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Sorry you're mad— there's the door

Rather than expend energy to appease dissatisfied customers, it may be smarter to cut them loose

BY JOHN LARSON

Years ago we had a client in the grocery business with a (not-so) crazy idea: He joked that he wanted to put a machine like an airport metal detector at the entrance to each of his markets that every customer would have to pass through to enter. These machines would indicate whether each person was a Satisfied or Highly Satisfied Customer (call this Group 1) or whether he or she was Dissatisfied or Indifferent (call this Group 2). The premise was that our client would have staff personally escort anyone in Group 2 out of the store, put them in a taxi and send them to one of his competitors.

Was this client's idea crazy? Some marketers might think so. After all, we've all heard the expression, "There is safety in numbers."

Although there's some truth in this, our client was wily as a fox. Our work consistently indicates that companies may profit from firing some of their customers.

Customer categories

A company's customers typically fall into four groups: Dissatisfied, Indifferent, Satisfied and Highly Satisfied. Our customer loyalty research indicates that:

1. **Highly Satisfied Customers** spend significantly more than customers that are just **Satisfied**. This is a combination of (a) greater purchase frequency and (b) a higher ticket average. Our data shows that, over the course of a year, one Highly Satisfied Customer can spend more than three times what a Satisfied Customer spends.
2. A **Dissatsfied Customer** spends slightly less than a Satisfied Customer. We typically see that a Dissatisfied Customer spends about 70 percent of what a Satisfied Customer spends.
3. At an average company, approximately 10 percent of customers will be Dissatisfied, another 10 percent will be **Indifferent**, 30 percent will be Satisfied, and the remaining 50 percent will be Highly Satisfied.

The table on page 7 illustrates the weekly sales figures for a mythical store that serves 100 customers per week. Let's call this Scenario A.

What you'll be talking about.

EDITED BY **PAUL NOLAN**

Satisfaction	Scenario A		
	Number of Customers	Average Spending	Total Revenue
Dissatisfied	10	$20	$200
Indifferent	10	$25	$250
Satisfied	30	$30	$990
Highly Satisfied	50	$100	$5,000
Totals	**100**		**$6,350**

Know who's worth the trouble

In our experience, most well-meaning companies spend inordinately too much time trying to appease their Dissatisfied Customers—and to what end? If you work all day to calm a Dissatisfied Customer so that they are now Indifferent, the table above says that their value to your business goes up by $5. Big deal.

On the other hand, if the owner of our mythical store can move a Satisfied Customer up to being Highly Satisfied, their value goes up by $70. Now we're talking.

So, how are we as marketing leaders going to shift Satisfied Customers over to Highly Satisfied? The answer is simple: We're going to "fire" all of our Dissatisfied Customers and shift all of the time and attention they take up to converting our Satisfied Customers over to Highly Satisfied.

Suppose by doing this we can move 10 of the 30 Satisfied Customers over to Highly Satisfied. Now, let's take a look at what happens to the weekly sales figures for our mythical store. Let's call this Scenario B.

Lo and behold, with 10 fewer Customers our mythical store is now making $500 a week more than before, a nearly 8 percent increase in weekly revenue.

It's clear that in many circumstances companies will benefit by firing their Dissatisfied Customers and refocusing their efforts on converting Satisfied Customers to Highly Satisfied. The question then becomes how to accomplish this? One successful retailer canceled the company charge accounts or company credit cards of its chronically Dissatisfied Customers. This freed up its sales staff to spend more time with its remaining customers answering their questions and making suggestions. Lines at cash registers got shorter and speed of checkout increased. All this led to increases in ticket average and visit frequency that more than offset the lost sales from the "fired" customers.

For B2B companies, the task is often easier since they typically serve fewer customers than a chain of retail stores or restaurants. This makes it easier to identify the customers that are Dissatisfied. One of our B2B clients conducted a detailed audit of all its customers and removed its sales representatives from accounts that were deemed to be Dissatisfied. Those customers were then directed to place orders through a toll-free number or online.

With fewer accounts to manage, the sales force was able to spend more time with each of the accounts that remained in their portfolio. Sales call frequency increased and sales per account grew accordingly.

We're not suggesting that organizations fire any customers who complain. Rather, that complaint response needs to be placed in the proper perspective, with resources allocated accordingly. The real effort should be focused on resolving Satisfied Customers' and Highly Satisfied Customers' issues, and—most important—converting those Satisfied Customers into Highly Satisfied ones. **SMM**

Satisfaction	Scenario B		
	Number of Customers	Average Spending	Total Revenue
Dissatisfied	0	$20	$0
Indifferent	10	$25	$250
Satisfied	20	$30	$600
Highly Satisfied	60	$100	$6,000
Totals	**90**		**$6,850**

John Larson is senior partner at John Larson & Company and co-author of "Capturing Loyalty." Prior to starting his own firm, John held positions at McKinsey & Co., Monitor Company, Lieberman Research Worldwide, and J.D. Power and Associates, specializing in the areas of strategic analysis, organizational effectiveness, and customer satisfaction and loyalty.