

# “You’re fired” could see you run into the buffers

“With cost cutting all over the headlines as the new Government struggles to rein in debt, **Andrew Scott**, managing director of Purplex Consulting, examines customer service and what impact the drive to reduce costs has had on customers.”

As sales slow down and margins get squeezed, reviewing costs is a natural consequence. A good finance director will be able to analyse expenditure and shave thousands of pounds in non-critical costs. Yet with rising material costs and global recession taking its toll many companies are responding by cutting deeper than ever before.

Whilst finance people and cost-analysts can identify a string of cost-saving measures that often appear to make perfect commercial sense, they don't always see the bigger picture. Consider Toyota; once a byword for reliability, their reputation has taken a severe battering following a series of worldwide recalls affecting over eight million vehicles.

The resulting negative PR has inevitably resulted in a loss of sales which has, in turn, impacted on the share price. President Akio Toyoda's apology was no doubt heartfelt, but the drive to improve output whilst reducing costs will inevitably lead to millions of pounds, dollars and yen spent to settle compensation claims, not to mention the millions needed in advertising and promotion to win back customers.

As companies look to reduce costs, switching to cheaper materials and components can sometimes have a devastating long-term effect on your business. The initial cost-savings made might impress your bank manager or investors in the short term, but if this leads to product remakes, remedials, compensation



**Not valuing your experienced staff could see your business crashing out of the market because cheaper replacements usually cannot deliver the same quality service.**

claims and dissatisfied customers the ultimate price you pay may be much higher.

## **IF YOU MUST CUT STAFF, DON'T CUT TRAINING**

Sales and marketing budgets are almost always the first costs to come under the accountants' spotlight, while HR is usually next in line for cuts. Training and development is frozen, and redundancies are an inevitable part of cost-reduction in a recession. It is typically higher-paid employees who are axed first. Yet it is these same people who tend to have the years of experience and knowledge and they are being replaced by lower-cost but less experienced personnel.

The redundancies may be absolutely necessary, but combining this with cutting your training budget is a lethal combination. Not only are your staff inexperienced, you aren't training them to do the job. What impact does this have on your customers – or your bottom line in the long-run?

Carefully selected, well executed training is not a cost to a business, but an asset that will enhance customer relationships, improve productivity and margins, and improve staff morale.

## **CUSTOMER SERVICE VS CUSTOMER EXPERIENCE**

Have you ever noticed that despite providing quality products, competitive prices

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and good customer service, you've lost customers, and not always because they've swapped to a cheaper supplier?

Some companies believe that good customer service is delivering an order on time and correct, to the customers' specification. But is this really good customer service, or simply what the customer is paying you for?

Today, it's no longer about good customer service – that is the minimum expectation as customers are more demanding, better educated and have more choices.

For example, at McDonald's, you know exactly what service you are going to get. You know what is on the menu, how it will taste and how much it will cost. What you might not know is that after posting its first ever quarterly loss in 2002, McDonald's reviewed it's entire USA operation and embarked on an inside/outside analysis of the business.

Instead of relying on outside factors such as advertising, promotions and price-points, it looked at inside processes such as store operations, product offerings and customer experiences. Some of the resulting actions included extending store opening hours (breakfast now accounts for some 30% of turnover), new product introductions (deli wraps) and what the customer actually thinks about the service they receive. This latter point involved using "mystery shoppers" who scrutinised every aspect of service. The response to this was a training programme for front line personnel, which reduced staff turnover by 8% (a significant number given the sheer number of McDonalds employees in the US alone) and an increase in customer repeat visits.

The difference between customer service and the customer experience is subtle but vital to the success of your business. You can measure service – such as on-time correct deliveries and remakes - but the customer experience means looking at your business through the eyes of your customers. This is a little more difficult to quantify and therefore measure, but still needs to be done.

Key questions to address include how easy is it to do business with you? When was the last time you asked your customers what they thought of your service? Do you actually know what they buy from you and, just as importantly, do you know what they buy from your competitors? How do you compare? How can you improve?

## CREATE A CUSTOMER-CENTRIC BUSINESS

We've all experienced the difference between a production oriented business and



Reputation once lost is very difficult to regain as car manufacturer, Toyota, found after a series of worldwide recalls affecting over 8 million vehicles. The apology from company, president Akio Toyoda could not make up for the damage done.

a sales oriented business. But the real key to long term success is to create a customer oriented (customer-centric) business.

A production led business will say "we've made it now customers should buy it on our terms" and a sales led business will say "sell it and figure out how to make it afterwards". Neither model works in favour of the customer.

A traditional business will focus on the customer at the front end (getting the order) and back end (delivery). A customer-centric business puts the customer at the heart of everything they do. Everyone is focused on the customer. The result? Good customer service moves to a brilliant customer experience. And your competitors can't figure out why your customers stay so loyal, even if they offer rock-bottom prices.

As we emerge from the spectre of recession, now is the time to really think about your customer experience. Forget patting yourself on the back for providing good service. It's no longer enough. Create a customer-centric business that focuses on the customer experience and you'll build a business that stands head and shoulders above your competitors.