GOODWILL HUNTING

Bill Nichols shows how you can manage 'goodwill' to retain and grow your client base

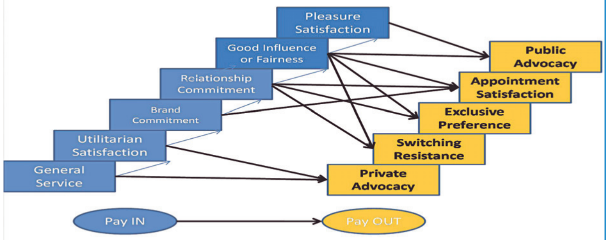
Bill Nichols

In a B2B firm characterised by long-term customer relationships, it usually accounts for a significant proportion of inherent value – probably most in a professional services firm. It can be used to achieve desirable behaviours such as buying preference and resistance to switching. By triggering recommendations, it will be the source of much new business, up to 50% in professional services. In a recession, it may be, quite simply, the key to a company's survival. 'It' is goodwill.

In behavioural, as opposed to accounting terms, goodwill is an amalgam of traditional measures of loyalty and satisfaction. More importantly, goodwill offers a structure for new business and retention marketing that goes beyond mere injunctions to 'cuddle up to the client'. It does so by defining paths to key behaviours and opening up segmentation of the client base.

Marketers and sales professionals are often puzzled by apparently contradictory client behaviours. Why does, say, a minor service incident cause one client to walk away, while another appears impervious? The answer lies in your 'goodwill bank account'. Keep it nicely wadded and you can ride out problems, but run it on 'empty' and the smallest incident may herald your own 'credit crunch'. As the chart shows, research identifies six principal components of goodwill – or ways to pay in to your client bank account. These currencies can, in turn, be used to 'buy' certain desirable behaviours. Among them, the most valuable are satisfaction based on pleasure (ie. enjoyment in the relationship) and a sense on the client's part that you deal fairly (or benignly or ethically) with them. They drive, for example, the very potent 'public advocacy' – a client's willingness to endorse your firm in a case study or at a conference.

Your goodwill bank account



Conversely, if you want to encourage more 'private advocates' to tell their friends, you'll most likely be able to activate them with high utilitarian and general service satisfaction scores.

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If this last distinction is puzzling, it reflects personal experience. Imagine if a friend asks you privately to recommend a restaurant – you will probably go for a safe 'all things considered' option. On the other hand, if the restaurant's proprietor asks you to provide a personal write up for the local paper, you will need to have a real passion to make such a public commitment.

What about the 'client banks' where you make your deposits? There are two key drivers that enable segmentation: the client's orientation towards value/performance and relationships. From this, we can identify major client types. Every business developer's favourite will be the 'Active Partner'. Usually fewest in number, but most profitable and valued, they empower the B2B/professional team, treating them as an in-house extension and encouraging strategic thinking.

Conversely, beware the siren voice of the 'Relationship Seeker' (or 'midnight caller'). Often very senior and knowledgeable, their key retention criteria are personal relationships and the firm's level of responsiveness to their changing personal/organisational needs. Often a drain on resources, they may switch at short notice.

But take a special interest in the 'Old Reliables'. Sometimes very senior, their long commitment is often rooted in inertia. Typically modest sources of fee income, they appear uninterested in the service. Yet they often take a personal pride in 'their lawyer' or 'their agency' and, in tough times, represent a source of referrals and potential incremental revenue.

Each type merits its own customised sales approach. A 'one-size-fits-all' client contact strategy can cause more harm than good.

contributor

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