

Making the **difference**: what **really** matters to **customers**

It takes a lot of courage to be focused on your customers. Not as in the clichéd ‘we are a customer focused organisation’ statement that seems to be part of the rhetoric of every organisation (together with ‘our people are our greatest asset’), but to be genuinely, wholeheartedly concerned about improving the benefits that the organisation gives to its customers, current and potential. There is a world of difference. For many organisations the attention and energy are on meeting the needs of their customers with effective, good quality products and efficient service, and on keeping up with their competitors: much rarer are those organisations that strive to find new ways to benefit their customers by trying to understand their unmet needs, that are driven by a continual quest to offer more, and are prepared to reinvent themselves if necessary to achieve this. There are fundamental differences in mindset, culture, and organisational energy: the desire and drive are deep-rooted in how the organisation sees its purpose, what it values, and how it behaves.

Yet discovering what really matters to customers, and how the organisation can make a difference, can be a challenge. Often customers themselves don’t know, consciously: whilst they may be effusive in their views about current products and services and how competitors compare, they are likely to find it difficult to articulate what is missing, what isn’t provided by anyone, and what doesn’t yet exist. Uncovering these opportunities is a journey, to try and understand why people make the decisions they do, and what underlies their attitudes and behaviours. It requires clear strategic thinking, a willingness to question the status quo – and a burning desire to answer the questions, “What needs are not being met now, and what can my organisation do to help?”. And it requires the drive to go on asking these questions, to continually seek new ways to meet people’s needs and to serve these better.

This journey of discovery, of asking, listening and thinking, can result in powerful learning for an organisation. It can take time to embed, as well as time to uncover – but once learnt, this thinking

can change the organisation's approach to its customers, and underpin how it looks for new opportunities. A couple of examples from my own experience that stand out:

Biscuit anyone?

At United Biscuits, as a young marketer learning in an excellent fmcg brand marketing department, there was a wealth of research information about all of the McVitie's and Crawford's biscuit brands in the UB portfolio: demographic profiles, brand penetration of customer segments, frequency of purchase, price sensitivity, advertising responsiveness, awareness and image, all of which we analysed at length in our attempts to understand how to make them more successful.

Yet there was an unrealised vacuum at the core of our understanding about why people bought these different types of biscuits, the various needs they were looking to meet, and what they felt about them. So we asked them, listened carefully and thought hard about what they said.

The result was summed up in a powerful diagram that mapped their needs and their attitudes to different types of biscuits, and enabled us to understand what really mattered to them. Importantly, this research became the starting point for discussion and debate across the organisation, a process that helped us develop a clear shared understanding of how people made decisions in their choice of biscuit purchases, and how we were meeting their needs. The diagram became the established common reference point throughout the company, not just the marketing team, and provided the framework for our future strategy.

Removing the marketing froth

The Grand Met Brewing brand portfolio in the late 80's was one of the strongest in the UK – including Foster's, Carlsberg, Holsten, Webster's, Ruddles, and Budweiser. The drive to grow sales of these brands in the 'on-license trade' of pubs and clubs was considerable: millions of pounds were invested in branded promotions, with salesforces targeted monthly with persuading customers to feature these promotions in their bars.

Yet this approach was very obviously not working, with only a fraction of the promotions actually run, and management audits discovering thousands of these 'kits' lying unopened in cellars or even (shock horror!) salesmen's garages. Kits with branded T-shirts or other attractive prizes were more popular (unsurprisingly!) – but few of these promotions were ever run as the brand marketers and promotions agencies intended. The result was considerable wasted resources, an atmosphere of blame between marketing and sales, and frustration across the organisation.

The problem was that the organisation had not been listening – and listening with an openness that might question current beliefs. What really mattered to publicans was increasing their total turnover of their pub or club – whereas most of these brand promotions would just result in customers switching temporarily from one beer to another. So the more creative bar staff would adapt the promotions where possible, using the T-shirts or prizes in a way that would bring in extra trade.

This failure to understand what was important to their customers was a fundamental flaw in the organisation's marketing strategy. But once this was realised – and accepted (a lengthy process of persuasion and demonstration: this was a challenge to the prevailing brewing industry behaviour) – the effect was dramatic. The new strategy provided licensees with a range of promotions to suit the various styles of pub, all of which were designed to increase total bar takings and to build the featured beer brand. There was active dialogue and open listening to the views of bar staff and the company's sales people to continue to make these more effective – and in due course the transformed credibility and accepted proven value of the promotions resulted in them being sold to licensees, not as a profit-making product but as a shared investment in building the brand and the customer's business.

Such changes in thinking are turning points in the development of effective strategies. The power of understanding what really matters to customers and acting on it is transformational. But it is important to recognise that this is a journey of discovery – and not to underestimate the time and energy that this thinking takes, and the need for debate and discussion throughout the organisation in order to achieve real understanding.

Developing a deep understanding of customers' perspectives is only one part of the process: you also have to discover how you can make a difference. This can involve building on the core competencies of the organisation, or on those attributes where people believe you can offer more than the competition.

My final example in this article is a research project I undertook a couple of years ago with some colleagues from my years at United Biscuits, Chris Radford and Stacey Clark, who now run a strategic marketing and research consultancy called Differentiate (www.differentiate-it.co.uk). They specialise in helping marketers understand how people make choices and so develop marketing strategies for growth. One of the concepts they use is '*power attributes*': these are the features, benefits, associations that are important to customers and (more or less) uniquely associated with a brand.

This project was undertaken on our own initiative: through my strategic planning work with Saffron Walden Herts and Essex Building Society I was fascinated by the challenges facing regional Building Societies in a much changed financial services market where:

- Competition is increasing and is often aggressive and price-based
- More people are switching provider in the search for the current 'best deal'
- Increasing scepticism and mistrust of financial services organisations in general is further undermining customer loyalty.

Could such Societies survive in the longer term? Our research set out to discover what really matters to their members, to uncover insights that could help regional Building Societies to differentiate themselves from competitors such as national Building Societies and Banks. The results were revealing:

Building Societies research: key findings

The prevailing mood is sceptical

"...as soon as they've got you they're not bothered. They're all the same..."

This is how one regional Building Society member perceived the attitude of financial services organisations at the moment. Many respondents echoed similar sentiments – there appears to be little to differentiate mortgage and savings providers and there is a high level of scepticism about their motivation and how much they truly care about their customers.

Traditional Building Society attributes are irrelevant

The attributes traditionally associated with regional Building Societies - mutual, local, contributing to the community, ethical – appear to be irrelevant now in influencing behaviour. No respondent in this research placed any value on mutuality, nor empathised with the local, community, or social commitment aspects often associated with Building Societies. Whilst there was recognition of the argument that the absence of other shareholders should mean better rates for members, there was no belief that this was achieved in practice – and for many they continued to hold savings accounts with regional Building Societies because of the (albeit reducing) possibility of demutualisation windfalls.

There are three factors that people trade off in choosing a provider

Price, access, and reputation are the factors affecting people's choice of mortgage or savings provider. The relative importance of these varies by individual. Price (best deal, lowest mortgage repayments, best rates) is of course significant for everyone – and for some it is the overriding factor. Other respondents needed to be confident about a provider's reputation and financial security as a precondition for considering them. Access requirements depend on what suits the individual at that time – whether a convenient local branch, telephone or online access, out-of-hours transactions, degree of control, or a combination of these.

"I'm quite happy to go with somebody who hasn't got the best deal, as long as it's a good deal. I want that accessibility and real people."

Trust is the key determinant of whether customers stay...

Factors that develop trust become important in encouraging people to remain customers. Quality, reliability, good communication, and attitude all contribute to customer loyalty – although price remains a crucial consideration. Importantly, some people are very receptive to developing a longer-term relationship with their provider – but this has to be earned, through establishing trust as well as hard benefits. Conversely, it is the absence of these factors that prompts people to consider other providers in search of a better deal. For some price (the best rates) was the overriding factor affecting their choice of a new provider: but others switched because of a combination of price and how they had been treated by their previous Society or Bank. Our respondents gave practical examples of how trust had been eroded and their loyalty lost, resulting in them taking their custom elsewhere.

"I'm very strong that loyalty should be rewarded"

...and trust will come from an attitude shift in the relationship

In our research we identified the "power attributes", those needs that were not only important to people but which were also not being met by any providers currently. "Rewarding loyalty" stood out as the most significant opportunity. It is very important to customers and yet currently they perceive that loyalty is penalised, not rewarded:

"... I've been 15 years with XX and just did what they said... I suddenly realised it didn't have to be like that because they didn't tell me their best deal.."

"... I don't think I've been rewarded at all for sticking with YY... I've had to chase them to get discounted deals..."

"...because as soon as you take it out you don't hear another thing, they're not interested unless you go and say, "Hang on a minute, can you swap?".."

"...we've been with ZZ for donkey's years, and they don't necessarily give you the best rates all the time..."

People are looking for a different kind of relationship, one in which loyalty is rewarded not taken advantage of, and where their changing needs are demonstrably the priority. Such attitude-driven changes in the behaviour of financial services organisations will restore trust and reduce the threat from price-based competition.

from **"Building Societies: a new deal for members?"** © Differentiate and ixq, 2004

From our research we started to understand how people thought when making decisions about financial services providers for their mortgages or savings, what mattered to them when they first made a choice (and how this varied for different people), and what then influenced them after this (attributes which seemed to be often underestimated by providers, whose primary focus appears to be on gaining new customers or on product-based promotions, rather than investing effort in their relationships with existing customers, and helping them with their changing needs).

Regional Building Societies seemed to be better placed than their competitors to deliver the shift in relationship that people are looking for. In our research people associated the regional Building Societies more with these 'Power Attributes' than they did the larger, national providers - although no one was delivering them well. The member focused culture and approach implicit in mutuality means Regional Building Societies are strongly placed to create the kind of relationship with their members that will develop trust and earn their loyalty – and so help make mutuality more relevant and meaningful as a motivating differentiator in today's financial services market.

These examples illustrate how a better understanding of what really matters to customers and determining how an organisation can help them can result in more effective strategies. It puts customers at the heart of an organisation's strategic thinking (rather than markets, competitors, or financial performance, for example) – and it is founded on a deeply held belief that this defines the purpose of the organisation.

Arguably, it is those organisations that can answer 'Yes' to the following questions that are best placed to succeed:

- Do we truly know our customers well and understand what really matters to them?
- Are we focused on finding ways in which we can help them more?
- Are we prepared to change to deliver this and make a difference?

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