



## **Extracting Profitable Growth From An Existing Customer Base**



**A Case Study**

**Strategic Resource Development Group**

Focused on performance improvement in Customer Experience and Customer Relationship Management  
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## **Stimulating profitable growth**

Fuji Xerox NZ (FXNZ) wanted to boost its growth, profitably.

They believed that by improving the experience their customers had of them that they could get organic growth from their existing customer base.

There was a general feeling in the marketing department that FXNZ was providing a pretty average experience for its customers, but this had not been properly quantified. Previous customer satisfaction surveys had shown there was room to improve, but it was not clear just what the areas for focus might be. With the support of the senior management team, they commissioned a project to better understand the exact experience that was being delivered for clients and to figure out ways to improve this experience in a way that delivers profitable growth. Thus was born 'The Fuji Xerox Experience'.

Given SRD Group's expertise in Customer Experience Management and Customer Relationship Management Fuji Xerox approached SRD Group to see how they could help.

SRD Group proposed a project process that consisted of a Customer Experience Review followed by a Customer Experience Improvement Programme (this ensured that action would be taken once the Customer Review (research) results were received. It had several key elements:

- Agreeing a strategic logic for the project
- Moulding customer research around the strategic logic
- Facilitating a collaborative process to agree the way ahead
- Showing how this will contribute to profitable growth at FXNZ.

### **First, agreeing a strategic logic**

It was recognized early on that senior managers needed widely agreed whole-of-business strategic logic to help frame the project. Instead of conducting "drag net" customer research in an effort to draw out random insights of relevance from the research, FXNZ agreed in advance what they believed were the key success factors in achieving profitable growth from their customer base. The "[Two Birds with One Stone](#)" (authored by Reg Price (SRD Group) and Prof Don Schultz (Northwestern University)) framework was adopted by the senior management team and the project work groups

In short this strategic logic argues that two strategies must be employed in order to maximize growth from a customer base- these are the "two birds". The first strategy must be to reduce dissatisfaction by meeting the basic expectations of customers. To do so reduces the number of "detractors"- negative customers who tend to leave for a competitor and bad mouth the offending firm. Fixing the problems that cause such dissatisfaction will not in itself, however, overcome the ambivalence customers feel towards a provider. This requires another strategy altogether aimed at making a

company stand out above the rest. This is the second “bird” in the two birds with one stone strategy. One of the most powerful ways of doing this is to deliver an outstanding experience for the mass of customers- what was labeled for this project a “spiky experience”. To deliver on these two strategies requires consistency more than anything else. Customers need to know what to expect and to get it reliably over time. The “stone” in this logic is “consistency”.

### **Research that fits the strategic logic**

The customer research (called the Fuji Xerox Customer Experience Survey) that was conducted responded to the two birds with one stone strategic logic.

The results of the on-line survey with customers showed that the vast majority of FXNZ customers were “ambivalents”- not highly dissatisfied, but not delighted either. Further, there were almost twice as many “detractors” as “promoters”.

Work groups were able to immerse themselves in the many customer verbatims that were encouraged in the questionnaire methodology. The archetypal detractors, ambivalents and promoters were profiled so that the differences between them were brought alive for the people looking at the research.

One of the other major findings was that customers wanted more coordination between sales and operations at FXNZ so that “the right hand knows what the left hand is doing”.

The presentation of the research included a practical working session that showed the links between the findings of the research, the strategic logic and the desired business outcome of the project- to achieve profitable growth from the customer base.

### **A collaborative process to agree a way forward**

FXNZ was determined to put the research to good use. SRD Group’s Neil Stewart and Reg Price acted as facilitators for two work groups selected from senior middle managers, each with a specified responsibility that related back to the strategic logic.

A “basics” work group was appointed with the task of identifying which basic expectations of customers are not being met, figuring out what the problems are and recommending remedies. Their role in effect was to contribute to profitable growth by:

- stemming the loss of customers
- reducing bad word of mouth that scares off prospects and
- reducing cost to serve by minimising errors and inefficiencies emanating from ineffective customer management.

The “spikex” work group, on the other hand, were briefed to overcome the ambivalence of customer towards FXNZ by proposing “no holds barred” ideas for making it stand out in relevant ways that powerfully reinforced its brand promise. Their part in driving profitable growth was:

- improving customer share of wallet
- lengthening customer longevity by increasing renewal rates
- stimulating positive word of mouth because customers are happy to get in behind FXNZ and so attracting larger numbers of new customers.

There were 6 or 7 FXNZ people in each work group, each chosen for their ability to remedy problems (basics) or to generate big picture ideas (spikex). Each “silo” was well represented so that the left hand/ right hand issue mentioned earlier was addressed.

SRD Group facilitated five waves of working sessions over two months to move from:

- immersion in the research
- identifying key issues
- defining priority initiatives
- finding sources of resources so that they were cost neutral
- showing the impact on the bottom line to
- proposing an implementation pathway.

A representative from the senior management team was elected for each team to act as a blowtorch for their ideas and to manage the expectations of the executive group as a whole.

### **Putting forward their ideas to FXNZ leaders**

The basics group put forward four initiatives that together showed the potential to contribute 6% revenue growth and demonstrable savings of several million once the costs of the initiatives were subtracted. They were all accepted and are now being implemented.

The spikex group made two recommendations after thinking they would aim to only put one forward. The first, to establish an activity that really played to FXNZ competitive strengths was accepted for its ability to help meet the FXNZ brand promise to help make customers more successful. This significant self funding project promises substantial returns by more deeply engaging ambivalent customers and is now being implemented. A second idea looked at reconfiguring an important function at FXNZ and by chance mirrored similar thinking at the executive level. Spikex and senior managers are now working on a plan that combines the best thinking from both. If initial calculations are correct, this initiative has the potential to provide a “thirteenth month’s” worth of revenue and through better utilization of people, the resources to deliver it without increasing head count.