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## **Two Birds With One Stone: The Disarmingly Sensible Way to Growth and Profit From Existing Customers**

**by Reg Price and Don Schultz**

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Most senior executives agree that the most important source of future growth will be organic—that is, from present customers. Thus, many believe that the customers they now serve are their most important asset.

But managing that asset is a difficulty task. Managers with customer responsibility face pressure of all types:

- Keeping customers satisfied
- Keeping them loyal
- Providing them with great experiences
- Continuously delivering critical value propositions
- Making clear brand promises and keep those promises
- Constantly exceed their expectations... and so on

There's no lack of research on how to keep and grow customers. But, until now, there's been little effort to synthesize the welter of customer-satisfaction information into a simple and powerful strategic guidance system.

So, what do we really know about customer satisfaction?

The most penetrating research on customer satisfaction shows one clear fact: The vast majority of any organization's customers sit in the middle rungs of the satisfaction scale—from mostly satisfied to somewhat dissatisfied. Not a powerful engine for future growth.

What we know about these customers:

- They make up about 80% of the typical customer base.
- The word that best describes their attitude toward the firm is "ambivalent."
- Their emotions are not very strong: neither negative nor positive. (That's reminiscent of the old saying, "the opposite of love is indifference"; and most relationships fail because of indifference.)
- Their behaviors are much the same regardless of their position in the middle 80%. They're essentially apathetic, failing to either actively support the firm or, alternatively, to leave you. They stay as customers, but primarily because it's too hard to change suppliers or their belief that no competitor is any better. In short, damning with faint praise.

At both ends of this spectrum are the customers who really count. They're the ones who do show strong emotions about you and your brand. And, they behave accordingly. Proportional to their number in a customer base, they have a big impact. They're either the "outraged" customers who act as active "detractors," or they're the "delighted" customers who willingly act as advocates.

Outraged customers are true problem children. They not only defect but also (often) depart in a storm that is time consuming and de-motivating for your staff. And, that assumes you know they have defected. Too often, they simply disappear, only to actively engage in telling everyone they can about how bad you are. Clearly, the fewer of these problem children you have, the better.

Alternatively, delighted customer's actions bring real benefits. Their profit impact brought about by their loyalty has been well documented (by Sasser, Reichheld, and others). They are usually great to deal with and openly show willingness to actively support you. The more of them you have, the better.

Trouble is, none of this information is very new. The challenge is, What should managers do about it? That is, what strategies should managers employ to best manage the critically important customers at the extremes—to encourage the advocates and silence the problem children?

First, research tells us that the factors driving outrage and delight are quite different. In simple terms, it's not possible to simply move customers from terrorism straight through to advocacy (refer to Schneider, Benjamin and Bowen, David. E. 1999. "Understanding Customer Delight and Outrage," *Sloan Management Review*, 41, 1, pp.35). The emotions are simply too strong.

Second, possibly the most relevant research on customer satisfaction and service quality came up with a remarkably simple conclusion:

*Simply put, customers want service companies to do what they are supposed to do. They expect fundamentals, not fanciness; performance, not empty promises.\**

These findings, seemingly dated, still hold true. Customers expect organizations to do what they say they will do. Disarmingly simple... but devastatingly true.

Using these findings, and given the importance of the two customer extremes, the way forward fits into a disarmingly simple action plan that we call the "two birds with one stone" strategy.

### **Deliver the basics**

It's critically important to the dynamics of the customer base that as much terrorism as possible be eliminated. That means removing as many strongly dissatisfied customers as possible by actively identifying and eliminating them.

That can only be done by performing the fundamentals of product and service delivery in such a way that all their basic expectations are met. Any problems or crises also have to be resolved well. These are the basics that any firm operating in any market has to do simply to stay in business and avoid ongoing customer frustration.

The terrorist customer, frustrated by poor performance of the basics, is the first bird in the two birds with one stone strategy.

All this sounds pretty obvious. The reality is, however, that few companies have their sights firmly fixed on this first bird.

How to tell if you have this under control? If you can answer each of the following questions with a resounding yes, then read no further, you've already solved the problem:

- You have an "official" list of the key basics that customers expect from your company—expressed in customer language and sourced from customers (not your own list).
- All managers and customer-facing staff can recite the official list of basics and know what role they play in ensuring that those basics are delivered.
- Regular measures are taken to assess whether customers (not you) believe you consistently deliver on these basics.
- A cross-functional team has been appointed as guardian for each of these basics—and enforces them.

Commentators argue, for example, that K-Mart forgot the basics, such as a clean store, well-stocked shelves, helpful personnel, and attention to detail. "The stores are a mess" (*The Shopper Report*).

Research by people like Roland Rust at the University of Maryland shows that simply doing the fundamentals well is not a free ticket to true loyalty. It does not delight customers when they get what they expected to get in the first place—it only stops them from being outraged. To delight customers requires a different approach.

### **Deliver just one "spike"**

This means pulling as many people out of apathy/ambivalence as possible, moving them into the zone of highest satisfaction where true loyalty behaviors like advocacy are exhibited.

The apathetic customer, who sees no distinction in your offering, is the second bird to take aim at in the two birds with one stone strategy.

Researchers like Kim and Mauborgne working on "value innovation" and Crawford and Mathews in *The Myth of Excellence* argue that great companies do not try to be great at everything. Instead, they reliably do one (or just a very few) special brand-reinforcing things that are distinctive, relevant, and involving for customers.

In other words, find the one thing your firm stands for that customers can see and value. We call it the "spike." Others often refer to it as the single point of difference or the brand value proposition.

In our experience, too few companies have the conviction or strength of mind to aim to be great at just one thing they believe is highly important for most of their customers—the one key thing that differentiates them from the competition.

A wisdom sometimes heard is that "strategy is as much about what you don't do as it is about what you actually do." Thus, most managers recognize that it is very hard to say no to something you would like to do. Managers tuned into spiky thinking, however, know that hardnosed sacrifices of what are often perceived to be good things are necessary to achieve true distinction and differentiation. Too much waste occurs from well-intended customer-satisfaction or quality initiatives that do not sufficiently impact customer behavior or reinforce the brand. Thus, it's usually necessary to say "no" to some prospective customers to be able to enforce and enhance your distinctive promise to your intended market.

By the same token, it's hard to justify extra resources to "delight" some customers. Therefore, smart companies take a reallocation approach by focusing their effort on just a few brand-reinforcing initiatives that create relevant distinction rather than trying to

please all customers. For example, one of the world's most applauded (and profitable) airlines, Singapore Airlines, has put extraordinary focus on just a few of the same basic things for over 30 years. It has become an iconic service provider that, through the Singapore Girl branding approach, really stands for something unique in the minds of customers.

One of the most potent tools for achieving this level of customer acceptance is through "customer experience design." But, beware the difference between "THE experience" and "AN experience." When most people talk about THE customer experience, they are referring to the linked set of steps (or process) that a customer goes through when dealing with the product or service provider.

By implication, improving THE customer experience is looking at what can be done to improve each of the touch points between you and your customers. It's a useful way of looking at the totality of customer interactions and doing something about making all of them work better by wrapping them up into a single program.

AN experience, on the other hand, implies real organizational focus to ensure a powerful reinforcement of the brand promise in a memorable and relevant way for customers. The best proponents of this understand that a so-called "spiky experience" can explosively build word of mouth and growth. Look at how:

- Starbucks revolutionized the coffee bar with sofas.
- Harley Davidson includes attitude as well as motorbikes.
- Hard Rock Café offers a dining experience distinctive enough to sell T-shirts shirts about.
- American Girl enchants girls and teaches them how to live a life full of substance.
- Google leads you to virtually anything you want to know in 0.2 seconds.

This concept of "AN unique customer experience" sounds obvious, but few companies actually have got their aim focused on this second bird, either. Again, bringing your organization to the level of being able to answer "Yes" to each of the following questions will put you at a rarefied level of competition.

- There is strong moral and financial support from the top down for putting extraordinary focus on just one key point of difference and stubbornly resisting the temptation to do all things for everyone. This becomes even more important when the firm faces a crisis or difficult economic times.
- All managers and customer facing staff have no doubt where the organizational "spike" is, and each and every one is clear in what their role is in delivering that experience.
- Regular measures are taken to assess whether customers understand your unique "spike" and whether they believe you consistently deliver on it.

### **One stone: whatever you do, do it reliably**

A few practical realities clearly apply if you are to employ the "two birds with one stone" approach.

- No amount of delighting will work if there are major dissatisfiers in play. For

example, inviting customers to a sports event won't placate them if they have been waiting on an unexplained but often delayed outstanding order.

- Just doing the basics well is usually not enough, either. That alone does not create delight, loyalty, or even satisfaction. It just moves more people into ambivalence.

This means that managers who are serious about maximizing a customer asset must take aim at the two birds together.

With this understanding of the two birds, we can now focus on maximizing the value of the customer base—doing the basics and developing a spike... but with what? What is the stone?

The stone is really relatively simple. Generally, managers responsible for customers tend to spend too much time trying to find new, fresh things to promise customers and too little time on ensuring that what they already promise is done consistently.

Thus, reliability is the stone in the "two birds and one stone" strategy.

Customers judge providers by how they perform against their promises, which can range from high-level, and quite implicit, brand promises right through to daily personal commitments to make a delivery at a certain time.

Unfortunately, today, broken promises are commonplace, even endemic. They ultimately create a cynical marketplace where trust is hard to find or deliver. We believe the emerging science of "promises management" provides the basic methodology that will enable the "two birds and one stone" strategy to flourish.

Expert promise managers know how critical it is that customers clearly know what to expect if they buy from you. That comes from making clear, consistent, compelling, but realistic promises, and then delivering on those promises. Doing so ensures that customers can be confident that what is promised is what will be delivered. For example, many managers believe that promising strong differentiation is a competitive distinction in the marketplace.

But, promises-savvy people know that the greatest benefit is that customers know what to expect. As most customer research has found, it's "performance, not empty promises" that really count. Take a look at Volvo or Singapore Airlines, for example; it's clear what they promise customers, but they deliver on those promises, giving customers confidence by delivering on them.

Promises management offers a framework for managers to do this. To manage promises better simply seems sensible. But, few managers act as if they truly value reliability. In truth, few have a management system in place to achieve it.

The following selected questions will help you test the promises management performance of your firm; see how many you can answer "Yes" to:

- The people who make the brand promise in your firm (marketing, sales, agency) work very closely with those who deliver on it (operations, HR, logistics).
- Senior management talks regularly about the importance of doing what is promised at all levels: the brand, with customers, with suppliers/partners, among staff.
- There's an unforgiving attitude in the firm toward staff who miss deadlines or are

reluctant to commit to delivery of promises made.

- Specific recruitment policies exist that place a high value on hiring, recognizing, and keeping outstandingly reliable people.
- Customer research places high importance on understanding the perceptions customers have of how the firm consistently delivers on the expected basics and the brand differentiators.

Most importantly, this "two birds with one stone" strategy is easy for staff to understand, especially when they learn that the key for them is to do a few simple things with high consistency. Customer-facing staff members who understand the strategy will more easily buy into it.

Without that, customer-based initiatives will go the way too many do—resources frittered away in a myriad of small, uncoordinated, and unfocused actions that never really add up to anything. And, at some point, the customer birds simply fly away to a competitor.

\* Parasuraman, A, Zeithaml, Valerie A and Berry, Leonard (1985), "A Conceptual Model for Service Quality and its Implications for Future Research," *Journal of Marketing*, Spring, pp 41-55.

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**Reg Price and Prof. Don Schultz** are the authors of the forthcoming book on the emerging discipline of Promises Management titled *Building Dependability Inc.*, to be published by Racom Books in fall 2006. Reg Price can be contacted at [reg.price@managepromises.com](mailto:reg.price@managepromises.com); Don Schultz can be reached at [dschultz@northwestern.edu](mailto:dschultz@northwestern.edu).

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