PLANET EARTH PROJECTS

INCORPORATED

Become a Supply Chain Star!
Discover how world-class service sets you apart in the distribution chain.

Introduction

In today's competitive marketplace, fostering corporate growth requires more than expanding your sales force. Distributors face a rapidly changing business environment, full of both opportunities and obstacles. Globalization produces more suppliers to source from, but also contributes to lower prices on finished goods, leading to smaller profit margins for distributors. The Internet can help a distributor reach new potential prospects, but also makes it easier for customers to shop several competitors. E-commerce can automate some sales and reduce costs, but it also increases competition as manufacturers pursue direct sales online.

To stay ahead, distributors are strengthening their relationships with key customers, searching for new markets, and using technology to improve efficiency and save costs throughout their businesses. Many distributors are taking advantage of Customer Relationship Management (CRM) technology to maximize value throughout the supply chain.

The Growth Challenge

> "Customers have come to expect satisfaction as part and parcel of the general deal, and the fact that they are satisfied doesn't prevent them from defecting in droves to a competitor who offers something extra."—Peter Clark[1]

Many of us assume that if we provide good quality products, we will turn a profit. We want to believe that if we process orders correctly and on time, we will instantly build a loyal customer base. Unfortunately, these assumptions can be wrong.

Consumers are no longer completely satisfied with a "good" product. For example, some high-end luxury cars have customer satisfaction rates of 90% or more, yet less than 50% of those buyers will return for future purchases.[2] The overall ownership experience, including ongoing service and support, has a strong impact on the loyalty of these customers. After all, Lexus makes an excellent luxury sedan, but so do Mercedes and BMW.

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[1] The Wise Marketer.com "Six Key Factors that Influence Customer Loyalty"
[2] The Wise Marketer.com "Six Key Factors that Influence Customer Loyalty"

This principle also applies to retail and end-user customers of wholesale distributors. The distribution marketplace is crowded, and most of your customers and partners could find another company that offers similar products and pricing. Your partners and suppliers have as much choice as individual consumers, and their level of satisfaction with your service will either greatly help or hurt your bottom line.

Existing customers are a tremendous source of additional revenue, if your company has the right processes in place to cross sell and up sell additional products and services to them. The lifetime value of a customer can really add up, and once customers have established a loyal relationship with your company, they shop around much less. In fact, a recent article in *Harvard Business Review* suggests that even a 5% increase in customer loyalty can increase profits by 25-85%![3]

Satisfied customers also introduce new prospects to your company through word-of-mouth marketing. Personal recommendations are the most powerful form of marketing, and these endorsements add no cost to your sales and marketing efforts, provided you are satisfying your customers. Of course, the opposite is also true – an unsatisfied customer can cost you business. If your existing customers are not satisfied, your plans for growth are quickly jeopardized.

Gaining new customers is, of course, another way to grow your business, but it takes more time and can be much more expensive. For most companies, the marketing expenses to acquire a new customer can be two to three times higher than marketing expenses to sell products to existing customers. So it's possible to lose money if you focus on new customer acquisition without a simultaneous strategy to promote loyalty among your existing customers.

How can you get ahead in this numbers game? Your company needs to transform existing relationships into sales opportunities by providing a customer support experience that customers value enough to continue doing business with you. And to do this, you must have a system in place to analyze customer data and quickly respond to their needs.

Tapping into Hidden Resources

"This may seem simple, but you need to give customers what they want, not what you think they want. And, if you do this, people will keep coming back. - John Ilhan

If quality is not enough to ensure success, then what else can make the difference? If the kitchen supplies that your company sells are very similar to all other kitchen supplies—how can you differentiate your company in ways other than price?

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[3] James L. Heskett, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser, Jr., Leonard A. Schlesinger, "Putting the Service Profit Chain to Work," *Harvard Business Review*.

Harrah's Casino faced a similar problem in 1998. The economy was suffering, and Harrah's needed to make changes to increase revenue. Their first attempt at a loyalty campaign catered to high-rollers. This program was not immediately successful in increasing loyalty, but the data it provided changed the way Harrah's did business. They had operated under the assumption that high rollers were the key to Harrah's success. In analyzing the data, they discovered that the casinos made more money from middle-aged vacationers and retirees than the big gamblers. Although older vacationers accounted for only 26 percent of Harrah's guests, they produced 82% of the revenue!

Harrah's promptly changed its campaign to appeal to thrill-seeking retirees, and began to outpace the rest of the gaming industry, boosting revenue and profits. By 2002, the company had enjoyed 16 quarters "same-store" revenue growth. Today, Harrah's operates 26 casinos in 13 states.[4]

How did Harrah's beat their competition? By analyzing customer data, realizing prior assumptions were wrong and quickly orchestrating an about-face. Harrah's offered a personalized, tailor-made campaign to enhance the experience of its previously unsung core customers, and turned them into repeat customers. More importantly, its focus on the "low-rollers" allowed them to distinguish themselves from their gaming peers.

This kind transformation requires collecting and analyzing the right data to solve business challenges. Harrah's customer data analysis provided the insight needed to change the way they did business in a powerful and meaningful way. Imagine the kind of changes you could make if you could share vital customer data effectively across your whole organization.

Become a Supply Chain Superstar

You can distinguish yourself from your competitors by providing your partners, suppliers, and customers with a business experience that adds value to the products you sell. You probably already have an enormous amount of information about your customers; the challenge is collecting it from disparate parts of your organization and applying it to an improved customer experience.

Somewhere in your organization, a sales person knows which products each customer prefers, but if your marketing department can't access that information, it might try to sell the customer something else. If your sales team can't see inventory data, you risk disappointing your customers when the product they purchased isn't immediately available. If you customer service representatives have to place callers on hold while they consult with another department, customers may decide to find another vendor who responds more quickly.

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[4] Phil Bligh and Doug Turk, "Cashing in on Customer Loyalty," Destination CRM.com, posted June 1, 2004.

Henry Ford once said, "Save ten steps a day for each of twelve thousand employees and you will have saved fifty miles of wasted motion and misspent energy. A Customer Relationship Management (CRM) system will help you save these steps by integrating the data streams you already have. By allowing departments to share important customer data across your organization, can significantly increase efficiency, save costs, and maximize future sales.

CRM helps your organization work more proficiently, but more importantly—it can help you build customer relationships that will distinguish you from the competition. Customer loyalty is the cornerstone of any successful business. Let's examine how adding CRM to your supply chain strategy increases customer and partner loyalty.

To build loyalty, your company must be able to:

- ✓ Identify your most valuable customers and anticipate their needs
- ✓ Provide relevant, personalized marketing offers
- ✓ Deliver customer service and support that is valuable, consistent, and informed
- ✓ Ensure that orders are processed accurately, and delivered on time

It may seem obvious who your customers are, but to stand apart from competitors, you must also know their preferences and use this information to encourage repeat sales. Analysis of CRM data can help you quickly identify your best customers so you can focus additional efforts on selling more products to them. And when your customers' needs change or the business environment evolves, you will be ready.

CRM enables you to access customers' past orders and analyze trends to build accurate forecasts of your customers' future needs. The data collected in a CRM system allows your marketing department to customize campaigns, offering the right products to the right customers at the time they are most likely to buy. Marketing campaigns can also present related products and services that are relevant to your customers, based on past orders.

Your sales team will use CRM to automate the sales process, producing efficiency and increasing win ratios. With CRM, leads from marketing campaigns pass automatically to sales, so important follow-up opportunities don't slip through the cracks. Sales representatives can build calendars and reminders to ensure they don't forget to contact prospects and customers. With access to all relevant information in real-time, your sales professionals are always prepared with up-to-date information about customer needs.

CRM also provides your customer service professionals with up-to-the-minute customer and order data so they can provide the highest standards of service. CRM provides a tightly integrated data exchange, sharing information in real-time with all employees who meet your customers and partners face-to-face. CRM helps your company ensure a quality experience that creates repeat customers and satisfied partners.

Conclusion

Selling quality products is no longer enough to distinguish your company from competitors. A successful business must foster communicative relationships with customers, suppliers, and partners. Customer loyalty develops from the value of the service you provide. In repeated purchasing experiences, your customers want to receive personalized product and service offerings that match their needs, consistent service and support from every employee they contact, and reliable, timely receipt of accurate orders.

CRM enables your company to offer a personalized, readily-updated customer and partner experience that promotes greater satisfaction - and loyalty. Sales and marketing professionals can tailor campaigns based on customer preferences and buying patterns so that customers receive the right offers at the right time. Increased response to offers will build revenue and ensure a solid return on your marketing expenditures.

CRM also provides all customer-facing employees with access to critical customer information, such as past order history, current order status, recent sales and marketing contacts, and more. Sharing information helps your staff provide a consistent, reliable experience to your customers. By integrating CRM with your accounting and warehouse applications, you can also ensure that customers will receive the correct order, on time.

Distributors can position themselves ahead of lower-value competitors by focusing on retaining loyal customers, increasing their lifetime value, and improving communication with suppliers, partners, and customers. Forward-thinking distributors are making CRM technology a vital part of this strategy.