



Insights

Customer Service and Strategic Relationships

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If it is so important, why are smaller businesses so bad at it?

Every business would like a secure flow of repeat business and regular follow-up orders. The reality is that the majority of small businesses are not very effective at developing strategic relationships or using them to improve and secure their profitability. Fewer than 15% claim to be satisfied with their ability to develop strategic relationships with their customers.

If smaller businesses recognise that they aren't good at this, and they can see the benefits of success, why do they have such a problem at retaining and developing these kinds of relationships?

A few years ago there was a report called 'Developing Strategic Customers' which identified that there were several critical success factors which tended to distinguish the organisations which were successful at building these kinds of relationships from those that failed. Attitudes, approaches and results were all very different.

Losers don't think strategically

Throughout our papers Red Splash emphasise again and again that successful businesses tend to view the business strategically. Losers tend to live for the moment – they are driven by the prospect and excitement of immediate business. They apply the 'key account' label to their most important current customers, and when dealing with them focus upon their own requirements. They use their customers to achieve their short-term objectives.

Losers fail to recognise that there is such a thing as 'buyer power'. Relationships are left to the Sales and Marketing team. Customers eventually recognise that their importance to the business is tactical and become adept at negotiating hard before placing new business.

Unlike customer centric organisations, 'Losers' don't attempt to do things differently for particular types of customer. 'Losers' seem to be more concerned that variations from the standard offerings and procedures will incur costs which will exceed the marginal revenue that they will create. While this may be true for some types of manufactured products, there are many service businesses which can develop highly configured offerings based on customer requirements. 'Losers' tend to avoid personal commitment and are reluctant to establish closer working links because they fear that they will lose control of their intellectual property.

It seems to be the case that 'Losers' are good at using language which describes the importance of building closer customer relationships but are not effective at making it happen. For example, they resist the concept of open book accounting which prevents them from developing exactly the kind of strategic relationship which they claim to want.

Cautious companies that don't accept new risks find themselves playing tactical, defensive games with their customers in order to maximise the value of the short term opportunity. This kind of mentality is unlikely ever to build a longer term strategic relationship.

What do 'Winners' look like?

Being a 'Winner' is only partly about operational excellence in the delivery of the product or service at the right place, at the right time. Operational excellence is expected. 'Winners' have to adopt a mentality of how they work with their customers in order to think more like partners than suppliers.

'Winners' look ahead and take a lifetime view of customer relationships and customer value. Every question is set against a consideration of customer potential. This is as true in categorising customer accounts as in developing configured products and services. These types of businesses value their customers and are prepared to put themselves out for them. They will differentiate and attempt to deliver higher value for their customers – not to maximise the profitability of the short-term business but to maximise longer term cash flows.

'Winners' are open and build personal relationships. They focus on customer requirements and buyer expectations, not just in the Sales and Marketing team but throughout the company so that their customers know that they will achieve the same high levels of customer service from every member of the company. They attempt to learn as much as possible about their customers' businesses so that they can work more effectively at binding themselves into their customers' value chains, making it difficult for another supplier to displace them.

'Winners' are so confident about the type of service that they are able to deliver that they encourage multiple contacts at all levels between their business and their customers. This leads to a dismantling of some traditional sales approaches since the 'Winners' develop new business by influencing rather than by selling hard.

'Winners' concentrate on quantifiable measures of service and costs. They measure what they do. They practice open book accounting and they are willing to integrate processes and systems with their customers whenever it is practical to do so.

'Winners' think like partners. They are willing to accept risk and they strive for win-win outcomes by agreeing to mutually beneficial objectives.

The emphasis on measurement means that 'Winners' benchmark what they do on a regular basis and use the measurement system as an important element in their process analysis to deliver consistent improvements in service levels. Savings are shared with their customers.

'Winners' recognise that partnership isn't always easy and have developed simple dispute resolution processes at the lowest possible levels.

'Winners' care about their customers' businesses. They want them to do well and they go out of their way to solve problems for their customers whether their customers recognise them as problems or not.