

Reference Point

a newsletter for customer reference professionals



Reference Point is a Lee Communications newsletter about customer reference (CR) programs and how to improve them. To subscribe, please contact me (contact information is below or just respond to this email). To unsubscribe at any time, just reply to this email with "unsubscribe" in the subject line. This email list and your name will never be made available to anyone else, not even to others on the list, unless by mutual request and agreement.

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In this month's issue

Featured Article: The One Number That Drives Growth -- Customer References

This month we turn from tactical issues to broader strategy. What are new ways in which Customer Reference programs can add value to their companies? This month we'll look at one new way in which Customer Reference programs can do so and this one is potentially a biggie. Plus it is based on relatively recent research you should know about, on the (often untapped) importance of customer references to a firm. Please see featured article, below.

Online Briefing: Mark Your Calendar for August 17!

Lee Communications is working with ITSMA (the IT Services Marketing Association based in Boston) to present an Online Briefing called "Building an Effective Client Reference Program." It's scheduled for Tuesday, August 17 at 11 am EST (10 am CST, 8 am PST). ITSMA's Steve Hurley will provide a detailed framework showing key challenges and obstacles to building an effective program, plus best practices for clearing these hurdles. One of your peers (and a Reference Point subscriber herself), Barbara Khait, will provide real world lessons learned in building the new customer reference program at Lucent Worldwide Services. And I'll do a segment on creating success stories that *sell*, based on our research into success stories at 25 top technology firms.

This Month's Featured Article:

The One Number That Drives Growth -- Customer References

Most Customer Reference (CR) managers work diligently to persuade customers to become references. When a customer refuses, you move on. But for those customers who refuse because they're not happy with your products or services, suppose you took the natural step of finding out *why* they're unhappy? And suppose you then took the next quite natural step of compiling that information into an actionable form? And what if your company then took the next (admittedly not-so-natural, but not impossible -- see below.) step of systematically correcting these problems and converting customer-detractors into promoters?

These steps would obviously benefit the CR program in a narrow way, since it would provide you with more references. But a study by Frederick Reichheld ("The One Number You Need to Grow," *Harvard Business Review*, December 2003, click [here](#)) suggests that taking such steps would do much more. It could well have a direct -- and substantial -- impact on your company's top-line growth. Companies with the highest percentage of "net promoters" in their industry invariably gain the highest revenue growth rates in their industry. ("Net promoters" = customers who are highly likely to recommend them minus customers who aren't likely to do so)

Reichheld uncovered another important finding. Developing the information you need to convert detractors into promoters is relatively simple. It doesn't require a complex battery of customer survey questions or highly trained specialists to interpret them. In fact, it requires that you simply ask customers *one* question, which is similar to the one that many CR managers already ask customers every day: "How likely is it that you would recommend [Company X] to a friend or colleague?" The customer specifies a number from one (least likely) to ten (most likely). In other words, how likely is it that the customer would act as a reference? Those who respond with a nine or ten are your "promoters," those who respond with six or less are your "detractors," in Reichheld's scheme.

You already know what to do with the promoters. You start developing case studies, success stories, videos, analyst interviews and so on.

Leveraging customers who *don't* agree to act as references

But why not take another step and work a bit more with those customers who *won't* act as references? Find out the reason and find out how your company can correct the situation. In other words, work with customers to determine what it would take to turn them from detractors into enthusiastic proponents. And why not compile and organize this information into a clear, well reasoned and actionable form – skills that capable marketing people have in abundance? This would be a natural extension of what the CR group already does with customers. And as Reichheld's study shows, the information you develop could very likely prove to be extremely valuable to your company

Of course, the key to making this work is to get your company to then *take the actions needed* to convert these disgruntled customers into proponents. That means getting senior management, and very likely including your CEO, involved. But the sheer common sense of the idea, bolstered by Reichheld's formidable research, should get you a hearing. The role that the Customer Reference program potentially plays in such an effort could be critically important. And the resulting value to your company in terms of profitable growth could well be substantial.

Action Steps

- Propose to senior management that your firm consider an effort to convert customer detractors into proponents. Proposal will be based on Reichheld's study plus other research specific to technology firms. (If any of our readers are game to try this, contact me for this additional research).
- Key selling point: The goal of the program will be extremely simple, easy for everyone to understand and thus *actionable* -- namely, turn customer-detractors into proponents and references.
- Start with a pilot project focusing on a specific solution set or perhaps customer vertical that has disappointingly slow growth relative to your competitors.
- Position the Customer Reference group to collect and interpret the vital information you'll need from customer detractors -- a natural outgrowth from the work you already do developing customer references.
- After you begin collecting and compiling such information from detractors, form a working group of members from key operational areas who can address and correct these problems. You'll likely need the active involvement of a powerful senior executive at this point.
- As actions are taken to address the problems you've helped identify, measure the impact by continuing to poll customers to see how many you've moved from the detractor group to the proponent & reference group.
- Track improvements in revenue growth that result. Based on Reichheld's work, these improvements may well turn out to be substantial. .

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