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Competition Redefined: Come Out Ahead by Focusing on Customers, Not Price

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For companies in mature industries, or what Geoffrey Moore would call the “late majority” phase of their lifecycles, growth comes mostly from taking customers away from competitors. In order for one company to grow, another one must have declining market share.

Take, for example, the television industry. Generally, consumers have a choice between three main players: Comcast (News - Alert), Dish Network and Direct TV. Due to high levels of saturation, growth from new households adding service is relatively small. Therefore, each company must increase revenue by convincing consumers to switch services. With programming relatively the same, these companies try to secure customers with tempting low prices and all-inclusive packages. Playing the pricing game will keep a company competitive in the short term. But, when costs have been driven as low as possible, there must be other differentiators to help generate revenue.

Convincing customers to switch companies is a challenge because people tend to avoid the hassles of making a new decision by sticking with a current supplier or service. Often, the only reason consumers even consider making a change is when they have a bad customer service experience. In a competitive environment, one bad call is the only opening a competitor needs to steal your customers.

According to a recent study by the CFI Group, almost 25 percent of all customer callers said they left a company solely based on their experience with the company’s customer care representatives. Furthermore, the survey indicated that 76 percent of customers who had a bad service experience shared it with others! In today’s information-driven society, these unhappy customers can use chat rooms, bulletin boards, or blogs to broadcast their opinions to millions of potential customers in just a few seconds. On the other hand, 94 percent of callers who had positive customer service interactions said they would continue to do business with the company.

Protect Your Customers with a Positive Brand

Establishing a brand centered on the customer requires a commitment from the entire organization. From the top executives down to the receptionist, the measurement of success must

be redefined to look at customers as an asset similar to equipment, real estate or inventory. Instead of placing more value on actions that drive down costs or improve productivity, companies change their thinking and reward behavior that leads to improved customer satisfaction.

Take Amazon.com (News - Alert) as an example. From the beginning, Amazon has been focused on satisfying customers. The company consistently invests in customer service improvements even though the costs can't be directly tied to future income. Rather than turn a profit in the first few years, Amazon listened to customers and reinvested capital toward improvements like one-click shopping that made it easy for consumers to do business with them.

It may seem obvious to say that building a brand and a company focused on satisfying customers leads to repeat customers and economic success. Yet, I'm surprised by how many companies fail to grasp this basic concept. This is especially prevalent in the contact center business where decisions on how to handle customers are often made by selecting the lowest price per minute model. But price per minute is just one factor in the economic equation creating sustainable customer loyalty and improving profits.

Consumers choose to do business with brands that promise to provide a high level of satisfaction. When both the buyer and the seller have a positive experience, they are likely to repeat it, thus generating more consumption and more production. In this way, customer satisfaction leads to economic growth.

Whether through smooth order processing or quick problem resolution, following are a few more specific examples of the correlation between quality customer care, customer loyalty and profitability:

Lower acquisition costs. Satisfied customers have no incentive to search for other products or services, reducing the number of new customers needed to sustain desired growth rates. According to Bain & Company, "acquiring a new customer can cost 6 to 7 times more than retaining an existing customer."

Increased revenue. Happy customers reward companies for their emphasis on service with repeat purchases. Bain & Company also found "businesses that boosted customer retention rates by as little as 5 percent saw increases in their profits ranging from 5 percent to a whopping 95 percent."

Larger profit margins. When you make it easy for customers to do business with your company, they tend to spend more and are more willing to consider up sell suggestions. Consider once again the television industry. Consumers satisfied with Comcast, for example, would be more likely to consider bundling their television service with Internet access. At Alpine Access, we've experienced first hand how high customer satisfaction scores can result in greater order sizes and more transactions.

Although it is important for every department to demonstrate a customer-focused philosophy, a company won't experience the economic benefits described above unless its contact or call

center is aligned as well. Customer care representatives provide a critical connection between a company and its customers.

In fact, the CFI Group found that the number one factor in determining a customer's satisfaction or dissatisfaction with a company was the *interaction he or she had with the company's customer care representatives*. Taken further, the same study found that if the call center staff treated customers well, were well trained and focused on problem resolution, the contact centers played a significant role in improving customer loyalty and driving a company's return on investment.

Our economy operates on the basic premise that satisfied customers will come back. Consumers want quality service from representatives who are courteous, enjoy helping people, and have the knowledge or resources to resolve problems. Whether internal or outsourced, the impact your contact center has on your overall business performance can not be ignored. Those that provide positive experiences with quick problem resolution generate customer loyalty encourage referrals and create goodwill — all of which contribute to overall customer satisfaction and a sustainable company brand that stands for value rather than price.