

# NewsWire

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## HELPING ENTREPRENEURS AND BUSINESSES GROW AND SUCCEED

A joint program of the Labovitz School of Business and Economics, Natural Resources Research Institute, and Swenson College of Science and Engineering.

### QUANTITY AND QUALITY:

And important balance for  
small business marketing  
By Curt Clinkinbeard

In many aspects of life, the old question of quantity versus quality comes into play. So it is not surprising this question surfaces, from time to time, in marketing. So which is more important quantity or quality?

The more lukewarm (and accurate) answer is that both are important.

But quality gets a lot of the exposure and discussion. There is no shortage information swirling around regarding the following quality based marketing questions....

- How do you produce higher quality advertising / copywriting?
- How do you provide higher quality service?
- How do you conduct better research?
- How do you improve the quality of your pricing?
- How do you find the highest quality customers?

## INDUSTRIAL MARKET TRENDS

How to Give (and Know You're Giving) Good Customer Service

By Ilya Leybovich



Good customer service can mean the difference between a solid client base and losing market share. But how do you know if your customer-response channels and retention strategies are doing their job?

It is accepted that keeping existing customers is generally easier and less expensive than trying to acquire new ones, which makes customer service a vital asset for improving consumer loyalty and sales. An ineffective or unsatisfying customer service experience can drive clients away from a company and give it a negative reputation, ultimately hurting the bottom line. On the other hand, implementing a successful customer service policy and reacting to client feedback can preserve a purchasing base and may even help a company expand through positive word-of-mouth referrals.

According to a 2006 customer satisfaction study, companies with high customer-satisfaction ratings had higher stock returns along with less erratic stock prices and cash flows.

In many cases, the quality of customer service even outweighs the product or service sold.

"Since service calls involve direct interaction between companies and their customers — and customers do the work of initiating contact, expressing a strong desire to solve their problems — such calls elicit more immediate and vocal reactions than do the product problems that stimulated them," [Harvard Business Review](#) says.

However, the connection between good customer service and overall financial performance may not be readily apparent, as customer perceptions and satisfaction ratings operate through a complex chain of values with a resulting effect on share prices and quarterly profits. Nonetheless, many companies have embraced customer service strategies for both the fiscal and abstract benefits they offer.

"I think any company that takes a customers' money and is in the business to provide whatever service or product that person paid for, part of that contract

## Quantity and Quality (cont.)

All of these are excellent questions. And all are extremely important in marketing.

But with all of the hubbub about marketing quality, the element of quantity seems to be an afterthought. And let me reassure you that much of marketing success is driven by QUANTITY.

Let's spend the remainder of this article talking about this important (and often overlooked) aspect of marketing...

Here are some key questions relating to marketing about quantity:

- How do I obtain more customers?
- How do I increase my average purchase per customer?
- How do I increase my average gross margin rate?
- How do I increase the frequency of my marketing communications?
- How do I use more and different forms of advertising and promotional communications?
- How do I conduct more marketing tests?
- How do I get more people contacting customers on our company's behalf?

The inference is that with quantity, there is an automatic decrease in quality. This leads

## Industrial Market Trends (cont.)

now includes customer service," Emily Yellin, author of the book, [Your Call Is \(not that\) Important to Us](#), explained in a recent interview with [U.S. News and World Report](#). "The idea that once you've made a sale, you're done, is old."

Developing a sound approach to customer service involves a combination of practices and principles designed to build a relationship of trust with clients. In an About.com: Marketing article titled [The Ten Commandments of Great Customer Service](#), tradeshow expert [Susan Friedmann](#) offers the following guidelines to help provide high-quality customer service:

- Keep the customers' needs at the forefront, as they are who you are ultimately working for.
- Ask questions and concentrate on what the customer is telling you without making undue assumptions.
- Identify and anticipate needs by communicating regularly with clients to help foresee any upcoming problems or needs.
- Treat each customer as an individual by using his or her name, and be attentive and sincere.
- Help customers understand your systems by taking time to explain how your company's methods work.
- Always promise to fulfill any reasonable requests that make doing business with you easy.
- If something is wrong and the customer is dissatisfied, apologize. Apologies are easy, free and appreciated by customers.
- Try to provide an extra level of care that other companies don't, even if it's a small gesture.
- Get feedback regularly by welcoming any customer suggestions for how to improve the quality of your service.
- Treat employees well. Showing appreciation to your employees can improve their disposition toward customers, making customer service more effective.

Although these considerations can help strengthen a business-client relationship, it is also important to evaluate the effectiveness of customer service initiatives and understand what is working and what is not. While a successful approach can sometimes be measured in increased sales or a decline in customer loss, direct feedback is still the best way to gauge the quality of your service.

Customer satisfaction data can be acquired through a number of means, such as phone queries, mail or e-mail questionnaires, online surveys and face-to-face interaction. When surveying customers, [About.com: Management](#) guide [F. John Reh](#) recommends asking the basic questions regarding the customer's level of satisfaction with the purchase made, the service received and with the company as a whole. Additional complex loyalty questions include these:

- How likely are you to buy from us again?
- How likely are you to recommend our product/service to others?
- How likely are you to recommend our company to others?

This second set of enquiries can be invaluable for assessing the overall quality of customer service and client satisfaction, but it is important to avoid irritating the customer with a too-aggressive approach.

## *Quantity and Quality (cont.)*

to a fear of taking a quantity approach to marketing. For many, this produces an accompanying overemphasis on quality, often at the sheer volume of activity.

In my experience, marketing is often a numbers game and the more "lures you have in the water, the more fish you are likely to catch." I try to emphasize quantity, not at the complete expense of quality, but I will always encourage someone to take action, even though things are not perfect, versus hesitating and reducing the marketing output in pursuit of marketing perfection.

Taking action (more quantity) leads to more rapid learning. This leads to more rapid experimentation (a critical aspect of marketing) and faster evolution of the company's approach to the market.

Another significant benefit of marketing quantity is that it increases the likelihood of marketing synergy. That simply means that none of your marketing efforts operate in a vacuum. For instance, a strong sales person and a strong website do not operate separately from each other. One plus one equals more than two. The website and the salesperson working together will produce significantly more than the sum of their individual parts. When you have 20 great tools working together, the multiplying effect is quite powerful, thus making quantity an important aspect.

There are few **QUALITY** aspects that will facilitate greater marketing **QUANTITY**:

## *Industrial Market Trends (cont.)*

"When the economy is down, businesses tend to get desperate, and the knee-jerk reaction is to increase the frequency and volume of their customer communications. It seems like a simple solution to e-mail customers more often, but that's the opposite of what you should do," [Entrepreneur.com](http://Entrepreneur.com) suggests.

Instead, a more targeted approach can increase the likelihood of accurate responses. For example, if a customer typically makes one major purchase a year, a single annual survey shortly following that purchase can provide a more precise indication of customer satisfaction because the experience is still recent. However, requesting data after every purchase risks annoying the customer and skewing the results.

Once customer feedback has been compiled, it's time to look for response trends and differences according to region and product or service sold. The most common complaints should be identified and investigated, while customer suggestions for improving business practices are taken into account.

As [Inc.com](http://Inc.com) states, "Each interface with a customer, whether current or potential, is a great opportunity. Make the most of it."

## **REVENUE RULING GIVES GUIDANCE on "S" Elections For Partnerships Converting to Corporations**

The IRS issued [Revenue Ruling 2009-15](http://Revenue Ruling 2009-15), which addresses the question of whether, when a partnership becomes a corporation for federal tax purposes, it is eligible to elect to be taxed as an S corporation in its first tax year. The ruling, issued Thursday, clarifies that a partnership that converts to a corporation is eligible to make an S election, effective for the corporation's first tax year.

The revenue ruling looks at two situations: The first is when a partnership elects under the check-the-box regulations to be taxed as an association. The second is when a partnership converts to a corporation under a state formless conversion statute. Under Rev. Rul. 2004-59, these two situations should be treated the same for federal tax purposes.

In the first situation, under Treas. Reg. § 301.7701-3, the following steps are deemed to occur: The partnership contributes all its assets and liabilities to the association in exchange for association stock and immediately the partnership liquidates by distributing the stock to its partners. Under these steps, the revenue ruling says, the partnership (which would be an ineligible S corporation shareholder) never owns the association stock during the association's first tax year. Therefore, the association is eligible to elect S status in its first tax year.

In the second situation, the same steps are deemed to occur, except that instead of association stock, stock of a corporation is involved. But according to the revenue ruling, the results are the same: The partnership never owns the corporation stock during the corporation's first tax year because it is deemed to have distributed it immediately to its partners. Therefore, the corporation is eligible to elect S status in its first year.

In addition, the corporation is not deemed to have had a short C corporation year preceding its first S year. For more information:

<http://www.journalofaccountancy.com/Web/20091708.htm>

## *Quantity and Quality (cont.)*

- Better planning leads to a higher quantity output from marketing
- A better testing/experimentation mindset prompts action.

What's the takeaway? Marketing quality is important. But don't forget quantity. In many ways, the more marketing you do, the better the results you can anticipate.

Curt Clinkinbeard is the Executive Director of the FAMEE Foundation, a not-for-profit organization dedicated to helping entrepreneurs "advance marketing excellence" and build profitable revenue streams. More information on their free **small business marketing programs** can be found at: [www.famee.org](http://www.famee.org).

The University of Minnesota Duluth Center for Economic Development offers numerous workshops to help entrepreneurs and employees operate more efficiently. All workshops are held at the Duluth Technology Village, 11 E. Superior Street, Suite 210 unless otherwise noted. To register call: 218-726-7298, 888-387-4594 or register online: [www.umdced.com/workshops](http://www.umdced.com/workshops).

## **The mission of the University of Minnesota Duluth Center for Economic Development is to assist entrepreneurs and businesses to grow and succeed.**

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