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**Issue: Pearls of Wisdom**

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## **How are your *Other* Customers? Keeping an eye on SMB Loyalty.**

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### **It's About Customer Satisfaction**

According to the Yankee Group 2004 SMB Bundled Communications Survey, 66% of disloyal SMBs are willing to switch service providers for a comparably priced service, whereas only 25% of loyal SMBs are willing to make the same switch. Loyalty matters in a world of bundled SMB products and services: Service providers that minimize the consequences of poor customer satisfaction and loyalty face a startling wake-up call. It takes a 31% discount to entice loyal SMBs to switch service providers, but only a 21% price discount to entice disloyal SMBs to switch service providers.

### **Issue**

#### **Bundling increases financial risks**

Poor interactions between SMBs and their service providers or vendors increase customer dissatisfaction and their potential to churn. Churn becomes especially costly when an SMB has bundled a variety of products and services from the same vendor. Each interaction between vendor and SMB—from experiences with the sales process to calls with customer care to interactions with customer retention procedures—impacts loyalty. Improving customer satisfaction requires redesigning customer interaction processes within the vendor or service provider (see Exhibit 1).

[see EXHIBIT 1]

### **Problem**

#### **Identification and prioritization of loyalty drivers varies by segment and competitive circumstances**

Although certain customer touchpoints are more important than others, identification and prioritization of each customer touchpoint is not trivial. The drivers of customer satisfaction and loyalty vary by products purchased, mobility characteristics, geographic scope, industry segment, size and competitive environment. In addition, the drivers change over time as market and competitive conditions fluctuate.

Customer satisfaction is a moving target. Vendors and service providers must constantly strive to meet or exceed the SMB's expectations in every customer interaction. Every interaction with an SMB is an opportunity to either build or erode positive feelings. In addition, the competition—using advertising, promotions and sales channels—is trying to erode the loyalty created between an SMB and its current service or product provider.

A vendor must measure its levels of customer satisfaction and loyalty relative to the competition. As the competition raises the customer satisfaction bar, service providers or vendors must reassess strategies and processes to attain greater customer differentiation in the market.

### **Solution**

#### **Evaluate and measure touchpoints and brand image: implement customer satisfaction process improvement**

Vendors must assess and evaluate the potential to improve each customer touchpoint, including:

- \$ Brand awareness and image
- \$ Web site for information gathering
- \$ Sales channels (both direct, indirect and web-based)
- \$ Installation process
- \$ Billing interaction
- \$ Problem resolution (of all sorts)
- \$ Sales support and customer care
- \$ Up-sell opportunities
- \$ Retention opportunities
- \$ Discontinuance of service

#### **Vendors and service providers must:**

- \$ Identify relevant customer loyalty satisfaction drivers by measuring the quality of each customer touchpoint by SMB segment
- \$ Prioritize the relative importance for each driver, since these drivers feed into process improvement plans
- \$ Measure relevant customer satisfaction metrics against competition, because the competitive environment directly influences customer satisfaction and loyalty
- \$ Understand best-in-breed customer satisfaction organizations and the business improvement processes used to constantly drive error out of customer interactions

A vendor's brand and image influences SMBs' perceived customer satisfaction and loyalty. Brand measurement relative to the competition provides a snapshot of current positioning and illustrates how the vendor can improve its market image and influence SMBs' perceived satisfaction.

After prioritizing each customer touchpoint, making relevant competitive comparisons and analyzing current brand image, vendors must create thorough documentation, process improvement goals and metrics to focus on the strongest drivers of increased SMB loyalty and satisfaction. Without a process-oriented approach to eradicate errors from each relevant customer touchpoint, all the data in the world will not help a vendor make the improvements needed to increase customer satisfaction and loyalty.

Value

By understanding the drivers of SMB loyalty and customer satisfaction, vendors and service providers will increase the lifetime value and lower churn of SMB customers. In addition, loyal SMBs are more likely to share their positive experiences with other SMBs at key decision-making times. For SMBs making purchase decisions, advice from other SMBs is their number-one information resource—beating out trade magazines, sales channel information and technical magazines.

The drive to maintain competitive differentiation is heightened in a world of increasingly similar technology products and services. A process-based, customer-satisfaction-oriented vendor has a long-term advantage over the competition—an advantage that is extremely difficult to replicate. A vendor's highly loyal SMB customers create a formidable obstacle to competitive attacks, especially when reinforced by an effective brand.

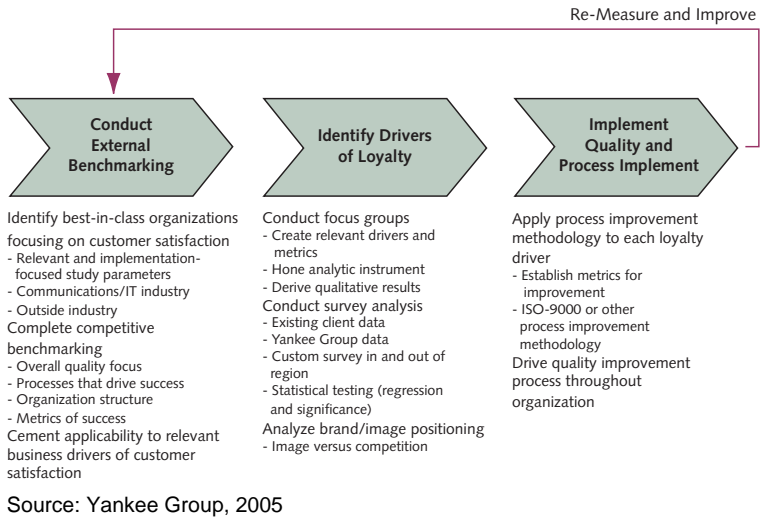


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## Recommendations

- \$ Segment, measure and prioritize SMB customer satisfaction drivers. Understanding your SMBs and their loyalty drivers is the first step to creating a sustainable competitive advantage.
- \$ Compare your customer satisfaction against the competition. Vendors must make qualitative and quantitative assessments of the competition's customer satisfaction position, as well as understand best-in-class vendors to SMBs. While competitive assessments should not drive internal process improvement, they provide extremely insightful guidance. In addition, your brand and image are fundamental supporting mechanisms for building and sustaining customer loyalty.
- \$ Implement standards-based process improvement plans and metrics for each relevant driver of SMB loyalty. Standards-based process improvement plans provide a basis for creating a quality-focused organization based on quantitative measurement. Each touchpoint requires careful analysis and potential redesigning to drive error from the delivery of value to SMBs. Measuring and re-measuring are critical to the success of a customer loyalty-focused organization. **[see Exhibit 2]**

**Exhibit 1.  
Quality Process Improvement to Build a Loyal SMB  
Customer Base**



**EXHIBIT 1**

Proposed DecisionNotes	Surveys	Consulting Services
Vendors: Elevate the Sales Channel Experience for SMBs	2005 SMB Bundled Communications and VoIP Survey	Yankee Group Loyalty and Customer Satisfaction Consulting
Best-in-Class B2B Customer Satisfaction Organizations	2005 SMB Applications and IT Infrastructure Survey	
A Loyal SMB's Lifetime Value to a Customer-Centric Service Provider		
Broadband Customer Satisfaction and Loyalty		
The Next SMB Bundle		

**EXHIBIT 2**