



# Gray Matter™

## On the Flip Side

**Your Customer Service Might be Lipstick on a Pig if...** p. 2

### NOTABLE QUOTABLE

*Customers don't expect you to be perfect. They do expect you to fix things when they go wrong.*

- DONALD PORTER

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## NEW STUDY: Marketing Tricks and Silver Bullets Fail (While Customer Service Pays Huge Dividends!)

Stanford University professor and Silicon Valley executive Greg Ballard tells the story that the only business advice his mother ever gave him was don't buy cheap toilet paper or peanut butter. He now tells his students that he has discovered a third area where this holds true: customer service.

In his case, they needed to cut cost at a major high-tech company. They contracted for too few agents and outsourced it to India. Splat...the bug hit the windshield.

But customer service isn't just process and technology. It's also attitude and behavior. I called my telecommunications provider after 6 years of being a loyal customer with multiple home, business, and wireless accounts.

It was time to renew and I was looking at mobile phone upgrades

and changing plans. Verizon customer service dutifully and unconvincingly explained the pricing they were offering me vs. new customers. I switched to ATT because it cost me more to renew with Verizon than to switch.

Only ten days later did Verizon "customer service" call me to ask me why I had left. They would now offer me the same package they were giving new customers to win their business but not to keep mine.

That brilliant customer service strategy just cost Verizon thousands of dollars over the next two years. Ditto for Dish Network on my switch to DirecTV.

Research confirms that wherever you call your "customers" 16% of them contribute

105% of your profits. How can 1/5 of your customers equal more than your total profit? Because almost 25% of your customers actually erode profits and cost you money!

Having worked with dozens for profits and nonprofits, it is amazing to me how many organizations ignore or actually work on blowing off their least profitable customers~or clients, donors, etc...do so little differently for their loyal and profitable customer.

(Other than to try to sell them more, ask for bigger donations, or get their vote every 2-6 years while pretty much ignoring them in between.

And lest we forget, not-for-profit is just a tax status. At the end of the year if you have more outgo than income, you

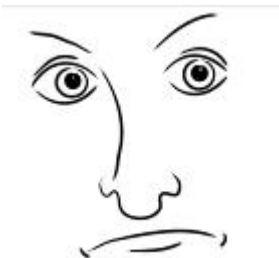
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## Sad but True

One of the first things I notice when employees are polite to customers is the fact that we immediately notice it.

If this were commonplace behavior it wouldn't be so noticeable would it?



## Customer Service

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just used to be a non-profit.)

More and more, only after the business is lost does customer service engage. But that kind of customer service is a fraud. It is just sales wearing some different window dressing...or putting lipstick on a pig as we used to say about questionable IPO's.

### A Self-Defeating Business Attitude

How could such a self-defeating business attitude become so rampant? I switched from Dish Network to DirecTV when I couldn't get through to a live customer service rep for days...and then was told by customer service I was mistaken.

Conversely, I am most loyal to some of my vendors directly due to a *service failure* that *customer service* reacted to posi-

tively and aggressively to satisfy the customer rather than defend the failure.

When I was in corporate sales, I candidly warned 3M, Ford, and the like that the more business we did together, the more likely, not less likely that we would experience a *service failure*. But, I could guarantee we would not have a *customer service failure*.

Keeping and building your most valuable customers-whether you think of them as patients, clients, constituents or something else- is the highest and most strategic return on investment you can make in any market.

A recent landmark study across 1,200 businesses found that proactive customer service increased transactions frequency by 30% and size of transactions by 28%.

In addition, in-

valuable word-of-mouth referrals dramatically increased.

## Customer Service is Like Insurance

Customer service (and higher profit and long term revenue streams it brings) is like insurance: you have to have it before you think you need it.

Keeping customers loyal cost a tiny fraction of the financial resources, lost revenues, and aggravation it takes to replace them.

Whether you are big or small, corporate, nonprofit, a doctor, lawyer, butcher, baker, or candlestick maker, do you have the skills, attitudes, and processes in place to protect and grow your most important source of sustainable revenues?

In today's economy, it is absolutely critical.



## Your Customer Service Might be Lipstick on a Pig if...

...employees see customers as an interruption of their work.

...you believe your product is all that customers are paying for.

...customer service is a department and not a commitment.

...the problem is bad or stupid customers.

...small print is your idea of building customer relationships.