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Interview with

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The RIGHT Customer Is Always Right

BY LIOR ARUSSY

There is nothing more wrong than claiming that the customer is always right. It is simply not true.

The right customer is right, and many customers are taking advantage in ways that are very much not right. Running a business with such over-sweeping statements is not only unhealthy and unprofitable, it creates significant pressure on employees who are forced to chase such generalized clichés that are disconnected from their reality. As such, they find themselves doing things that they know are wrong for the company and often are in conflict with their own values.

Several years ago, Southwest Airlines employees charged an obese passenger for two seats. An employee applied common-sense judgment and realized that the customer most likely would need to sit on two seats. This meant that if the other seat was sold to another passenger, then that passenger would be treated unfairly. The passenger who was charged for two seats sued the company. Southwest defended its employee's position in court. Ultimately the judge rejected the suit because the plaintiff had not responded to Southwest's request that the case be tossed. However, the judge did note in the dismissal that the airline's request "appears to have merit." I believe this was a simple case of a customer who was wrong. The airline has a responsibility to all passengers, including the one slated to sit next to the overweight passenger.

WRONG CUSTOMERS VS. RIGHT CUSTOMERS

Let's examine several examples of customers who were not right:

CASE 1: During a recent analysis done by my company, Strativity, at a global hospitality provider, our consultant overheard a group of 17 happy diners say to one another at the end of the meal: "Let's go to guest services and complain. They will waive the dinner fee for us." There was absolutely no basis for the complaint other than taking advantage of the generosity of the hospitality vendor and the diners' keen knowledge that the vendor was sensitive to customer satisfaction surveys and results and would do anything to avoid negative feedback and comments.

CASE 2: A recent recruiting experience taught me a personal lesson. Being concerned with finding the right person who would fit the culture of my company, I asked the recruiter for a temp-to-hire arrangement. He was completely willing to comply with my request. The candidate provided was not a good fit and we had to let him go. During a discussion with another recruiter, I was told that the temp-to-hire arrangement does not appeal to top candidates and that I might want to reconsider my request. Instead of telling me what I wanted to hear, the second recruiter taught me something new and expanded my knowledge. He stood to lose my attention and business by refuting my request but preferred to tell me what is right—rather than treat me like I was always right.

CASE 3: Several years ago, I was working with a client who continued to supply its wares to customers who did not pay their bills for more than 365 days. When I questioned why they do this, I was told that they must be customer centric and not argue with customers. I'm sorry, but nonpaying customers are not customers. They are merely vultures living on the profit margins provided by the good-paying customers. Such vultures belong anywhere else but on your customer list. (May I suggest your competitors'?)

What defines a "right" customer vs. a "wrong" customer? There are four dimensions that can be used to assess customer quality:

- **Fair or premium price.** Did the customer pay a fair price and potentially a premium price, or was he focused on obtaining the deepest discount possible? Did he ignore your quality and treat your product/service as a commodity?
- **Knowledgeable.** Customers who are knowledgeable are more likely to appreciate your value and what it takes to create it. In addition, they may require less education and therefore fewer resources from you to service them.
- **Collaborative.** Customers who are willing to do their share, such as use self-service, are in the "right customer" category. Such customers understand that it takes two to succeed. As a result, they allow you to make a fair profit.
- **Win-win attitude.** You can see it in their approach. The right customer respects your brand and value. The wrong customer assumes it is a win-lose situation, and they drive the hardest bargain possible with the assumption that any profit you make is a loss for them. They fail to see the value you provide in return.

These four dimensions define the right customer. The right customers do not enjoy value they didn't pay for. They pay their fair share and do their part to ensure the success of the relationship. When you view your customers through this four-dimensional prism, you will be able to identify the right customers very quickly and distinguish them from the wrong customers.

Knowing that the customer is not always right, what do you do? Here are several principles to help you address the right and wrong customers:

Reset the customer relationship. We need to drop old clichés like "the customer is always right" or "the customer is king." The customer is often wrong and might be unrealistic, sometimes abusive, and (if tempted) can take advantage of us. Customers are not above reason and should not be treated as if they cannot be reasoned with. They must do their share and be willing to pay for the value they receive. If this is not the case, they should not be customers.

The right customer is right. The rest are not. The profitable customer is king. The rest are begging for value they did not pay for. Let's get a reality check here and make sure we select customers carefully. In this economy, you cannot afford to do business with the wrong customers. Overgeneralized clichés should be replaced with carefully crafted corporate strategies.

Set clear expectations. Customers should know what is expected of them as part of a relationship. They need to know what you promise to them and what they are expected to do in return for receiving the promised value. Often expectations remain vague and unclear. A "reasonable response time" may mean 30 minutes to the customer and 48 hours to the provider. Be clear and do not leave anything open to interpretation.

It is imperative from the outset that customers have a clear understanding of what is possible in terms of price, timing, quality, and level of service. Hiding the inconvenient truth from customers will only aggravate them later on and result in either significant service resources being required to respond to unhappy customers or some form of compensation to them.

Align around the customer context. When presented with an unrealistic request, try to understand the context. Ask the customer: "Why do you think you deserve this? "What is the source of this request?" "What are the benchmarks you are using to make this request?" Try to establish a logical platform you and the customer share to resolve the request. Keep on probing. It may take five "whys" until you get to the heart of the matter.

By asking "why" five times, we are able to ascertain a new dimension of the customer's request—the emotions that drive the "what?" or "when?" or other information the customer is seeking. As a product or service provider, we often fail to understand the emotional issue associated with a customer's request. When we get to the customer's heart, we will be able to craft a solution that is truly suitable. When buying a nail, the customer does not really just need a nail. What the customer may really be looking for is the ability to place a picture of his late, dear father on the wall. Understand that, and we will be on our way to creating the right solution.

Don't argue with the customer; charge for it. There is a simple litmus test for how serious the customer is: Is he or she willing to pay for a special request? If the answer is "no," we have a problem. The customer is, in a sense, asking you to bear the cost of the special request.

Try to find out why customers think they deserve a freebie. Try to establish a mutual financial platform where you can jointly examine why they think they've earned the free service they're asking for. If the answer does not satisfy you or does not make financial sense, then you need to determine if you can find a justification to fulfill a customer's request without getting paid for it. If he or she is willing to pay, find a way to make it happen while keeping it profitable for you. It may be profitable as part of the overall customer relationship but not in this specific interaction—but overall, it must be profitable.

Charging is a great way to test the customer's real intentions and needs. If there are no financial consequences, customers will ask for anything imaginable. They will act like spoiled kids who know no end to their desires because they did not have to work for the money to pay for the items they crave. When you create consequences and financial discipline, they will quickly rethink their requests and many of them will evaporate. Additionally, it will provide you with a mechanism to evaluate the request and follow a logical path to approve some requests, even if the customer is not willing to pay or is asking for a waiver. This might be a long-term customer who is asking for a one-time special accommodation or a collaborative customer who is assisting in reducing your costs.

It is imperative that as you work with customers, you never feel like you must win or retain them. The moment you assume the mindset that you must win or retain a customer, your approach and demeanor will change, and you will start making compromises you'll eventually regret. If it does not make financial sense, then walk away and focus on the right customers. Bringing the wrong customers into your organization will only cost you more in the long run.

Identify the abusers. Some customers are abusing your organization. Several years ago, a U.S. cellular operator "fired" a group of customers. The act drew a great deal of popular attention, which caused the company to halt the practice. A closer look at the details disclosed a telling story. The fired customers were high-maintenance customers who called the cellular operator about 40,000 times a month in total and demanded additional discounts on their bills. They were abusing the system. No customer needs to call a vendor that many times a month. If they do, there is something fundamentally wrong with the relationship, and

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one side has a totally different expectation than the other side. The cellular provider had no other choice than to let them go. Firing this type of customer frees up resources, which can be dedicated to address the needs of the right customers.

Every company that operates with clichés such as "the customer is always right" has created abusers—customers who do not know where or when to stop. Customers who think that there is an open, free buffet will have no shame about lying to get a free meal. Abusers should not be tolerated, and the practice must be stopped. If it does not, you run the risk of spreading it to other customers and compromising your business model.

Focus resources on the profitable customers. Desperate for sales, you have run various special promotions and discounted your products in the process. As such, your customer pool includes those with different levels of profitability. Some customers paid full price and expect a luxury experience in exchange for the generous margins they provided you. Others paid rock-bottom prices and are enjoying an experience they did not fully pay for. The latter customers are free riders at the profitable customers' expense. Align your resources with the right customers, as we defined them earlier through the four-dimensional prism. A one-size-fits-all experience fits no one.

Those right customers should be the first priority for all of your resources and value. Customers who purchased from you when the price was significantly reduced should be treated accordingly. They should be provided with a reduced experience. A reduced experience does not mean a bad experience—it means a less privileged experience.

Let's look at an example: When purchasing a restricted-fare airline ticket, you will not be eligible for upgrades to business class. (Some European airlines have taken this further and will not award any mileage points to the traveler's frequent flier account for these lowest fares.) Why? The fee is too low. Does it mean that your economy seat experience will be worse? No. It simply means that you do not deserve certain privileges. When paying for a single room at the Four Seasons hotel, you will receive a great experience. But the guest who paid for a club-level room will enjoy an upgraded experience. He paid more and the hotel enjoyed better profit margins, which it can apply to delight this customer more.

There is nothing right about treating customers with different levels of profitability the same way. In fact, it is flat-out wrong. There should be a different level of "right" for different levels of profit. By not teaching your customers that there are sacrifices that need to be made for lower prices, you are spoiling them and creating unrealistic expectations.

The reason you are limited in your ability to delight and wow your right customers is that your resources, both human and financial, are tied up with low-profitability customers who are expecting high-profitability experiences. Break this vicious cycle, and you will have all the resources you need to treat the right customer the right way.

Delight the right customers. Now that you know who your right customers are and have measured their collaboration, it's reward time. You need to send a clear signal to all your customers: The right customer is right. Rewarding the right customers in a public way resets the expectations of all customers. They all now know what is important to you and what type of relationships will receive the highest level of attention. You set the stage for customers to select if they wish to be your right customers or not. Treat the right customers as kings and make all the wrong customers envy the royal treatment received by the right customers. This is the best way to have the wrong customers join the ranks of the right customers and make them more profitable.

> "The right customers do not enjoy value they didn't pay for. They pay their fair share and do their part to ensure the success of the relationship."

When working with a business-to-business client, I pointed out that the company was providing its customers with rich and generous free training as well as software to run their businesses, yet many of these customers elected to give a lion's share of their business to the competition.

When my client notified the abusers that their free training and software would be terminated at the end of the quarter due to lack of performance, the overwhelming response was "you got me" or "what will it take to keep it going?" The customers simply took advantage of the free training and software because no one called them on it. They stopped when they lost the privilege. Soon after, the client's top customers were flown to the Las Vegas Four Seasons Hotel for an all-expense-paid vacation.

By combining a carrot and a stick method, my client improved profitability by 30% in less than a quarter. How? The volume of collaboration increased dramatically and impacted profitability in a significant way. The abusive customers were let go, which reduced losses and resources allocated to them. The combination of increasing collaborators, aka the right customers, and removing the abusers, aka the wrong customers, impacted the bottom line. Not only was this move profitable for my client, it was favorably recognized by its customers, who selected my client as the No. 1 provider in its industry for five years in a row.

Customer strategies should not be left to oversimplified clichés and fairy tales. The customer is not always right. Some customers are not kings. A customer who is not paying for the value he or she consumed should not be a raving fan. (Do you really want a customer who takes advantage of your company raving about it to everyone and bringing more customers like him?)

With today's analytics tools, we can easily develop a clear mapping of the right customers and service them with great delight. It is time to stop the desperation of "the customer is always right" and start the pride in serving the right customers in the most awesome, right way that will make others want to be your customers in the right and profitable way. AQ

Lior Arussy is the CEO of Strativity, a global customer transformation firm, and the author of eight books, including Next Is Now: 5 Steps for Embracing Change—Building a Business That Thrives into the Future *(Simon & Schuster, 2018).*