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# SPECIAL BULLETIN

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OCTOBER/NOVEMBER 2009

## Surviving the tough times

The financial problems at the business are not a secret.

Somehow word has got out that the business is struggling. Speculation continues among customers, competitors, and staff. While this may not reflect the situation in your business, this scenario is repeating itself throughout the nation as businesses are forced to cope with the new economic environment.

So what should a business do in these circumstances?

The business owners know they need to do something, and fast. As hard as it may be, now is the time for them to be strong, look for ways to reduce expenses, save money, and use the resources they have available to protect their customer base and revenues.

Cutting back on expenses, reducing cost and streamlining processes, and building long-term ongoing customer relationships through excellent customer service are the obvious ways to make a significant impact on the economic stability of the company. Here are some suggestions on how this can be done:

### Streamlining processes

Ask staff for their ideas. They may already have ways to accomplish work in less time while maintaining quality output and are just looking for the opportunity to help. Money saved in overtime as well as increased output will have a significant impact on the bottom line.

### Reduce expenses

Ask suppliers if they can buy back overstock, perform scheduled maintenance on equipment to reduce breakdowns, and be patient as capital improvements are postponed. Be aware of expenses incurred every day like overnight package services, phone calls, and office supplies and try to reduce excessive usage.

### Reduce cost

Shop around for the best price, even on products the company has been using for years. Use bargain-priced supplies wherever possible and consider recycled products if those products are of lower cost and acceptable quality. Encourage staff to support the cost

savings by each committing to reduce smaller, less significant expenses wherever possible.

Multiply those savings by everyone in the business and the impact could be substantial. Also consider consolidating purchases and looking for volume discounts.

### Manage expectations

As the business moves through uncertain economic times, more may be asked of the owners. They may need to protect the revenue base by being prepared to work longer hours to help the business through.

In a service business, what is sold is the experience and expertise. Success lies in making real achievable commitments to customers. The idea of over-promising can't be part of the vocabulary. Delivering what is promised and having more solutions is much better than over-promising and falling short.

Anticipate your clients' needs. Stay in touch with them and they will let know you when a need arises.

If possible or practical, enter into a long-term supply contract.

Build contacts through referrals. Nurture all referrals and thank people for them. There is no need to cold call if a referral network is maximised. When a client is pleased with the customer service they have received, there is nothing wrong with asking for the name of someone else who might be interested in these services.

Contact 'old' customers that may have left or not purchased for a while and see if they need any products or services.

Finally, businesses need to be careful that they see more than the short-term gain of winning customers' business.

Research has shown that the most successful businesses generate the highest level of sales by doing all that they can to ensure that they deliver great customer service while developing a long-term ongoing relationship with the customer. They realise that the latter has a longer-term positive impact on the financials of the business.

## Offering excellent customer service

Have you ever noticed how some businesses make a big point of touting their commitment to customer service? But how many actually practice what they preach when it comes to delivering on the promise? Think of the last time you, as a customer, had a bad customer experience and the impression it left with you and the money you chose not to spend.

Strong customer relationships build real value, value that can be measured and result in tangible benefits for any business.

To demonstrate this, take a look at the following example which compares a single once-only customer versus a long-term customer with an ongoing relationship.

### What the single-purchase customer is worth

Average customer spend? \$ 200 (A)

#### Effect of excellent customer service to business

Because a happy customer who has received excellent customer service usually tells about three others who become clients, we can go one step further:

$$(3) \text{ others} \times \$200 \text{ (A)} = \$ 600$$

### What the ongoing customer is worth

How much does an average customer spend? \$200 (A)

How many times per year will they buy? 5 (B)

#### Ongoing-purchaser worth per annum

$$\text{Multiply (A) } \times \text{ (B): } \$ 200 \times 5 = \$ 1,000 \text{ (C)}$$

#### Ongoing-purchaser 'lifetime' value

To calculate the 'lifetime' value of a customer, ie, we estimate how many years a customer remains with the business and multiply the answer by (C)

$$\text{eg } 3(\text{years}) \times \$ 1,000 \text{ (C)} = \$3,000 \text{ (D)}$$

#### Effect of excellent customer service to business

Because a happy customer who has received excellent customer service usually tells about three others who become clients, we can go one step further:

$$(3) \text{ others} \times \$ 3,000 \text{ (D)} = \$9,000$$

From this simple example, we can see that when repeat business is combined with an excellent level of customer service, the value to the business can be dramatic.

While your competitors focus just on 'making the sale' you should focus on building long-term relationships, developing your reputation and business value. So how does customer service and relationship building in your business measure up?

Read each of the following questions carefully, and evaluate your responses on a scale of 1 = disagree to 5 = agree.

Customer service is a strength of this business ① ② ③ ④ ⑤

We are seen as caring for customers ① ② ③ ④ ⑤

We have a 'customer-focused' culture ① ② ③ ④ ⑤

The owner sets a good example of customer service delivery ① ② ③ ④ ⑤

Staff are empowered to deal with customers ① ② ③ ④ ⑤

Customer service is a 'dead' idea in our business ① ② ③ ④ ⑤

We have a written customer service statement ① ② ③ ④ ⑤

Everyone understands the importance of customer service ① ② ③ ④ ⑤

We have set customer service standards ① ② ③ ④ ⑤

All staff know how customer service impacts the bottom line ① ② ③ ④ ⑤

Staff handle queries and complaints well ① ② ③ ④ ⑤

We have a customer feedback system ① ② ③ ④ ⑤

Staff are trained to deal with customers' issues ① ② ③ ④ ⑤

We have ongoing long-term relationships with customers ① ② ③ ④ ⑤

How did your business score? =====

Compare it to the following table.

**70-63** Superior customer service

**62-50** Good customer service

**40-49** Fair customer service

**14-39** Poor

How did you rate? Is this score high enough to demonstrate real value in the business?

If not, it may be time to focus on making some changes, one of which may be to develop longer-term relationships with your customers.

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