

Customer Advisory Boards

Expert knowledge means success

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Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

How do you find out what your customers really want?

A unique way to get at what customers or clients really want is called a "Customer Advisory Board" (or, if you wish, a "client" or "patient" Advisory Board). Some people even call it a "Customer Focus Group".

For the purposes of this document, we'll call it a CAB.

In these turbulent times with strong competition and uncertain consumer behaviour, you need a winning edge - and one of the best investments to boost your bottom line and push your customer-satisfaction levels through to new levels that your competitors can only dream about, is through a CAB.

The aim of a customer focus strategy

We see the aim of a customer focus strategy as looking at the provision of products and services to customers that are perceived by the customer to be of greater value than they could expect to purchase or receive from the competition in similar markets.

Indeed, it is the competitive advantage provided by the application of a strategy on customer value that not only provides for a continuous improvement of business processes and operational effectiveness, but also provides the competitive intelligence by which strategic planning for increased market share can be brought about.

When customers perceive that the value they receive from the supplier is higher relative to what they can receive from competitors, they remain loyal to their service provider and the likelihood of repeat business is significantly increased.

Getting it right with customers is key to success. In fact, you need to be better than

just achieving a 50% satisfaction level. If you only achieve a 50% satisfaction level, it means that only 50% of your customers are likely to remain loyal and provide repeat orders. This translates into something quite startling - that customers are equally likely to buy from the competitors in the future.

Customer loyalty comes from having a customer value management strategy that:

- Provides a focus on the customer perception of value rather than the supplier's perception;
- Provides the means to identify the key purchase criteria and attributes of the customer and their importance to the customer;
- Provides the means by which the customer needs are broken down into actionable parts and linked to internal process measures such as customer account improvement plans.

What is a CAB and why have one?

The aim of a CAB is to get closer and closer to customers. A CAB is a "round table" focus meeting of the customers of a business. It's best if someone who's independent of the business leads it.

That's what we do. We can do it for you too.

It's really amazing the number of businesses that get things wrong when they're trying to launch a new product or service. It may sound crazy, but all they try to do is to imagine what the customer's response is going to be when they come face to face with the product or service on offer. Instead of asking the customer's advice, even watching what the customer does and really trying to understand what the customer wants, most businesses simply take calculated guesses.

The key to success lies not in guessing but in knowing, understanding, and giving your client what he/she wants. You probably know the *Pareto Principle*, which goes something like "20% of your customers, products, or services provide you with 80% of your income".

We know that there are any number of ways that you can find out what your customers want - but one of the most effective strategies is to run CABs.

It's not the only way to do it, but it's best if

"Only by really understanding your customers will you exceed surviving and move to thriving"



your CAB is made up of your best customers – and where better to start than with the 20% who provide you with 80% of your income. A CAB will help you not only to find out how to get more customers like your best 20% but also how to keep them coming back. Let's examine what we've just suggested to you:

- how to get more customers like your best 20%;
- how to keep them coming back.

This ties in with a core belief we hold about how businesses can be developed - we strongly advocate the **"4 ways to grow a business"** strategy (ask us for a copy of a detailed information sheet on the 4 ways). The first two ways are:

- To increase the number of customers of the sort you want to deal with;
- To increase the frequency that the deal with your business.

There are broadly two options to running CABs:

- To meet with different customers from your target sector each time you hold a CAB;
- To meet with the same customers over and over again.

The first option has the advantage of providing new insights each time that you hold a CAB, but you might not be able to persuade the same customers to keep coming back and giving you the benefit of their time – unless there's a definite advantage to them in their own businesses in being able to influence what you do for them, as their supplier. By sharing your plans and strategies with the key target customers at your CABs, you get invaluable information about their attitudes and beliefs. And, by keeping a regular dialogue going at CABs, you can call your customer between meetings to discuss any new ideas – perhaps even acting as "mystery shoppers".

How often should you hold CABs

If your business needs it and you plan to meet with different customer groupings each time, you might want to run a CAB every month – one company we know (a large US supermarket holds a CAB every Saturday afternoon) – they're so successful in meeting the needs of their customers that the business features in the Guinness Book of Records!

If you meet with the same board members each time, the CABs should be held less frequently – perhaps three to four times a year. The ideal size board is between nine to twelve people. The most effective CABs meet for two to three hours, while some meet for a full day.

In most cases, the customers who attend at a CAB are rewarded for their contribution – examples of the most frequent kinds of reward include:

- Gift certificates (by a retailer);
- Free weekends away (by a hotel group);
- Lunch or dinner (by a restaurant);
- A free service (by a motor dealer);
- A free pair of prescription designer sunglasses (from an optician);

and so on...

You'll have to be brave enough to expose your customers very early on to your new ideas, new technologies, new products and new ways of working - so that they can have direct input into the final form and direction that these changes eventually take. Your customers are and should be your business allies.

The WOW factor

Bring together your best customers at a CAB. Share your vision with them and gauge their reaction. But be prepared for some startling experiences. Your customer might think your vision is nonsense. Then again, the customer might be wrong. Separating the good comments from the bad require real skill and good judgement. When you implement part of your vision, you'll need ongoing feedback from customers. Customers are often not good on the 'vision thing', but once they see your ideas being actioned, they'll soon tell you if it's any good. Even if you executed the idea perfectly, there'll always be some customers who won't like it. Before you throw out the idea be sure you listen to the right customers – in other words, those customers who form part of your ideal customer profile – the 20% who contribute towards 80% of your success. These are the customers you need to really listen to. If you can't wow them, your word of mouth will suffer. The benefits that you could get from customers being your advocates will wither and opportunity will be lost.

What can you do for your customers to get them talking, and buzzing with enthusiasm for you? How can you transform the buying process into a buying experience for your customers?

The elusive ingredient we're looking for is what we call the 'Wow Factor'. It's that hard to define 'something extra' that sets you apart from your competitors. It has your customers saying things like 'WOW! This IS different!'

It's certainly the opposite of average. It is the complete antithesis of the boring 'me-too' mediocrity that pervades most businesses.

There's a survival imperative here too. Ordinary, boring businesses (with the FIZZ Factor?) who may have done well enough in the past, can't necessarily look forward to a rosy future.

Here's what Tom Peters says about it:

"Being average has never had much appeal. Better to fail with flair in pursuit of something neat.

India, China, Argentina, Mexico, Brazil, Chile, the Philippines, Malaysia, Thailand, Indonesia - and more - are coming on line. They're chock-a-block with hundreds of talented, well educated workers - and already producing sophisticated, high quality goods that are often the equal of the best from the monster US, Japanese and German economies.

To stay on top of this fermenting global brew will require people and companies to peddle like never before; will require - again - personal and corporate WOW."

You need more than to keep your head above water

We believe that businesses have three options. They can operate worse than par and drown. Or they can be at par and be no different to anyone else. Or, best of all, they can be better than par, and really fly – leaving their competitors far behind.

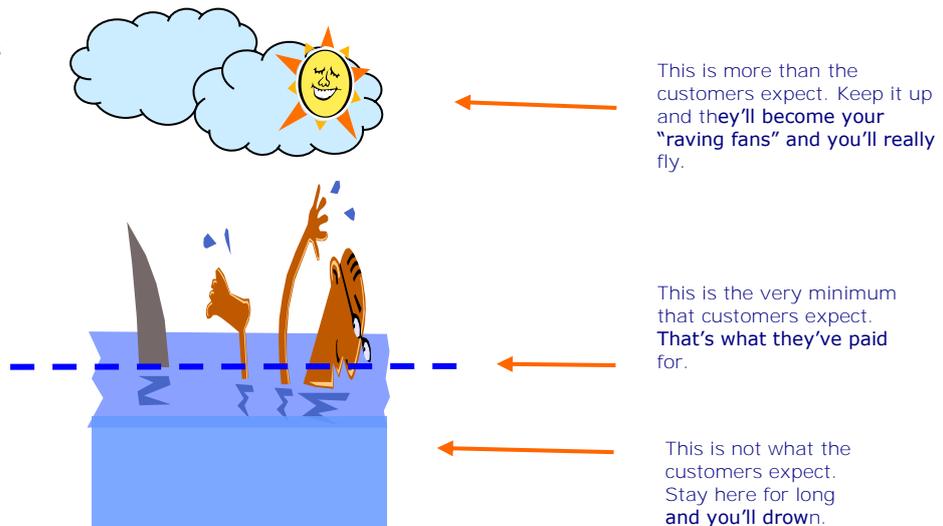
We'll illustrate this by asking you to picture an ocean. There are three parts to it.

There's the water. There's lots of it and it's very deep. In fact, it's so deep that if you're not careful you'll drown. Everyone has heard about businesses that have "gone under".

Then there's the surface. Your head is above the water, but only just. You don't want to go under but you don't want to stay on the surface for too long either. If you're on the surface, the best that you'll achieve is to "stay afloat" but if you make the slightest mistake, you'll go under.

Then there's the bit above the water – where, if you had wings, you could fly.

Now, think about this picture from the perspective of your customer. The very minimum they expect is "par" – but it's not extraordinary. In fact, it's much the same as everyone else who tries to run a business without making mistakes. It's good. It's reliable. But it's all that was expected and nothing more. If you operate at a lower level – worse than par, mistakes will occur, and the customers won't be very happy. The best place to be is where your business can really fly – where you far exceed the customer's expectations.



Satisfied customers are no longer good enough

As you've just seen, satisfied customers are no longer good enough. You need Raving Fans. In their great book aptly named 'Raving Fans', Ken Blanchard and Sheldon Bowles beautifully illustrate how the best businesses seek to transform their customers into raving fans.

Here's their simple three-step Raving Fans process;

STEP 1. Decide What You Want

This is the vision step. This is where you create a vision or a picture of customer service excellence. You start with the end in mind - and then work back from there. The vision needs to be specific and it needs to be written down.

STEP 2. Discover What the Customer Wants

This is reality time! The customer might think your vision is nonsense. Then again, the customer might be wrong. Separating the good comments from the bad require real skill and good judgement. CABs are very useful here.

STEP 3. Deliver PLUS more

At the heart of this principle is the concept: Under promise and over deliver. For instance, we know a person who has built a successful business servicing and repairing electronic equipment. One reason for his success is that he's thoroughly committed to the concept of 'under promise, over deliver'.

Here's how it might work: A customer brings in a T.V. for repair, and wants to know how long it will take to repair, and how much it will cost. After a technician gives it the once over, a time and money estimate is given to the customer.

But, unlike most businesses, the estimates will always be longer and higher than what the technician believes will be the reality. In this way, if there is an unforeseen problem, there'll be a margin for error. More than likely the TV will be repaired ahead of time and the final price will be less than was quoted. Will this create Raving Fans? Absolutely! It probably helps to explain why this thriving business doesn't spend a penny on advertising.

So the message is this: surprise your customer. Do it often. Make it memorable. And if you boost your margins, the extra margin allows you to do extra and unexpected things - all designed to WOW and delight those precious assets, your customers.

Keeping the Customer Happy

The Consumer Minister has launched some innovative tools designed to help a business satisfy its customers and improve the service delivered. The tools - a CD-ROM step-by-step guide for business to improve customer service; and a new customer service module for the Small Business Service's Benchmark Index database - have been designed in partnership with business and consumer groups - such as the NCC, the Small Business Service and businesses, including John Lewis and ASDA.

With research showing business spends six times as much to recruit a new customer than to retain an existing one, good customer service is an essential component of a successful business.

Getting it right first time is obviously the secret of good customer service, but where mistakes happen, research shows that a well-handled complaint makes all the difference to customer loyalty.

What Angers Customers?

- Being kept on hold for excessive lengths of time, while being told repeatedly how much the organisation values their custom;
- Organisations which ignore basic consumer rights, eg, taking back faulty goods and being refused a refund and told to change it for another product;
- Battling bureaucracy to resolve a problem. Staff should be empowered to tackle complaints immediately;
- Rude or over-friendly staff - both extremes can make customers feel uncomfortable;
- Anonymous staff who refuse to give their names;
- Broken promises - businesses should not make promises to customers which they cannot honour;
- Inflexible delivery times - businesses which refuse to deliver beyond a narrow, fixed time, or at weekends when most customers are at home;
- Lack of customer-friendly complaints handling systems - if it is difficult to complain, most people will not bother. They will simply take their business elsewhere;
- Premium rate advice lines. It would be better customer service to provide freephone or lo-call numbers;

- No human voices on the telephone - mechanised systems will fail to connect to which take customers through a lengthy process only to deliver them back to the beginning.

Top Ten Tips for Good Customer Service

- Talk to your customers - carry out surveys. Ask customers what they want and make it easy for them to give you feedback;
- Listen to your customers - listen to complaints and compliments. Don't be defensive – accept criticisms as they will highlight areas for improvement. Let customers know if you are acting on their suggestions;
- Build trust Keep your promises. Deliver when you say you will. If things go wrong put them right quickly;
- Take complaints seriously – **don't be dismissive or patronising**. Have a customer friendly system for dealing with complaints so that if things go wrong, staff are easily accessible to put things right;
- Get it right first time - it saves you time and money if customers are handled well from the outset;
- Make the most of your staff - invest in training. Value them. Empower them to deal quickly with complaints. This will build morale and happy staff lead to happy customers;
- Go the extra mile - a willingness to delight customers is what separates the best from the rest;
- Do not make assumptions – your last customer service survey (last years) is probably out of date now - keep talking to your customers. The most successful companies know they cannot afford to rest on their laurels and are always willing to try something new and learn from others;
- Learn from your mistakes - and put them right;
- Put yourself in your customer's shoes - would you be delighted by the service

you receive? Would you do business with you?

Benchmarking

Benchmarking your performance against other similar companies can help your business to:

- Improve productivity;
- Improve competitiveness;
- Overcome competitive threats;
- Address growth issues;
- Gain a complete picture of the business.

More information about Benchmarking can be found at: www.winningmoves.com or by calling 01785 827600.

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

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