

Realization of customer importance by firms



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Customers play a key role in the functioning of any business. For a business to function smoothly they should ensure the satisfaction of their customers. Many researchers have looked into the importance of customer satisfaction. Kotler (2000) defined satisfaction as: “ a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance in relation to his or her expectations”. On the run many business organizations fail or neglect the role that customers play. The following essay highlights the importance of customers and the reasons why many business organizations fail to realize the same until they are faced with a crisis, with the help of illustrated examples

Importance of Customers

As the potential growth and success of a business lies on customers, the primary motive of a business should be to create satisfied and loyal customers. Don Peppers and Martha Rogers sum up the importance of customers eloquently as “ The only value your company will ever create is the value that comes from customers- the ones you have now and the ones you will have in the future. Businesses succeed by getting, keeping and growing customers. Customers are the only reason you build factories, hire employees, schedule meetings, lay fibre-optic lines, or engage in any business activity. Without customers you don’t have a business” A customer provides an organization with that most organic of all advertising tools Word of mouth

Customers who are satisfied with the services of a business are more likely to create awareness among other people who are not aware of them.

Further, there is the potential for repeat business which is the backbone of many businesses. It is obvious that a customer who has been provided with a product or service in the desired manner is likely to maintain a healthy relationship with the seller. (Role of Customer Service In Success Of Business, William King)

On the other hand dissatisfied customers tell at least twice as many friends about bad experience than they tell about good ones. For example, Johnson Controls, Inc.(JCI), discovered that 91 per cent of contract renewals came from customers who were either satisfied or very satisfied. A percentage point increase in the overall satisfaction score was worth \$13 million in service contract annually. JCI also learned that those customers who gave a not satisfied rating had a much higher defection rate. After seeing the financial impact of customer satisfaction, JCI made improving customer satisfaction a key initiative. (R. Evans, 2008)

Feedback from customers

When a business receives feedback, it is able to see the customer's image of the organization and the impression of its services. This tool is invaluable in correcting systems as well as image management for the business. It is also an outsider's perspective, which provides the business owner or management a unique insight. Additionally, a satisfied customer would be more likely to participate in activities that help to generate customer preference data. This data goes back to the marketing function in assisting the organization to better target and attract its potential customers. For example: At Mc donalds. They have a form on the table itself for the

customers to fill in regarding the services of Mc donalds. They can look into these forms for the customer feed backs if any innovation of products or services are required according to the taste and preferences of the customers. If majority of the customers do not like a particular product they can stop that product and include a new product in their menu which fits to the customer needs (Role of Customer Service in Success of Business, William King)

Link between loyalty and profitability

Modern firms need to look further into achieving strong profitability and market share which requires loyal customers who stays with the company and makes positive referrals. Companies should be able to retain their customers in order to attain high profitability. It is claimed by Reichheld and Sasser (1990) that a 5 % improvement in customer retention can cause an increase in profitability between 25% and 85%. According to Buchanan and Gilles (1990), loyal customers tend to be less prices sensitive and are satisfied with their relationship with the company and also less likely to switch to competitors. As loyal customers have more experience with the business, they need less assistance, make fewer calls to the call centre and require fewer visits from the sales representative. This reduces cost for the business and increases profit. (Dean, 2004)

Reasons why companies fail to realize the importance of customers until they are faced with a crisis

Many companies fail to take into consideration the desired needs of the customers which result in their failure. They do not do a proper research of <https://assignbuster.com/realization-of-customer-importance-by-firms/>

the market which leads to misconceptions and finally the customers switch to other firms from which the desired products or services are available. They do not take customers as an important part of the organisation. They only focus on what the business wants to offer and not what the customer needs. Some companies do not give much importance on customer services as they focus on cutting down costs. This affects the business and creates inefficiencies that also affect the customers.

Most companies neglect customer feedback because they think it is not reliable which again results in the decline of sales as they are not really aware if the services are up to the expectations of the customers. There are some other companies that imply their own service methods or product focused, neglecting to see things from the customers point of view. They do not enquire what the customer needs. They offer services or products from their own perspective which fails to get the attention of customers. Most businesses do not realize these negative impacts until they are faced with a crisis. They respond only after such crisis occurs which is too late.

Responding to customer needs and wants from the very start can help identify opportunities and enable organizations to create more chances for high return on investment, not simply focusing on the current strategies of the company

An Example: Why U. S Internet giants like E-bay, Amazon, Google and Yahoo failed badly in China

Internet websites like E-bay, Amazon, Google and yahoo have been very successful worldwide but they actually failed badly in China. These American

Internet websites failed due their way of thinking. They have the best people, the biggest capital; the most advanced technologies but apparently failed to accomplish their success in China. Many reasons contribute to their failure

1. Focus on high class : These American website companies focused only on the high class people which was the most important reason of their failure.

They hired mostly people from Hong Kong, Simgapore who were highly educated and of the same class. Their style of work and promotion targets are only people from the same class. They neglect the middle class and the common people which was a main cause for failure in China

2. Not willing to take risks: The employees working in the American website companies were highly paid. They didn't want to risk their job by taking up challenging jobs. Their way of doing things was no mistake first, getting the result first. They followed merely the procedures of the company and aren't willing to take up risky jobs. This is the main reason why they are beaten by their Chinese competitors.

3. Lack of short term planning: American companies focus only on long term plans on which they finance huge amounts. These long term budgeting and strategic planning could not be changed easily according to the market. They did not focus on short term plans which was essential because the demands of the Chinese local market are fluctuating constantly.

4. Focus only on goals and not the ways of attaining goals: American companies have many rules and indicators. They focus only on the end result mainly and neglect the steps of attaining the goals. They think about the

brand image and ways of making it popular neglecting the necessary things to be done in order to attain the company goals.

5. Not following user needs: American companies makes sure that user needs are well taken care of. But sometimes they get too deep into fulfilling user needs to an extend beyond what consumers expect. For example, American looks into securing the privacy of the users but Chinese don't give much importance to it. The American messaging software giant, ICQ, did a lot to protect the privacy of the users and make the software hard to use in internet cafes. Their Chinese competitor QQ beat it by simply getting rid of some of the restrictions of ICQ to satisfy the needs of the Chinese internet users in small internet cafes.

6. Advertisements are focused on brand popularity: The advertisements of American websites focuses more on popularizing their brand names only which is hard to attract the common people. The Chinese websites are far more attractive as they include lively events in their websites. This helps them to get revenue as well as a good brand name. Their advertisements are more active and generate more sales than the American companies. In a study conducted in China it is shown that the results achieved by ads on Chinese websites are 10 times more than that of American websites

7. Inefficient market promotion methods: The design and art of their promotional advertisements are way better than the local Chinese advertisements. But these ads again are targeting the high profile people which consists of almost 20% of the whole population. The remaining 80% are the common people who find Chinese ads more attractive as they are in

the native language which is easily understandable and these ads are very simple and contains only relevant information

8. Inappropriate communication methods: The employees of American website companies communicate to their clients and colleagues through emails and web messengers. Even for small issues that could be solved by merely a phone call. they follow the procedure of contacting through formal e-mails which makes it more time consuming.

9. Clean but complicated web designs: American websites are classy but complicating to be user friendly to common people. Relevant information may not be available on the front page itself, one has to browse through, connect to several links to get the right information which is difficult for common internet users

10. Inappropriate recruitment policies: American companies recruits candidates who are highly educated from overseas mainly from the management sector. These candidates fail to realise the common needs of local market. They neglect the local graduates who are well aware of the market needs. (O'Rourke, 2007)

If the American companies do not change their attitude towards the Chinese market in the above mentioned areas they will not be successful in China

Conclusion

In conclusion, it is important for every organization in today's business world to be more customer focused and flexible according to the fluctuating market demands in order to be successful. They should understand that

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customer satisfaction is an important factor that can affect their probabilities of being stable in the business circle. As for the American website companies in China, they need to focus more on the larger sector of the population which is the common people.

They should take into consideration the needs and wants of the common people in order to be successful in China. It is the same with any other business firm, Customer is the backbone of any business. Without customer satisfaction no business firm can excel in the market. From examples like a booming economy in China always had a backup from the internet source. The extensible markup languages as well as the W. L. L(Wireless In Local Loop) used in China doesn't reach up to a level of standard, the I. T sector prefers to use. In today's world most firms are turning towards customer satisfaction as a key point in order to achieve high return on investment which has to be practised by the American website companies as well.

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