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NOT ALL CONSUMERS ARE CREATED EQUAL Customer Service Is Important, but Focus on Those With Most Buying Power

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Google "Nordstrom tire legend" and you get over 800,000 hits describing a legendary example of great customer service. Zappos has established legends of its own through bend-over-backwards customer service. [Apple](#)..... has topped the American Consumer Satisfaction Index (ACSI) for years, perceived as the best company in terms of customer satisfaction. Of course, there are other companies with great customer service, but no one should confuse great customer service with being customer-centric.

Sounds blasphemous, doesn't it? What could be more customer-centric than offering great customer service? In his book, "Customer Centricity," Wharton Professor of Marketing Peter Fader makes the customer-centric distinction bluntly, disavowing any notion of (marketing)

political correctness: "... not all customers are created equal. Not all customers deserve your company's best efforts. And despite what that tired old adage says, the customer is most definitely not always right. Because in the world of customer centricity, there are good customers . . . and then there is everybody else."

Imagine for a moment that you're the CMO of a Fortune-500-sized company. Everyone depends on you to develop a long-range plan for creating profitable revenue growth, based on a unique and defensible brand. With that goal, would you treat all your customers "great?" Or, would you treat everyone great, but treat others "greater," giving extra attention and investment to those customers with the most potential value? This is "customer centricity" and it is, as Fader states, "the strategy with a specific aim, more profits for the long term." That aim is achieved by investing proportional to customer-value potential.

I understand that this is sensitive territory. I do not propose turning your back on certain customers. Instead, I urge you to know which customers buy more or have the potential to buy more, or have greater influence. And invest accordingly. As for the others, consider a stratified approach to engagement. Then, focus on moving those customers into strata that are more valuable. For those that can't be moved up, question whether they're worth further investment. These are tough questions, but smart answers are needed.

Let's talk about "how." How can today's marketing leaders identify the value of a customer during an interaction? How can they stratify what to do according to customer value? How can investment and engagement be dialed up and down, while remaining synchronized? The essential ingredient for all these questions is data—sourced from internal, external, online, offline, custom research, across the enterprise.

No firm can count on any one signal to consistently describe or predict consumer value or behavior—not purchases, not search, and sometimes not even what customers say they want to buy. Instead, multidimensional insight or the "refinement of data across all relevant signals" is paramount. This takes an enterprise data-management strategy to activate, evaluate and apply these signals at scale. It is not simple, but it is achievable.

In the last 12 months, we've asked thousands of marketing leaders about their capability to recognize customer value. Two-thirds stated they don't know how much customers are worth or didn't even try to calculate their value. 50% indicated they regularly deal with four or more silos of customer and marketing data. Over 60% don't integrate online and offline data across channels; the same percentage are not using social media to track brand conversations. That's not pretty.

What is pretty is the upside. There is great potential in investing to customer value. Our research indicates that in general, "top value" consumers are not maxed out and represent a potential 17% upside in sales, and that "low value" spenders, if moved to a higher tier, or deeper relationship, represent a potential 34% upside. At the top tier, an improvement of 10 to 15 points of margin is achievable.

While great customer service remains vital for a brand's success, it no longer holds the same sway as a source of competitive advantage. Brands must continually strive to increase the value of their customer portfolio at every interaction. Said another way, optimizing the value of individual customer relationships optimizes the overall value of your brand. This requires an obsessive, customer-centric approach, one that proportionally allocates investment based upon the potential value of customer relationships.

ABOUT THE AUTHOR

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