

Accelerate Profitable Growth by Listening to the Voice of the Customer

By David Rhoads and Keith Pekau

KEITH PEKAU
kpekau@fahrenheit-consulting.com

DAVID H. RHOADS
drhoads@fahrenheit-consulting.com

Every business wants to accelerate profitable growth. Growth generates cash to reinvest in the business and opens-up new career opportunities for staff. It fuels superior returns for investors and motivates acquirers to pay the highest possible EBITDA multiples. Growth also supports the local economy by creating jobs for new employees. Unfortunately, traditional approaches to achieve growth targets frequently fall short. While customers are critical to delivering growth, companies often have an incomplete or biased understanding of their customers' needs. This customer information gap often leads to failures in strategy and execution. *Voice of the Customer* research helps bridge this gap by providing the customer insights necessary to identify and implement successful growth strategies.

For most companies, the traditional approach to revenue growth is driven by a recurring gap between actual and expected sales. In turn, this triggers a series of dramatic actions. Sales territories are re-shuffled. The compensation of the sales force is redesigned to emphasize new sales. Chronic underperformers are fired. New products are quickly introduced and companies with deep pockets are likely to "double-down" by pursuing acquisitions to enter new markets.

While these steps sometimes work, they often fail to generate expected results. This is because few business-to-business companies seeking to grow sales address the root cause by collecting unbiased feedback from customers. Making matters worse, few

executive teams have day-to-day contact with customers and many VPs of Sales & Marketing are vigilant about protecting the sales team's customer relationships. So, without access and good information, leaders reorganize the team and throw money at the problem – hoping something sticks.

Customers are the key to identifying and implementing successful growth strategies. While this seems obvious, many leaders assume that their client facing team "understands" customers' issues and needs. While this is occasionally true (particularly when leaders have close relationships with major customers), more often than not the client facing team has incomplete data and biased perceptions. A few of the reasons for customer "blind spots" are:

- Sales reps have limited access to key business leaders and strategic decision makers
- Sales reps are uncomfortable discussing customers' strategic issues
- The compensation of the sales force drives current period sales versus future period growth
- Cultural aversion to sharing bad news and organization filters
- Customers are reluctant to reveal information about future plans

Based on Fahrenheit Consulting experience, current and potential customers are an amazing source of insights about

new sales growth opportunities. Customers can give you insights on several issues, including but not limited to:

- Growth plans that could have a significant impact on your business
- The potential size (volume & sales value) of needs your business can potentially supply
- Competitors that customers will consider to meet this new demand
- Their supplier selection process and who will be the key players in the process
- How you can develop deeper and broader relationships with your customers
- How your current products can add more value for your customers
- The aspect of your product-line's value proposition that is most important
- How your client facing team can add more value for your customers

While this information from a few top customers is useful in and of itself, the potential value increases significantly when feedback is collected from a cross-section of current and potential customers. Feedback from multiple customers allows you to identify trends and estimate the magnitude of potential growth opportunities. It can also provide a clear mandate to change how your client facing team interacts with customers to strengthen relationships, increase sales of current products and identify potential game-changing new product sales opportunities.

The question is, how do you capture this information from customers? For Fahrenheit Consulting the answer is “Voice of the Customer” research. *Voice of the Customer* research refers to in-depth conversations with current and potential customers with the goal of learning about current relationships and unmet needs. These conversations are most valuable when they uncover important clues about customers' growth plans and other major changes with implications for a supplier's future sales. However, unlike customer satisfaction surveys, *Voice of the Customer* interviews dig deep into the key drivers of potential growth opportunities with strategic implications for a business.

A successful *Voice of the Customer* interview campaign usually begins with a quick assessment of current customers to ensure that interviews are targeted. The types of questions which need to be answered include:

1. What customers account for 80% of sales and operating profit?
2. What products have contributed the most/least to growth over the past 3-5 years?

3. What are the management team's hypotheses about the most attractive growth opportunities?

There are two primary ways to complete *Voice of the Customer* research: “blind” interviews and in-person, on-site interviews. Blind, or anonymous interviews, involve speaking with customers without disclosing the interview's sponsor. The key advantage of this approach is feedback objectivity while the major disadvantage is access and the ability to speak with multiple decision makers and influencers at key customers. In person, on-site interviews involve a series of pre-arranged interviews with a relevant cross-section of customer representatives. The key advantage of this approach is interview depth, rigor and coverage, while it can take more time and effort to arrange a day of on-site interviews. In-person interviews work best when customers consider a supplier's products/services to be relatively strategic and highly value-added.

Voice of the Customer research is most valuable when there is a gap between the board's growth expectations and recent performance, when customer demand and expectations are believed to be shifting or when a company is investing in a business it is relatively unfamiliar with. Evidence that a problem exists include a low percentage of sales reps hitting quota, high turnover among above-average sales reps and a perception that a business is losing market share to key competitors. Also, “moving the sales growth needle” can be particularly valuable when a business is investing additional capital or when an owner would consider selling the business in the next 3-5 years.

It is important that the entire team “buy in” to the customer findings or Voice of the Customer research will not pay dividends. Fahrenheit has a unique approach for sharing customer input with client leadership teams and empowering team members to self-diagnose the implications of customer feedback. When a number of customers deliver the same message in their own words – it is hard to deny the importance of customer insights. This facilitated discovery process represents a powerful catalyst in the change management process. Sharing original interview results with the leadership team and having the group diagnose what customers are saying is a powerful way to align the team with developing a successful growth plan.

Voice of the Customer research is a powerful management tool for identifying attractive growth opportunities. The traditional approach for identifying these opportunities either assumes a thorough understanding of the customer – or even worse, it overlooks the customer entirely. Customers are critical to identifying and implementing growth strategies. *Voice of the Customer* research can help management unlock these insights and identify opportunities. While *Voice of the Customer* research does not guarantee success, it provides a clear direction for the team and a shared understanding about why things need to change.

David Rhoads

(Founder and Partner)

drhoads@fahrenheit-consulting.com

David Rhoads is a founding partner at Fahrenheit Consulting Group. David has over 25 years experience of consulting experience in the areas of growth strategy, performance management, commercial due diligence and executive compensation.

David's clients range from large public companies to private equity groups. Specifically, he has expertise in manufacturing, financial services, professional services, retail, energy, consumer products and education. In addition to his U.S. work, David has experience in Asia and Australia.

David received his MBA from the University of Chicago, and holds a BS and a BA from the University of Pennsylvania. Additionally, David is on the Advisory Board of Michelman, Inc., a successful family-owned company in the specialty chemical industry.

Keith Pekau

(Founder and Partner)

kpekau@fahrenheit-consulting.com

Keith Pekau is a founding partner at Fahrenheit Consulting Group. Keith has over 20 years of management and business experience in the areas of market assessments, growth strategy, M&A due diligence and business valuations.

Keith has helped clients in a variety of industries including: retail, construction, medical, manufacturing, financial services, energy, education and private equity. As an entrepreneur, Keith has founded, acquired and managed successful companies in the construction, residential service and consulting industries.

Keith has an MBA from the Fuqua School of Business at Duke University, graduating as a Fuqua Scholar. He also holds a B.S.E. in Aerospace Engineering from Arizona State University. Keith is also a graduate and Paul F. Lorence award winner from the USAF Navigator Training School and the Top Graduate of USAF Squadron Officer School. Additionally, Keith sits on several boards in his local community.

Fahrenheit
Consulting Group

The logo for Fahrenheit Consulting Group features the company name in a dark blue, sans-serif font. The word "Fahrenheit" is on the top line, and "Consulting Group" is on the bottom line. To the right of the text is a large, light blue circle that is partially cut off by the right edge of the page.