

How Much Does it Cost to Do Business with our Customers?

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The answer to that question varies and depends on how well we have our act together and how well we relate to our customers. I once worked with a fellow who was Director of Service and Support for the largest SCADA company in the World. He often said if we are not getting rid of 10% of our customers per year we are doing something wrong. I used to think that you keep all customers no matter what. To keep all your customers no matter what often ends in the sacrifice of your company. I finally came around somewhat on my colleague's stance, I also believe that all customers are worthy of your best efforts at all times. They trust you, pay you, and confide in you so we better respect all our customers. I think there are ways to get even the toughest customer on your side if you have your business firmly managed and your products managed effectively.

I always maintained in all of my business and consulting there are at least five important points to effective and profitable customer service programs, and yes I did say "profitable customer service programs" It is important to capture all costs associated with each customer so you can learn how to make as much profit as possible from each customer.

1. **Know your product.** Having confidence in your product is the single most effective tool to effectively fight scope creep. Scope creep comes when you become convinced that you must provide something outside of what you are currently offering. If you know your product and maybe even use it yourself you find ways to use the product to optimize what you have developed.
2. **Customers become partners** and they will be part of your business and understand what is possible with current resources. You must insist that the customer becomes a partner or you will have to part ways, you can only win with a relationship that is win-win. Customer loyalty works both ways. We have several development partners and I have to say that it is a very nice relationship to have with our customers when they can feel free to help design the next version, help design and test new Tools, and just be a supporter and not someone who works at cross purposes.
3. **Standard customer support = Powerful cost control** that is a simple formula and it works for everybody. Every company has a support or warranty agreement so now it is time to use a system that manages all of the support contracts and warranties, so standard terms and conditions, standard documents, and each person on the customer support team will understand exactly how support cases are handled. You are assured that Cases are given adequate attention so that support is monitored and managed, reducing rework, late resolution, and other inefficiencies. We have automated customer support in a simple and [proven system](#).
4. **Account for every single cost.** This is a great idea and you will need a system to effectively keep track of all of this. Every cost associated with a customer, product, or service is recorded with [ERP systems](#). Having this information at your finger tips lets you rank your customers and products by profitability, volume, and many other Key Performance Indicators (KPI).
5. **Know when to pull the plug.** This is the last resort and was a bit reluctant to include this one. This is simply when you realize that the situation is not win-win and you are not going to ever win. Beware that some people are hired to get the most out of you no matter what and purposely avoids becoming your partner. There are less than my colleague's 10% of our customers that would ever qualify for this drastic measure and I would like to think that it is possible for never having to do this in business. In the event it does happen, make sure that it is done right.

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