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Letting go: If you love your customers, set them free

by Kyle Murray

Could sending your customers away build a loyal, high-value customer base? While this sounds a little cuckoo, it's actually quite true—sometimes giving people the right advice means telling them that you don't have the product or service that they need.

This philosophy might seem to contradict some tried-and-true marketing ideas. Rather than telling the customer about the company, this approach emphasizes the beneficial reverse: telling the company about the customer. After all, unless you know a great deal about your customers, you won't know which needs you *can't* fulfill. But this notion nestles nicely into the definition of customer advocacy, a strategy that focuses on first doing what is in the best interest of your customers, because this builds a loyal customer base that drives future business (improved retention and attraction through referrals, positive word-of-mouth, etc.) and creates long-term value (sales growth, stronger profit margins, etc).

In addition, this subtle shift toward "We might not have what you need" helps build the most important currency in commerce: Trust. That trust is more valuable than an individual sale. It is the fuel that powers customer lifetime value—moving away from single transactions toward longer-term relationships. Making this shift, however, is uncomfortable for many retailers because it means turning away money today in exchange for stronger relationships over the long haul.

Nevertheless, loyalty built on a high level of trust has very real practical advantages. Customers will tend to come to you first to see if you have what they need, will be more likely to rely on your advice to them, and may even be willing to pay more for your product. Face it—merely moving from transaction to transaction is simply not sustainable. Selling based solely on product attributes, like quality and price, is a constant uphill struggle against ever-improving competition. Truly successful companies build longer-term relationships and gain customer trust because doing so leads to higher margins and stable streams of revenue.

For example, Progressive insurance posts rates of their competitors—some of which are better than theirs. Progressive is basically saying that for a certain customer segment, they can't do as good a job as they can for others, so they're willing to give up that business in order to focus on what they do best. The expectation is that eventually, as the relationship grows, the customer won't feel the need to price-shop anymore. Progressive becomes established in the marketplace as the insurance company that puts the customer before the transaction.

The T-Mobile ads featuring Catherine Zeta-Jones are similar: Using the tagline "Find a wireless plan that has the best coverage and price for you—even if it's not with us," the company sent potential customers to BillShrink.com, a website that helps evaluate and minimize your phone bill. T-Mobile knows that a lot of people won't actually go and look to see who is the cheapest and force the company to match the price, but making the offer builds trust within the market by saying, in essence, "Compare us to the competition—we're confident that we're offering something better."

Probably the best business model for sending your customers away is the approach taken by Amazon. They will connect their customers to other retailers, within the Amazon website, but they always take a share of the sale and they get to gather the customer data.

To put these “set-them-free” customer tactics into practice:

- **Focus on longer-term customer lifetime value.** Your company must focus on the best interests of its customers as a business model—if you don’t, you start to do the little things that drive profits today and hurt the relationship for the long term.

- **Get good data.** Analytics and data are essential. You must understand your customers—preferably at the individual level, but at least in terms of small segments so you know how your offer relates to those particular customers, and how they will respond to your offering relative to that of your competitors.

- **Know your competition—well.** You must understand your competitors and be familiar with their offerings to know and react to what your customers will see when they go out and start to work with others.

Simply put, customers have too much choice today and too little time. What customers really want is decision-making assistance—that’s the ultimate service. Supplying such service can mean simply saying that you can’t best meet the customers’ needs, or can mean telling customers to use third-party resources, while ensuring that you offer the most competitive product for your key segments.

Using this tactic is risky if you don’t have solid competitive intelligence and a deep understanding of your own customer base—both those being served and those being sent away. But if your organization can tailor its offering to the customers who represent the highest value, setting free those of less (or even negative) value to patronize the competition, you free yourself to concentrate on customer loyalty.

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