

## Are Your Customers' Post-Sale Experiences Eroding Your Profits?

*By George S. Sacerdote*

Bad post-sales experiences can impose huge costs on a company and its customers. Some of these costs are easy to measure, such as having to ship replacement products, redo services, or swelling accounts receivable. But often the reputational impact of such experiences runs to 10-20 times the direct costs. What is worse, management often has little visibility into these huge reputational costs because they appear in such indirect areas as too-rapid customer churn, excessive marketing and sales costs to grow the customer base, delayed customer payments or ill-will generated by huge numbers of help-desk calls. These issues were brought home to me by a recent experience described in the following short story.

To upgrade my home network, I bought a well-reviewed gigabit router from a major vendor, Vendor X. I followed the simple instructions and within a half an hour everything was working just fine, or so I thought. I then began to experience a series of maddening problems, beginning with random losses of connectivity within our network, followed by loss of Internet connectivity and, finally, by the ominous collapse of our household financial software, Intuit's Quicken. After trying remedies from the websites of Vendor X, our cable company, Intuit and Microsoft, all to no avail, I went through several frustrating rounds of calls to each vendor's help desk. Finally, The Intuit rep discovered that Vendor X's installation package or various changes their rep had made to my system had trashed key files that both Quicken and Windows needed to operate correctly. After many more hours to uninstall and re-install all the software on my system, I finally got everything working. This whole experience cost me about \$1500 dollars' worth of my time, all for a \$79.99 product.

But then I put on my management consulting hat, and began to estimate how much money Vendor X is losing on this product:

- \$50,000 monthly from the two hours that their support engineer had to spend with me, which surely consumed at least \$4-6 more than their \$20-30 gross margin on the unit I had bought.
  - \$4-6 loss on each unit with a problem
  - 10,000 problems of this type created monthly (I estimated that perhaps 10% of the 100,000 units they sell each month had these same kinds of problems)
- \$500,000 monthly in excess marketing/sales costs from reputational damage
  - Each month they are creating 10,000 disgruntled customers
  - Each mad customer tells an average of ten friends about his unhappy experiences, and from there the word spreads virally
  - If the cost of acquiring a customer is \$5, this bad word-of-mouth publicity could cost this vendor more than \$500,000 monthly in destroyed market reputation.

Vendor X has clearly taken great pains to make its product easy to install and has done a superb job of hiring and training a first class help-desk. I have no doubt that they think they have done everything right. But, their customers' post-sales experience is terrible and costing them a fortune every day. And they are probably clueless as to what it is costing them, because almost none of these costs is directly visible.

### A Simple Quiz

**Do you know how many of your customers are having bad post-sales experiences?**

**What is the nature of those experiences?**

**How much do these bad experiences *really* cost you, directly and indirectly?**

**What impact do these issues have on your customers' total cost of ownership?**

**What metrics and other information do you track to manage this problem?**

**And, most important of all, how can you improve results?**

Lest you think this is an isolated story, let me assure you that it is not, as illustrated by the following two case examples from our recent work with Fortune 100 companies.

***Case Example 1: A global “cloud computing” vendor***

My company recently completed a project to fix the post-sales experience for a leading “cloud computing” services company that was resulting in a 20% rate of contract cancellations and postponements during service installation, largely caused by poorly executed post-sales work. One can imagine the impact of the loss of these hard-won new sales on our client’s sales force, and the reputational damage that this company suffered as well. As we examined our client’s implementation efforts, we discovered one implementation team whose work had dramatically lower cancellation rates than the rest. Their secrets:

- Very carefully setting the customer’s expectations about his organization’s need to be involved all steps in the implementation effort
- Including the customer’s tasks as part overall project plan
- Managing the work of the customer’s team with the same rigor as is applied to our client’s team.

We then designed a new implementation process based in part on this one team’s demonstrated success. Using this one team’s experience, we expect to cut the contract cancellation rate in half. The net present values of the revenue and margin streams from the retained customers far exceed the extra cost of the required additional project management staff.

***Case Example 2: A national telecommunications company***

In work for a major telecom services company we were called to address order processing mistakes that were causing mis-provisioning of services and billing errors affecting the majority of its business customers, resulting in hundreds of millions of dollars in annual lost revenues. And since almost every bill was open to question, business customers began to audit every bill, slowing down their payments. Soon cash collections took 1-2 months longer than occurred in the consumer division of the same company. In our work we discovered that the order processing problems arose in three specific inter-departmental handoffs in which the receiving department mistakenly assumed that the work it received from its up-stream departments was flawless. By introducing quality control steps at these handoffs, our client could eliminate 90%+ of the order processing mistakes. And the cost of these quality control steps was massively less than the benefits coming from the incremental revenue and reduced AR totals.

***What Sacerdote & Co., Inc. does to address these issues***

Sacerdote & Co., Inc. is deeply experienced in the process analysis, customer understanding, business operations improvement and micro-economic skills needed to determine the full cost of these types of experiences and to develop remedies to fix them. To explore further how we can apply our capabilities to help you your company grow its revenues and profits, please call or email us at 781-861-7068 or [gss@sacerdote-co.com](mailto:gss@sacerdote-co.com).

*Sacerdote & Co., Inc. counsels major technology-based companies on issues of market strategy and operations effectiveness. Our market strategy work covers the full range of issues from product portfolio design to improving the revenue yield from a company’s marketing and sales investments. Our operations effectiveness work addresses both internal business processes such as order processing, fulfillment, billing and collections, and also external processes shared between the vendor and his customer, such sales, implementation, and customer support.*