

Changing your company's customer value equation

FEED MARKETING ADVISORS

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DO you fully understand the value expectations of your customers? Have you unintentionally driven your customers to a transactional relationship?

It's difficult to imagine how a competitive advantage and growth can be achieved without honestly assessing the value you are currently creating for your customers. Most companies have little insight into their customers' perception of the value they create. Still others operate with superficial or invalid assumptions.

In the absence of systematically and routinely collecting information from feed customers regarding their wants, needs and level of satisfaction, any attempt to create value and build loyalty is little more than a guessing game.

Organizations that have established themselves as benchmarks for loyalty and growth develop sales and service teams that consistently rate high in two areas. The key factors that determine the type of value a customer derives from an organization are:

1. Relationship impact. This is the extent to which an organization builds deeper, trust-based relationships that add value by understanding customer needs, delivering more value than is expected and helping customers achieve personal goals.

2. Product and service differentiation. This is the extent to which an organization can communicate the unique value of its products and services compared to competitors in the market.

The Value Segmentation Model shown is a tool for assessing how your customers perceive the level of value your organization is creating. Here's how the

model works:

- **Supplier customer relationships.** Let's start by assuming that some of your customers perceive your organization as a "supplier." This is your organization's population of transactional customers, and it presents a very vulnerable position that is likely to have a significant negative impact on customer retention and growth. Still, there are some actions you can take to enhance the value delivered to these customers. For example:

1. You can increase your sales/service team's capabilities in demonstrating the uniqueness of your products and services compared to competitive offerings.

2. You can improve the team's relationship-building skills by helping them develop trust, credibility and rapport. This will allow them to gain a deeper understanding of the personal goals of your customers.

Both of these options will improve the value created for customers and, with it, the customer loyalty and sales per customer that your organization seeks to achieve.

- **Value-add customer relationships.** Some customers may perceive your company in the "value-add" quadrant. This occurs when your sales/service team is effective at communicating the uniqueness of your products and services. Although satisfied, however, customers who perceive your organization in this manner aren't likely to have much loyalty, especially if they discover competi-

tive offerings of equal or greater value.

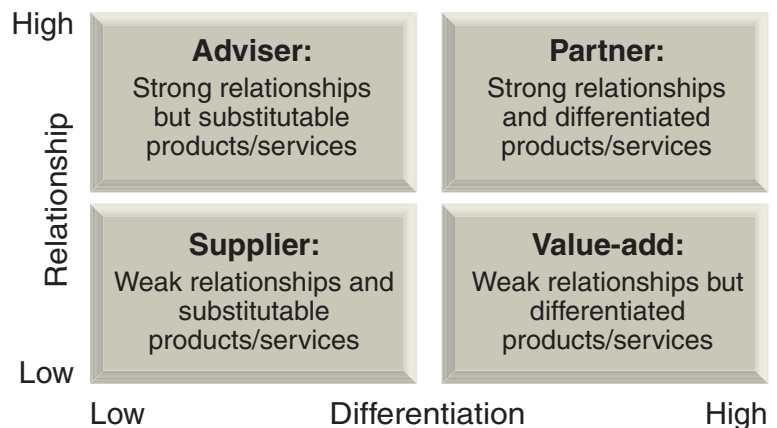
If the majority of your customers perceive your organization as value-add, you need to establish a customer-centric culture that creates strong value-based relationships. Without these, your customers probably won't recommend your organization to others — a key indicator of loyalty and a driver of new customer acquisition.

These customers do understand the differentiation of your solutions, though, and will buy multiple products and services if you are price competitive. If you can increase the sales/service team's ability to identify unarticulated customer needs and deliver value beyond the products and services you offer, it can help you move value-add customers into the "partner" quadrant in this model. Doing so will reduce customer attrition and increase new customer acquisition.

- **Trusted adviser customer relationships.** Customers who fall into the "adviser" quadrant have developed an emotional bond to your organization and have probably shared their personal goals. This is the outcome of trusted relationships that have been established over time from being served well by your employees.

As a result, they are more loyal than customers who perceive your organization as a supplier or value-add and are more likely to recommend your organization to others. Unfortunately, customers in the adviser quadrant may not

Value Segmentation Model



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perceive your products and services as differentiated.

By more effectively leveraging the information and insight gained from establishing trusted relationships, your sales/service team has the potential to transform adviser relationships into partner relationships. To do so, they must learn to more effectively communicate the value of your products and services and deliver superior service compared to your competition. This can have a dramatic impact on sales per customer and your profit margins.

- **Partner customer relationships.** As you have probably (and correctly) concluded, the strongest emotional bonds are created with customers who perceive you in the “partner” quadrant. They not only value the trusted relationships they have established with your organization; they also perceive that their wants and needs are being satisfied by differentiated products and services.

In these situations, your sales/service team has maximized the value created by developing both customer intimacy and differentiated solutions. Customers who perceive you as a partner have

the highest levels of loyalty, are more likely to use your organization as a single source provider for their needs and become “promoters” of your organization — a key metric correlated with profitable revenue growth. The ability to emotionally bond with your customers is the X-factor that drives customer loyalty.

Research by Gallup (and others) reveals that there are three types of customers: (1) dissatisfied customers, (2) rationally satisfied customers and (3) emotionally satisfied customers.

Dissatisfied and rationally satisfied customers behave similarly in that neither has much loyalty to your organization. They will take their business elsewhere if and when they get a better price or service falters.

Only your emotionally satisfied customers will buy multiple products from your organization, be willing to pay more than alternative products and services offered by your competition and endorse your organization to other people.

So, what determines your sales/service team’s ability to create these emotional bonds? It’s their ability to build

trusted relationships based on providing quality products, services and expertise that exceed customer needs and expectations.

Customers who perceive your organization in either of the upper two quadrants have stronger emotional bonds with your organization than those in the lower two quadrants.

The Gallup research found that there is a 23% premium over the average customer (in terms of revenue and relationship growth) when customers are emotionally satisfied. In another study, the attrition rate of customers was 37% lower, on average, in organizations where customers reported high emotional satisfaction.

Establishing your competitive advantage requires building a foundation of customer value creation in order to reap the resulting benefits of customer loyalty. By optimizing the key performance drivers of value creation — right people, right process, right support and right commitment — you can achieve the highest return on your investment by delivering superior value to your customers. ■

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