



Enterprising Rural FamiliesTM

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TIP OF THE MONTH:

PREVENTING BUSINESS FRAUD

Small businesses are not immune to employee theft and fraud. Trusting, family situations may make the business even more vulnerable than a large business.

1. **Hire the right employees.** Prevention is better than cure. Check past records and references.
2. **Separate accounting duties.** Avoid depending on one person to open mail, process payments, make bank deposits, pay invoices, handle petty cash and reconcile bank statements. If small, try rotating the responsibilities every few months.
3. **Have bank statements mailed to home or a post office box.** Review bank statements before your bookkeeper. Watch for missing or third-party items.
4. **Arrange for surprise audits.** Bring in a CPA at various times, unannounced.
5. **Create an ethical work environment and a no-tolerance culture.** Set the example and expect employees to follow it.
6. **Insist that all employees take allotted vacation time.**
7. **Don't limit your focus to financial fraud.**
8. **Consult a CPA.**

The Lasting Effects of Poor Customer Service (Part 1 of 2)

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In today's economy, it is even more critical to provide stellar customer service. Studies have shown that it can cost as much as five times more to attract new customers than it does to retain an existing customer.¹ A quality product or service is always a serious factor in a business's success, but so is the level of professionalism and the quality of service provided to the customer. To keep customers coming back, and to attract new ones as well, businesses should be at the top of their game in customer service and satisfaction.

I recently attended a community celebratory event in a small town here in Wyoming and something happened that reminded me why good customer service is so important. The event organizers had taken a chance on a new local bakery in the town and ordered three cakes to commemorate the event. One cake was supposed to be a large-scale representation of a local landmark and the remaining two cakes were sheet cakes to be sliced and served to attendees.

Well, the cakes arrived that morning before the event got started and right away you could see that the organizers had their doubts. The workmanship and design of the cakes wasn't quite what you would expect of a professional bakery. More problems surfaced as soon as the cakes were cut and served. There were not only complaints about the appearance of the cakes, but also about the flavor, moistness, and texture of the cakes. Most of the cake went uneaten.

Many important community members, state officials and business people were at this event so to say that the organizers were less than pleased with the local bakery would be an understatement. In fact, the mayor of the town was so mad about the poor quality of the cakes that she was telling everyone there who had made the cakes and that people should not patronize that business. Before you feel too sorry for the business, be aware that the chair of the refreshments committee had spoken with the bakery ahead of the event to impress upon them the importance of the event and its attendees. She had heard concerns from other people who had ordered cakes from the bakery and she tried to share these concerns with the business ahead of time so that they could put their best foot forward for this event. And knowing this, they still made and delivered sub-par cakes.

This story should serve as a good cautionary tale for small business owners. While many business owners and their employees have sat through several trainings on providing excellent customer service, many are still

¹ Nykiel, Ronald. *Keeping Customers in Good Times and Bad*. Stamford: Longmeadow Press. 1992. Print.

uncomfortable talking about what happens when they fail or make a mistake. I would like to discuss some of the persistent and potentially devastating effects that bad customer service, or bad experiences with the business in general, can have on small businesses.

Customers Don't Forget

While researching for her book, Customer Service Nightmares, author and nationally recognized speaker Nancy Friedman heard many horror stories of bad customer service from people who were grateful for the chance to vent about experiences that they had carried with them for a long time.² Ms. Friedman heard from customers whose stories went back three, five and even twenty years! Your customers have memories like an elephant and when they have been treated badly, they will not forget in a hurry. In most cases, it only takes one time; shock, offend or upset a customer just once and they will remember it for perhaps years to come.

Free Advertising

When I say free advertising, I mean the kind that you do not want for your business. Not only will customers remember when they have received a bad product or poor service, but they will also tell everyone they know about it. People will tell their family, friends, neighbors, co-workers and anyone else who will listen about an incidence of bad service. I fall into this category, too. Just the other day, I was telling a woman that I don't know that well about a bad experience that I had had with a local fast-food chain and how I would never go back there again.



In customer service, remember the three to eleven ratio. A customer who has had a bad experience with a business will tell eleven people about it—even strangers.³ If they have had a good experience, they are likely to only tell three people about it. People are much more likely to vent about a bad business than they are to praise a good one.

The Viral Syndrome

Years ago, if a customer had a bad experience with a business, they vented to friends and family or made a joke out of the experience. While this still happens today, technology and the internet have made customer complaints a much more serious problem for businesses. The advent of customer review sites on the internet has made it much easier for customers to air their complaints publicly and widely. Sites like Yelp!, Google Places for Business, Yahoo! Local Listings, and Angie's List (to name a few of the most popular) allow users to post reviews of businesses and service providers via the internet. These reviews, no matter how accurate, are permanent and the impression that they leave cannot be easily erased.

These sites cater to the educated customer who does their research before they even step into a business. These customers no longer care what you have to say about your business, they want to know what others have to say about your business. When family and friends aren't readily available with advice or when there are too many choices, more and more people are turning to online reviews and recommendations from the online community for "social proof" of your business's credibility.⁴

Even social media sites like Facebook and Twitter can serve as a powerful platform for a word-of-mouth complaint campaign where disgruntled customers can share their bad experience with literally hundreds of friends and followers. With the internet and customer review sites, it is now possible to lose customers before they even walk through your door.

No Returns, No Repeats

Most business owners are probably already aware of this final consequence of bad customer service but it is so important that it bears repeating. Disappoint a customer too many times or too severely and you will lose that customer. This, of course, means lost sales and revenue for your business.

²Seven Lingering Effects of Bad Customer Service." Newsletter. The Telephone Doctor, Inc. June 2012.

³Seven Lingering Effects of Bad Customer Service." Newsletter. The Telephone Doctor, Inc. June 2012

⁴"The Best Six Local Business Review Sites." The Marketing Zen Group. Web. 20 July 2012.

Most of these effects can be summed up in Nancy Friedman’s warning phrase, “Hell hath no fury like a customer scorned!”⁵ Whether it is telling friends and family about a bad experience, going online to write a negative review, or even voting with their feet (a.k.a. choosing not to visit your business again), customers have a lot of options to get back at businesses that they feel have treated them badly. This article is not all gloom and doom. Being aware of these consequences can help the smart business owners be more strategic and proactive in customer service. If you know the outcome that you do not want, it makes it a little easier to plan for the one that you do want.

The best way to avoid customer service disasters is to know your customers intimately. This means more than just doing an annual survey or knowing the market research for your industry or company. Knowing your customers intimately means taking time to listen to, understand, and respond to their needs and expectations. It means that you know each other so well that you can work through problems and onto strategies and solutions together. Customers also have their own unique view on what constitutes quality service.⁶ You have to know what they want and how they want it so that you can best satisfy your customers and keep them coming back.

And when things do go a little sideways, it is helpful to note that a complaining customer can be your best asset. A strong, enduring customer service relationship is based on candor and open communication. Customers who bring their problems to us and offer us advice on how to serve them better might believe that we care enough to act on their complaints. Businesses can honor that trust by truly listening to customers, using their complaint as a learning opportunity and then working to resolve their issue. Studies and surveys have shown that customers are more satisfied with a business with which they had a small issue that was resolved than they are with one where there was never an issue.



No matter what we think, quality is what the customer perceives.⁷

⁵“Seven Lingering Effects of Bad Customer Service.” Newsletter. The Telephone Doctor, Inc. June 2012.

⁶Bell, Chip & Zemke, Ron. *Managing Knock Your Socks Off Service*. New York: AMACOM, 1992. Print.

⁷Nykiel, Ronald. *Keeping Customers in Good Times and Bad*. Stamford: Longmeadow Press. 1992. Print.

⁸“Five Forbidden Customer Service Phrases.” Monarch University. Web. 23 July 2012.

Next month Kimberly will discuss how to build/repair a public image.

Five Outdated Customer Service Phrases⁸

Each of the following phrases can annoy or frustrate customers and reduce their confidence in your business. By correcting these statements, you can build trust with your customers and decrease the risk of their going elsewhere.

“I don’t know.” –You should always try to help, even if you don’t know the answer.

“We can’t do that.” –Don’t shut a customer down. Let them know what you can do.

“It’s our policy.”—This frustrates customers because you are essentially dismissing them without giving them a good reason.

“Just a second” or “Just a minute.”—Try to let customers know realistically how long a request will take.

“No.”—An immediate “no” makes customers feel rejected. Instead, give them other options.



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