



Archived Newsletter Articles

Capturing a Fair Return on the Value Delivered: Part 2

Value



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This is the second of a two-part article on how to capture a fair return for the value delivered. In Part 1, we discussed selling at a value-based price. In this installment, we focus on step two: making sure the customer realizes the value of the purchase.

Now that your rep has made the sale at a value-based price, there are critical moments after the sale has taken place that will determine whether the customer perceives he/she has realized a fair return for the price paid. These “moments of truth” often emerge when the customer experiences problems.

Research has shown that customers who have a positive experience with a company’s product will tell, on average, three people about their purchase; we call them “missionaries.” On the flip side, customers who have had a bad experience with a product tell an average of nine people about their purchase – we call them “terrorists.”

Research also indicates that customer loyalty is, on average, 2 times stronger after a company has successfully resolved a problem.

How does this relate to pricing?

An important aspect of your pricing is to have clear policies on how to resolve customer complaints.

Following are two examples of resolutions that I have appreciated as a customer.

A car-rental company ran out of inventory, and did not have a car available for me. This happened on a long weekend, and I was a loyal customer. Eventually, it was able to locate a car for me at another rental location. But rather than just hoping that I was easygoing and would forget about what had happened, the company took action. Shortly after this service breakdown, I received a letter from the vice-president of marketing in which he not only apologized but also provided me with a coupon for a free rental the next time I came back. What a terrific discount! It was focused on building the relationship, and it provided high value to me and to the car-rental company (remember the cost of poor retention).



A chain restaurant that my family has frequented for the past five years provided a resolution that has made me twice as loyal! It is a large restaurant, so I know we are not getting special treatment offered only to the “select few.” Over the course of time, you can expect that there will be problems – the food will be slow, or cold, or you don’t get what you ordered, etc. While this seldom happens, it has on a few occasions, and I have been impressed with how successfully the restaurant has dealt with these situations. Once, for example, when the food was slow, an apology and a free dessert made us content to wait rather than grumbling about our empty stomachs.

The message is that sometimes discounts are not only appropriate, but also essential. Use the following principles to execute them for maximum impact:

- Focus your discounts on creating loyalty – use the discount to bring the customer back to experience your offering again at a time when the chances are favourable that you will provide a great service experience.
- Empower your frontline people to make decisions – train them in how to use their authority, and measure their behaviour so you can identify who needs further training.
- Make your offering in kind rather than cash – sometimes a cash discount is the only way to go, but often there are other alternatives. Providing product (a free rental car or a free dessert) costs you less and often has very high value to the customer.

Summary

Once the sale has been made, you can’t sit back and relax. That is when the real work begins – building the trust that comes out of resolving customer complaints and problems. The benefits of getting it right are long-term relationships with customers who want to do business with you. Building a well-thought-out pricing policy that deals with these situations isn’t only important; it is critical.

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