

## The New Silver Bullet for Growth and Customer Loyalty

by Curtis N. Bingham

If you want to grow your business while simultaneously increasing customer loyalty, the Chief Customer Officer (CCO) might just be the silver bullet you are looking for. The Chief Customer Officer or similarly titled role assumes executive-level accountability for customer relationships, much like a COO is accountable for operations and the VP of sales for revenue growth. While the responsibilities of the CCO are many, the most critical contributions of the CCO are five-fold:

1. Grow revenue
2. Increase customer profitability
3. Increase customer loyalty & retention
4. Develop sustainable competitive advantage
5. Decrease costs

### The CCO is Uniquely Responsible for Customer Value

The CEO is uniquely responsible for shareholder return, the COO for cost-efficiency, the CFO for the company's financial well-being, the CMO for market awareness, and the EVP of Sales for quarterly revenue. But what happens when nobody is accountable for customer value? I was speaking with a major computer hardware provider about measuring customer value. As they examined the verbatim comments from a number of dissatisfied customers, they found that these customers consistently said one thing: "We want you to listen to us—to share with you the direction we're going and learn how you can help us get there." These were loyal customers that were begging to be heard—to work in partnership to develop a long-term competitive advantage. This is what happens when nobody is accountable—your loyal customers lose their trust and if allowed unchecked, they take their business elsewhere.

An executive must be held accountable for not only the strength of customer relationships but especially customer value (ie. the value of a customer to your company as well as your value to the customer). This Customer Champion must be able to properly weigh customer needs against revenue, cost, and other strategic business drivers. As well, the role of Customer Champion must be an executive-level position to effectively gain trust in customer and prospect organizations as well as drive change throughout many different divisions.

It can be fatal to assume that the snapshot of customers, segments, & markets gathered at some point in time will be accurate in 4-6 months. Organizations must monitor their customers continuously so as to narrow the gap between research and action to increase customer value. The customer champion should be accountable for ensuring that customer insight is proactively and regularly gathered, updated, made available throughout the organization, and most importantly, made actionable throughout the organization. Too many companies fail in the execution of this last step and end up with volumes of meaningless data that have minimal (if any) impact on the business.

Being held accountable for taking action on customer insight, the customer champion is uniquely responsible to bridge the gap between data gathering and process improvement throughout the organization.

The Chief Customer Officer is uniquely capable of helping your organization do the following:

1. Grow revenue
2. Increase customer profitability
3. Increase customer loyalty & retention
4. Develop sustainable competitive advantage
5. Decrease costs

### Grow Revenue

The CCO can help grow revenue from existing customers as they drive repurchase (e.g., service contracts) and by identifying cross-sell and up-sell opportunities. By establishing customer value metrics, the CCO can identify the most valuable customers and help marketing & sales find more prospects just like them. To grow, a company must not only actively strive to retain customers and maximize profitability, but it must also continuously identify who its best customers are and find more customers like them. The CCO, with broad insight into both the existing customer base and the marketplace, can identify and help acquire the most desirable new customers and prospects. The CCO can also balance marketing and sales strategies so that new customers are not acquired at the expense of existing customers.

# The CEO Refresher

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## Increase Customer Profitability

Not all customers or prospects are created equal. In one extreme case, researchers found that 20% of a manufacturing firm's customers generated 220% of profits. Fully 80% of customers were marginally or even unprofitable! Given this disparity, it is clear that companies need to be selective in order to generate disproportionately larger profits. With a CCO's breadth of customer insight, companies can effectively segment customers according to customer value drivers. This segmentation will make clear which customers are most valuable and deserve the greatest attention and service. CCOs can create customer value metrics and help prioritize scarce resources to profitably nurture the most valuable customers.

By so doing, the CCO can help guide the marketing department in precision-targeting customers and prospects with specific value-based marketing messages and finely tailored marketing collateral. As well, the CCO can use this value analysis to help sales teams personalize their efforts, shorten the sales cycle, and close more deals at higher profits.

## Increase Customer Loyalty & Retention

Frederick Reicheld of Bain & Company said, "A 5% increase in customer retention rates increases profits by 25-95%." The Chief Customer Officer is in a unique position to ensure that the most valuable customers are not only retained – but converted into loyal customers--who will not just use but actively promote your products and services. Because of the CCO's regular interaction with customers, consistent "health measurements," and early warning mechanisms, this indispensable officer is uniquely capable of identifying customer dissatisfaction and potential for defection. Once these problems are identified, the CCO helps the organization fix them and make certain they never happen again. Ted Uezen, CCO of Metavante Corp is enjoying a 90% customer retention rate due to his ability to leverage customer feedback to discover and influence strategic product shifts his customers were demanding.

## Develop Sustainable Competitive Advantage

In this age of hyper-competitiveness where any feature or service-based differentiator is easily duplicated, the only truly sustainable competitive advantage is in-depth customer understanding. To succeed, you must know your customers better perhaps than they even know themselves. This customer insight must be gathered from every possible channel. Under the direction of the CCO, companies that make it actionable and drive customer-centric change throughout the organization will be successful. Garland Hall, former CCO of webMethods, helped instill strong customer focus throughout the company by bringing customers in to visit with executives, developers, and even noncustomer-facing employees so everyone can hear customer success stories and learn of customer "pain points."

## Decrease Costs

The CCO, by virtue of his/her position and breadth of involvement with current customers and the marketplace, is uniquely positioned to determine levels of support and attention given to customers according to customer value metrics. The CCO also can settle disputes surrounding resource allocation and set priorities for product/service development. As a result, decisions and priorities will more likely maximize customer value to the company.

## Conclusion

In conclusion, your company can reap multiple benefits by establishing the role of Chief Customer Officer. You will be able to maximize the profitability of current and future customers; increase customer loyalty and retention, and ensure long-term success as you develop the in-depth insight into what customers need, want, and are willing to pay for. Incorporating the CCO function leads to longer and more profitable relationships with key customers, which in turn leads to achieving the ultimate goal of increased and more profitable revenues.



### ABOUT THE AUTHOR

*Curtis N. Bingham, President of The Predictive Consulting Group, helps organizations dramatically increase customer acquisition, retention, & profitability. For more information about Customer Strategy, his new Customer Experience Audit, or Chief Customer Officers, visit his website at <http://www.predictiveconsulting.com> or his blog at <http://www.curtisbingham.com>.*