

## **5 Answers Every CEO Should Want to Know About Customers**

### *How Customer Profits Suffer When No One's keeping Customer Score*

The perennial cry from CEOs around the globe is that they are focused on their customers. It is their A-#1 mission, the critical job of their company – and everything emanates from understanding what customers need and want and delivering on it. You may have said this yourself.

However, without up-to-date information trending profitable versus non-profitable customers and issues driving the best customers away, CEOs and their businesses are unable to manage customers as assets. As internal leaders of each silo report and recommend customer actions separately, CEOs react to the random issues landing at their feet, rather than focusing on key issues eroding customer loyalty and customer profitability.

For example; marketers in a highly regarded financial services company charged with improving customer 'loyalty' sold their CEO a concept touted as a customer assistance program, but it was completely inwardly focused. The goal was to up-sell and cross-sell customers who called in for service help, regardless of who they were, why they were calling or how profitable or loyal they were.

This gave the front-line a case of priority whip-lash.

Just the week before, operators were delivered impassioned training on how they should build personalized relationships and customer rapport with each call, even though the process caused longer call times (A tactic sold to the CEO a month earlier). But the lucrative incentive being paid-out for the new marketing program was based on keeping calls to a talk-time limit, and on up-selling customers, regardless of who they were.

So, with one eye on the timer prompting them to end the call, the operators would try to build rapport. Then with talk-time dwindling, they'd rapid-fire offers to up-sell and cross-sell. The result alienated some of their best customers who expected help from a company they were extremely loyal to, but instead got disappointing service. Not much, increased sales or growth in customer profitability resulted. In fact customer goodwill declined.

***CEO's Must Take Hold of Customer Profitability!***

Organic customer growth drives long-term profitability. So why isn't it as important to you as quarterly sales goals? This is where the customer commitment falls apart, because what's actively asked for, measured and rewarded doesn't always line up with what's good for customers. The easily understood and well-defined quarterly sales goals win out and stay top-of-mind.

For example: a business to business company was counting the number of customer accounts but not the flow or the quality. The sales team was led by an ex-fighter pilot who sent off the sales force on what they actually called "speed kills." They were fired up to get as many customers as they could, as fast as they could. But they weren't keeping track of the difference in the value of business each new customer would bring. To them, one unit was one unit: customers had become widgets.

Each speed kill carried the same weight on the tote board used to measure success. The sales team exceeded their goal for new customer accounts that year, but sales became a drag on profits, which actually declined. This is because they didn't focus on the profitability of customer accounts, just the number of them. And no one actively identified, prioritized and eliminated issues driving profitable customers out the door.

## **5 Answers every CEO Should Want to Know**

I call these "guerrilla metrics" in my book, Chief Customer Officer: Getting Past Lip Service to Passionate Action. They are "guerrilla" because often a campaign is necessary to propel the organization into understanding the customer end-game and supply leaders with a platform to stand behind and reinforce. They establish a language for CEOs in how they ask about customers; placing the customer front and center on their agenda. They are a potent first step to kick-start or reenergize a faltering customer 'focus.' They work because they clear through the clutter usually encountered in the drive for customer experience and profitability:

- Inconsistencies in defining, reporting, and managing the state of relationships with customers.
- Focusing on survey administration and negotiating survey scores rather than driving action and accountability.

Guerrilla Metrics give leadership five questions for commanding customer accountability inside their organizations:

### **1. What Are Our New Customers; Volume and Value?**

Ask about the volume and value of your incoming customers as often as you ask about sales goals. You may find that you are tracking incoming customers across a multitude of company areas - with conflicting definitions of what it means to be a new customer. The wild card here is if you have achieved alignment in how customers are classified inside your system. The part that's not likely tracked is the quality of incoming customers. This is especially important as the market becomes more saturated and new, profitable customers are harder to come by.

## **2. What Are Our Lost Customers; Volume and Value and Reasons?**

Pair this question about lost customers with the one above about new customers. The volume and value of lost customers needs to be paired with the new customer information to lay out the true situation for your company. You must reconcile "Customers In" with "Customers Out" to know how well you are doing with managing customers as an asset of your company. In addition to knowing which customers left, you need to know the reasons why they don't care to do business with you anymore so you can drive change across the business. Without this information, the organization misses a massive opportunity to galvanize people into taking action.

## **3. What Customers Renewed, at What Rate and Why?**

For this to have relevance for your company, you'll need to define customer behaviors that constitute *renew* or the commitment to continue doing business with you, according to your business model. The key is to understand patterns which indicate loyalty based on continuous purchase habits. You must ask for reasons why customers are staying with you to ensure that you personally know what you are delivering to customers that they value – and to ensure that you are well aware when these reasons shift or begin to erode. The "with reasons" part of these metrics are key to taking a leadership role in demanding focused actions to drive customer profitability rather than reacting to random pitches that come across your desk.

## **4. What is Our Revenue and Profitability by Customer Group?**

Getting to this classification of customers is not a trivial project. You need to understand the movement of customers from one profitability group to another so you can strategically lead the customer agenda. Your goal should be driving efforts that cause your costliest customer groups to decline and those most profitable to grow. If you are not demanding that the business be tracked this way and if you do not ask for accountability around these metrics in the regular language of meetings, it won't happen. Getting this data in line to achieve a regular pattern of accountability around customer profitability patterns will take some time, but stay the course. It will optimize your ability to manage customers as an asset of your business.

## **5. What is Our Referral Rate by Customer Segment?**

If your customers are willing to stick their necks out vouching for you, they have become your marketers. Keeping these customers, growing them and developing other customers like them are the key. You need to know how far you are down this path of building a customer base that would refer you. Because if you can track the rate of referrals in general and by customer group, you'll know the strength of your ongoing revenue stream before you even spend another dollar on marketing. Companies completely focused on customer profitability will learn how referral rates differ by customer group and reasons for not referring. They will rigorously apply this learning to constantly adjust and improve.

### **Use Guerrilla Metrics to Drive Your Customer Accountability Platform.**

It's not enough to simply have the metrics – it's what you do with them that matters. To make the Guerrilla Metrics stick, and to use them to steer the actions of your business, you need to take them out of the hordes of reports and paperwork and put them front and center as part of your personal mantra. There is nothing like public accountability to take the mystery out of what's important to you and to start a friendly horse race among peers that motivates performance.

Consider establishing a 'Customer Accountability Room,' where a regularly scheduled spotlight is shone on these metrics and their improvement. Use it to kick-start the Guerrilla Metrics into action:

1. Lay out the Guerrilla Metrics to your leaders and begin asking for them within one week.
2. Give a drop-dead date for when you want to know the baseline metrics.
3. Build a customer accountability room, visually mapping each metric and its performance.
4. Within the first month, take your first walk-through in the customer room with your leaders. For each metric require accountability for "Why is this occurring?" "Who will resolve it?" and "When?"
5. Repeat the walk-through quarterly, or up to once a month. People will step up. Change WILL occur.

### **Use Guerrilla Metrics to Power The Customer Into Board Meetings.**

You can use Guerrilla Metrics to redefine business success with your board, based on how well you are performing in keeping priority customers and driving their growth. According to a November 2004 Harvard Business Review article entitled Bringing Customers into the Boardroom, customer management issues being elevated to the board level are on the decline. Among the large U.S. companies surveyed for that article, over a third of them said that their

boards spent less than ten percent of their time on customer-related or marketing issues. You need to be clear with your board that managing the value and trend of profitable customers is not negotiable.

You can use Guerrilla Metrics as a tool to define, quantify and connect the dots for them on why customers must be discussed and managed as a key asset of your corporation. Guerrilla Metrics will give the perspective you need so you can elevate high-priority customer issues, and get your board to sanction investments required to keep them.

**About the Author:**

Jeanne Bliss is the author of *Chief Customer Officer: Getting Past Lip Service to Passionate Action*, which is based on her 25-years' reporting to company presidents and tasked to drive customer focus and customer profitability. Her new book is: "I Love You More than My Dog: Five Decisions for Extreme Customer Loyalty in Good Times and Bad." She runs CustomerBLISS; helping leaders connect their company for customer growth. Go to <http://www.customerbliss.com> to get the Reality Check Audit you need to measure how far you are in reaching your customer goals.