Six Reasons That Organizations Lose Customers

In an economy in which organizations of all types and size are struggling to stay afloat, effective service is often a crucial factor in determining whether customers stay or go. The sad fact is that many owners and managers are so distracted with bottom line issues that they forget to focus time, attention and money on this pivotal issue until it is too late and customers have already defected. In reality, this is not a new phenomenon. A 2006 White Paper by Maritz, Inc stated that "almost one-half of all customers who abandon a brand or provider do so because of service --- and almost two-thirds of the time it is because of poor service rather than promises of better service elsewhere." That indicates that managers have often lost touch with one of the most important elements of their business – their customers.

The following are six reasons that can cause organizations to lose market position and customers. In extreme cases, it can lead to organizations filing bankruptcy or failing completely.

1. **Losing Customer Focus.** If your organization is not customer-centric and does not invest the time and money to hire and train efficient and professional service providers, the chance of failure will increase significantly. It is not enough to create policies and procedures for your service team to initiate. You must make sure that front-line staff and their managers are taught to continually strive to go above and beyond in dealing with customers. This means training them in problem-solving and decision-making strategies as well as providing knowledge and tools to enhance communication and deal with all types of situations that might arise. Using role play and simulation activities in training can help accomplish these goals.

2. Taking a One-Size-Fits-All Approach. Today's customer base is far more complex and diverse than ever before. Each group of existing and potential customers (i.e. ethnic, generational, cultural, and socio-economic) has specific preferences and needs. If your organization fails to recognize, understand and meet their expectations, you may find that competitors are doing just that. At the very least, your customers will begin to search for viable alternatives when you let them down.

A big part in developing service providers and managers who can effectively deal with a variety of customers and issues is to conduct diversity training. Programs that stress similarities rather than differences between groups and provide tools that can enhance customer-provider interactions, communication and understanding, are powerful. For example, if you share ways to recognize and understand non-verbal cues that vary between cultures, you potentially head off communication breakdowns. Similarly, if you provide information on various cultural and religious beliefs you can help your service team realize the importance of respecting and addressing individual and group needs and expectations.

3. **Failing to Allow Front-Line Problem Resolution.** Your service team must be trained to deal with all types of contingencies and customer situations. They must also be empowered to handle instances in which the traditional approach or policy does not work. This might mean allowing them to refund a customer's money without a receipt, compensating for a poor service, food, or facility by writing off the cost of a meal or room stay, or providing free shipping to get products to a customer when a breakdown in your fulfillment system causes a delay.

Many managers decline to pass along levels of authority needed to resolve seemingly simple service breakdowns out of fear that someone will "give away the farm" or pass out gratuities needlessly. Often, a supervisor may fear that if they delegate authority, management will soon realize that they no longer need the supervisor. The bottom line is that if you hire the right people and train them well, you can actually stimulate their professional growth and dedication to the organization, and encourage them to make wise service decisions by allowing them to handle minor situations without your approval.

4. **Using a Situational Approach to Service.** Many supervisors and managers fail to think long-term when looking at service. They often take a reactive versus a proactive approach. For example, they might provide training to address a service breakdown rather than training front-line employees how to handle various situations before they arise. Similarly, they might initiate a service initiative like offering customer incentives to stimulate short-term sales goals without tying it to a long-term effort to market products and services in a manner that will encourage continued customer loyalty. Such limited thinking will ultimately cost more money by expending cash quickly without retaining customers and generating residual or continuing income.

5. **Forgetting to Measure Service Levels.** No matter what size organization you have, you must regularly gauge how well your service initiatives are performing. This is not as simple as asking a customer at the cash register, "Did you find everything you needed today." Such efforts do little to identify real customer issues or needs. In many cases, they actually make your front-line people sound like trained parrots with little initiative or ability.

To really get to a needs level, you should employ a variety of data collection strategies using a variety of technology and vehicles. Some common means include surveys (i.e. satisfaction cards, telephone, fax and email follow-up, online surveys on your website, and in-person interviews). By putting more emphasis into your survey efforts you can enhance the quality and quantity of your customer feedback. Of course, cost will be a deciding factor in what you do. For example, if you have long-term customers that result in large sums of revenue, you might send a senior sales person or a mid-level manager to take your clients to lunch. Have them conduct an in-person interview with the customer to determine how they feel about products and services that you provide and elicit ways that you might improve. Such initiatives can result in continued business or reduction in your defection rate because you have personalized your approach to dealing with the customer.

6. **Ignoring Your Service Providers.** There have been a number of studies throughout the years that point to the fact that "employees do not leave organizations, they leave managers." What this means is that if your supervisors and managers do not treat front-line employees with respect, allow them to grow personally and professionally, or provide feedback and incentives to keep them happy, they will likely leave. Contrary to what many managers believe, money is not the top reason why people stay with your organization. True, in a down-turned economy, many employees will stay put in order to keep receiving a salary and provide for their family. However, once things improve, they will likely bail out if they do not feel appreciated or valued.

To prevent potential problems, examine your policies to ensure that they are up to date and competitive in your industry. Periodically examine pay scales, job descriptions, and systems that impact employees (i.e. benefits, promotion and retirement). Also, provide ongoing training to employees to keep them current in their profession and to provide a vehicle for personal growth and satisfaction. Additionally, make sure that they are given opportunities to be involved in decision-making and discussions about issues that impact them personally (i.e. work hours, conditions, or planned changes to technology).

While there is no single answer to creating and maintaining customer loyalty, there are things that you can do to create a workplace environment that provides for the needs of your employees and customers. Also, by being aware of what is happening in other organizations within your industry, examining what competitors are doing, and staying abreast of environmental, political and economic issues that might affect your organization, you improve your chances for success.

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