

# Is the Customer Always Right?

For sustainability, business must be a **mutually** beneficial relationship.

## Case Study:

The first ever successful online bank, First Direct, turned away 50% of their applicants.

Banks lending money recklessly to *any* Customer caused themselves to implode. Banks that were careful who they lent to, have weathered well in comparison.

## Case Study:

Best of HBR Jul/Aug 2008, p.124.

"Several companies have found that their most loyal customers – **the top 20% of total Customers** – **not only provide all the profit** but also cover losses incurred in dealing with less loyal customers."

[ian@markitects.co.za](mailto:ian@markitects.co.za)

[www.markitects.co.za](http://www.markitects.co.za)

If you believe in Harry Selfridge's 1909 saying "*The Customer is always right*", you may be planning to go out of business. This is exactly what has caused many businesses to fold. Let me explain why:

Firstly, this topic is aimed mainly at B2B marketers, as there is a significantly different approach for B2Bers vs. B2Cers. See the below table which shows the radical difference in the nature of the Customer relationship.

Business-to-Business (B2B, Industrial)	Business-to-Consumer (B2C, Selling to the Consumer)
<ol style="list-style-type: none"><li>1. You primarily <i>choose</i> who you want to do business with.</li><li>2. Primarily you use a small sales force to find Customers.</li><li>3. You deal with fewer accounts/customers, so you have got to choose the <i>best</i> ones for this <i>intimate</i> win-win relationship.</li><li>4. Your frontline salespeople are highly skilled and handle each complaint differently. In B2B your service is normally customized to match the B2B Customer's demands.</li><li>5. Just one wrong Customer decision can destroy your profitability (i.e. a bad distributor or key account choice).</li></ol>	<ol style="list-style-type: none"><li>1. The Consumer <i>chooses</i> to walk into your retail outlet.</li><li>2. Primarily use advertising to 'pull' customers into your store.</li><li>3. You deal with hundreds of mostly unidentified Customers a day, and it's very difficult to sort out the attractive/right ones.</li><li>4. Your frontline staff use a 'canned' approach handling complaints. Woolworths have a 60-day conditional return policy. Thus WWs' policy is "The Customer is always right." But because of WWs' target segment's unusual maturity level, this policy will <i>not</i> work for <i>all</i> retailers.</li><li>5. One wrong Customer decision (one of many consumers) has a negligible effect on profitability.</li></ol>

Now don't get me wrong, **the right Customer for your business is king**, especially if you *want* their future business. In fact, the only form of job security is that the most profitable Customers keep choosing you as their preferred supplier, and with positive word-of-mouth (WOM), one Customer will prove to give you unbelievable Customer Lifetime Value (CLTV).

BUT... it's no secret that up to 80% of your Customers could be bleeding you dry. Is an abusive Customer who also wants a 30% discount right for your business? Of course not. **Thus the 'wrong' Customer is wrong.**

However, to avoid negative word-of-mouth, do not be dogmatic or use malice to get rid of these Customers, but rather raise their price or pleasantly re-establish the new terms of engagement.

## Case Studies:

Sir Richard Branson (Virgin Air) and Southwest Airlines puts their staff before the Customer. This rationale boosts staffs morale and has made both airlines the most profitable in the world.

The massive HR Chally B2B research cited only 17 out of 7,300 sales teams were voted 'world-class' by their Customers. One thing they had in common was they targeted carefully selected Customers.

Dwight Eisenhower won World War II because he deliberately concentrated the allied forces at the beaches of Normandy; not just anywhere.

Unlike other retailers (i.e. Edcon), Mr.Price in South Africa is doing exceedingly well in 2008 because they did not give credit to just any Customer.

Investment banks in South Africa (i.e. Investec) who are doing the best in the downswing, are very selective who they invited to be Customers. But once they landed those Customers, they treated them with mutual respect.



## The Customer should write your strategy

The Customer should even write your Customer-centric strategy and tactical service plan. The Customer must not be an afterthought - but the *right* targeted Customer must write your strategy, and thus they will position you more relevantly than the competition. **Do not get the wrong Customer to write your strategy.**

*"If you nail the targeting and positioning, everything else falls into place."* Philip Kotler (Targeting is who you choose to do business with.)

### **"The customer is always right" is used by businesses to:**

1. *Lure* the customers into a store (esp. in B2C), and
2. Advise 'canned' employees to *not* use their own discretion

As marketing becomes more of a science, and as the world become more hypercompetitive, more and more businesses are *fortunately* abandoning this proverb. Why? Because it actually results in *better* Customer Service.

### **Why does it result in better Customer Service?**

- Sometimes Customers are 100% wrong – period. When in the partnership of marriage is one partner always right? Corrective action should be allowed by *both* parties for a win-win marriage.
- Choosing to do business with everyone, referred to as a shotgun spray & pray approach, results in becoming *nothing to everyone*.
- Hal Rosenbluth wrote a book *"Put The Customer Second – Put your People first and watch'em kick butt."* His book shows that the only way for your staff to give world class service, is to put *your* people before the Customer – which ironically results in great service. Why? Because motivated and respected staff breeds motivated and respected Customers. However siding with the Customer sends a clear message to your staff that Customers are treated more fairly than they are. This stance makes staff not care about service – in fact their effort just becomes a fake veneer of a smile.
- If being abused by a Customer, your staff are more motivated when they are empowered to draw the line.
- Richard Branson understands that Customers come and go, but your staff are with you every day – your staff should be happy first. "The Customer is always right" says you favour Customers and not your own staff. Charity should begin at home.
- Why should abusive Customers receive better treatment than loyal profitable Customers? Why not use your limited staff's energy and resources on healthy relationships?

Unfortunately, businesses think that the more Customers they have the better. But it's proven beyond reasonable doubt by many surveys that's safer to say **"The right Customer for your business is mostly right."**