



**DUBAI**  
KNOWLEDGE VILLAGE

A member of **TECOM** INVESTMENTS



**THIRD EYE**

# Survey Results

## “Keeping Your Customers ...When it Matters”.

## **Keeping Your Customers...When it Matters!**

### **Introduction**

With the global economy experiencing one of the worst recessions in history over the last 24 months, most managers have had to navigate their organisations through uncharted waters. Never has the business environment been more challenging since the great depression. It is said that the mark of effective leadership is not how you manage in the good times, but how you manage when the environment is tough. Under the pressure of tightening credit, liquidity squeezes, reduced market demand and intensifying competition.

Third Eye FZ LLC in partnership with Dubai Knowledge Village surveyed around 400 mid and senior level managers in organisations across the GCC to gauge how they are managing perhaps the most critical element of their business – the customer. We wanted to understand how well organisations in the region were managing issues such as retaining existing customers, focusing on the most profitable customers, and improving the value delivered to customers as a way of defending market share and enhancing returns...when it really matters.

Below is a summary of the findings highlighting what organisations are and are not doing. Whether or not you participated in the survey we hope that you find this report insightful and helpful to you in understanding how best to keep your customers...when it matters.

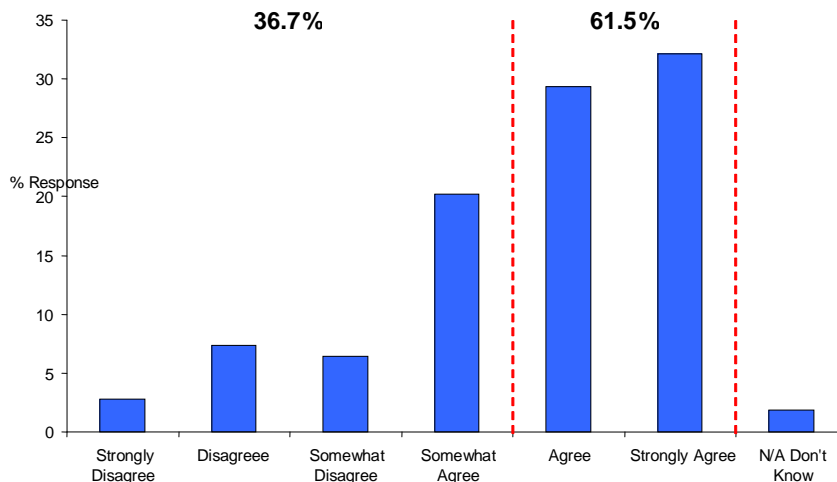
**Note on interpretation of results:**

Whilst the spread of results from “Strongly Disagree” to “Strongly Agree” are presented, the scope of this study did not allow us to investigate deeper the reasoning behind the given responses. In fact one can generally state that most of the questions could have been answered with a simple “YES” or “NO”. As such we have divided the results into “YES” and “NO”, where the response “Somewhat Agree” has been classified as a “NO”. For example, if you answered “Somewhat Agree” to the question “We rigorously measure the profitability of our individual brands?” your response can be interpreted that you measure but not rigorously, or you measure but not to individual product level. As such since the response is not completely affirmative we have not considered it as such. Only “Agree” and “Strongly Agree” have been considered as affirmative responses to the questions.

**Section 1 – Downturn Strategies**

The aim here was to understand how organisations viewed the importance of maintaining profitability through protecting market share, focusing on the most profitable products and cutting prices:

**Market share is critical to maintaining profitability during challenging times?**



As can be seen above most organisations in the region agree that defending market share is critical to maintaining profitability during challenging times. In fact there is no right or wrong answer to this question as many variables need to be considered:

### 1. Capital Intensity

In capital intensive businesses with high fixed costs the pressures to maintain market share would be high, as sharp reductions in sales volumes would immediately and significantly impact profitability. This could be seen for example in the automotive industry, where the recession immediately wiped out automotive industry profits. A word of caution however, as history has shown that an overriding focus on market share can in fact be detrimental to a business. Case in point, the world's largest car maker (until recently) General Motors!

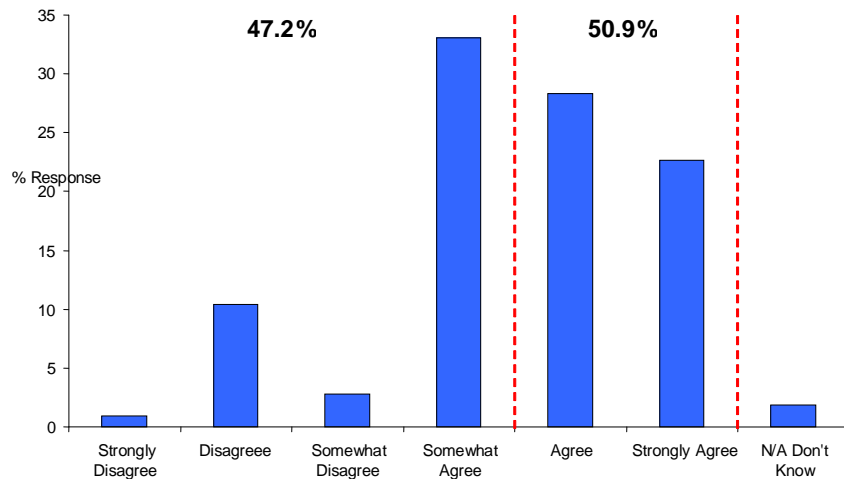
### 2. Competitive Intensity

Let's face it, today's business environment is generally described by global competition, overcapacity and sluggish or declining demand, and it looks like this situation will endure for some time to come. In such environments battling directly against competition for market share may not spur demand growth and may be counter productive, reducing overall industry profitability.

So what do most organisations do to enhance profits? Most managers undertake three initiatives:

- a) Cut Costs – The most obvious and widely practiced of the three options as it provides the most immediate benefits. However, what happens when cost cutting reaches its limits as a source for profit growth and where competition has also achieved similar levels of productivity and enjoys similar cost structures, as is the case across many industries?
- b) Innovate – Another essential and continual task for any organisation. However, innovation pipelines rarely offer “just in time” delivery and the dream of a big breakthrough remains just that...a dream!
- c) Change how you market – This is the least practiced, but potentially the most effective way to enhance profitability in the short term. Most managers find this task difficult as it requires an in-depth understanding of the sources of profit from both products and customers, such that focus can be placed on the most profitable products and the most profitable customers.

## We rigorously measure the profitability of our individual brands?

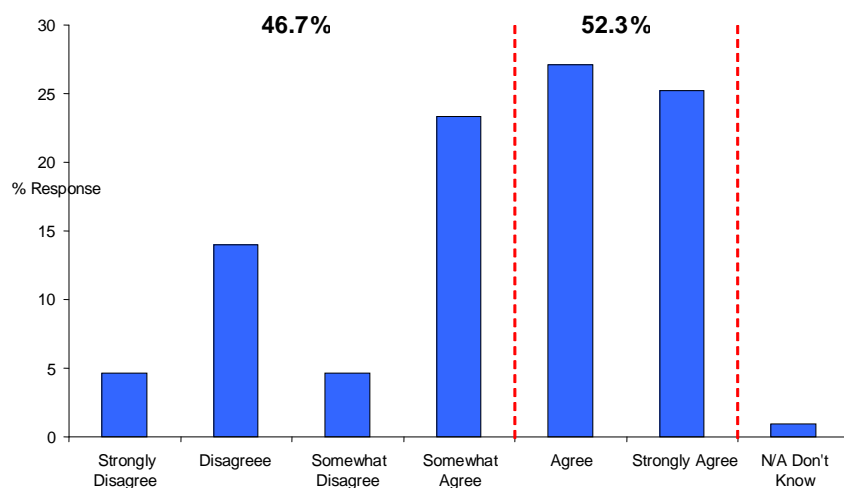


© Third Eye FZ LLC

2

A rather shocking result above is that only half of the respondents rigorously measure the profitability of individual brands (products). With limited resources organisations need to focus available resources to deliver the greatest impact. Analysis of the product portfolio is essential if an organisation is to be able to focus its efforts on increasing sales of the most profitable products. Such analysis should include the profitability of individual products, their position in the product life cycle, their growth forecasts to determine which products should be de-emphasised and which products need to be focused upon to enhance profitability in the short term.

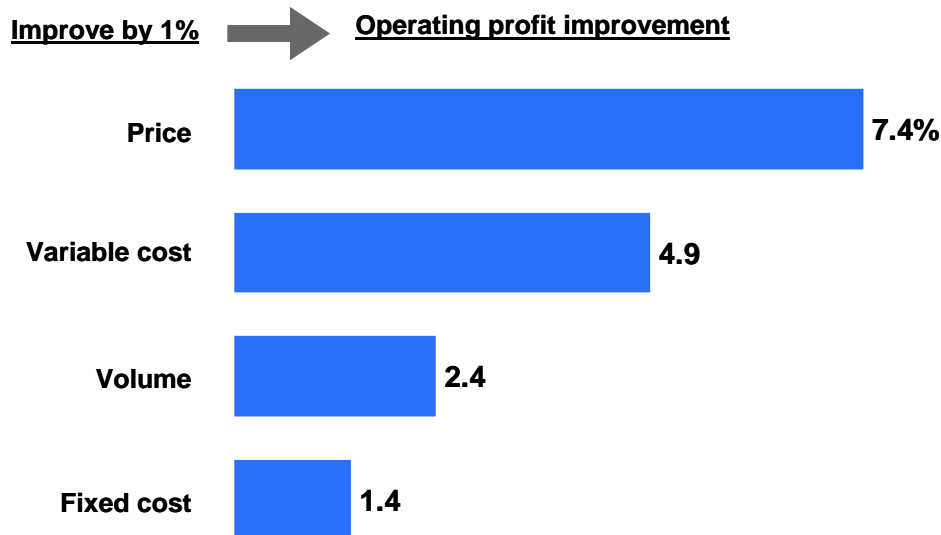
## During challenging times we have resorted to price cutting and promotions to maintain our sales and market share?



© Third Eye FZ LLC

3

As can be seen above just under half of the respondents indicated that they generally did not resort to price cutting or promotions to maintain sales and market share. Price cutting can be a very damaging process as price has the most direct impact on the bottom line. For example if you increase your price by just 1% it typically adds over 7% to the bottom line, with the reverse also true, where a 1% decrease will wipe out over 7% of profits:

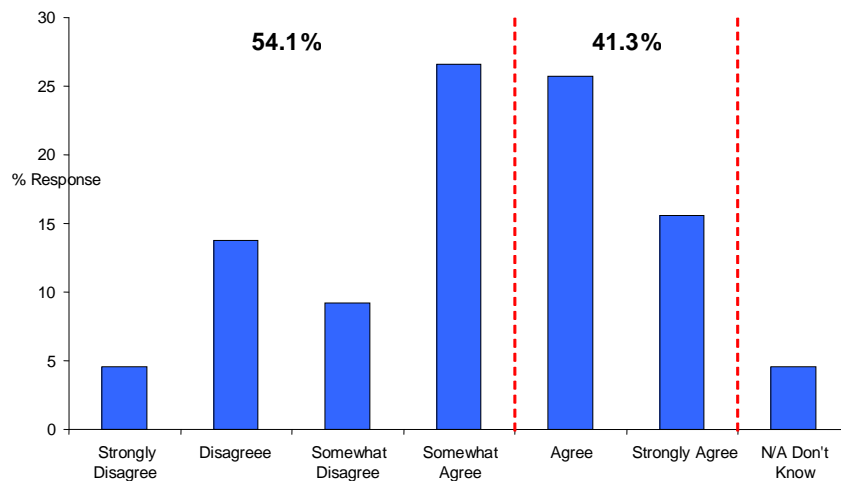


Source: Adapted from McKinsey & Company

In addition, whilst price cuts may provide a quick sales boost, the long term profitability consequences can be debilitating. A low-price strategy to buy loyalty often only buys disloyalty, since price driven customers will defect for lower prices elsewhere. Price cuts can also spark price wars. Also, it is existing customers, not new ones that generally take advantage of price cuts. Only organisations blindly pursuing sales or market share growth would institute a strategy based on attracting disloyal, price-sensitive buyers. General Motors traditionally followed a “volume-driven” approach to pricing, amortising high fixed costs by keeping production lines churning. When cars were not selling GM offered costly incentives to “move iron”, which cheapens brands and slashes profits. By contrast, Porsche and a few others limit production rather than cut price, while others such as Nissan adopt a “value-driven” approach to pricing that starts from an external perspective based on understanding current and potential customer value, the price sensitivity of their market segments and the relative value offered compared to competition. This resulted in a dramatic improvement of Nissan’s profits over recent years. Rather than responding with knee-jerk price cuts, companies should first defend themselves with branding that limits price sensitivity or adds greater value. Examples include higher quality, longer service contracts, faster deliveries, extended warranties, bundling or unbundling products and services, and subscription based pricing with free upgrades. Price cuts must always be the last resort, unless they are backed by sustainable decreases in costs that do not affect customer value.

## Section 2 – Customer Retention

80% of our profits come from 20% of our customers?

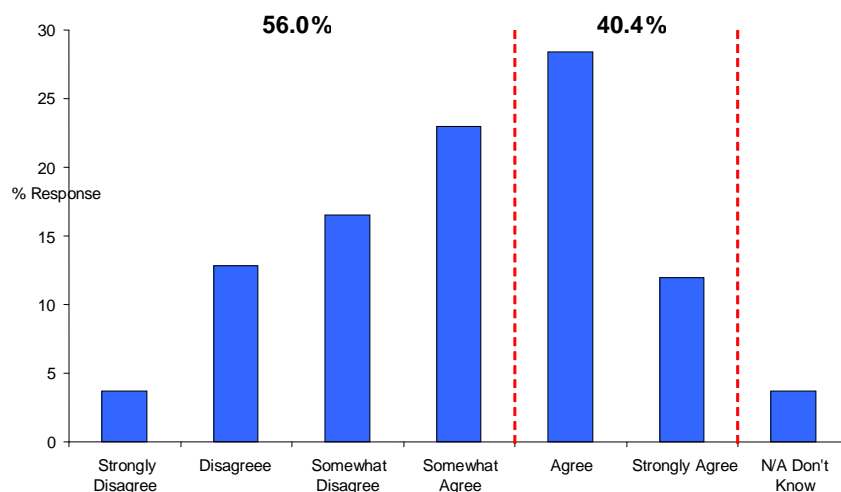


© Third Eye FZ LLC

4

The above is a somewhat surprising result as research across most industries around the globe confirms Pareto's 80/20 rule. However, this result correlates with whether organisations rigorously segment their market based on customer profitability, where some 55% did not do so, or did so less than rigorously. We may therefore conclude that unless customer profitability is rigorously tracked and customers segmented accordingly, it will be difficult for an organisation to know the profitability concentration across their customer base and therefore difficult to focus on the most profitable customers.

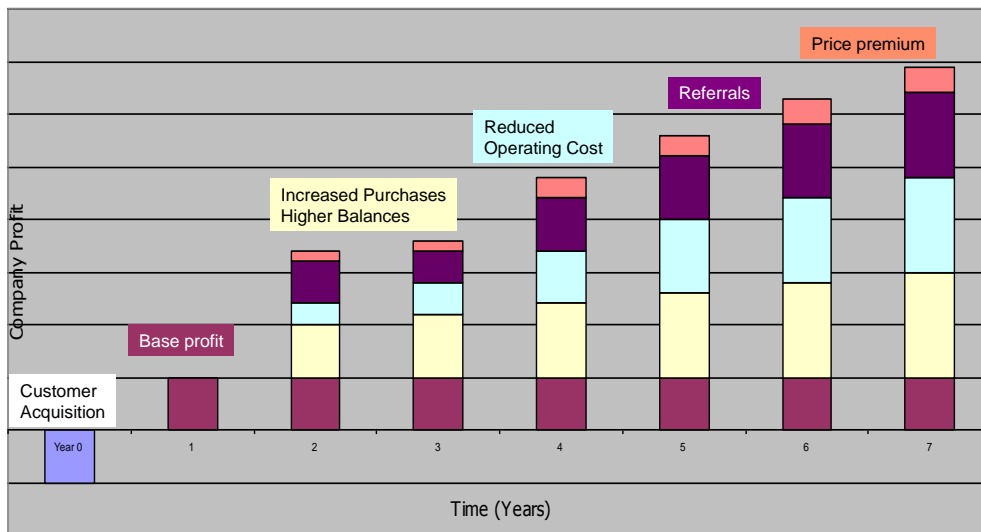
Our branding objectives focus on customer retention rather than customer acquisition?



© Third Eye FZ LLC

5

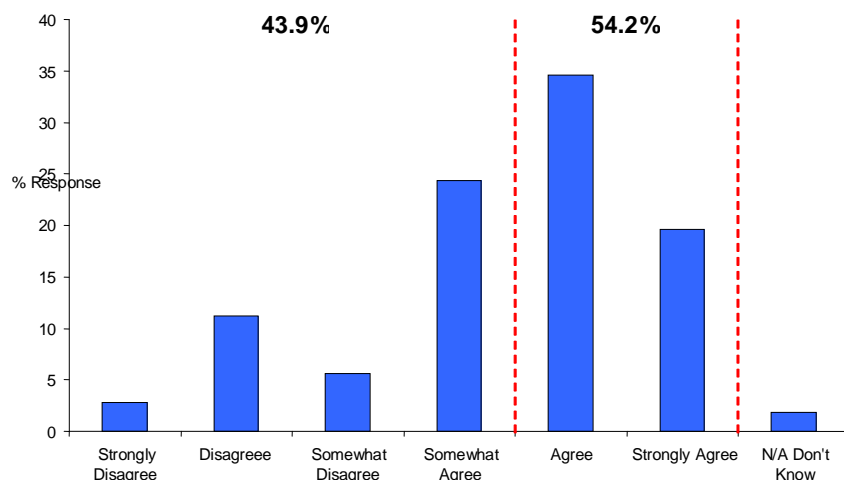
Understanding who your profitable customers are allows you to focus your efforts on them to increase retention and “share of wallet”. The costs to retain an existing customer are lower than the costs of acquiring a new customer:



Source: “Zero Defections: Quality Comes to Services” by Frederick F. Reichheld and W. Earl Sasser, Jr. Harvard Business Review September – October, 1990

From the above result it would appear that more than half of respondents are focussing more on customer acquisition than on retention. This is not an unexpected result as until recently organisations in the region have in general been experiencing booming markets with very high growth rates. The challenge was to keep up with market demand and this did not require any emphasis being placed on customer retention. With the onset of the economic downturn and resultant squeeze on sales and profits companies are now finding that they need to focus on the customer as they cannot afford any defections.

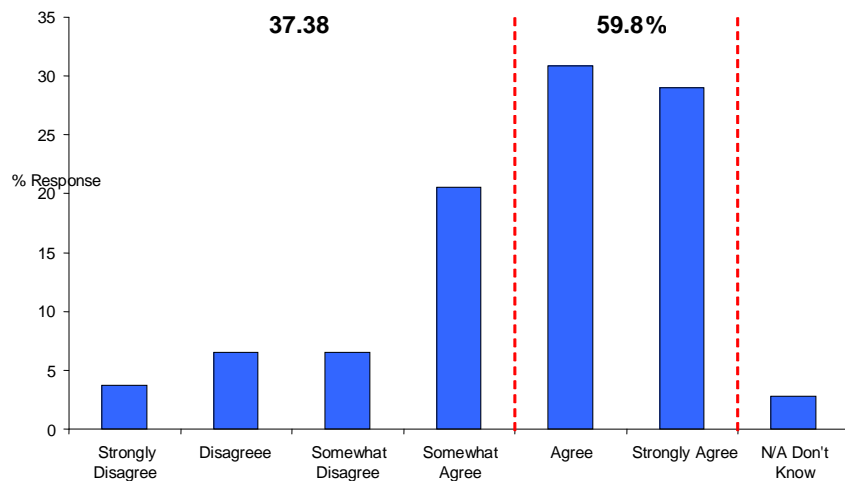
We continually measure & review customer lifetime value & customer retention?



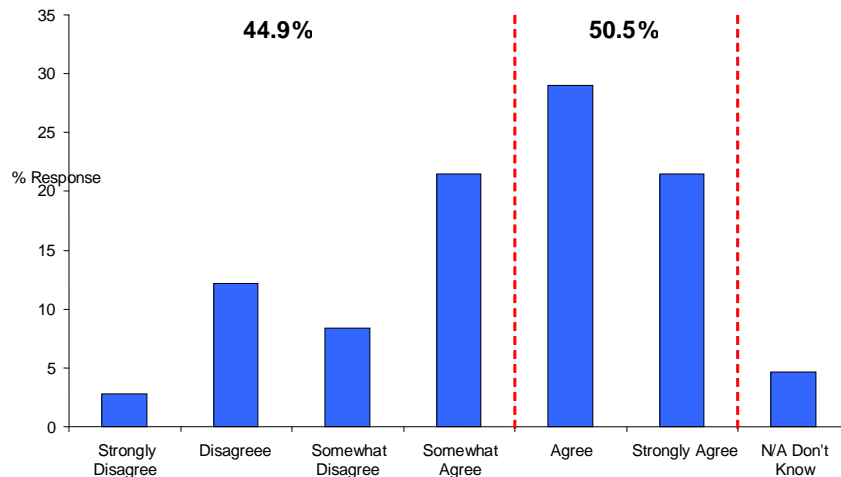
Rather concerning that some 40% of respondents do not continuously track customer lifetime value and retention or do so in a limited manner. In our experience we typically find a lack of understanding of what customer lifetime value is, where most managers assume it to be revenue or margins. Customer lifetime value (CLV) is total value (profit) of a customer to the organisation from current and future customer profitability as well as intangible benefits such as testimonials and word of mouth. It incorporates the loyalty to buy again and again and, like intellectual property, it cannot be found on the balance sheet, but is just as valuable.

CLV starts with the profit from an initial sale. Over time, more profits come from additional sales, and from the lower costs of serving existing customers. Additional profits result from referral or word-of-mouth sales. While referral sales are likely to be small initially they are likely to be significant during the later years of the relationship. CLV has many advantages over evaluating the business merely from a product perspective, as it incorporates the realization that it is customers not products that generate profits. CLV also focuses on long term brand building and not just short term transactional sales.

We recognise & address the reasons for customer defection, putting in place actions to avoid future defection?



We recognise & reward the sales force for improvement in profitable customer retention, not just on total sales growth?



© Third Eye FZ LLC

8

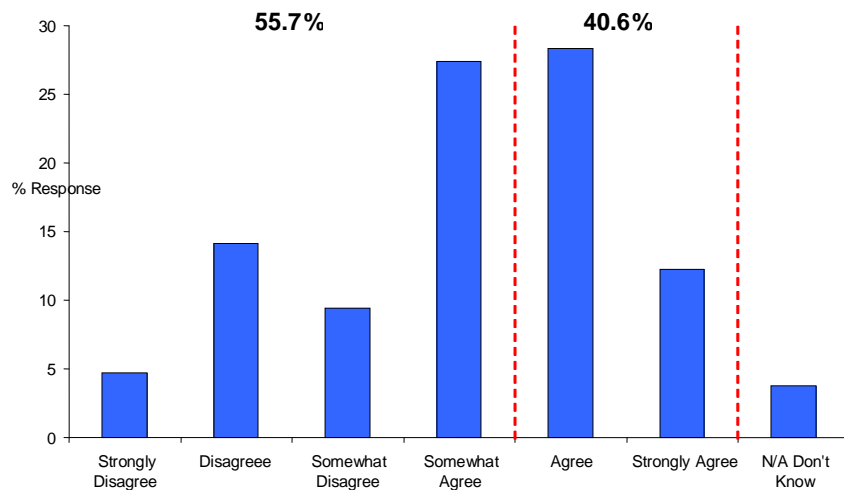
Again the results of the above two questions indicate that some 40% of respondents do not implement defined actions to reinforce the improvement in customer retention in their organisations. Such actions include the analyzing and countering customer defections and incentivising the sales force to focus on retaining existing customers as opposed to acquiring new customers. Customer retention is perhaps the single most impactful action to protect profits during difficult times.

### Section 3 – Customer Equity

Customer Equity is another term for Customer Lifetime Value. Many companies measure their performance through “Brand Equity” that includes elements such as “Awareness”, “Impact”, “Visibility” and “Image”. However, such criteria cannot be measured well and no two measurements of the same goal generate the same number. Without accurate measurement there is no accountability and without accountability brand sustainability and profits are threatened. This is not to say that brands do not have value, but attempting to measure this value through brand equity adds little and detracts from the task of retaining profitable customers. It is loyal customers and not fallible measures that are responsible for brand value and sustainability. Traditional accounting systems cannot calculate customer profitability because they cannot distinguish the relative value of customers. Revenue from new customers is lumped together with revenue from older, more valuable customers. Or the high costs associated with low-profit customers are pooled with the minimal expenses from high profit customers. Management can

extract totals and averages, but a lot of information about specific customer profitability and expenses is buried by those averages. Also whilst many companies track gross profit from each customer, most fail to track the subsequent below-the-line costs, such as selling, administration, and servicing costs. In addition most companies have difficulty tracking the costs associated with each customer resulting from late payments, special inventories, or failures (e.g. defects, late deliveries, etc.). Two customers can return the same gross profit, but one is unprofitable if it buys rarely, demands frequent service and pays late. Finally traditional accounting systems deliver “rear-view-mirror” insights, whereas Customer Equity (Customer Lifetime Value) can look forward, incorporating profitability from past, current and future purchases. It adds up total revenue related to a customer and subtracts all associated product, service and other costs. If companies can separate revenue, expenses and cash flow for quarter to quarter comparisons, it would seem to make more sense to do so by customer, to help pinpoint cost cutting or profit enhancing initiatives.

## We rigorously segment our market based on customer profitability?

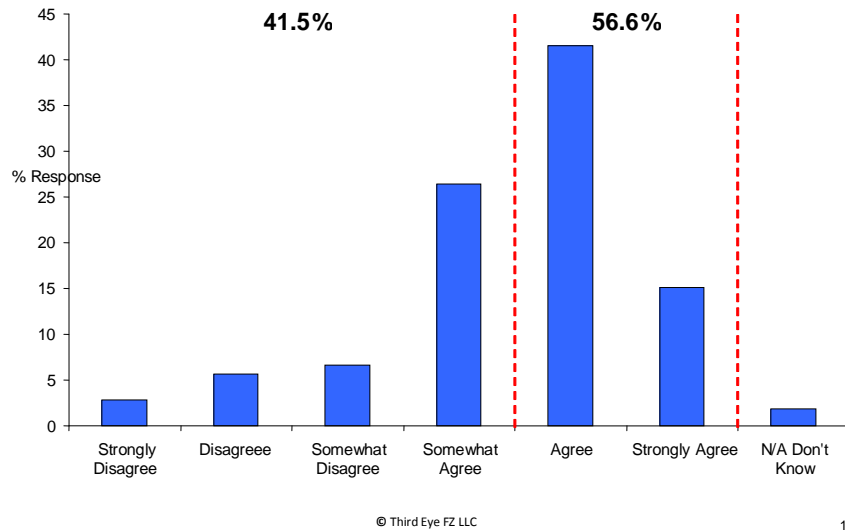


© Third Eye FZ LLC

9

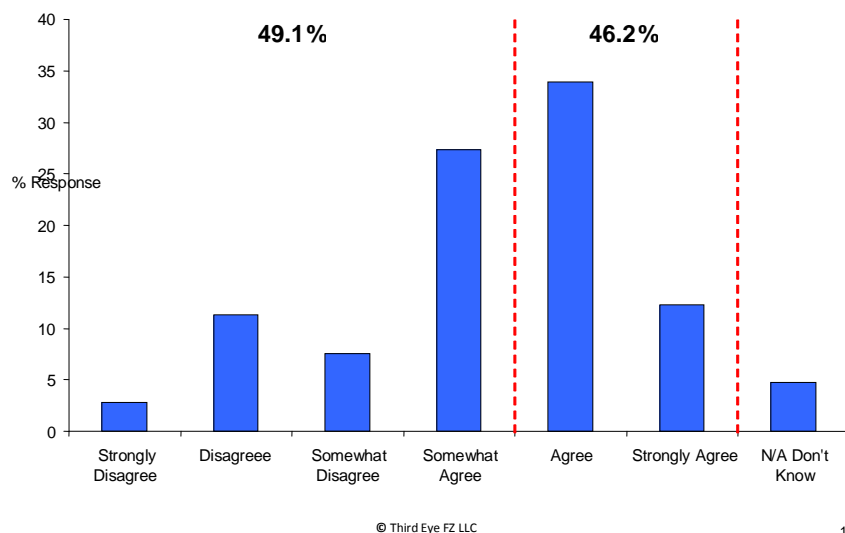
As can be seen above more than 50% of respondents do not rigorously segment their market based on customer profitability. This is concerning as during such challenging times it would appear that many companies are wasting potential profits. If you do not know who your profitable customers are how can you work at retaining them and growing revenues from them? Without a suitable segmentation, developing specific targeted offerings based on the needs of each segment will not be possible, and at best progress would be a “hit and miss” affair.

## We clearly understand the specific drivers of customer profitability?



Again a somewhat disturbing result as some 40% of respondents do not understand what specifically drives the varying profitability of their customer base. Since this number is somewhat less than those who do not segment their customers based on profitability, it is clear that many companies can quickly realise profit gains by applying the knowledge of profit drivers to profitable customer segments, to deliver more competitive targeted offerings, thereby increasing customer share of wallet and retention. Understanding why some customers value your offerings and return you profit and others not is the first step to effective market positioning.

## Our sales force targets new prospects based upon the characteristics of existing profitable customers?

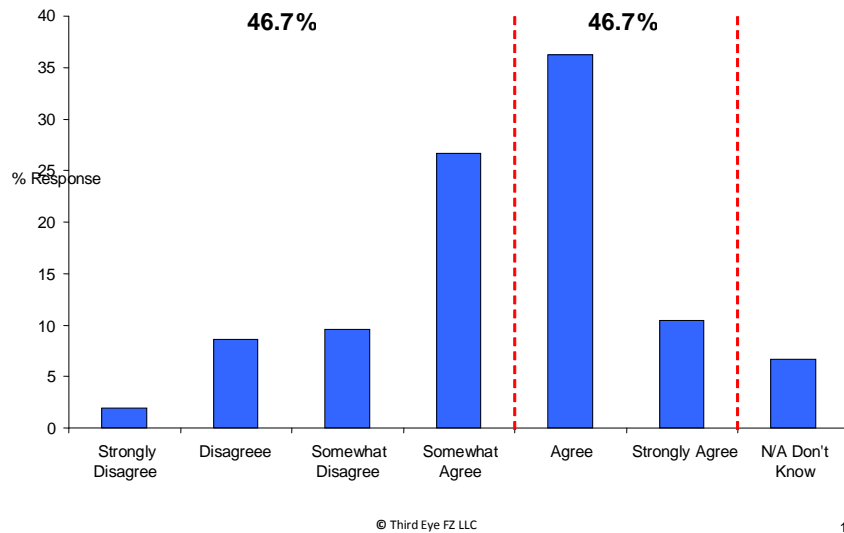


Following on from the understanding of whom and why certain customers are profitable, this information can be used in new customer acquisition, such that target prospects have the same characteristics as existing profitable customers. Given increasing acquisition costs organisations cannot afford to grow the customer base for growth sake alone. Would you rather have a smaller customer base mainly consisting of high profitable customers or a larger customer base with a lower proportion of profitable accounts? Take for example the telecommunications industry in the U.A.E.:

*“Mobile penetration in UAE has risen to 193% at the February’09-end, up from 182% in September’09. TRA has disclosed the stats according to which Du enjoyed a greater market share of 28% from 26% six months earlier, while Etisalat’s market share dropped to 72% in February from 74% in September 2008. Etisalat’s mobile subscriber base reached 7.341Mn in Q1 ’09 whereas Du posted a subscriber base of 2.75Mn at March’09.” Source: Wireless Federation.*

From the above we can see that almost every person in the U.A.E. has acquired 2 mobile telephone subscriptions. This is great for the sellers of hardware, as in general each unit holds only one SIM card. However, the fact is a person cannot effectively make two simultaneous mobile calls on two separate phones. So why are Du and Etisalat battling each other for customer acquisition above 100%, with high acquisition costs? All they are doing is trying to switch subscribers away from each other, intensifying unprofitable customer churn. Surely it would be more logical and profitable to focus on increasing subscriber retention and billable revenue from each subscriber? In fact if one were to logically report each provider’s market share based on the population it would be Etisalat 145% and Du 54%. These numbers are meaningless and reflect nothing about either provider’s performance. A better measure would be the average billable revenue per subscriber. With such a diverse socioeconomic profile of the U.A.E. population one would think that understanding the specific usage patterns and needs of the various users would enable the provider to specifically tailor offerings to profitable user groups that would increase billable usage, reduce churn and increase subscriber retention, resulting in added profits. Following this, subscriber acquisition initiatives can be tailored and targeted specifically to those subscriber segments having the greatest profit potential.

When reviewing our sales we track purchase recency, frequency and value of individual customer purchases?

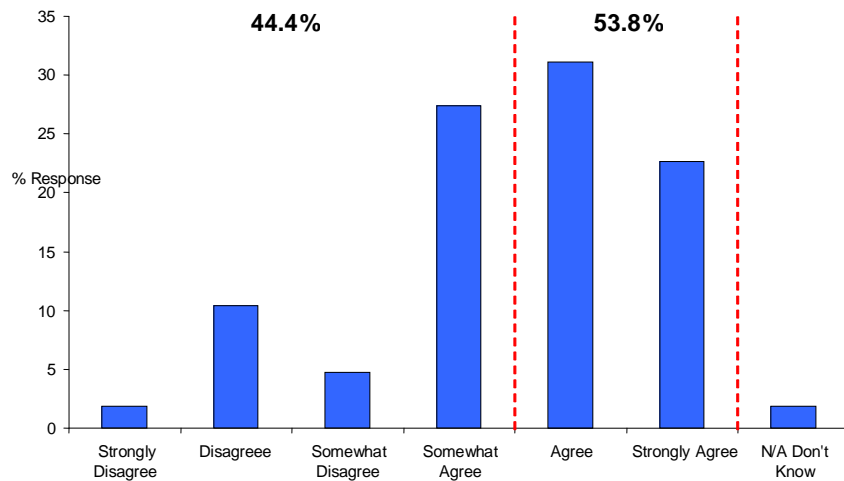


The principles behind RFV (Recency, Frequency & Value) that have been a staple of the direct marketing industry are intuitively clear. Customers who purchased recently are far more likely to buy again. This makes them more valuable than those who have not purchased for a period. In general first-time customers have a 30% chance of becoming long-term profitable customers. If they buy three times relatively quickly, their chance of becoming long-term customers more than doubles. Also, customers who have purchased frequently are more likely to purchase again compared to customers who have rarely made purchases. Finally, customers who spent the most money are more likely to buy again. If you do not think that these principles apply to you think again. Whether in heavy engineering, automotive or hospitality industry these principles still apply. Think about how you frequent your favourite restaurant more often than other restaurants, or how likely you are to purchase same brand car if satisfied with the performance and dealer service from your current vehicle.

Looking at the results above, less than 50% of respondents track RFV diligently. That's great news for those who do, and great news for those who don't as they can now reap extra profits if they started to do so. RFV easily identifies good customers. Trending results can quickly indicate which customers are strengthening or weakening their relationship with you allowing you to take appropriate actions.

## Section 4 – Customer Focus

Our whole organisation is aware of who our profitable customers & our resources & services are aligned to serving them better?

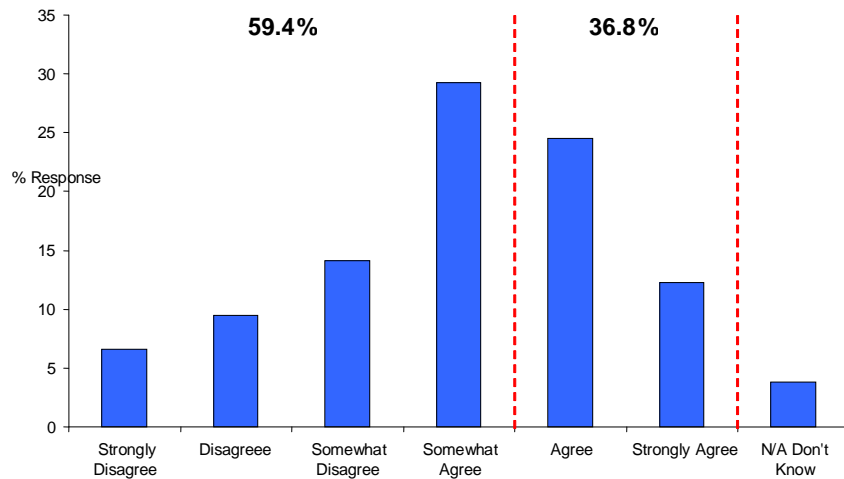


© Third Eye FZ LLC

13

The above is really a key question in that having identified profitable customers (customer lifetime value, customer retention, customer profitability) the question is how well are you able to align your internal resources and capabilities to serve them better? Whilst the majority of respondents were confident that their resources and services were properly aligned, over 40% were not. The challenges to achieving such alignment are many but are not insurmountable. Quick wins for example can be achieved by initially focusing on the sales force to ensure that they are aligned towards retaining existing accounts and acquiring new profitable accounts, based on a sound segmentation of customers based on customer lifetime value.

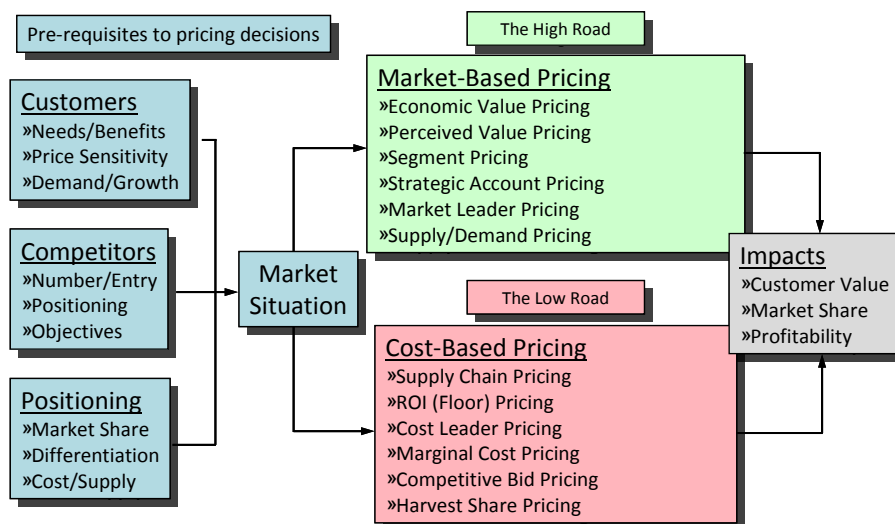
Our prices are set from an external perspective based on a clear understanding of current or potential customer value, rather than an internal perspective based on cost recovery or margin goals?



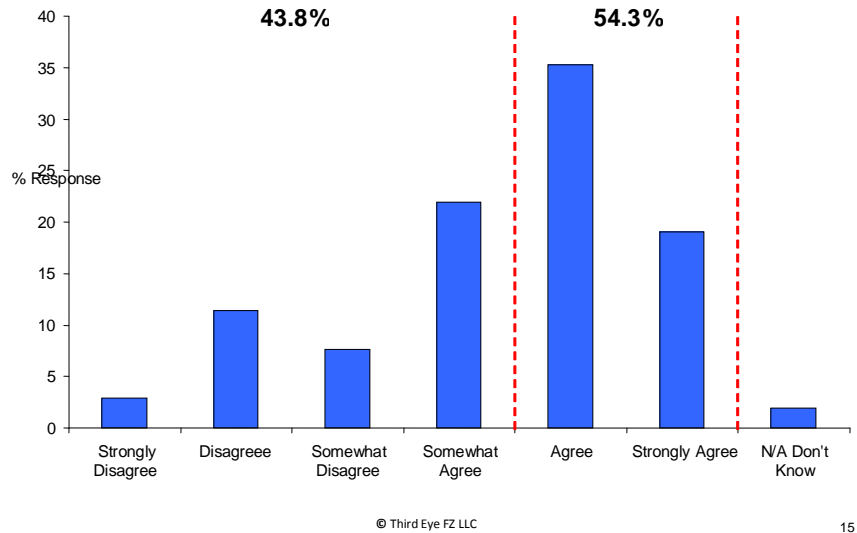
© Third Eye FZ LLC

14

Pricing is perhaps the single most critical factor impacting business success. It is the “trade off” that customers are willing to pay for the value they receive. Understanding the value of your offering to the customer, relative to competitive offerings is essential for successful pricing. For the 60% of respondents who largely set prices based upon cost recovery or margin goals there may be significant undiscovered opportunities to enhance pricing if they based price setting upon the value that their offerings are delivering to the customer. If your physical product is viewed as a “commodity” (undifferentiated from competitive products) then perhaps differentiating the service elements of the offer can enhance value such that you may be able to achieve a premium over competitive offerings.

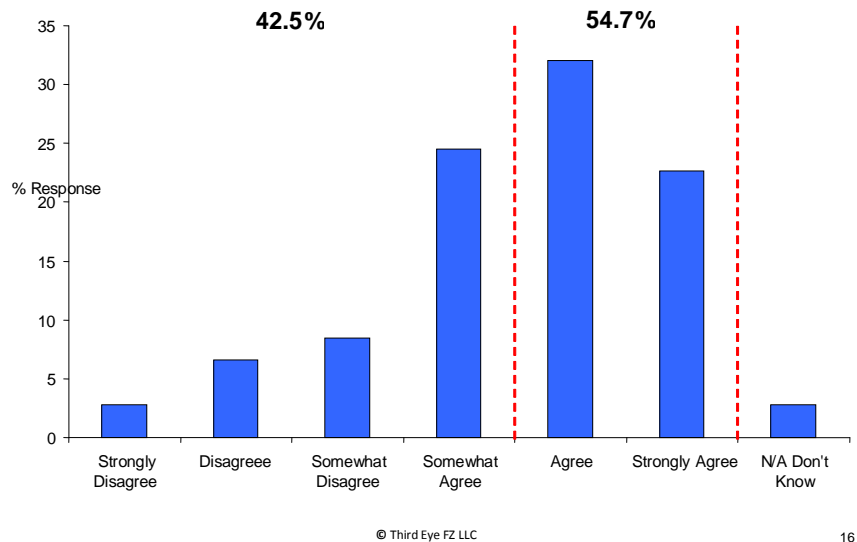


We are able to quantify customer value & understand how the value of our brands compares with the value from competitors?



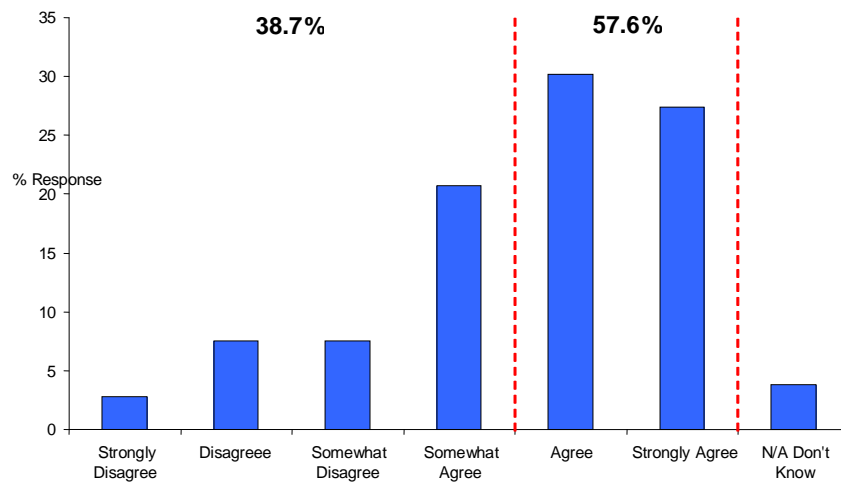
15

Our customer value is clearly reflected in our pricing?



16

We understand the price sensitivity of our customer segments and our strategies concentrate on reducing price sensitivity & increasing brand value?



© Third Eye FZ LLC

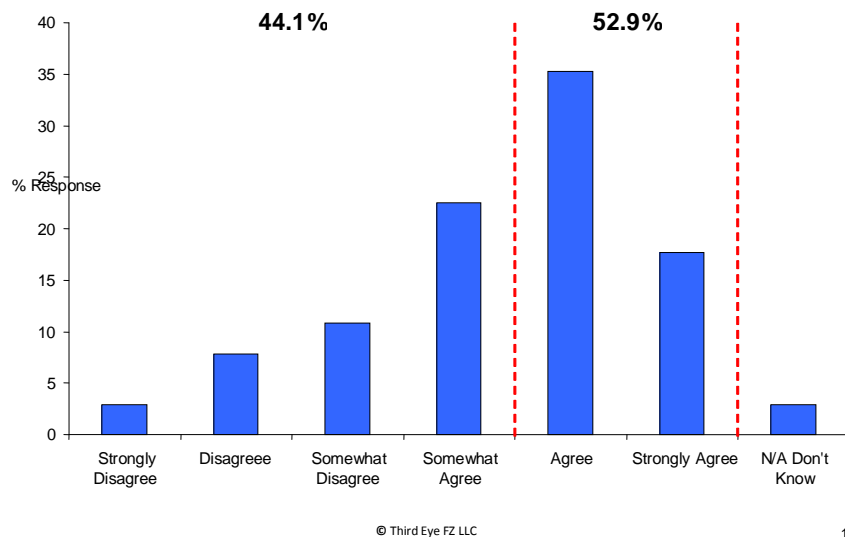
17

In order to set optimal price levels to maximise long term returns, it is necessary to define the value delivered to the customer through your offering in comparison to competitive offerings. From the results below it would appear that most organisations are doing this, although around 40% do not appear to fully understand the value of their offerings and are thus not reflecting this value in their pricing as effectively as may be possible, thus forgoing significant potential to realise higher prices.

It should also be noted from the results that, despite quantifying the value of their offerings and how they compare to those of competition, many companies still appear to price on the basis of cost recovery or target margin achievement. This could be because a traditional accounting culture dominates within most organisations in the region, rather than a customer focused culture, where value delivery and subsequent value capture is the driving force of the business. The results might also imply that the understanding and quantification of value is made in a very rudimentary way (“gut feel”) rather than in disciplined analysis and evaluation. If prices based in cost recovery or target margins are in fact higher than those based on value, the pricing would not be sustainable as the products would be “overpriced” relative to what the market is willing to bear based on “value for money”. So in summary it can be concluded that many if not the majority of companies in the region can realise added profitability in the short term through a more disciplined and rigorous approach to understand and quantify customer value and the relative value of their offerings to those of competition.

## Section 5 – Customer Communications

We have specific brand communications to focus on customer retention as well as customer attraction?

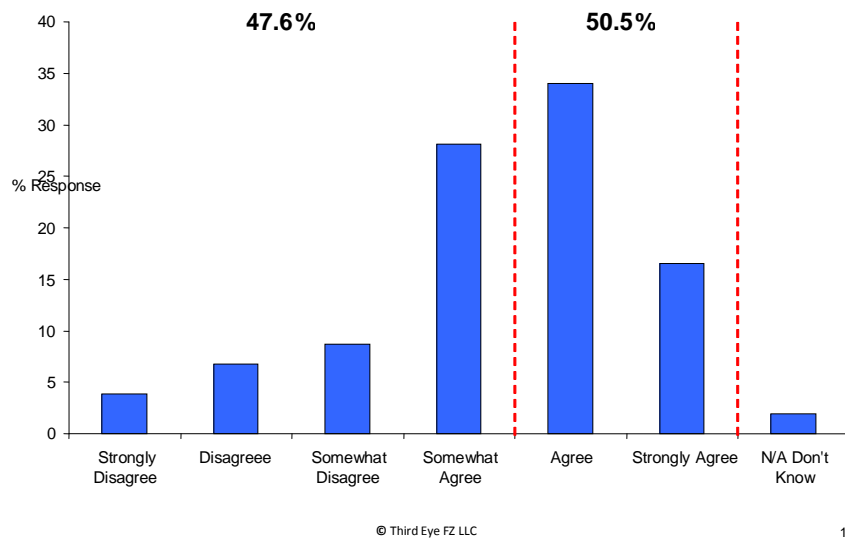


The key goal of effective brand communications is adoption. Adoption is where profitable customers incorporate an offering into either their business operations or personal lives, based on the offer’s economic, emotional and/or experiential value. Adoption is not an event, but a process, delivering value as seen by the customer. It involves three stages/objectives:

1. **Attract:** To attract the offer must be relevant, targeted and timely. The most effective communication is event based, where prospects receive a message just as a desire or need emerges.
2. **Retain:** Unless you are a start up launching a new brand, brand communications need to focus less on acquisition and more on retention. From the above results a significant number of companies in the region do not focus communications on retention. Many companies have been able to successfully grow their business with communications spend just a fraction of those of competition as it is mainly directed to profitable customer retention. Brand communications are integral to loyalty programmes and customer recovery during challenging times.
3. **Advocacy:** With the oversaturation of traditional advertising, where the average consumer receives over 3,000 messages a day, it’s hard to get noticed. Successful brand communications must make it easy for the customers themselves to promote offerings. To brand “Clean & Clear”, a teenage skincare product Johnson & Johnson gave girls the online

ability to send one another electronic postcards, offering a free skin analysis and product sample. The response was several times higher than traditional campaigns. Such “viral” marketing communications can also be applied in a B2B environment, where forward thinking companies are using “social networks” and online user groups to promote their products. Additionally one of the most effective advocacy groups any company can cultivate are employees who, if motivated, will act as positive “ambassadors” of the company’s brands. As can be seen below there is significant opportunity for companies in the region to implement advocacy and referral based communications, where currently just fewer than 50% do not do so or only in a limited manner.

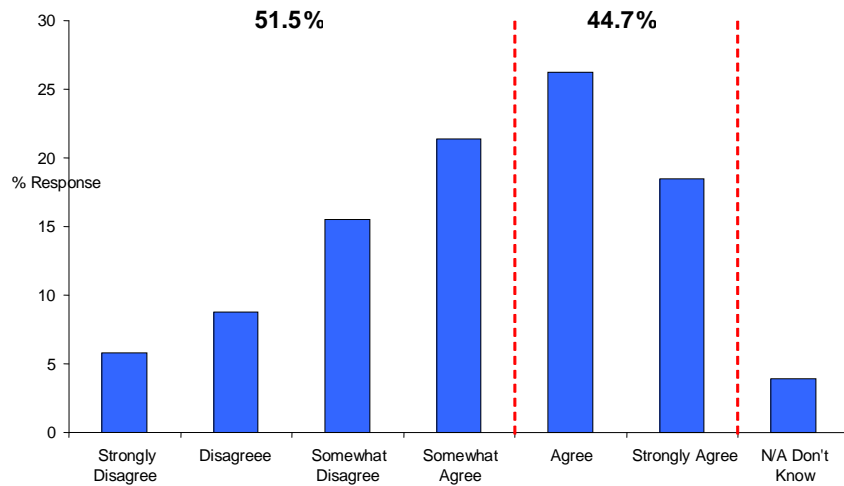
Our brand communication encourages customer advocacy & referrals?



With returns from traditional advertising in decline due to saturation, and lack of impact on more sophisticated consumers, businesses need to be more focused and targeted in their communications utilising all available resources to productivity from their communications investments. Organisations that use modern database technology to share lead information, track all leads through the complete sales cycle and monitor campaign success such that they continually adapt future campaigns in increase effectiveness will in general be able to increase the ROI from their communication investments.

From the results below it can be seen that some half of all responds do not feel their organisations are monitoring their communications initiatives through databases to allow them to track progress against specific leads and customer segments. From our experience, this is not surprising as we see a widespread lack of lack of understanding of modern marketing communications methodology and practice, and thus a reliance on traditional mass advertising, which advertising agencies in the region are more than willing to promote.

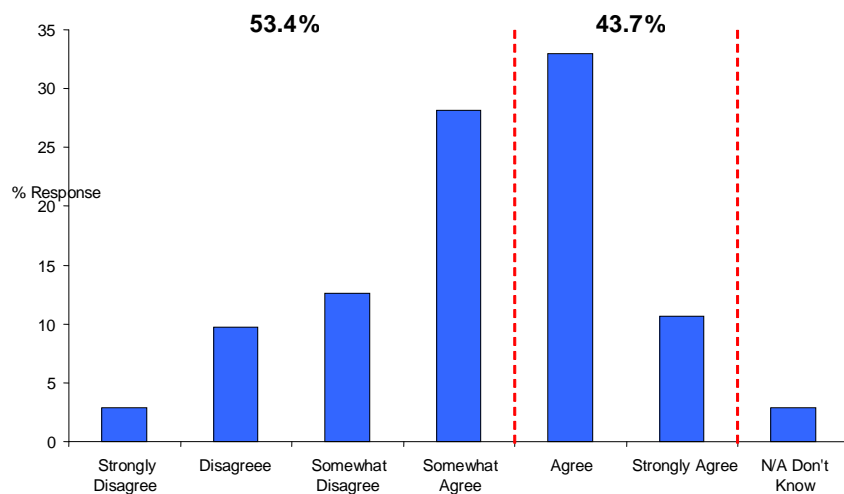
We maintain accurate & integrated customer & prospect data & share this across the organisation, not just the sales department?



© Third Eye FZ LLC

20

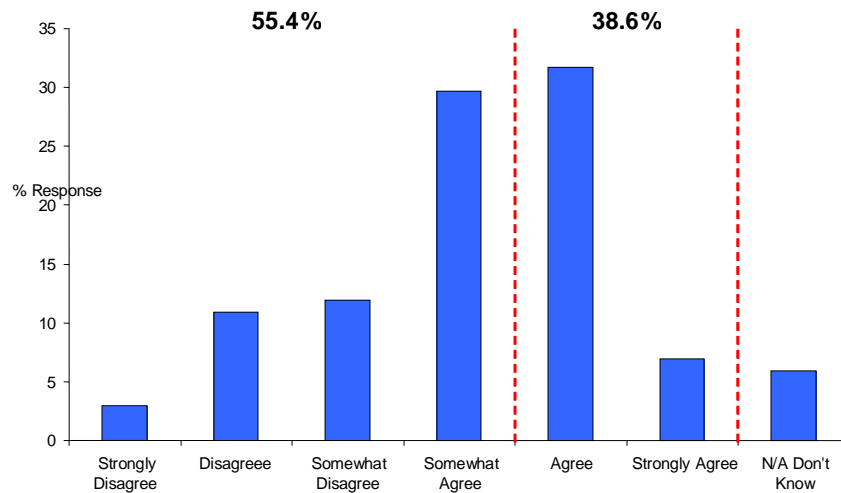
Our sales leads are tracked through conversion to profitable customers & linked to specific brand investments?



© Third Eye FZ LLC

21

Our lead tracking systems nurture prospects that may buy in the future & provide data & timely alerts to help close sales?



© Third Eye FZ LLC

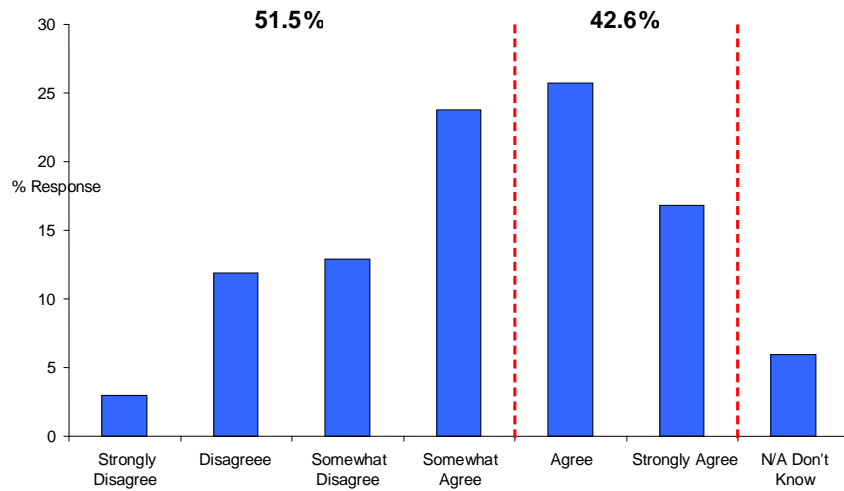
22

One of the most important and valuable approaches in marketing communications is to track leads and customer through their lifecycle such that targeted communications can be delivered at times when the probability of purchase is the greatest. This is perhaps most common in the financial services industry, where specific products are offered to customer at specific points in their lifecycle:

Student loans → checking accounts → credit card → car loan → mortgage → life insurance → retirement account.

The same can be applied in a B2B environment by tracking information such as the replacement of old/obsolete capital equipment, or industry economic cycles that would impact investment or expansion. From the above it can be seen that most companies do not use their lead tracking systems to provide data and timely alerts to help close sales.

Our marketing campaigns are targeted and not general, being based on customer value segmentation?

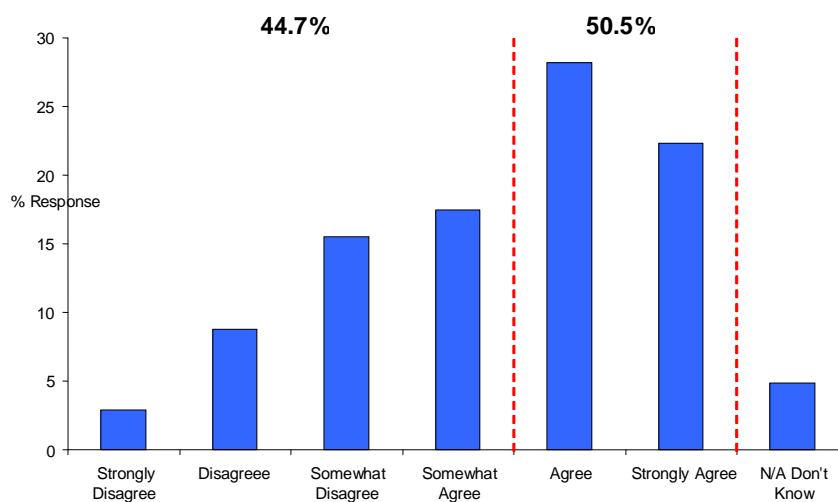


© Third Eye FZ LLC

23

As can be seen above, most companies appear to run general “mass market” communication campaigns rather than targeted initiatives based upon customer segmentation. This correlates with the response that most organisations do not segment their customers based on profitability, and it is our experience in the region few companies develop defined customer segmentation around customer needs and customer value. We can conclude that many companies can realise significant profit gains via that adoption of a customer needs based segmentation that would allow them to target their offerings to specific segments, thus enhancing relevance and adoption by the market.

Marketing campaigns results are incorporated into future efforts to enhance effectiveness?

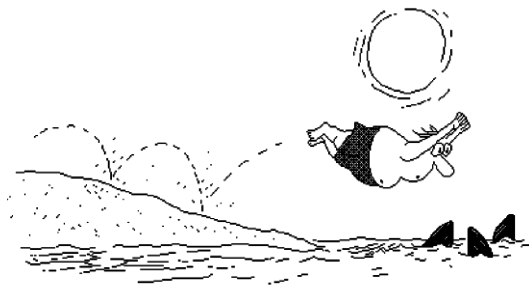


© Third Eye FZ LLC

24

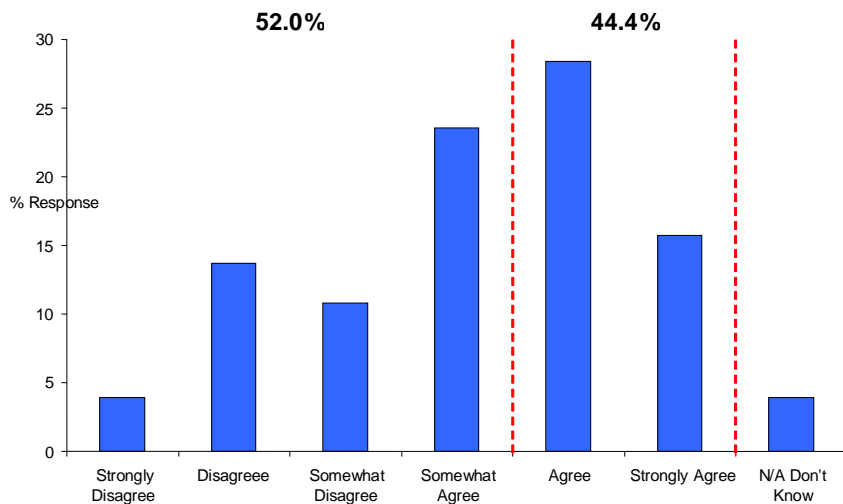
It is very astonishing that some 45% of respondents claim that they are not taking into account marketing campaign results when planning future efforts. One would think that learning from mistakes and successes is crucial to progress and that it is too expensive not to do so. To this we can only comment:

**IF YOU ALWAYS DO WHAT YOU'VE ALWAYS DONE, YOU'LL ALWAYS GET WHAT YOU'VE ALWAYS GOT...IF YOU'RE LUCKY.**



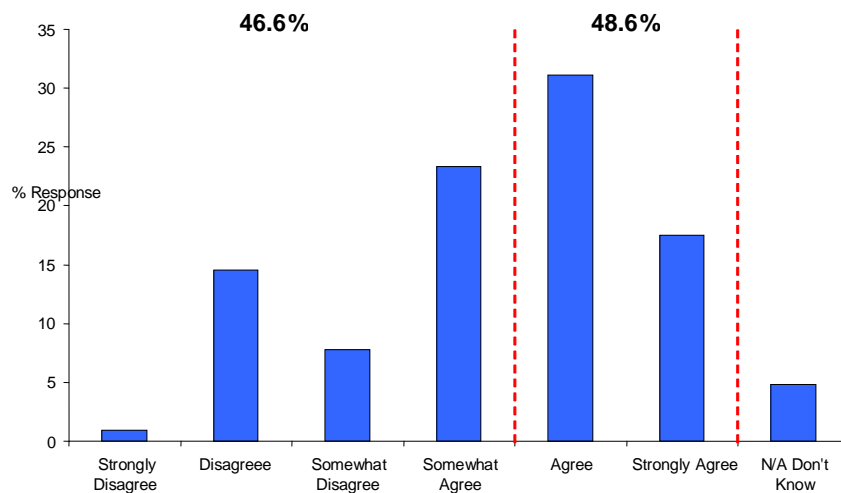
**Section 6 – Customer Service**

We regularly collect “voice of the customer” feedback & interview defecting customers?



Most companies make the mistake of seeing service as a cost, yet few activities can damage profitability like poor service. The statistics (often cited) are...it takes 12 good service experiences to overcome a single bad one...70% of customers switch to competition due to poor service...more than 90% of unhappy customers will not purchase again from the company that displeased them...unhappy customers will complain to 4 to 12 associates. Poor customer service is very costly! Despite this more than 50% of respondents do not appear to regularly collect customer feedback or seek to understand why customers defect. Addressing the reasons for customer defection and other areas of customer dissatisfaction is an effective way to deliver quick wins to any company.

We survey customers to measure what is important in their eyes, not what is easy to measure or what merely generates high scores?

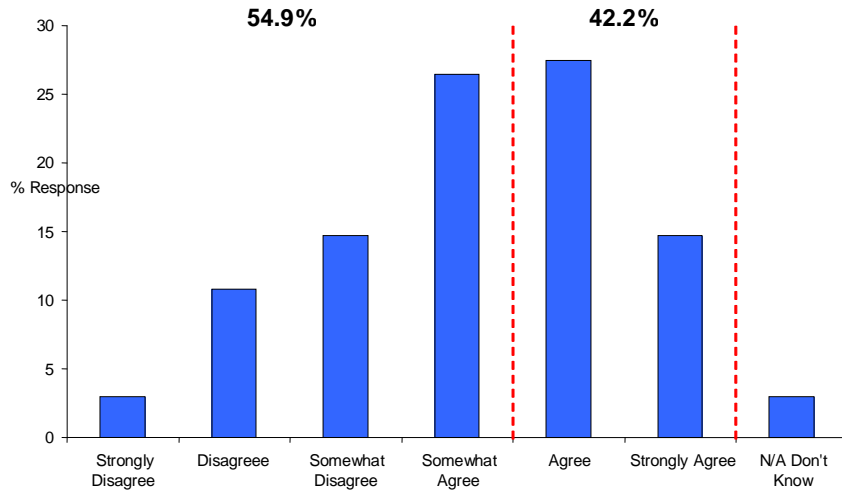


© Third Eye FZ LLC

26

It is easy to set customer satisfaction criteria from an internal perspective, and from the results above many companies do so. In reality, 90% of dissatisfied customers defect without complaining. If only half of all dissatisfied customers could be retained, significant value would be added to the bottom line of any business. Of course any efforts to retain dissatisfied customers can only be effective if a company can identify which customers are not satisfied and then understand the exact nature of their dissatisfaction. How many times have you completed customer satisfaction surveys that are measuring criteria you feel are irrelevant, too basic or not addressing real dissatisfaction issues? Obtaining customer feedback is a resource consuming process. Any opportunity to interact with a customer is valuable and as such should always include a “catch all” question (not just predefined multiple choice questions) such as “Is there any area relating to our products or services that you are not satisfied with that we have not so far been mentioned?”

We take action on survey results & advise customers on how we intend to improve?

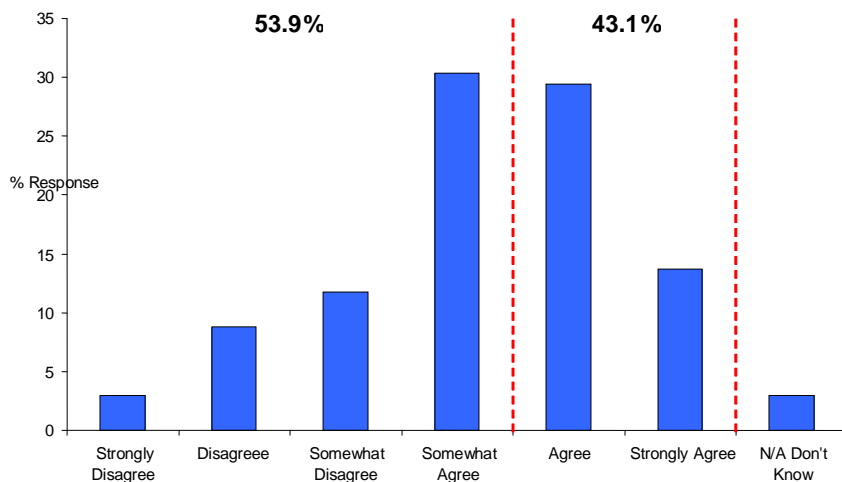


© Third Eye FZ LLC

27

The above is a concerning result, where over 50% of respondents do not rigorously take any actions from survey results and/or do not advise customers on how they intend to improve. If a customer takes the time to respond to such surveys it indicates that they have an affiliation to the brand in question and wish to see it improve. The least a company can do in this case is thank them for their assistance and make them feel that the effort was not a waste of their time, and that the company cares about satisfying their needs. In fact, research shows that not taking action on survey results or providing some sort of response to the market is worse and more damaging to the reputation of a company or brand than if no survey were conducted in the first place.

We have defined customer service standards for each of our customer segments & these are communicated across the organisation?

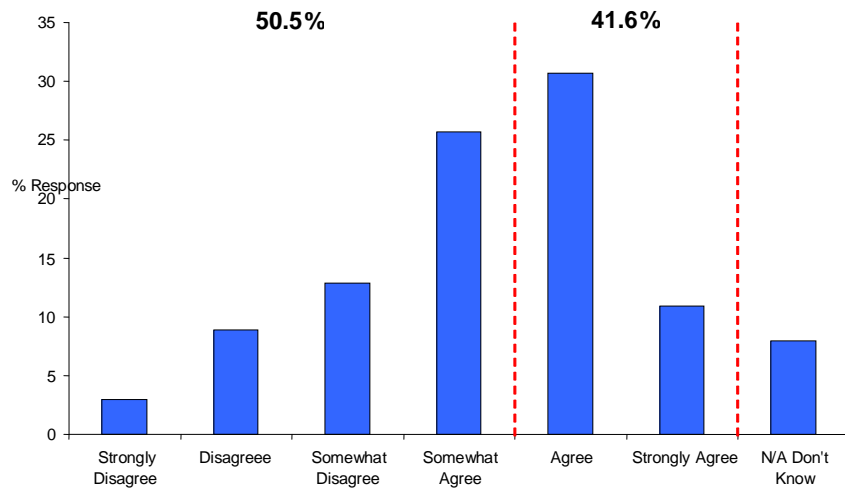


© Third Eye FZ LLC

28

The cost of consistently meeting the expectations of every customer is prohibitively high. Organisations need to consistently meet (or exceed) the expectations of target customers. Once target customers are defined (segmented) and relevant service standards developed, they need to be communicated across the organisation, so that the defined levels of service are successfully implemented. From the above over 50% of respondents don't have defined service standards, and/or don't have defined customer segmentation and/or have not communicated the service standards across the organisation to ensure successful implementation of the standards.

Our evaluation & compensation is based at least in part on customer standards for performance?

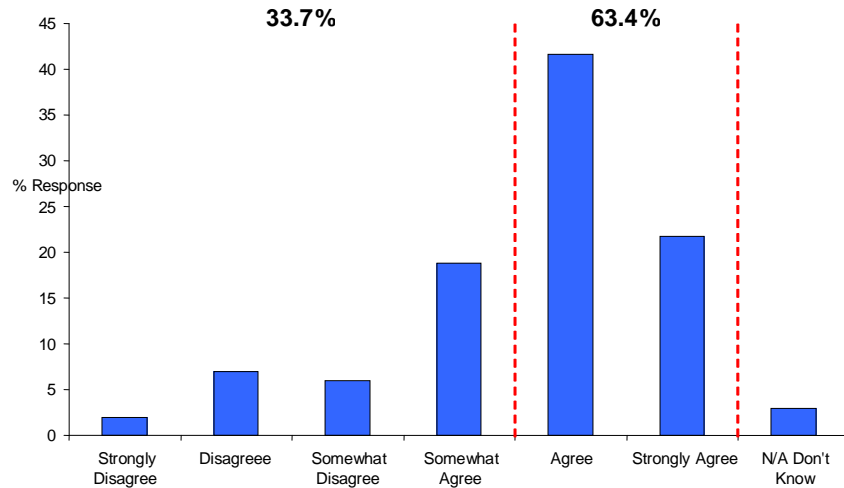


© Third Eye FZ LLC

29

An organisation cannot be truly committed to excellence in customer service if it does not recognise and reward its employees for their efforts in delivering such excellence. As can be seen above some 50% of respondents do not incorporate customer satisfaction in their performance management processes or from our experience do so in a less than structured manner.

We “own” our customer experience, having a strong customer service culture that is viewed as critical to competitive success?



© Third Eye FZ LLC

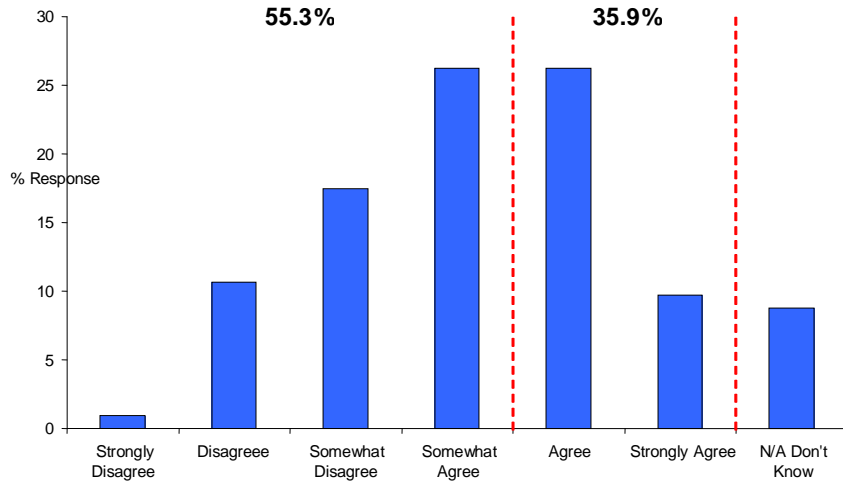
30

Many organisations feel that they are committed to customer service excellence and the results above confirm this. However, having a “customer service culture” is not sufficient to ensure success. The “Institute of Customer Service” defines the following requirements for success in any company:

1. A customer-centered culture
2. People performing well
3. Efficient technology and processes

It is points 2 & 3 where it appears most companies in the region need to focus. What is the use of polite and courteous customer service representatives, if they are unable to resolve customer complaints because the underlying company processes or policies do not facilitate solutions? “Yes Sir, I understand your problem, but our processes and policies do not allow me to provide you with a resolution at this time”...“Hey don’t shoot me I’m only the messenger!”. These are not acceptable responses to customers. Success does not depend on the courteousness communication skills of customer service staff. It depends on the efforts of the whole organisation, where all systems and processes are designed with the customer in mind. However, looking at the result below it would appear that corporate efficiencies rather than customer effectiveness have priority in most cases.

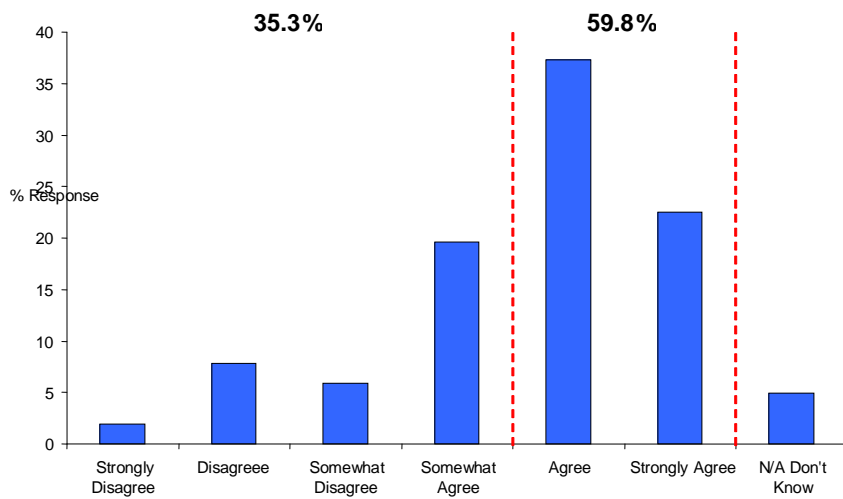
Customer requirements for service are based on corporate efficiencies rather than customer effectiveness?



© Third Eye FZ LLC

31

We guarantee our service & do not make promises we cannot keep?

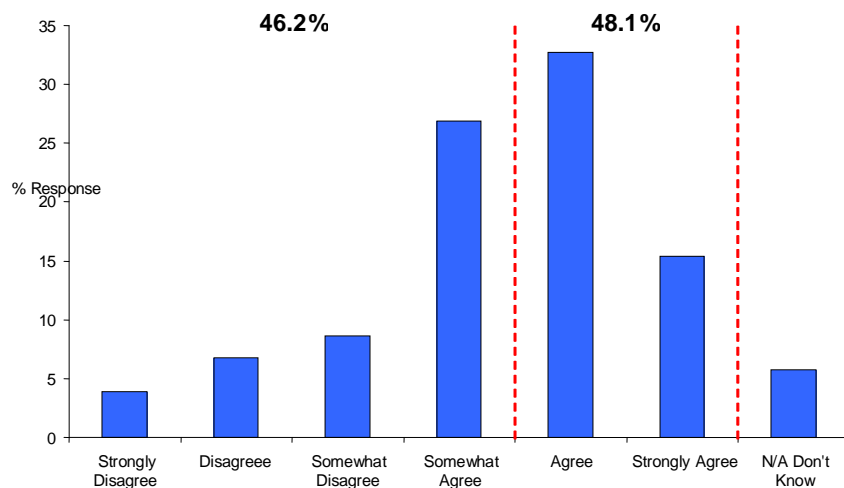


© Third Eye FZ LLC

32

A more positive result is that of guaranteeing service and keeping promises, where some 60% of respondents replied affirmatively. However, the key question here is what and how you guarantee your service. On our office wall, we have framed a retailer's receipt. Printed on this receipt at the top is "Satisfaction Guaranteed" whilst on the bottom is printed "Goods once purchased cannot be returned". How many organisations really commit themselves to customer satisfaction? Take for example US Bank that offers its customers a "five star service guarantee" that no wait in any teller queue will be longer than 5 minutes, all questions will be answered on the same day if asked before 3pm, and that bank statements will always be accurate. If any of these issues occurs, US Bank will immediately credit affected customer accounts with US\$ 5.00. Customers need only call a free-phone number to complain and receive a credit. This guarantee underscores US Bank's commitment to service and ensures that it has a financial incentive to ensure that business is conducted on customer terms.

We give our employees the authority to resolve customer issues, with minimal "red tape"?



© Third Eye FZ LLC

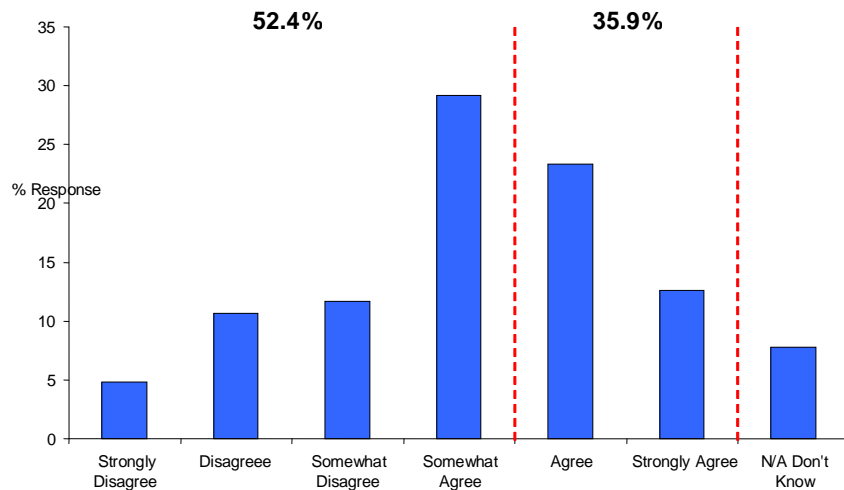
33

It goes without saying that customers would like their problems resolved quickly and effortlessly and that this would have a positive impact on an organisation. More than this however is that the way customer issues are resolved opens a window into how a company is run in general. If resolution of customer issues is slow and fraught with red tape, the efficiency and productivity of the company in general would be questioned. Administration, compliance and control all have costs that in many cases exceed the costs of what is being administered and controlled in the first place.

## Section 7 – Customer Delivery Commitment

How well are companies in the region committed to deliver customer value?

We reward/encourage future purchases & reward existing relationships with suitable loyalty programmes & track the cost/benefit of each?



© Third Eye FZ LLC

34

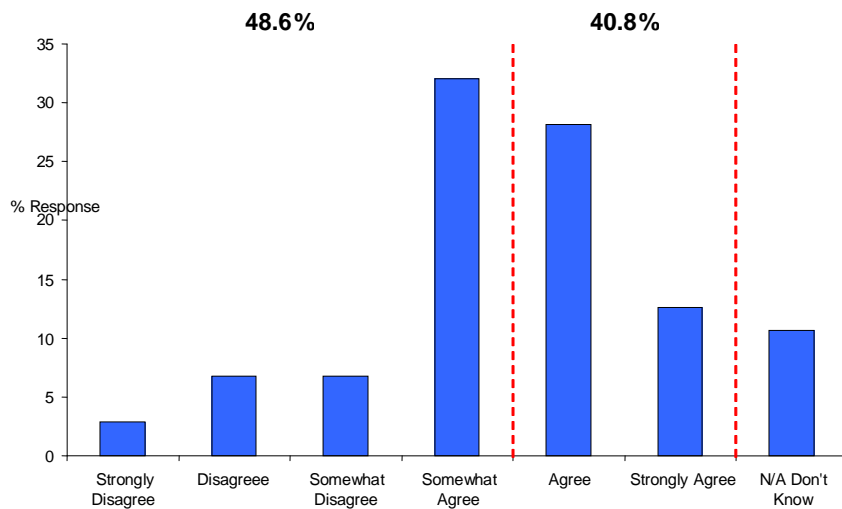
Loyalty programmes have four goals:

1. Reward participants for past purchases
2. Increase the number / frequency / variety of purchases
3. Establish closer bonds to customers
4. Collect information for analysis

Loyalty programmes work best for high-margin offerings that are difficult to differentiate and are purchased multiple times over a lifetime (e.g. airline tickets). It is estimated that around 55% of consumers are loyalty programme members and that in the US spending in loyalty programmes exceeds US\$ 2 billion. Loyalty programmes also allow for up-selling and cross-selling. Instead of price reduction, loyalty programmes can offer additional value through points, redeemable for goods and services. In general, the use of loyalty programmes in the Middle East is less than in more developed markets such as the USA and Europe. Only 36% of respondents affirmed the use of loyalty programmes. Whilst care needs to be taken in implementing any loyalty programme to ensure that the gain in customer equity (penetration, retention and customer profitability)

exceeds the costs of running the programme, significant increases in revenue and market share can be achieved.

We utilise all efforts to leverage cross selling opportunities through our brand campaigns & promotions?



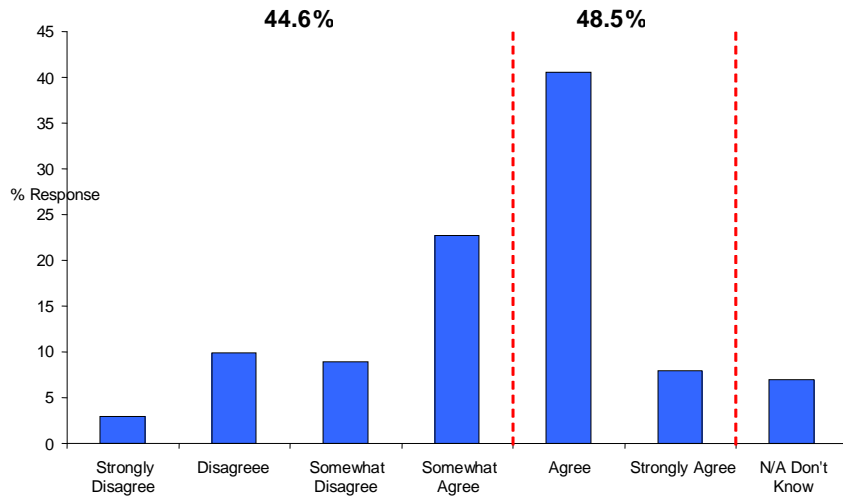
© Third Eye FZ LLC

35

One of the easiest ways to quickly enhance revenues and profits is to put more focus into cross selling opportunities. This can be implemented as part of a marketing campaign or loyalty programme. For example, the UK pharmacy Boots introduced travel insurance after discovering that customers bought lots of suntan oil just before going on overseas travel. From the above results it would appear that many companies in the region would benefit greatly from focusing on cross selling opportunities. As with the case of Boots, such opportunities need not be limited to the core offerings of a company, but can be realised through orchestrating alliances with third parties or channel partners.

In today's networked global economy no company "is an island". To be successful a company needs the help of allies, who range from brand ambassadors to strategic partners to supply chain vendors. It is these allies who help acquire new customers, deliver products on time and ensure that service meets requirements. A company therefore needs to recruit, orchestrate and support these allies to deliver maximum customer value.

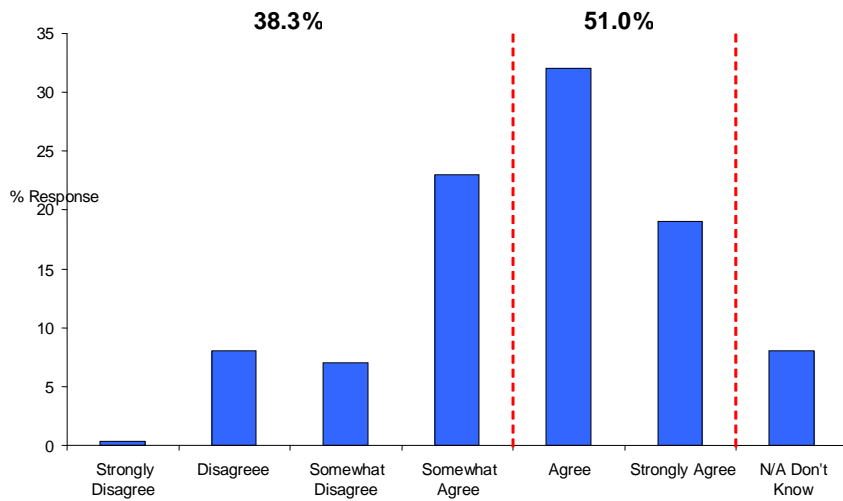
We ensure that our processes & systems are integrated with our channel partners to deliver the required “customer experience” to target end-users?



© Third Eye FZ LLC

36

Our supply chain, communication & collaboration with strategic partners is designed to enhance the customer experience as well as enhance the profitability of our partners?

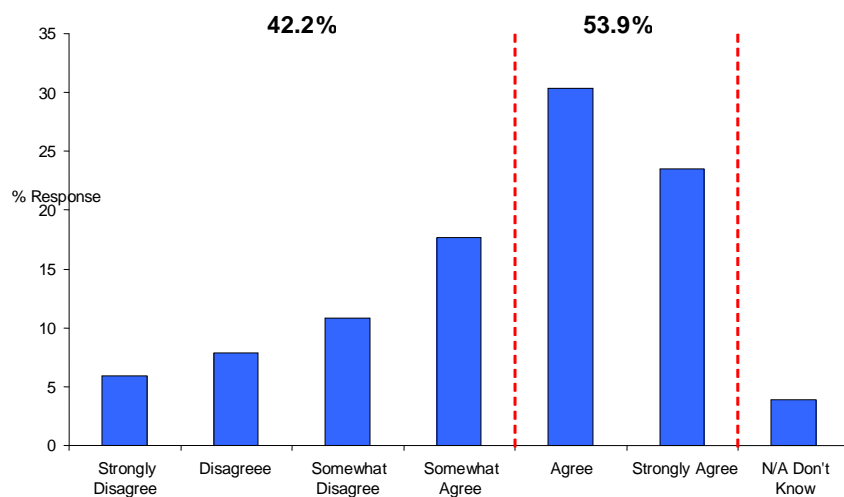


© Third Eye FZ LLC

37

The above results show that approximately half of the respondents are orchestrating their strategic partners to enhance the customer experience. However, our experience has shown this to be less than perfect, when corporate efficiencies take priority. A case in point is the automotive industry, where in the drive to reduce inventories and provide maximum choice to the customer a “make to order” model was implemented. In this model the customer would be able to order a customised car from the dealer, selecting the colour and options of the car. The car would then be manufactured to order rather than to stock. Soon the automotive industry was congratulating itself on the success of the initiative, demonstrating the significant reductions in inventories and increased choice for the customer. A study later exposed the true situation, where most customers were not willing to wait for extended periods to receive their “custom” vehicle. Rather than lose customers, dealerships began to stock a wider choice of cars to ensure immediate availability. The overall cost of “end-to-end” inventory in the supply chain was actually found to increase and not decrease adding significant costs, which unfortunately were being borne by the dealers.

Top management obtains direct customer performance feedback & reinforces the value of meeting the expectations of our target customers to the organisation?



© Third Eye FZ LLC

38

Nothing has more impact on an organisation than top management commitment. No initiatives to enhance customer value will succeed without the clear reinforcement by top management. It is concerning that some 40% of top management in the region appear not be directly involved in customer performance, despite the recognition that the customer is the only source of the organisation’s profits. Since 1987, when the Department of Transportation in the USA began tracking customer satisfaction statistics, Southwest Airlines (the first “low cost” airline) has

consistently led the entire airline industry with the lowest ratio of complaints per passengers boarded. It was not unusual for a passenger aboard Southwest to find himself sitting next to Herb Kelleher (Southwest Chairman and ex-CEO) who would chat with the passengers gaining first hand insight and feedback from passengers on how they rated their experience travelling on Southwest. No other airline to date has been able to match the consistent profitable performance of Southwest.

## Summary

Looking at the results from this survey we can conclude that there is much that companies in the region can do to enhance their market position and realise added profits in the short term. Keeping your customers when it matters essentially comes down to a few complementary strategies:

1. Add more profitable new customers. Usually the profiles of these customers are similar to those of existing profitable customers.
2. Grow the profitability of existing profitable or unprofitable customers by increasing account, customer or product penetration.
3. Add fewer new unprofitable customers. These are easy to recognise following customer profitability segmentation.
4. Lose fewer existing profitable customers (retention), by consistently meeting their requirements for value (through product & service) and instituting customer recovery programmes.
5. Lose or “fire” customers that cannot be made profitable.

To maximise scarce and expensive resources, companies must apply the above strategies based on customer knowledge and profitability. Resources must be allocated across all customer profitability segments, where sales and marketing resources, including sales force time are applied to where they can generate the greatest potential return in customer profitability. Too many managers when under pressure focus on the results, without putting thought on how to achieve the results, as if all that is required is to work harder and faster. What is really required is to work smarter. Managers need to step back and evaluate their markets and customers to uncover all the potential quick win opportunities that are lying under the surface waiting to be exploited. There are no silver bullets or magic formulas. It requires hard focused effort, and those who try will reap the benefits.

## **About DKV**

### **About Dubai Knowledge Village (DKV)**

Dubai Knowledge Village (DKV), launched in 2003, places the Middle East on the map as first and largest community for Human resources management professionals. The 1 KM long picturesque community provides a ready environment for a variety of knowledge-based entities which includes a diverse Human Resources Management and support organizations.

This thriving knowledge community was founded as part of a long-term economic strategy to develop the region's talent pool and accelerate its move into a knowledge-based economy.

Benefits for Dubai Knowledge Village partners include 100% foreign ownership, 100% TAX free, 100% repatriation of assets and profits and effortless licensing, registration and government services.

DKV also offers first-rate infrastructure and facilities for the use of its HR business partners and their clients including serene landscapes, a food court, retail facilities and other services

DKV has over 450 business partners which include professional training centers, HR consultancies, linguistic centers, assessment centers DKV also enjoys the distinction of being the world's only Free Zone cluster totally dedicated to Human Resources Management professionals.

### **DKV Vision**

To be the Leading Regional Destination for Human Resources Management Providers.

### **DKV Mission**

Provide quality infrastructure, services and support to the Human Resources Management community to enable their growth and support Dubai's moves into a knowledge based economy.

## About Third Eye

Third Eye helps organisations of any size find the innovative strategies, structure and tools they need to enhance long-term success and increase shareholder value.

We are called Third Eye because successful business is based on the ability to understand your customers' wants and needs better than competition. This in turn allows the fulfillment of these wants and needs through the development of superior offerings. Successful organisations understand their customers and markets so well it is as if they have a magical "third eye" enabling them to see what no one else can.

Third Eye is a global marketing excellence practice with a network of marketing practitioners and associates. We add value to our clients' businesses with marketing excellence and Customer Value Management best adapted to enhance the strategy, processes and culture of the client.

Our approach is action-oriented, practical marketing for value growth. We offer several levels of consultancy and hands-on training:

- Mentoring of individual managers and executives on marketing and business management challenges and issues.
- Coaching of individual business or marketing teams to tackle specific marketing challenges and topics.
- Practical Marketing delivered in a series of "hands-on" workshops.
- We tailor all programmes to the specific needs of clients and will adapt to individual needs before, during and after each module.

We can help you in the following areas:

- Branding and Positioning
- Facilitated Strategy Development
- Implementation
- Key Account Management
- Leadership & Performance Management
- Market Planning Process
- Market Segmentation
- Market Mapping
- Pricing Strategy
- Value Chain Analysis



Third Eye can help you define your strategies at all levels within your organisation. Our In-Focus Workshops™ and 20/20 Vision Coaching Programmes™ will help you to navigate the marketplace. We will help you focus the vision of your organisation and develop the ability to think strategically for competitive advantage. We can help you monitor and anticipate change, use it to build superior competitive capability and show you how to leverage that capability to create advantage across all of your markets. Our approach is practical and action oriented, delivered in a “hands-on” experiential manner and tailored to your specific business situation.

Since its establishment in 2004 Third Eye has helped many organizations large and small add between 5 – 25% return to the bottom line through implementation of practical, pragmatic and results driven strategic initiatives. Contact us for a free evaluation we know we can help:

Third Eye FZ LLC  
Dubai Knowledge Village  
Tel. +971 50 559 4200  
Email [info@third-i.biz](mailto:info@third-i.biz)



[www.kv.ae](http://www.kv.ae)