

[STRATEGIC SOLUTIONS]

Go direct

SOON AFTER THE recession hit, I received a flood of questions about how to survive the recession. My advice was: Since you can't control the revenue, work on becoming more competitive by implementing better systems and business processes. Some owners took my advice and some didn't.

Now, as things are stabilizing a bit, guess who's winning the battle for new business and returning to profitability soonest? There are certainly areas where bidding wars are raging and profitability is suffering, but the efficient businesses can price lower, burn less cash, and will eventually wear down the competition and emerge victorious.

So what's this got to do with building revenue? Revenue alone doesn't feed the bulldog; business is about profitability, not revenue alone, and since you have more control over your internal costs than you do over the market's gyrations, it makes sense to pay serious attention to your internal costs.

For every point of cost you can take out (and a "point" means going from 35% to 36% of revenue) it's a point you can use to either increase profit in your pocket or reduce your prices and still maintain income.

The place to push hard is in direct costs, meaning the materials and labor used directly in producing your products or services. Reducing these costs means you'll make more money from both your existing revenue stream and all the new revenue that'll come in as things improve. A two point increase in gross margin percentage for a \$500,000 business will create \$50,000 in your pocket over five years — not too shabby. A \$1 million business will see an extra \$100,000 — even less shabby. And there are plenty of businesses that are leaving five points of gross margin or more on the table, but they won't for very long if they're still around at all.

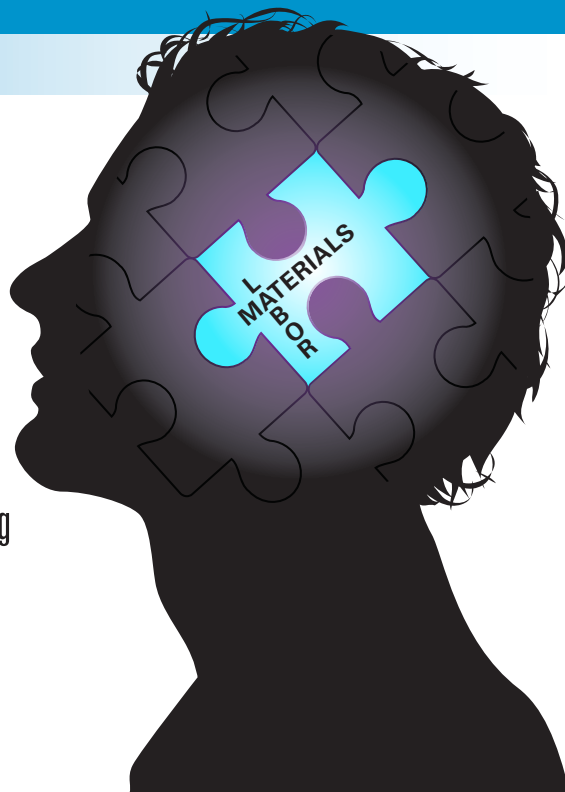
How can you make this happen? Look at projects that will improve operating efficiencies, like:

- ▶ Better labor scheduling to reduce overtime or travel times.
- ▶ Detailed procedures that let people produce better results and less waste/fewer callbacks, etc.
- ▶ Tougher purchasing arrangements (your suppliers are in the same boat as you are; they need business.)

I like to attack direct costs first because of the leverage involved, but that doesn't mean indirect costs shouldn't be examined as well. A mistake that gets made here, though, is mistaking investments for expenses and throwing the baby

Better understanding direct costs can mean more money from existing and new business.

BY **JAYME BROUDY**



GROWTH GOALS

1. Improve labor scheduling to reduce overtime and travel time.
2. **Set up systems to eliminate waste and produce better results.**
3. Review purchasing agreements and vendor relationships to ensure the best deals.

out with the bath water. Systems development costs that produce ongoing returns, marketing efforts to maintain and increase revenue, and other things with payoffs are not expenses; they're investments (and in the case of systems/standalone work are actually going to end up improving margins, so they're doubly important). Don't lump these things together with office supplies and truck washes.

Does this mean you should stop chasing revenue? Absolutely not. Aggressive marketing is more important than ever (and marketing firms are becoming far more results-oriented than ever before, meaning they're more willing to be compensated based on whether their activities actually bring more business in the door). And when business is flat, it's especially important to maintain and increase your visibility, so think hard before reducing marketing spending.

It seems the worst is over (or at least it's not getting much worse), and now's the time to grab the business that's starting to re-emerge. We're seeing a buyer who's very conscious that you need his business more than he needs you, so being able to produce the highest possible quality at lowest price is more important than ever. **LM**

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[STRATEGIC SOLUTIONS]

The hidden value of customer satisfaction

HOW IMPORTANT IS customer satisfaction? Not an easy question to answer. We all have opinions. Few of us have real, experience-based answers.

How important is building profits and ensuring a greater return over time? To accomplish it, would you consider creating what can be a cultural paradigm shift in your company? Is an investment in re-tooling — or at the very least enhancing — your approach to building customer satisfaction worth the effort?

Sustaining ongoing profits

First, generating and sustaining ongoing profits in this economy is far from a slam-dunk proposition.

I see two general approaches to making money in the Green Industry today. First, the big company approach, involving lots of high-risk marketing and lead generation, followed by an intense,

Use this long-term business strategy to drive profit.

BY **BILL HOOPES**

high-pressure sales process. The idea is to focus on selling more customers and selling current customers more of everything.

The second general approach, used mostly by small to mid-sized operators, is to generate leads via the referral process, sell the benefits of a relatively higher ticket

service and maximize referral business, while minimizing customer turnover in the service delivery side of the business.

But, since the bottom fell out of the economy in 2008, marketing effectiveness, by any estimation, has been “iffy” at best. And, even if your marketing strategy has been satisfactory, it’s still not cheap. If recent trends hold up, it’s clear that the days of low cost customer acquisition are gone.

With this background, consider what I’ve found effective.

The most successful Green Industry businesses focus on satisfaction — measurable, tangible satisfaction.

Satisfaction guaranteed?

Understanding what really satisfies customers — what pushes them to refer your company to others — is not simple, but it happens.

Satisfied customers do two things consistently and very well: First, they deliver higher lifetime value. They are with you longer and spend more money. Second, they sell your company for you. Both are, in tough economic times, invaluable.

So, regardless of their status today and track record of marketing and selling successfully in the past, more operators are taking a very serious look at building or rebuilding a satisfaction culture. Notice, I did not say service culture.

Building a satisfaction culture requires a process for eliminating mistakes and making each customer feel special.

First, understand sales and service are two sides of the same coin. If properly joined in a well-planned communication strategy, they result in higher customer satisfaction and longer, more profitable relationships.

Understand also that in the vast majority of cases, a company’s marketing plan (generating interest), followed by selling process (closing leads), typically sets unrealistic expectations in the prospect’s mind. Once sold, over time, the customer is disappointed and dissatisfied.

Finally, accept the fact that your leadership style — your





words, deeds and general interface with your team of employees — has created a positive or negative culture in terms of employee attitudes and opinions about the importance of maintaining satisfied customers. If negative, you simply need to acknowledge it. Making changes for the better will also take time.

To a psychologist, you'll be creating a paradigm shift. Defined, a paradigm shift is a "radical change in a person's basic assumptions about something," like the importance of creating and maintaining customer satisfaction. Most companies will acknowledge the need to change but find the process overwhelming. Still, it has been done and, as a long-term business strategy aimed at ultimately greater profits, is being done today.

Building satisfaction

To build customer satisfaction, look at the following areas:

1. What is your customer satisfaction level today? Focus groups and surveys can help you find out. Talking to individual customers when there are no problems is also useful.



GROWTH GOALS

1. Spend time initiating the customer satisfaction change process.
2. Monitor small changes to ensure progress vs. goals.
3. Keep talking to front-line people. Input is important.
4. Step up communications with customers. Look for positives.
5. Meet frequently to relay and build on positives.
6. Measure results continually, and react.

2. Get staff input. Blind input taken from your staff can be unbelievably revealing.

3. Look at cancellations and referral trends. Then, sit down and consider what changing your customer satisfaction strategy will be like.

Know that your team members will resist. Change often requires people do more. If the value of change to the individual is not pre-sold and backed up by action, it won't work.

Prepare to spend extra time and money initiating the

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A LOYALTY BOOST

Here are a few innovative ways to improve customer loyalty:

- 1. Establish a customer focus group.** Invite some customers to a periodic meeting and provide incentives.
- 2. Host an off-site meeting for key customers.** Find out how you are meeting their needs; build relationships.
- 3. Talk to your front-line people.** Most of the time they know the problems and the solutions.
- 4. Collect e-mail addresses.** People are more likely to read and respond to e-mail. Periodically send updates, tips, facts and stories to your client list.
- 5. Make your direct mail stand out.** No mailing labels; use colorful stamps.
- 6. Discover your competition.** Talk to your competitors and your competitor's customers. Pizza Hut didn't begin delivering pizzas until Domino's arrived on the scene.
- 7. Steal ideas.** Look for new business or marketing ideas from other companies. Don't only look at similar businesses.
- 8. Be different.** Stand out from the

crowd. Some ideas: Send complimentary movie tickets to best customers on opening weekends with a thank-you note, send gifts to customers on the anniversary date they started doing business with you, send disposable cameras with your logos to customers including a photo of you so they have a thank you message when they develop the film, and send customers poinsettias during the holidays.

- 9. Survey customers.** Ritz-Carlton hotels and Pizza Hut survey up to 40% of their customers each month to find out what they did and didn't like.
- 10. Write a column.** Hire a ghost writer or write a weekly or monthly column for a newspaper or trade journal.
- 11. Hire a key customer representative.** Appoint a special employee to keep in touch with your special customers.
- 12. Treat your employees the way you want your customers treated.** The front-line people are the most important people in your organization. If they feel management cares about them, they will reflect the same respect to your customers.

— Gregory Smith, a business motivation, training, development and leadership expert

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change process. Provide ongoing, visible support for change.

Then lay it all out on paper and communicate. Start with managers. Be sure you have 100% buy-in. Next, enlist support from veteran employees.

Once you initiate your strategy, take it one step at a time, using this guide:

- 1. Monitor small changes to ensure progress vs. goals.**
- 2. Keep talking to front-line people.** Input is important.
- 3. Step up communications with customers.** Look for positives.
- 4. Meet frequently to relay and build on positives.**
- 5. When one change has become part of the process, move on.**

Continuing satisfaction

Another important part of improving customer satisfaction is measuring results continually and then reacting to the information you gather. An example is responding to customers who answered negatively on satisfaction surveys with a goal of converting all negatives to positives over time.

Review all marketing materials. Evaluate your message and don't make claims you cannot live up to.

Next is sales. What are your people actually saying to prospective customers? Are they overpromising?

Continue to train your crews on communicating the real benefits of your services as well as handling customers contacts in the field and on the

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I CAN'T GET NO ... SATISFACTION

phone. Benefits equal value, and value is what people pay for, not features.

Follow up to confirm each new sale is treated like a new baby in the family. Build the relationship based on early, positive "touch points."

Review the process for handling customer questions and complaints. Who is on the phones? How are incoming

contacts handled? Monitor all customer service contacts. Who did what and when? Was each question handled as it should have been?

Then, assign increased individual responsibility as staff members show positive results.

Establishing a customer satisfaction culture may seem like an insurmountable project. It can be. But it can — and is — being done.

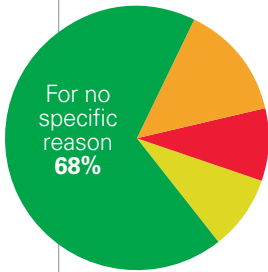
The payoff? Everyone wins: a happier staff and more satisfied customers. For ownership and senior management: greater profits in good times and bad. Isn't it worth another look? **LM**

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Here are some eye-opening facts about customer behavior and satisfaction:

- Forum Corporation showed that up to **40%** of the customers in its study who claimed they were satisfied switched suppliers without hesitation.
 - A *Harvard Business Review* study reported that **65% to 85%** of customers who switched suppliers said they were satisfied or very satisfied with their former supplier.
 - An average American company loses **15% to 20%** of its customers each year.
 - "Businesses can boost profits **25% to 85%** by increasing customer retention by as little as **5%**."
- Jill Griffin, author of *Customer Loyalty: How to Earn It, How to Keep It*

DEFECT Why do customers defect?



- Because the company did not respond to their complaints **14%**
- Because of the competition **9%**
- Because they moved **9%**

Source: Rockefeller Study

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