

Strategic conversations with your customers helps hone the planning process

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There is a non-routine type of interaction with your customers that can provide high value, unique input to your strategic planning process. This is the strategic conversation that focuses on everything but the day-to-day. The author looks at how to make the most out of your customers' collective wisdom as you plan for the future.

As most executives know, strategic planning should never be done in a vacuum. The process should always provide fresh information to facilitate innovative thinking. Developing fresh information is always a challenge. Most planning teams do their research using industry articles or analyst reports, but many forget another source that is actually close at hand: the company's customers.

Your company's managers no doubt have frequent contact with your customers in the process of meeting the customers' needs before, during and after a sale. When there is a problem, you hear about it. However, most of your company's interaction with customers is focused on today: selling product or services and resolving problems. While these are important aspects of your current success and should not be ignored, there is another type of interaction with your customers that can provide high value, unique inputs to your strategic planning process. This is the strategic conversation that focuses on everything but the day-to-day.

Structuring strategic conversations with your customers is not hard but it is important to think through what you want to learn, why your customer will want to help you, which customers you should approach and how to do it. If done properly and regularly, a customer input process can help you sharpen your understanding of the present and the future for your company, your competition, your industry and your customers. It will probably also create a stronger relationship between you and your valued customer.

What can you learn from your customers?

Talking to your customers is important because they have a different perspective on the market and on your company than you have. Your product or service is only one component of their entire business. As a consequence, their view of the market is probably broader and they will have a unique vision on where you fit into the market. Remember that your competitors probably call on your customer. Your customer may even buy from them. So your customer probably knows first hand how you measure up against the competition in terms of reliability, consistency, experience, quality, pricing, and service.

In a strategic discussion, your customer can also give you a big picture view of how they use your product today. Even more importantly, they can tell you how they would like to use your product today and into the future. This is how Intuit created QuickBooks. They discovered that more and more Quicken personal financial software packages were being used by small businesses to facilitate their accounting. So Intuit created a product that more fully addressed the needs of a business as opposed to personal finances. Within two years, this new product had captured an 85 percent market share of accounting software for small businesses.

A strategic conversation with your customers will help you understand opportunities or threats that you may have missed. The story of the web design and development firms that survived the dot.com crash shows the importance of staying in touch with the customer. Initially, these firms were considered a new breed, in a new industry. But very quickly, many companies failed. Today, Web design and development is more common than ever – but not in stand-alone firms. The firms that have survived are those that realized that Web design was not an industry at all but rather a skills set.

This skills set, in fact, has been co-opted by firms in many sectors: marketing and advertising; low and high-end software; as well as business process consulting. Firms that have survived in this “industry” have followed their clients’ needs toward one of these diverse markets. We have seen firms become successful at creating Web interfaces to replace paper-intensive business processes as diverse as new hire processing, drug testing protocols and performance evaluations. They did this by following their customers’ pointers to new opportunities.

Implicitly asking you to help

This is the double bonus of discussing with your customers how their own needs are changing: they are implicitly asking you to help. If you are able to focus on your customer’s needs, you enhance your position in your customer’s eyes and solidify your place in their future. Your success in helping your customer address specific problems will be remembered for a long time and is a great way to increase loyalty.

Why would they invest time to meet with you? Your customers have already demonstrated support for your company by choosing you over your competitors. By asking questions to uncover their views on industry direction and sector trends, you show respect for their judgment. When you ask them to comment on opportunities and threats, you are paying them a compliment; you would not be consulting them if you did not value their astute perceptions on the forces that affect the market in which both of you operate. This is flattering but there are several reasons beyond just flattery that your customer will see value in sharing their insights with you.

By moving your discussion beyond today’s issues and today’s revenues, you are laying the groundwork for a more rewarding long-term relationship for both of you. In your customer’s eyes, you are demonstrating a motivation to continually improve, and to be a player for the long term. This will reassure your customer.

Interestingly, by sharing this information with you, your customer is put into the position of thinking more like a partner, someone defending you from harm. This exchange may result in a better overall relationship, especially if you communicate which improvements you make because of their suggestion. This activity brings you closer together and begins to work more like a partnership than a vender-customer relationship.

Regular interaction with your customers for strategy development may result in an invitation to join a planning team for a project, side-by-side with the customer, instead of being one of many bidders. Because you have made changes to better serve your customers, you will probably be rewarded with an important role in your customer’s planning process as well.

Which of your customers should you approach for input and how?

Identifying customers for strategic input

- Work with the top 20 percent that generate 80 percent of revenues.
- Select companies in different verticals.
- Choose companies that apply your product or service to different applications.
- Include companies looking to grow with you.

When seeking strategic input, you do not necessarily want to talk to a huge sample of your customers. Does the 80/20 rule apply to your business, that is, do 80 percent of your revenues come from 20 percent of your customers? If so, focus primarily on the top 20 percent. However, it is also important to look at customers on the periphery of your “normal” customers. Who are the companies that are not big customers but you would like them to be? Which companies are using your product in a different way? Which companies are in different businesses from the rest of your client base? New opportunities are often hidden in such “outside-the-box” uses.

Communicate with sample of customers in each category

You also want to communicate with a full range of customer categories. If your company offers a number of different products or services, you should organize your efforts to get a feel for as many of your offerings as possible. Also try to gather input from customers in as many of the verticals as possible. You may discover that you are concentrating your company’s resources and efforts in areas that are less profitable for you.

Further, you may be overlooking activities or niches where your customer perceives greater value in your offering, which may provide an opportunity for price increases. Their feedback will help you determine these pockets of opportunity.

Once you decide the customer list for this effort, you need to think about the appropriate contacts at the customer company. The ideal person is the economic buyer. This is the person who has the ultimate authority to decide to do business with you. In many companies, your day-to-day contact is not the economic buyer. You need to balance your need for good information against the strength of your relationship; that is, you do not want to offend your best contact by going around him to speak with his boss. For your best customers, you can get around this by investing in more than one conversation.

Who should make the calls and how? There are a number of factors to consider in choosing the representative of your company to make the calls on your customers.

If you have a strategic planning staff, this is generally a good place to start in planning strategic conversations with your clients. A planning group has the breadth of vision to engage in the conversation.

Your sales staff may be the group that most frequently contacts the customer but may or may not be the appropriate individuals to make the calls. The sales people may have a strong relationship and the confidence of the customer. However, they also have a vested interest in today's products and today's success – that is, continuing to close sales for your (and their) benefit. For this reason, the sales staff may not be able to get the conversation to a strategic, long-term level.

Deciding what group to use to make contact with customers

More appropriate may be your marketing group, especially if they have research experience. Similarly, an account management group not directly tied to your own sales staff that may conduct the interviews. As with the sales staff, however, account managers are generally more focused on the “here and now” and might end up troubleshooting problems, discussing new implementations or releases. Each case is different

Who should make the calls – considerations

- Marketing department – may be best, especially if accustomed to doing research.
- Customer service/account managers – only if they can speak at a level appropriate for the level of the customer contact.
- Sales staff – may have most frequent contact, but may be more focused on short-term sales goals.

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- CEO – may command respect, but making all calls would not be an effective use of time.
- Outside agency – as an objective third party, may be more likely to extract good information.

CEO-to-CEO conversations always make sense for good customers. They may be appropriate for strategic purposes in some cases, such as sensitive relationships that need a special focus. However, generally, such conversations are at such a high level that they may not be that fruitful for this purpose. CEOs may not want to work from a script and they may not want to take notes. This lessens the value of the conversation for the strategic planning team. Having said all that, significant CEO-customer strategic conversations occur regularly at eBay as part of their “Voice of the customer” program. In this program, CEO Meg Whitman and her senior team sit down face to face with a small group of customers once a month. This is just one of the many ways that eBay has built its business in close collaboration with its customers.

There is also a strong argument to be made for using a third party from a different division or an outside firm to make the calls. Sometimes the answers are more honest when the questions are asked by a third party. A third party can probe the pain points without worrying about damaging a personal relationship. Outsiders can also synthesize the response with a fresh outlook and present the results in a coherent fashion to you and your management team. A third party also has no vested interest in the results of the conversation. This objectivity can lead to greater insights and break-through thinking. A third party can also credibly make a commitment to keep specific comments confidential. In this way, the customer can feel comfortable to speak freely. The interviewer can still convey the gist of a conversation without giving away the identity of a specific customer.

Courtesy call comes first from primary contact

No matter who conducts the interview, a courtesy call should be placed to the customer by their primary contact in sales or account management. First, you should explicitly ask if the customer is willing to participate. You should explain the amount of time it will take and the purpose of the conversation so they can begin to think strategically before the call. Some companies worry that their clients will think “something is up.” In reality, most customers are very comfortable with the

explanation that you are doing long range planning and, as explained above, they will probably be flattered to be invited to participate in your process.

The input-gathering effort can be done in many ways. Because you are working with the top 20 percent of your customers, you should be interested in the quality of responses, as opposed to the more quantitative approach you might get from a survey. In my view, this means that you should aim for focused but free-form conversations. Believe it or not, a good introductory conversation can be completed in as little as a 15-20 minute phone interview. Whatever the amount of time targeted, make a commitment to the timetable and stick to the deadline. This is not a warm cup of coffee, so get right down to asking the questions you have prepared to get the most helpful feedback. If you look like you will go over this time limit, ask permission of your customer if it is OK to go on (Table I).

You should set up a system to rotate interviews with customers on a quarterly or semi-annual basis. In this way, your customers will think about the topics you've discussed and pay attention to elements of your service or product in order to provide you feedback in future sessions. However, if you are establishing the process of gathering input from your most important customers on a quarterly or semi-annual basis, then the process must be regarded by both parties as productive. Otherwise, it will die on the vine.

Communicate regularly in a strategic format

Your customer's world is constantly changing. New personnel, management changes, new technology, competitive forces, new initiatives: All these can affect the world where your customer operates. By communicating regularly in a strategic format, you not only remain a key part of their world, but you also stay up-to-date on the changes in the market, industry and with your customer.

As a footnote, this kind of contact with your customers is different from the normal activities of customer relationship management. All companies should check in regularly with customers in a systematic fashion to monitor customer

satisfaction. This tactical activity can occur through your sales staff, company web site, customer service, or your help desk.

These important activities are critical to your company's success as such customer interaction typically yields feedback useful for improving your company's service or product. It may tell you what you can improve immediately to be a better vendor though often any resulting changes will more likely yield only short-term benefits. While an effective relationship-builder, this tactical line of questions is more product-focused or focused on quality of service, thus different from strategic questions and answers.

What should you ask?

Sample questions to elicit strategic feedback from your customers

- What is your biggest challenge going forward?
- What are the most important trends you see affecting your business and industry?
- What do you think you have to do to stay competitive?
- What role will technology play in future changes?
- Are there technologies or products that you use that you wish were more compatible with our product?
- Do you use (or are aware of) competing products/services to ours? What do you see as the key differences?
- Are there areas where our company could make a change or enhance a service to help you accomplish your goals?
- How could we serve you better?

In opening an interview with a customer, you should state the ground rules: the expectation on timing, the general goal of the conversation and a statement about how the information will be communicated. I usually state that the general tone and content of the conversation will be shared within the company but I also offer to treat any comments confidentially if the client requests it.

In order to elicit strategic information, I recommend asking open questions that elicit thoughtful responses (see Table I). Your goal is to get input on both their business and yours. You should spend half the time on their industry competition, industry trends, technology, and opportunities or threats on the horizon. The other half of the time, focus on your business, industry, competition and future.

If a response goes in an unexpected direction, be prepared to ask questions using follow-ups such as "What do you mean by that?" Mix up the questions to get input on their short-term and longer-term issues that could have an impact on your strategic direction.

Table I Steps for initial calls	
Introduction call	<p>Explain purpose (market research, customer input) Get permission to have your company's representative contact them</p>
Appointment call	<p>Agree on a good time to speak for 15-20 minutes</p>
Interview call	<p>Offer confidentiality Use a script prepared in advance Be prepared to ask follow-on questions after interesting answers Take complete notes to be edited later</p>

If appropriate, you can respond with feedback of your own to your customer, what you are hearing or reading about in the market, developments that they can investigate for themselves. Keep your comments short, however, because the principal goal of this exercise is to get their input!

You are looking for answers that may open a door for you to help your customer and fine tune a strategy for your own business. You are also using a consultative approach that could lead to answers for your customers, making you more than just a vendor in their eyes.

Although it is not its primary purpose, this process often does end up with revealing comments about your current offering and relationship. This type of finding should be recorded and, assuming there was no confidentiality pledge made to the customer, passed on to the appropriate staff member. You may learn about their reactions to the quality of the sales process, delivery/implementation of your product or service, their opinion on product/service features, quality and timeliness of your follow-up service, and help desk/problem solving. While this type of information is important, do not let it dominate the conversation and keep you from getting a peek at the customer's vision of the future.

An effective and powerful way to finish up a call like this is to ask how you can serve them better – what else you can offer, what else you can do better. This is one of my favorite questions. Customers often make the most original suggestions at this point. I had a customer once offer to pay extra for the company to send a staff member to attend the customer's weekly planning meetings. The company had been developing software for the customer. To be invited into the upfront business process planning of the vendor company showed that the customer valued the company's role much higher than it ever realized. Up until then, it had never been asked.

Unexpected feedback leads to immediate action

In another situation, one of an engineering company's biggest customers volunteered that they were worried about the company's future. Although they had a several-million-dollar relationship, the customer never saw any marketing or sales material. The engineering company's competitors were very aggressive in communicating their expertise in certain areas, describing new methodology and technologies they used in projects, and sending articles written by staff members to demonstrate their capabilities to the customer. Since this revelation, the engineering company has undertaken a marketing program to regularly inform its customers of its growth, expertise and experience in areas that could benefit customers and prospects. This effort has resulted in opportunities to work on projects for new companies and to perform different services for existing customers.

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Once your time has expired, it is best to close the conversation for that day. However, if you have been respectful of the customer's time and developed a good rapport, you have the opportunity, and maybe even the obligation, to continue the dialogue. In the future, you can go back to the customer to, for example, ask for reaction to projects on your drawing board. Would you buy this kind of product? Would it address a problem? Do you need it? What else would you want to see in it? Over the years to come, this kind of strategic dialogue will benefit both your companies.

Integrating the responses

What should you do with the responses? No matter who conducts the interviews, your marketing group, or whoever handles market research, should be the repository for feedback from the customers. This group should also coordinate other feedback gathered from external research, the sales staff, account management, and the help desk. Their synthesis of this fresh information should highlight the thoughts and comments that could influence strategy. It is common that customer comments become the impetus to do some reading on a related industry, technology or market segment. All this information creates a compelling base for a strategic planning process.

Moving forward, keep the momentum going and make a commitment on how to generate new information periodically, whether quarterly, semiannually or annually. If you do not have a formal planning function, identify a group that will meet with senior management to review responses. Make sure that strategic customer comments are combined with feedback from your sales and customer service. Then complement it all with external research from marketing. Recurring themes, obvious trends and consistent patterns should be addressed and investigated. Your senior management should then distill the research into action steps as appropriate to implement the prescribed changes.

Your customers represent an incredible opportunity to improve the quality of the information used in your strategic planning process. Take the time to plan your approach. Use an interviewer that can get the best feedback and prepare a list of open, strategic questions. Make sure that your customer input gets addressed in your planning process, including follow-up research of new or different ideas. Your customers are like old friends, they can tell you things you need to hear. Make it a point to ask periodically, and to listen to their answers. ■

