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SMALL BUSINESS SURVIVAL STRATEGIES

CUSTOMER SERVICE

A little TLC can save the day

Small operations neglect customers at their peril, especially as the economy goes south

BY LORI McLEOD

When shoe-store owner Ron White left for the spring footwear shows in Milan last September, things were looking rosy. When he returned home just a week later, the economic climate had turned decidedly darker.

While the Toronto retailer was evaluating the merits of strappy sandals, U.S. investment bank Lehman Brothers collapsed, the first domino to fall in the unexpected global financial collapse.

Words from the advisers, suppliers and customers he contacted feverishly rang in the entrepreneur's head: This is the tip of the iceberg, and things are going to get much, much worse.

Instead of brushing off those predictions, Mr. White moved swiftly to counter the coming storm.

"Things just came crashing down. In my 16 years of business I have never seen anything like this. But we're a company that can turn on a dime, and after talking to many people and figuring things were likely to get much worse, we just ripped things apart," he says.

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ness I have never seen anything like this. But we're a company that can turn on a dime, and after talking to many people and figuring things were likely to get much worse, we just ripped things apart," he says.

Mr. White, who opened his first store in 1993 and now owns six shops bearing his name in metro Toronto, has become known for providing top-notch service in the market for fashionable but comfortable shoes.

In an industry based on discretionary spending, he saw his vulnerability to the coming recession and moved to improve even more what is known in the industry as the customer experience.

This experience encompasses the sum total of a person's dealings with a company – from the first point of awareness until the last mention of its name or use of one of its products.

As the economy heads south it is also one of the most important things many small businesses are letting slip, says Mark Healy, a partner at Toronto consulting firm Torque Customer Strategy.

"It is a very tough time, and small businesses worried about surviving may be losing their focus on the customer experience," Mr. Healy says. "This is a huge mistake, because at a time like this it is absolutely crucial to retain



Shoe store owner Ron White and his staff personally contacted all 12,000 of their customers last fall to thank them for their business. FRED LUM/THE GLOBE AND MAIL

The series so far

This is the second of four articles about survival strategies for tough times.

» **Last week:** Keeping an eye on your rivals

» **Today:** Delighting your customers

» **Feb. 11:** Getting your pricing right

» **Feb. 18:** Providing the right product and selection mix

your existing customer base, and to keep those people happy."

One of the biggest mistakes is to get so desperate to close a deal that you forget to listen to your customers, he says.

Many companies also give up on trying to win back unhappy customers, deciding instead to milk the relationship for whatever they can, Mr. Healy says.

"There's a growing tendency to give up on someone who is upset, to just get what you can from them by implementing a tough return policy and then writing them off. That's a huge mistake," he says. "Our research shows that even someone who is highly upset isn't mentally gone yet."

And it's much more costly to win a new customer than retain an existing one, Mr. Healy notes.

Entire industries are stumbling in this changing economic landscape.

For example, Ken Wong, associate professor, business and marketing strategy at the

Queen's School of Business at Queen's University in Kingston, believes that real estate agents and industry associations blasting out positive messages are doing more harm than good in terms of their relationships with customers.

"Even if they believe what they are saying, they're trying to push a message the public simply cannot reconcile with all of the other things they've been hearing. Instead it just ends up looking self-serving, and that puts people off," Mr. Wong says.

In Mr. White's case, his sensitivity to his customers became the key focus of a multi-pronged strategy to meet the downturn head on.

"One of the first things we did was get rid of all the frills. What our customers were essentially telling us is that their 'wants' had shifted to 'needs.' Women used to buy shoes to go with a coat, shoes to go with a purse, shoes to go with everything. Not any more," he says.

This sudden change led Mr. White to return his entire inventory to his suppliers – not just once, but twice.

"I have never done anything like this before – it's almost unthinkable. I re-bought everything once to change the product mix. Then the dollar collapsed, and I had to re-buy everything again because I couldn't pass that extra currency cost on to the customer," he explains.

As well, Mr. White and his staff personally contacted all 12,000 of their customers by phone or e-mail to thank them for their business and invite them to an exclusive boot sale in November, meant to drive traffic to the store before Christmas and avoid the price-slashing "bloodbath" he expected in the post-holiday season.

Customers were given \$65 gift certificates for future purchases of \$200 or more, hundreds of which were redeemed during the Christmas season.

The payoff? Sales came in

just slightly below the company's record in 2007, which had been its sixth straight year of sales increases.

Efforts such as those made by Mr. White demonstrate what could become a silver lining in the downturn, Mr. Healy says: Small businesses that emphasize stronger customer service may have an opportunity to shine, and in turn become more creative and cement their relationships and position in the market for when things get better.

But it's not easy to ramp up customer service. "I can't even tell you how much work this all was. We were absolutely exhausted," Mr. White says.

"What scares me is that even with all of this, we still came in slightly below last year's sales. What I'm wondering now is what exactly is happening to all of those other people out there, who look like all they did was cut their prices by 50 per cent or 75 per cent. I don't know how they're going to survive."