

From the CCA to Firing Your Customers: Five Customer Strategies to Grow Your Sales and Profits

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Your company's most valuable asset doesn't even show up on your financial statements. That asset is ***your customers***. If you don't have customers, you don't have a business, period. You can outsource manufacturing capabilities, fill in gaps in management and even beg or borrow for products and services to sell to existing customers, but there are no substitutes for not having customers.

While customers are so critical to businesses, many companies are not run in a customer-focused manner. We develop products and services and then market them to our customers, instead of letting the customers tell us what their wants and needs are and then working to create the products and services to fill those wants and needs. In the past, organizations were structured around this process. The old-school organization is focused around one or a couple of competencies. Sometimes, the company is product driven, sometimes finance driven, sometimes manufacturing driven and sometimes, it is marketing driven. I have even seen some companies that are ego driven. However, if you want to stand out from your competitors and maximize your growth and profits, then you need to make your company customer driven.

Once you have gotten on board with this idea, you need to makeover your business strategy to focus on your customers. This entails getting to know your customers and then focusing on your best customers to increase sales while also eliminating underperforming customers to increase profit margins. Below are five customer-centric strategies that you can implement right now to grow your business.

Strategy #1: Make the Customer the Core of Your Business

When you look at the C-suite of virtually every company you can think of, from mom and pop businesses to billion dollar multi-nationals, who are the people within the organization *truly* focused on the customer? There is typically a CEO (Chief Executive Officer) focused on overall strategy and vision. There is a COO (Chief Operating Officer) focused on operations. There may even be a CMO (Chief Marketing Officer), but that person is focused on selling the company's vision and products to the customer, not really being an internal advocate for the customer. There are all types of people running around with C-titles where the "C" stands for Chief. How many companies do you know that have C-level executives where the "C" stands for ***customer***? Sure, you may have a customer service department, but their focus is likely handling complaints when something goes wrong, not advocating the customers' wants and needs upfront to impact your company's strategy. It seems crazy, but most executives aren't focusing their attention on their company's most important asset!

You can differentiate your business by defining a new C-level executive for your company. I will call it the CCA (Chief Customer Advocate), but you can use CCRO (Chief Customer Relations Officer) or any

other name or acronym you want. Heck, you can even call it Fred, as long as customer focus is the position's top priority. What is important, whether you are in business for yourself or have a large organization, is having that point person (yourself or another senior executive) acting as the CCA for your company. As competing for customers' attention becomes more intense and the value of each customer increases over time, you need a CCA to nurture customer relationships. The CCA's job will be to dialogue with customers, particularly your most important customers, and carry their perspective back to the company to be assimilated into your overall business strategy. The CCA is connecting with every part of the organization- the CEO on strategy, the marketing and branding staff, customer service, even product development. This person is the face of the company when interfacing with customers (or prospective customers) and the voice of the customers when interfacing with the company. Even if you are currently a one-person business, you will still want to make sure to wear this hat and reflect the importance of the customer in planning your overall business strategy.

Why should you do this? Because customers are placing an increasingly high value on companies that demonstrate that they care about their customers and are listening to their wants and needs. Also, customer acquisition costs are very high, so the deeper the relationship you can establish with your customers, the better off your company will be. If you don't focus on your customers, you can bet that one of your competitors will.

Strategy #2: Find and Leverage Your Very Important Customers

Once a CCA is in place, their top priority is to find and engage your Very Important Customers or "VICs". Important customers can generate incremental sales, influence new customers, provide feedback and even work for your company for free in the name of the relationship. Here are some examples of benefits you can extract from your VICs, taken from other companies:

VICs Can Blog for You- A couple of Target's VICs started a blog, *Slave to Target*, which has been followed by over three million people, creating significant value for Target. These VICs create visibility amongst important customers and a credible source of product reviews and other information without Target having to spend a dime.

VICs Can Volunteer for You- Integrity Toys, a maker of collectible dolls, uses its VICs as volunteers at company-sponsored events. These VICs are not just free labor; the VICs deepen their connection and loyalty to the company through participating as a volunteer.

VICs Can Advertise for You- VICs of companies like Nike provide free advertising by proudly wearing branded apparel and other gear. When they are influencers amongst their peers (either broadly, such as a celebrity, or in a more focused community, such as at school, work or amongst friends), VICs can provide an effective source of free or low-cost advertising.

VICs Can Influence New Customers for You- VICs of handbag companies like Coach and Louis Vuitton help convert new customers by leading discussions in online communities, like the Purse Blog Forum, which has over 200,000 participants. On a smaller scale, professional service companies from legal firms to business coaches rely on influential customers to spread the word to new customers.

So, how do you find these VICs? For businesses with few customers, it should be as easy as looking at your financial reports or talking to your sales staff. For larger companies, you will have to do a little

more work. You may have to spend time reviewing social media and other online communities to find those customers who are committed to your company and are influential amongst other customers. You can also institute loyalty programs, email updates and other technology-based customer programs and sift through that data to find your VICs. Look for those customers who frequently open your email mailings (most services provide those statistics), take advantage of special offers or provide a substantial amount of feedback.

Strategy #3: Engage in a Meaningful, Ongoing Dialogue with Your Customers

As a CCA, you will want to create an authentic dialogue with your customers. Let them know you are there to solicit *their feedback* and to be *their advocate*. Communicate how important their wants and needs are to the company (and mean it)! You can do this through a variety of techniques from creating video messages to your customers, holding online chats and focus groups and having a dedicated email address or “office hours” for customer feedback. You can even create your own technique that incorporates your style and message.

As you create dialogues with your customers, make sure you own those dialogues. With social media being the “hot thing” in marketing right now, experts are advocating everything from Facebook to Twitter to connect with your customers. While social media can provide an exciting platform for businesses to tap to build relationships, there needs to be a plan in place to migrate those relationships so that you **own** them. Otherwise, you, as a business owner, are at the mercy of that third-party site. If there is a technology glitch or if the sites you are focused on go out-of-style (which will happen to all the current “hot” social media sites at some point), you risk losing access to your relationships built on the site.

Third-party social media sites should be a part of a larger strategy, one that creates a path to gain ownership of the relationships. So, if you use third-party sites to create the relationships, make sure you find a way to eventually capture the customers’ email addresses (with their permission, of course) so that you can add them to your own proprietary mailing list.

You should also consider running programs that turn your marketing costs into a revenue center while creating value for your customers. From hosting in-person events, to generating offers to purchase exclusive products or enhanced services, to sending mailings where customers can be privy to first-to-know information and opportunities, you can use your customer dialogues themselves as a way to increase revenues.

Finally, you should have an extra level of communication with your VICs. Find ways to communicate with your VICs more frequently and give them extra perks and attention so that they have the tools and desire to influence your broader customer base. If you want to leverage them and their influence, just ask. Most VICs will be flattered by being acknowledged by your company as a VIC.

Strategy #4: Solve More of Your Existing Customers Needs

For many businesses, customer acquisition costs comprise the largest part of their marketing budget. In some cases, it is one of the largest overall expenses faced by a company. However, it is often much easier and cheaper to sell more products and services to your existing customers than to try to find new

customers for your products and services. This is especially so if your products and services are solving more of your customers needs. While you should still pursue new customers, make sure that a large portion of your strategy is focused on deepening your relationship with your existing customers.

This strategy will benefit your customers as well. Everyone is busy and if you can save your customers time, you will create another significant value proposition for your customers. From major retailers to professional services firms, companies are trying to simplify their businesses by dealing with less vendors and having fewer relationships to manage. Take advantage of your customer connections by providing additional products and services that both fit within your company's competencies and that would be valued by your customers. If you are not sure of your customers' needs, use your relationships with them to directly solicit their feedback.

This strategy can also involve teaming up with other like-minded companies to provide goods and services to each other's customers. This provides the extra benefit of cross-marketing (meaning you get access to their customer base and vice versa). Just make sure you do your homework and that any partners you work with are committed to providing the same level of outstanding service to your customers that you provide or this strategy can backfire.

And Finally...Consider Firing Your Unprofitable or "Underperforming" Customers

If you are familiar with me, you may know that from time to time my advice can be a little controversial. This time my controversial advice is that you should consider firing some of your customers. When we are starting a business, growing a business or facing a tough economic environment, we all are tempted to chase every last dollar (myself included- I have done it many times...). However, this strategy can ultimately lead to lower sales and profits over time. When you are customer-centric, part of your mission is to get to know your entire customer base, including each customer's value. This includes how much each customer spends, their potential to spend more and how much you are spending to take care of them. While it is important to focus heavily on your important customers, there are sometimes very toxic customers that are what I call unprofitable or **underperforming** customers. These are customers that are sucking up more time and resources from you than the customers' worth to you. While it may be very difficult emotionally to give up paying customers, underperforming customers may be using up so much time that you end up paying your staff more money to deal with these customers than the customers will generate for your business, ultimately lowering your profits. These customers can also be an opportunity cost- meaning that every minute you spend with them (for little to no money) it is preventing you from spending time with important customers or prospecting for new customers, preventing you from increasing your revenue.

The best example of a company firing underperforming customers is Sprint. In 2007, Sprint made a public announcement that they were going to be firing some of their customers. These were a small percentage of their overall customers that excessively used (or should I say abused) Sprint's customer service department and were costing Sprint big time- much more than these customers accounted for in sales. I have used this model in my own business and with many of my clients in their businesses as well. I have clients that have reduced their customer services inquiries from dozens a day to just a few each month by getting rid of a few key underperforming customers.

Now, before you take action, you do have to identify which customers warrant being fired. You have to make sure that these customers don't account for a significant percentage of your business (i.e., if you

have all bad customers, you may want to rethink your business strategy altogether). You also have to make sure that they are not *influencers*. For example, Oprah Winfrey was turned away from a Hermès store in Paris a few years back when they were closed for a private event. Oprah is obviously the definition of an influencer and after that situation happened, she proceeded to tell the entire world not to shop at Hermès. So, if Oprah (or another influential customer within the realm of your existing or potential customer base) is the issue, then you may be stuck. Otherwise, if it will improve your business, get rid of those underperforming customers just as you would any underperforming asset.

The Takeaway

The shift of your organization to a customer-centric entity is not just a theoretical exercise. It is a critical strategy to increase your company's profitability today and grow your business in the future. Making over your business to focus on your relationships with your customers can, if you put forth the right efforts, significantly increase your business' revenues and profitability.

About Carol Roth

As her tagline says, Carol Roth delivers straightforward, insightful business advice...*sunshine and puppy dogs not included*. She has worked with hundreds of companies, ranging from a single entrepreneur with an idea to Fortune 500 businesses, on all aspects of business and financial strategy. Collectively, she has helped her clients raise billions of dollars in capital, complete hundreds of millions of dollars in mergers and acquisitions, implement radical cost cutting measures, create online and other direct dialogues with customers and more.



Carol is known for her significant knowledge base, can-do attitude, extreme efficiency, client dedication, frank opinions and “colorful” vocabulary, including coining a variety of terms and phrases ranging from “Cirque-du-So-Lame” (something that is beyond pathetic and pitiful) to “jobbie” (a hobby disguised as a job, career or business). Her experience has encompassed a wide variety of products and services, including initial public offerings (IPOs), secondary offerings, private equity placements, private debt placements, buy-side M&A, sell-side M&A, LBOs/MBOs, recapitalizations, valuations, fairness opinions, licensing, marketing services, franchise work, start-up advisory and general strategic advisory work. She will also go out on a limb for her clients, who have asked her to do some very strange things, including filling-in as an auctioneer for a charity event auction. Some of her noteworthy clients have included Integrity Toys, Applica and Pelstar/Pelouze, among many others. Ms. Roth is also a shareholder of and investor in several of her clients, a published author on a variety of business and related topics and a former Director of Travelzoo (NASDAQ:TZOO).

For more advice on customer relationships and business strategy or to contact Carol Roth, visit www.CarolRoth.com.

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