions across marketing, sales and

customer service departments to reinforce the brand promise and drive loyalty for lifetime value. Many small to mid-size companies believe this sounds good in theory but don't have the resources to tackle what they perceive to be "big company" initiatives.

Advisory Boards and Voice of Customer are two affordable techniques any company in any industry – regardless of size – can implement to facilitate a customer-centric journey.

Establish Advisory Boards

Advisory boards improve a company's probability for success by providing affordable access to people to better understand the issues that drive marketing decisions. There are two common types of advisory boards: technical advisory boards (TAB), and customer advisory boards (CAB). Members of a TAB have technical expertise and competence to help leaders gain insight into technology trends, feature sets and tradeoffs, and technical competitive intelligence. Members of a CAB have business acumen and are interested in learning about global



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business and market issues to help share a broader perspective around business and market issues.

Five steps to follow in establishing an advisory board:

Determine the Board's Mission: Ensure your direction is in line with marketing and business trends, technology, business plans and validates product decision while making sure there is something of value for the customer.

Select and Invite: Select people whose advice is valued and extend a personal written invitation to a dozen people, aiming for at least ten members. In the selection ask members to serve a one to two-year term, making sure they understand that information is confidential and often sensitive.

Establish the Agenda and Meet: Meet in person at least two times per year and no more than quarterly. Determine whether travel expenses will be paid and consider using a third party to help plan and facilitate meetings to prevent bias. Avoid using engineers, product specialists or the sales staff to manage the boards. Too many sales people are about selling and not listening. Establish an agenda collaboratively with members and provide it in advance.

Select Your Location: Hold meetings on-site or at a neutral setting. Upper management should welcome interaction with board members and host dinners, luncheons and feedback sessions.

Document: Document all meetings and quickly communicate to members what actions need to be taken as a result of decisions.

Establish a Voice of the Customer (VoC) Initiative

The premise of VoC is to collect and ana-



lyze customer data to become customer-centric. VoC is a technique designed to help a company positively affect the customer experience and identify and prioritize customer wants and needs.

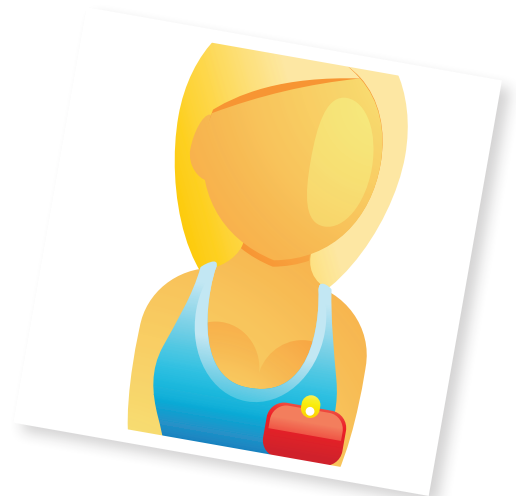
Here are four steps to establish a VoC initiative:

Identify & Frame Questions: Most VoC research is single-blind research (a third party guaranteeing confidentiality to avoid bias) and also features in-depth interviews and a pre-defined discussion guide. Include both qualitative approaches to capture the actual language, phrasing and nuances and quantitative questions to capture ranking, rating, and to compare choices.

Prepare Your Customer List: Provide a list of customers for the third party to recruit. Start with at least 20 current customers, then prospects – this is especially true if entering a new market. If time and money permit, talk with competitors' customers.

Conduct Interviews & Analyze Findings:

An incentive isn't necessary but a thank you note and sharing your action plan is



essential. Capture, analyze and report on the findings.

Reconcile the Voices: One challenge of analyzing results is the range of customer voices. Set in advance different priority ratings for each customer voice such as: the voice of the procuring organization, the voice of the user, and the voice of the implementation organization.

These two approaches can be implemented by nearly any organization. Success hinges on four key things. First, the CEO must communicate a commitment and be actively involved. Second, be willing to invest the necessary time, resources, and budget. Third, empower the team and include outside help, if necessary. Fourth, communicate the purpose of these efforts and motivate employees to get on board. As with any change, start small and take a "prove-the-benefits" approach.

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