

Falconbury Successful Marketing

Module 6 **What is Customer Relationship Management?**

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WHAT IS CUSTOMER RELATIONSHIP MANAGEMENT?

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1. CUSTOMER RELATIONSHIP MANAGEMENT DEMYSTIFIED

Introduction

In its simplest form customer relationship management is an attitude, a mindset, a value that you place on your business and its relationship with its customers. It is a methodology, a way of creating and evolving your organisation in the marketplace and at the same time in the mind of each individual customer. It must look at the whole process of what you're involved in, whether this is a product or a service driven organisation and it must involve every aspect of what you do – from suppliers through to the end application, from your internal staff through to your customer's customer. In its simplest form it recognises that each customer is an individual and has a choice. It looks at ways to treat customers more as individuals and to exercise their choice positively towards your organisation. It also embraces many current marketing and management methods, such as customer loyalty and marketing database management.

There are three main elements to consider when aligning your business towards a customer relationship format. The first is to do with retention. Imagine that you were never to gain another new customer, this would probably be a horrifying thought for most businesses, but when you considered it carefully you would realise that if you just kept the customers that you have then you would probably be able to grow and prosper in much the same way as you are now. There are of course exceptions. Most businesses only get a small percentage of the share of each of their customers. In addition most businesses will lose customers at a rate of somewhere between 15-50 per cent per annum. This leaky bucket effect is not only expensive, it is also reasonably unmotivating for the staff who have to serve these customers.

The second stage is to develop customer potential: turning that one-off infrequent casual customer into a higher spending, more frequent, referring advocate.

The third element of customer relationship management and perhaps the most controversial one is the de-selection of customers. If a company or organisation were to put more of its efforts into its existing customers it would make sense that it did this with customers that had the greatest potential. This means that at some point, it has to start to lose those customers that are not ones that offer long-term future value. This might be because of transaction spend, the value of a customer or the cost of transacting or dealing with that customer or customer group.

In moving towards a more customer relationship orientated approach in your business there are some simple steps to help you along the way. However, before we look at these it is important to remember why customer lifetime value is so critical.

Customer lifetime value is typically the revenue that one customer can spend with you directly or through referral and recommendation over a nominal period of, say, ten years. A customer that buys once is probably doing so as a trial. The more frequently they come back to you the more their loyalty builds; they will then turn from a one-off customer into an ongoing client and eventually a self-perpetuating advocate. A loyal customer will often pay more as well; they will also be less sensitive to tactical

discounting so that they will actually have more profitability than the customers that you attract through special offer promotions. Those customers that are attracted by special offer promotions will, of course, always be tempted by other special offer promotions and their loyalty can never be expected. The emotional link that a customer has with your organisation, the people that serve in it, or the brand that it promotes, are also critical factors in understanding customer loyalty and lifetime value.

The four steps to relationship management

The four steps to moving your organisation closer to a relationship based management programme are:

1. Segmentation
2. Analysing current behaviour
3. Developing strategy to achieve target behaviours
4. Behaviour maintenance.

By behaviour we mean the buying or other behaviours of a customer, in relationship to the organisation and its products and services.

In beginning the process it is probably worth taking time to do an audit of all the systems, information, research, marketing knowledge, attractiveness, historical results from promotions and any other additional sources of data that may exist in your organisation.

Customer relationship management requires a holistic approach so that the information that is held about customers across the organisation is drawn together in one central source or at least cross-accessed so that it can be compiled and collated. For example: information is probably held at an accounting level about customer transactions and appended to that may be a payment record. A different computer system may hold results of marketing activity for different customers or different customer groups. Another database may actually hold information on customer service queries or enquiries – times they may have phoned or contacted you for some question or other. This information needs to be carefully scoped and drawn together.

This analysis is the first part of segmentation by behaviour and value. The second stage is to begin an initial segmentation of a customer base. You should include the value, potential value and historical behaviour of your customer. This should then be compared with the existing buying patterns and behaviour and then contrasted, thirdly, with the future, or target behaviour, of an ideal or loyal customer.

Every customer is in some way unique. However, many customers are unique in similar ways. There are practical steps that can be taken to segment customers by value, pattern, and buying criteria.

Example*A Chinese restaurant*

A Chinese restaurant entrepreneur developed an informal but effective system for differentiating his customers. It intrigued him why some would return again and again, but others less frequently – and often the style and spend of their visits was inconsistent with previous visits. As a way of encouraging business he would try to remember details about his customers – children, what sort of car they drove, jobs, holidays etc. As his business expanded this became more difficult. Instead he transferred the information to card indexes and encouraged staff to do the same. He then began to add to this information the days of their visits, average spend, meal and wine preferences. As the system evolved he was also able to note preferences for tables and seating, dining times, and even preferred waiters and waitresses. Staff would often note down exact details, such as favourite flavourings and special requests.

How was this information used? Firstly, customers did not have to explain themselves as much as they would normally have done, and the level of personal service they received encouraged them to return to the restaurant even more frequently, and increased the average spend.

The restaurant owner also began to use the system in more sophisticated ways. He would design banquet evenings and ask selected customers to attend, almost as if they were invited guests. Because of the information he had gathered on each of them he was able to design and price the menus to match the expectations of each group. He would often charge the wealthier customers more for the same meal because he knew they would enjoy the evening better if they were paying more for it!

The next stage is to develop a strategy – a plan or a series of plans to attribute the target behaviour to each segment or individual – and then to begin to allocate a budget for each of those behaviours. For example, if you had a mail order business marketing collectible antique replicas, you would identify the different customer segments in terms of their buying behaviours and in terms of how much they had spent in the past; the frequency, the types of products that they had been interested in and the mechanisms that they had responded to – whether that's direct mail or off the page advertising, the Internet etc. If you were then trying to increase the frequency of spend or the transaction value of the spend, this would become a target behaviour that you would focus on.

The next stage is to look at the actual technology or systems that will allow you to achieve better relationship management with your customers. This may require some re-design or re-implementation of hardware and software to allow access to the information at a single point.

The final stage is a measurement in the evolution of the process. There is always a matter of trial and error and trial and success. Before implementing a wide scale programme it is essential that it is carefully tested on a small part of each segment of the customer base before being rolled out. Indeed, by using customer relationship management methods in segmenting customers and customer groups more accurately, test marketing and test promotions can actually be far more accurately gauged and measured.

Example*A successful hairdresser's salon*

An example of a business employing a good relationship management strategy can be found in most high streets. In fact many businesses do it without even really thinking about it.

Some hairdressers are able to generate extraordinary levels of loyalty from their customers. This loyalty transcends such things as price differences and the convenience of their location. Many people will have their favourite hairdresser, someone they will return to again and again. Even when they have moved house or job, making that hairdresser less convenient, they may well still drive past dozens of other similar establishments to go there. Once they are there, only their favourite member of staff will do, even when the owner has trained that person. Once a salon has such loyalty from a customer it can charge increasingly more for its service.

Consider for a moment what this hairdresser might do to generate such loyalty – and profitability – from key customers. Their ability to cut, style and colour hair outstandingly is a given and usually not unique ability. The secret lies in their ability to manage every aspect of the relationship with the customer in such a way that the customer is always satisfied.

At the most obvious level the salon is always clean, stylish and attractive. Attention to detail ensures that first impressions become lasting impressions, from the coffee cups to the lack of coffee stains. The real differences between this and a less successful salon can be understood by looking at the business from the customer's perspective.

The customer's eye view

From the customer's viewpoint the organisation behaves like an ideal suitor. Their every need or wish is not only provided for but also anticipated and personalised. At every opportunity and interaction the customer is made to feel not only special, but also perhaps the most special and valued customer the organisation has.

In the hairdressing example, each and every customer experiences a slightly different version of the service and standards enjoyed by many. The stylists will know which of their customers like to talk and which topics they like to talk about. They will remember important things about each customer's life and lifestyle. Children, careers, holidays, favourite sports – each topic is carefully remembered and conversations continue from where they left off.

Treatments, products, styling and appointment times are seamlessly personalised for each customer. It is then a natural extension of this to target new products, services and special offers on particular customers. Customers selected in this way do not experience 'mass marketing' as we have come to know it.

Not only are offers personalised but so are letters, brochures and catalogues sent to them. Some customers may be contacted by phone, e-mail, mail or even in person, depending on their preference. The content, style and even the timing of such approaches can be tailored to fit a customer's unique

‘buying fingerprint’. This is a set of parameters or attributes about how, when, where and what each customer buys.

In this environment the relationship the customer has with the organisation is well managed in a proactive way, making it exceptionally easy for the customer to do business and to remain a customer. It is also enjoyable for them – and profitable for the organisation.

In this way loyalty is not merely an absence of customer loss or erosion. Nor is it an attempt to generate short-term sales by marketing gimmicks. Instead it plays a natural part of a customer’s behaviour and psychology. The drive and need for consistency is a strong emotional element in all our behaviours. Research has shown that customers who are treated in such a fashion will, over time, become blind to the marketing antics of competitors.

What this looks like in an organisation

These concepts appear simple and indeed it need not be any more complicated than this to understand, but changing your organisation to achieve it may not be quite so easy. While an owner-run establishment can track its most valued and profitable customers, this may not be so easy for a larger organisation.

Consider a car manufacturer trying to identify who its customers are, why they chose the make and model they did, then to manage their relationship through a third party dealership channel. Even trying to identify the end customer requires great resourcefulness. The car may have been purchased through a finance scheme or company car scheme, thereby creating real customer anonymity.

This example also begs the question of what it is the customer is loyal to. Is it the make of car – Mercedes, Mazda, or Ford – the model, the local dealership, or the relationship with the salesperson that sold it to them? In reality it might well be a complex interaction of all of them.

However, often the main challenge your organisation will face is not overcoming the physical hurdles of managing multiple and dispersed customer relationships. Decades of hit-and-run marketing practices and a culture that rewards sales rather than repeat customers will often be the biggest problem.

An organisation that takes customer relationship management seriously and operates it successfully is one where the customer becomes the central focus for all operations and decision-making.

The structure of your organisation or department must be customer-focused. For example, many companies will use a linear organisation chart to describe functions and job specifications. While this is a useful method of presenting information it does tend to reinforce a hierarchical approach. A better alternative is to visualise departments and job functions as interconnecting circles with the customer at the centre. In day-to-day practice this makes it much easier and much more satisfying for the customer to remain a customer.

Take the example of a simple garage repair workshop. The customers will have complete access to various functions – mechanic, supervisor, service receptionist, parts manager etc. They are not forced to deal with ‘gatekeepers’ or enforced procedures. Similarly the vehicle technician or stores assistant can deal with the customer directly and indeed is required to do so should the need arise. So if the car is not going to be ready at the specified time, the first person to recognise this phones

the customer and explains why. On collecting the vehicle the customer can discuss any aspect of the work directly with the technician or mechanic who worked on it. There is no reason why this should not be replicated throughout the dealer network or organisation and be continued through to include the car manufacturer.

Not just another marketing trick

Many companies are now discovering that customer relationship management is not something that you can simply bolt onto a business. In a democratised market it is the quality and depth of the customers' relationships – physically and psychologically – that ultimately differentiates between brands.

Advances in technology, plus the price advantages gained through global location, better purchasing and sophisticated marketing methods, make it harder to differentiate yourself from your competitors now than at almost any time in living memory.

Traditional marketing wisdom over the last 20 years has had it that buyers are likely to react in a Pavlovian manner to price cuts, special offers and other inducements. It is a common moan, especially in the retail sector, that customers respond only to price – then shop around for even sharper bargains.

An interesting example is the way Internet businesses were able to attract customers easily and quickly in the late nineties for products such as books and CDs. The traditional providers and marketers of these goods had failed to build any lasting or real relationships with their customers. Most of them did not know who their customers were, and even if they wanted to have a dialogue with them they would not have had enough information to do so.

The very term 'customer loyalty' is a flawed one. Customer loyalty programmes often have the opposite effect to that intended. Research has shown that if a customer carries one store card they will probably carry three or four others. There are exceptions, of course, but in many cases these schemes simply confuse the customer and waste profits.

There are other reasons why customer loyalty marketing is not as effective as it was hoped it would be:

- There are just too many programmes – everyone offers them!
- Programmes are frequently focused on short-term rewards not longer term benefits
- Few programmes seem to really understand the needs, views and ideas of their customers
- There is often little intelligent segmentation – everybody is assigned to the same loyalty programme, when in reality there are different reasons why some customers remain with the organisation and others do not
- There is no, or only a limited, opportunity for dialogue and interaction with customers
- The loyalty programmes are seldom allowed to evolve and instead are simply replaced with something 'new and improved'
- Customers are increasingly cynical about such programmes
- Companies lack the emotional or financial commitment to make the programmes work.

A customer loyalty programme, just like a quality programme, is only one tool or method in managing a customer's relationship and delivering customer satisfaction. There is far more to gain from fostering good principles than from investing in such expensive and complicated schemes.

The business case

As has been mentioned, the customer's relationship with an organisation or brand is as important, if not more important, than product or price advantages. Research suggests that it costs five times more to attract a new customer than it does to keep an old one. Consider for a moment the cost of marketing, sales, commissions, accountancy, administration, credit and bad debt collection for a new customer, and contrast this with the non-recurring costs for repeat customers.

This is only the tip of the iceberg. If you factor in the amount of additional business one satisfied customer can bring you, the case for building a customer relationship management strategy becomes compelling. Consider the following example:

The weekly supermarket trip

Most families visit a local supermarket regularly for groceries. This choice is often made either by habit or by unconscious selection – perhaps a preference for the location or store layout, or loyalty to a brand, organisation or card points scheme.

With some effort it should be possible to calculate the approximate cost of attracting new customers to any particular location. The repeat visit by a customer need not cost anything, as the overheads have been accounted for in previous marketing. If a typical family were to spend, say, £100 a week on average on groceries, the supermarket should then begin to measure their share of that customer's business – which is more important than what share of the local marketplace they perhaps attract. This £100 a week spend is £5,200 per year and £52,000 over ten years. Add to this how many other customers they might influence to shop there, such as family members, friends and neighbours, this word-of-mouth factor is an important consideration.

As the organisation, in this case the supermarket, begins to learn more about the customer because of the closer relationship it is able to forge, it can better stock, equip, staff and manage the store to serve more than the customer's needs. Special offers, discount vouchers etc can be altered to suit different segments and types of customers. For example, a family might spend a significant amount on dog and cat food and therefore receive vouchers for these items. The supermarket is also able to analyse the gaps in the customer's shopping trolley. These are products they might well be buying elsewhere.

In this way the supermarket does not discount products unnecessarily – items that the customer was going to buy from it anyway – but instead targets offers strategically, to grow the customer's spending. The role of customer relationship management is not simply an additional marketing device or tool, but a complete philosophy that must replace the hunter-gatherer mentality of many modern marketing methods.

Another example of where customer relationship management can increase profitability is in its ability to segment customers. This means you would decide which customers you would like to foster relationships with, and conversely those with whom you do not want to build long-term relationships

with. This could be for a variety of reasons. In many cases it might simply not be worth it – although customer relationship management does better equip your organisation to develop small or one-off customers into more loyal, high-spending advocates of your business. Another reason could be that some customers might divert attention and resources away from the core business. Recent moves by a retail financial organisation in this area have led to new charges and systems for some customers and savings and improvements for others. This trend is sure to continue.

2. WHY DO CUSTOMERS DEFECT?

Introduction

Consider for a moment what you would have to do to lose all your customers. The list might include some or all of the following:

- Ignore them
- Lie to them
- Fail to return calls or answer letters or e-mails
- Fail to deliver on promises
- Miss expectations
- Be rude to them
- Stop all marketing activity
- Patronise them
- Fail to open on time or be available at the right times
- Not listening to them
- Poor follow-up
- Incompetent staff
- Poor product quality
- Confusing pricing
- Treating them as if they were in the wrong.

You can probably think of others – perhaps something one of your customer service or sales staff would do while working out their notice period!

The stark reality is that many organisations lose a significant proportion of their customer base every single year and either don't know who these customers are, why they are leaving or spending less, or don't care!

Why are customers lost?

Many surveys have been carried out over recent years to try to understand why customers defect. While the answers may vary by customer and organisation, survey after survey highlights similar trends and reasons.

Price

While it may be important in attracting new customers, it would seem that it is a minor issue in developing loyalty and retaining customers. Most research in this area, though varying by industry and country, rarely puts price at more than 15 per cent as the reason for switching suppliers or business.

Physical factors

Such physical factors as a 'more convenient location' are also ranked quite low, as are competitor action and invention. Marketing and competitor activity and a relationship with a competitor are about 15 per cent. The competitor product's advantages can often account for the further 10 to 15 per cent.

However, one of the most common and significant reasons for customer switching and disloyalty is the **indifference and inattention of the business** and, from the customer's point of view, the lack of any real reason to stay. Most surveys highlight poor service as a more common reason for switching suppliers than price advantage.

This can also be supported by the general observations of marketing specialists, who detect the following changes in consumer and business purchasing behaviour:

Customer sophistication

Customers not only expect and demand more they are also more articulate in saying so. Twenty years of dramatic social change – in housing, lifestyle, education, travel etc – have changed the way many of us select the businesses we use.

Complexity

Buying even the simplest product or service can, if the customer wishes, be a very complex decision-making process. The blurring of differences between brands, products and companies; the dynamic interaction between a product and the level of service behind it, both during a sale and afterwards, make it difficult to isolate buying motivations and criteria.

Competition

In almost every market in every developed country of the world, competition has increased dramatically in the last ten years. Globalisation, advanced manufacturing technology and many other factors have led to business becoming faster, having a higher quality, being quicker to innovate and being more price-competitive etc.

Costs

Cost has a significant role to play in understanding the economic trends and changes of recent years. The economic downturn of the early nineties gave both the business customer and personal consumer a sharp jab in the ribs to remind them that markets can indeed go down as well as up. This experience has made us all more aware of cost; the value of managing cost, and the importance of getting greater value for money when purchasing and choosing suppliers.

If we look in more detail at what is meant by 'indifference', both through the research statistics and our own experience, it becomes clear that there are many critical aspects behind any customer defection, including:

- Too little contact
- Too little individual attention
- Poor quality attention – especially when problems are encountered
- Generally poor service levels and standards.

In non-commercial organisations or utility providers, where changing supplier or switching business is more difficult, these four factors are often at the root of the majority of complaints.

The obvious, common sense deduction is that improving these four areas will encourage customers to stay. But this is not the case. Improvement in these four areas usually reduces the amount of customer erosion or 'churn', but further steps are usually needed to create loyal, higher-spending customers.

Complacency, not competition, kills customers

As many successful organisations are now discovering to their cost, the challenge to their future is not necessarily from their competitors, but from their own complacency towards their customers. These organisations become victims of their own success. Although this is not typically a new phenomenon, it is an increasing one. As an example, in America, General Electric was the market leader in valve-based products during the 1960s and 1970s, and therefore rejected diversifying into new transistor and chip-based developments.

Another example was the fall from grace during the late nineties of the unique and successful Marks and Spencer organisation. Typically regarded as one of the best run retailing organisations in the world, it suffered at the hands of its customers. Marks and Spencer was probably the last to realise what many customers knew already – it had become complacent. Once the scale of the problem had been realised the chief executive admitted openly to a meeting of City brokers that they had indeed 'lost the plot' in their relationship with their customers. The St Michael brand no longer meant the same thing to a new generation of discerning customers, and existing customers were far more flirtatious than they had been.

Perhaps one of the reasons for this happening was that market research and customer surveys had focused on only a small number of relatively loyal customers. This meant that the company did not get early warning of trouble.

Among the measures Marks and Spencer took to put things right, is a better relationship with its customers, including more accurate segmentation; more frequent interaction and attention to innovation and service standards.

However, Marks and Spencer is not unique, and there are many similar experiences by companies of all sizes in all markets. One of the biggest blocks in building solid customer relationships is an organisation taking its finger off the pulse of what customers want. The other side of this coin is the belief that an organisation knows what its customers want. It is interesting that so many marketing,

service and product innovations are by insurgent, expanding and hungry upstarts in a market, rather than the incumbent market leaders.

No organisation should think of itself as immune. You can be IBM, BMW, Coca-Cola, Levi's, Disney, Virgin Group or even Microsoft, but complacency is what gives opportunity to competitors.

The service economy

The reality of today's service-based and customer-focused economic world is in marked contrast to the attitudes and priorities that previously existed in organisations. Here is a review of the main elements that organisations should be grasping in order to deliver solid customer relationships:

Priority of service

Necessary evil – or top management concern?

In traditional, product-based and marketing-led organisations this was always seen as a rather incidental or necessary evil. Today it must become a top management concern. In transforming British Airways from an engineering-based, product-led organisation to a successful global airline differentiating on customer service, Colin Marshall, then chief executive, made customer service issues a regular boardroom discussion. He would insist on travelling as the mystery customer in the early days of the transformation, and would often arrive unannounced at airport check-in desks. He would also spend periods working with staff to understand the service issues.

Method of service

Corrective action – or customer-driven service management?

The second significant difference between a customer-centric and a product-led organisation is the method of service. Is your company's based on company policy, preferences and procedures – or customer-driven measures and standards? Does your organisation do the minimum required to solve a customer's problem, or look to solve the problem and maintain goodwill and a positive relationship?

Customer requirements

Unknown or assumed – or researched regularly and the basis for decisions?

Detailed knowledge and understanding of customer requirements – physical and psychological – are required to manage customer relations well. To begin with these requirements may be unknown or guessed at. There may also be an assumption that the requirements and needs of yesterday's customers will also apply to today's and tomorrow's. As we have seen, this is a dangerous attitude. Instead, customers' requirements should be sought, analysed and acted upon and business decisions must be based on such information. It is also important that the varying requirements of different customers, both individually or by segment, are fully understood and delivered.

Strategies and systems

Serve organisational needs – or serve customer needs?

One of the most vocal and outspoken critics of quality programmes and Total Quality Management (TQM) procedures is Tom Peters. While acknowledging the need for high quality and 'doing things right' he says this is no guarantee of customer satisfaction, financial success or loyalty. A good example of this is a large telecommunications company that boasted in its annual report of a significant improvement in the speed of handling customer complaints and problems. This included the implementation of call handling and computer systems. The name of the department was changed from 'complaints' to 'customer service'. The futility of this achievement only really became apparent when a journalist suggested that it might have been better to spend the time and energy preventing problems and complaints rather than solving them.

3. CUSTOMER FOCUSED SELLING AND MARKETING SKILLS

Introduction

This section highlights the most important elements used to achieve a higher level of customer spend, loyalty and quality experience. There are some similarities with existing sales approaches and perhaps most importantly, some differences from conventional selling. As an overview, these are:

<i>Traditional style</i>	<i>Customer-focused</i>
Focus on the product feature and benefits	Focus on the customer
Assume trust and credibility through style not substance	Earn the right and use capability statements to differentiate effectively
Focus on 'winning' sales	Focus on helping customers make buying decisions
Tell the customer of the product or solution features and benefits	Persuade through involvement
Use open and perhaps need-probing questions	Use high-gain questions
Identify service-level needs and opportunities	Probe to develop consequences and pay-offs
Identify simple or immediate needs and opportunities	Target and prioritise potential customers early and maintain contact on a planned basis
Present a single or 'most-favoured' solution	Involve the customer in reviewing 'options'
Present general features and benefits	Target personal benefits precisely
Guess or assume buying criteria and processes	Accurately establish buying motivation, criteria and decision-making processes
Avoid objections and outweigh and answer with simple benefits or discounts when they arise	Anticipate and discuss objections and concerns early and constantly during the process
Develop a single 'key' coach or contact	Manage multiple contacts
Attempt to force-fit extras on at the end of the sales presentation or proposal	Use the 'options' approach to build additional sources of value into the main decision or order. This helps to increase sales value and 'cross' or 'up' sell

Figure 1: Sales and marketing methods

It is likely that every reader will use varying sales and marketing methods – from face-to-face to e-commerce, direct marketing, telephone sales, retail etc. It is possible to adapt and adopt the principles and practices covered here for each and every type of sales and marketing situation.

Golden chain

One of the most important differences is that today's new customers must be seen as golden chains of future revenue not just a one-off, hit and run sale. Customers are just too expensive to attract and too valuable to lose after one or two transactions.

Even if your customer buying cycle is infrequent, for example a major car purchase, the customer can still benefit from support, and opportunities for extra sales can be identified.

The three principles of customer-focused selling

The following key principles are drawn from customer-focused organisations. Typically, these organisations are able to develop a high-level of customer satisfaction and demonstrate a higher level of retention, repeat business and referral (all things I recommend you measure as part of your sales analysis).

The customer-focused salesperson applies three principles at every step of the sales process. These are:

1. Focus on the customer
2. Establish credibility
3. Persuade through involvement.

Principle	Actions
Focus on the customer	View the customer as the centre of the sales process. Concentrate on the customer's buying steps, rather than on your sales process or agenda. Make everything you say or do vital to the sales interaction and of value to the customer.
Establish credibility	Ask questions after the customer understands why sharing information is important. Propose a situation after the customer perceives his or her need as urgent. Close after the customer has sufficient information to make a decision.
Persuade through involvement	Allow the customer to give information. Talk less and listen more. View opposition as a sign of involvement. Help the customer to solve the problem or meet a need.

Figure 2: The customer-focused sales process

Put simply, it is important to give the customer a very positive experience of buying, not being sold to. It is generally held that most customers dislike the 'pushy' sales approach. Therefore, these principles help to promote a more 'pulley' skill set.

Customer-focused selling skills

There are six customer-focused selling skills, each with a separate function. These skills are a basic requirement for effective customer-focused selling:

1. Connecting
2. Encouraging
3. Questioning
4. Listening
5. Confirming
6. Providing.

These skills are equally relevant whether you are working to meet the needs of a customer and his or her organisation or working with an associate to meet mutual, personal, and organisational needs.

The customer's buying steps

During the sales process, the customer goes through a series of buying steps. Each step reflects how the customer feels at various stages of the relationship during the sales process. It is important that the customer-focused salesperson is more sensitive than normal – timing is more important than technique in this context. Generalised sales resistance will be generated unnecessarily if the sales approach becomes out of sequence with the customers' buying cycle or interest level.

<i>Buying step</i>	<i>Customer feelings</i>
1	No interest
2	Low interest
3	Strong interest
4	Convinced
5	Committed

Figure 3: The customers' buying steps

At each step, there is a sales strategy that enables the salesperson to help the customer progress up the buying steps.

No interest

In many situations, your prospect (customer) may have little or no interest in your product or service initially. At this point you are in the 'prospecting' phase of the sales process. It is important to contact the customer proactively to generate more interest. The approach should be personalised as much as possible and based on what is known about the customer or customer group. Typically, it should be something new, or a specific interest or something that is different in some way.

Low interest

At the second step, your customer may have a low interest in your project or services. To move to the next buying step, you must explore and get significant information about:

- The customer
- His or her situation
- The needs and the problems the customer is trying to address.

Spend more time and attention on this step of the process than any other. There are two areas you need to address:

Area	Actions
Exploring needs	<ul style="list-style-type: none"> • View a need as a gap between where the customer perceives he or she is now and where he or she wants to be. • Explore and discuss consequences or negative implications of not closing the gap. • Explore and discuss value or the benefit of closing the gap.
Exploring options	<ul style="list-style-type: none"> • View options as choices that the customer should consider to close the gap. • Explore and develop options that meet the customers' needs.

Figure 4: The customers' needs and options

By using the data gathered about the customer's transaction and buying interests, the timing and content of these first two stages can be accurately defined. For example, a mail-order office supplies company can time and personalise mailings to arrive just before an order might be placed, based on previous order patterns, and products can be promoted that are both regularly ordered or identified as 'gaps' – that is they are not ordered but could or should be.

Strong interest

At the third step your customer has strong interest in your product or service. Now you must propose solutions. To propose solutions and make an effective presentation, link customer needs to the benefits that your customer can derive from your product or service.

As most markets are ferociously competitive, often price or 'special offer' concessions or incentives are used to encourage first time customers to try a product or service. Hence the importance of converting that one time customer into a long-term 'client' or advocate. If possible, differentiate on service and superior purchasing convenience or experience.

Convinced

At the fourth step, your customer is convinced that your product or service will meet his or her needs. To move to the final step, you must close the sale. It is the logical outcome of an effective presentation. The close should be:

- Direct
- Concise
- Non-manipulative.

Committed

An effective close takes the customer to the fifth and final step, in which the customer is committed to your product or service as the means of meeting his or her need.

By focusing on your customer's buying steps, you are seeing the situation from the customer's point of view. It is critical that you stay in touch with the customer's progress throughout the buying process.

The biggest impediment to successful sales calls is the inclination to close at the wrong time. If your customer is at the low interest phase, it is not appropriate to be presenting solutions or closing. You have not earned the right. Be perceptive and remain flexible.

It may not be necessary to move the customer through all of the buying steps. You may encounter a customer anywhere in the buying process.

Depending on the customers' specific needs, you will need to shape your approach to the sales process.

You must perceive where the customer is in the buying process and devise your sales strategy accordingly.

Customer-focused prospecting

How to define your ideal customer

Before you begin to pick up the phone, or write a letter, the starting point is to target the ideal customers, or ideal potential customers.

One of the best places to start in finding your ideal customer is with your existing customers. List down 10-30 of your current active and successful customers. Think about what kind of company, organisation or individuals that they are.

If you sell to businesses consider the size, nature and location of the company. Whereabouts are they based geographically? What kind of business are they in? What are their size, turnover and other factors that may influence their suitability?

What sort of attitude must they have towards your products or services? What facts would you need to check for to make them a suitable prospect? Who would it be best to contact within that organisation? Is there anybody else that you could also contact who may be easier to get through to on an initial call?

If you sell to individuals or consumers, you may want to consider what time of day is best to catch your potential prospects in, what are their ages, hobbies, background, social status, income etc?

The importance of carefully targeting ideal customers is twofold. The first is that we make greater use of our time; by not wasting time with people or companies who can't or won't buy, we can increase our chances that our time spent prospecting will pay off.

We can also protect ourselves from some of the rejection that may come with telephoning for appointments. It is no secret that when you are prospecting by telephone, you are going to get a lot more 'no's' than you might do when you are seeing people face-to-face.

Referrals

One of the most effective and ultimately most successful ways of gaining new business, is by referrals. If you have not done so I would recommend that you take time to contact as many existing customers and prospects as possible and gain two or three possible referrals from each.

Put these at the top of your list for calling for an appointment. However, take time to establish from the customer that refers you the lead, whether or not they are happy for you to use their company name when contacting that referral. Their wishes and confidentiality must be maintained at all times, if you are going to be able to go back to them again for further referrals.

Organised persistence

Organised persistence is the name given to the end result of keeping an accurate call back system with accurate record keeping. It will enable you to select the very best prospects and customers, and keep with them and move with them as they develop their sales needs and requirements. Remember some customers will buy very quickly and others may take much longer. Your job as a sales professional is to sell professionally in a way which is in sympathy with how customers want to buy. By all means we need to influence people and help them make quicker decisions, but at all times it must be respectful to their buying criteria and procedure.

Staying in touch

One of the things that many top sales professionals have found, particularly those selling ongoing products and services to businesses, is that it is good to stay in touch with existing customers and prospects. When a customer buys once it is usually only a trial purchase. You need to keep in contact with those customers with something new, interesting or different on a regular basis. When you are selling to businesses 90 days is a normal business quarter and is seen as being neither too pushy, nor too infrequent to miss opportunities.

Don't forget today's customers

However, before you do any cold calling, warm calling or anything else, make sure you stay in regular contact – about once every three months for example – with all the customer's that you have today. The tragedy is that every year sales people, and businesses, lose 10, 20, 30, 50 per cent and more of their existing customers – and often they don't even know who those customers or contacts are.

Take time to collect the following information every month, and act on it:

- List all your top customers – the top 20 per cent by number and calculate the percentage sales contribution they make individually and as a group.
- List all customers that have not purchased in the last X months – whatever is appropriate in your business. My suggestion would be that every customer should get a call once every three months, just as courtesy.
- List all the customers who have spent more this year/month than last; contact them and find out why, and say 'thank you', and also tell them about something new, interesting or different.
- List all the customers, who have spent less this period than last, contact them and find out why, and tell them about something new, interesting or different.
- Plan renewal, replacement, upgrade or diversification. Make sure your product development and marketing work together to give existing customers a compelling reason to keep buying from you, or stay in touch in between purchases.
- Drive the relationship down to every level within a customer's organisation.
- Remember that you have more to fear from complacency than competitors.

Building a business pipeline

1. Every week, select ten companies or organisations that meet your 'target' market profile. List these names, addresses and phone numbers. Select these carefully and include referrals.
2. Make a research call to each and identify the most appropriate initial contact. You do not need to speak to this person at this stage, talk to the receptionist or assistant instead.
3. Send a one page 'success' letter and a very brief (one side of A4) overview of what (benefits) you can offer. Mail on a Thursday or Friday. Focus on your capabilities and how you can benefit the prospect.
4. Telephone each 'suspect' that you mailed within 3-5 days. As 50 per cent will be unavailable, log callbacks in your diary. Don't be surprised if they don't remember your letter, review it on the phone. Dropping names or using benefits by association can be useful.
5. Have a prepared call sheet, questions and reasons for an appointment (your goal is a short initial meeting). Offer a benefit to your meeting: share ideas, examples, etc.
6. Set aside time each week for research, mailing and planning – consistency is vital for this to work. You might find it better to aim for one hour a day rather than one whole day each week.
7. Maintain accurate but brief reports to monitor your progress and to track activity.

8. After approximately 10-12 weeks of contacting new suspects, reduce the new contacts by between 50 per cent and 80 per cent and instead go back through all those people you contacted previously and re-contact them, i.e. stay in touch with suspects and prospects every three months. Things often change and if you have selected potential prospects well, it may only be a matter of time before you do business.
9. Make sure that the subsequent 90 day contact contains something new, interesting or different, even if only very slightly. This also makes sure that you don't appear too pushy.
10. No matter how busy you get, always make time to keep in touch with new suspects and prospects in this way on a planned and consistent basis.

The 'three rules':

1. Do not allow any one customer to contribute more than 30 per cent of you sales in any given quarter.
2. Make sure that at least 30 per cent of your sales pipeline is from new business, the rest should be from existing customers or referrals. (Be careful not to rely on existing customers to the exclusion of new customers.)
3. Always have a third more sales in the pipeline than you need.

Capability statements

The sales strategy that you should use to proceed to the second phase is the capability statement. A capability statement describes the benefits of working with a sales person and relates them to the probable needs of that particular customer or group of customers.

Making a good first impression on first time sales calls

Any sales interaction or discussion with a customer has three essential components:

1. **Opening** – To ensure a mutually agreeable purpose.
2. **Progressing** – To move towards accomplishing the purpose.
3. **Concluding** – To clarify the progress of the discussion and to set up the next action step.

Opening the call

It is important to see any prospect as a potential long-term customer. Patience and preparation now will pay long-term dividends later. The opening consists of three steps:

1. Purpose – State why you are contacting the customer.
2. Benefit – Explain the benefit of spending time with you to the customer.
3. Check – Ask if the customer agrees with your agenda.

Benefits of preparing

Prepare your opening before you make the call – whether it is a face-to-face call or a telephone call. A good opening will:

- Align expectations between you and the customer
- Show that you are organised
- Show concern for making the best use of the customer's time
- Open up communication with the customer.

Establishing a purpose agreeable to the customer early in the conversation is a key differentiator between successful and unsuccessful discussions.

Capability statements – initial customer contact

A capability statement describes the overall benefits of working with a customer and relates them to their needs. For example: 'We have a variety of publications that can attract new customers to you and encourage existing customers to spend more.'

Preparing

The capability statement should be prepared before your first sales call. A prepared capability statement should answer two questions before they are asked:

- Why?
- Why you (the salesperson)?

Guidelines

The capability statement should:

- Set the stage for a common understanding
- Link capabilities to probable needs
- Be based on as much knowledge as you can obtain about both the prospect's industry and particular situation
- Be brief; not a product or service presentation
- Not overload the customer with benefits, since you do not yet know much detail about the customer's needs
- Be specific enough to be interesting
- Be broad enough not to close off options.

Note: Avoid pitching specifics (features and benefits) of the product at this point.

Progressing the call

When progressing a sales call you should demonstrate to the customer that you may be able to help him or her solve important problems. The capability statement should:

1. Be tailored to the specific industry
2. Include the pertinent benefits your company can offer that industry.

Note: These benefits, however, are not the same as the benefits presented in the opening statement, which shows the customer the advantage of investing time in this particular call. The capability statement should be delivered after the customer has agreed to the purpose of the call.

Examples

1. Open the call

- Stating the purpose – to explore ways in which you might help the customer’s company meet its goals.
- Stating the benefit – investing time in the call might provide some new information about products and services that the customer could find useful.
- Checking – to gain agreement to the purpose.

2. Progress the call

- Qualifying the prospect.
- Delivering a capability statement, if needed, by describing the ways in which your company has helped companies, like the customer’s, solve similar problems.

Keeping it simple

Keep your conversation with the prospect on a more general and conceptual level. Do not get drawn into nitty-gritty details, or you may find yourself in deeper than you want. If you find a customer who wants to hear your pitch, try to ‘defuse and defer’. Remember that your purpose in making the initial call is to get an appointment, not to tell the prospect everything that you have to offer.

Customer-focused selling skills

As mentioned briefly at the beginning of this section, customer-focused selling skills can be used to progress a discussion. However, the sequence in which you use those skills, and the emphasis you give them, will vary.

<i>Skill</i>	<i>Function</i>
Connecting	To establish a personal bond with the customer.
Encouraging	To keep the customer participating in the sales call.
Questioning	To get in-depth information on the situation, problems and needs.
Listening	To hear and remember the facts and feelings shared by the customers.
Confirming	To make the progress of the sales call explicit.
Providing	To give information to create a clear, positive image of the salesperson, company, products, and services.

Figure 5: Customer-focused selling skills

Connecting

Connecting skills are used to establish a personal bond, resulting in rapport between you and the customer.

<i>Element</i>	<i>Description</i>
Using eye contact	To establish a personal bond with the customer.
Encouraging	Look into the other person's eyes where possible.
Adapting	Use patterns for the following that are compatible with the other person: <ul style="list-style-type: none"> • Speech • Gestures • Body posture.
Building rapport	As appropriate: <ul style="list-style-type: none"> • Smile • Compliment • Use small talk • Find areas of mutual interest.

Figure 6: Connecting skills

Encouraging

Encouraging skills are used to keep the other person participating in the discussion, resulting in interaction.

Element	Description
Reinforcing	Give short, verbal and non-verbal signals. Use supportive questions and phrases to show you want to hear more. Example: 'That sounds very important to you. Can you tell me more?'
Encouraging	Look into the other person's eyes where possible.
Empathising	Show that you understand how the other person feels. Examples: 'That must be frustrating.' 'That's something to be proud of!' Note: This does not necessarily imply agreement.
Accepting	Show that you have received the information being communicated. Examples: 'I understand your view.' 'That's an interesting observation.' Note: This does not necessarily imply agreement.

Figure 7: Encouraging skills

Questioning

Questioning skills are used to obtain in-depth information about the situation, problems and needs of the other person, resulting in information obtained from the customer.

Element	Description
Closed questioning	Direct questions that can be answered with one or two words.
Open-ended questioning	Questions that: <ul style="list-style-type: none"> • Require more than a simple 'yes' or 'no' answer • Usually begin with who, what, when, where, why, or how.
High-impact questioning	Open-ended questions that ask customers to search for new meanings in existing information.

Figure 8: Questioning skills

Listening

Listening skills are used to discover what your customer needs and expects from you and your company. While listening is a separate skill, it is also a critical umbrella skill for all of the customer-focused selling skills, resulting in your understanding of customer needs and feelings.

<i>Element</i>	<i>Description</i>
Concentrating	Resist distractions. Focus on the customer and concentrate on what is being said.
Remembering	Retain relevant information that the customer gives you.

Figure 9: Listening skills

Types of listening

Questioning and listening are vital and must be at a higher level than in conventional telephone or face-to-face selling.

Listening ranges from being attentive to being active:

- Attentive listening is comprehending and remembering
- Reflective listening retains information, evaluates, and draws inferences
- Active listening gives verbal or non-verbal feedback to the speaker.

Confirming

Confirming skills make the progress of the discussion explicit, resulting in agreement.

<i>Element</i>	<i>Description</i>
Summarising	Restate or paraphrase what the other person has said by: <ul style="list-style-type: none"> • Listing important points • Reviewing what the other person has said to check your understanding • Pulling together related issues.
Remembering	Check for the customer's agreement by: <ul style="list-style-type: none"> • Watching for non-verbals • Asking directly.

Figure 10: Confirming skills