



Customer Incurred “Overhead”

Jonathan Narducci

Have you ever had to wait in an extraordinarily long line to make a purchase while there were unmanned purchase stations? How about returning a defective item either by going back to a store or via mail? When you get a product and read the instructions, do you find them either wrong or so unclear that using the product became self taught, improperly utilized (both extending the time for implementation), or just plain impossible (causing a product return)? Have you spent time with a salesperson who did not 1) know the products they were selling or 2) ask you questions about your needs or your intentions (actually, you did all the questioning), extending the time to make your purchase?

Have you ever requested service where you know more about the problem and its solution than the “expert?” Have you ever called for the service of a utility or “large” product (washing machine, dishwasher, or stove) and was told that they would arrive between 9 and 5? Having called for product service for any reason, did you spend more time on the phone waiting to get to the right person than it took to get the answer to your question? And did you get the “run around” for resolution, partial or otherwise? Have you ever bought a product at the “guaranteed low price” only to have to go back to the company, less than a month later, to redeem a refund on that guarantee because *they* lowered the price and didn’t inform you?

I have, and I have spent a lot of time and money as a result. And, I could go on with numerous additional examples gleaned from blogs and other internet sources, proving I am not alone experiencing these non-customer centric events.

So, why do I bring up a subject that’s been discussed so much? Because I believe, since they are so common, that companies must think that they are just the “cost of doing business” with them, their competitors, and, actually, all other businesses. In other words, it’s normal, so there’s little incentive for change.

If it’s this “thinking” that is causing the lack of action to change these experiences, then it’s time to change the thinking. Maybe putting these events in terms of something business understands will help with this change; a word to describe things that will get management’s attention.

The word that comes to my mind is “overhead.” It explains the money and time resources burned that’s attributed to everything a customer does - up to and after the buy - that isn’t related to using the purchase to achieve its intended goal (illustrated by the experiences mentioned above). It’s also a term that management understands since they work to control it inside their own businesses. So, if it’s important to them, then maybe, just maybe, management will think controlling the overhead customers incur doing business with them is important too. I believe the vendor that best *optimizes* the associated activities and events creates a differentiated competitive advantage.

We all know that purchasing solutions has a level of required customer incurred overhead. Companies are not going to eliminate, for example, the education process consumers have to go through to select products, the “installation” time or (in numerous cases) training time, all necessary to put the purchase to use and obtain results. Also, unforeseen events occur as well, even some that can result in the negative experiences outlined above.

This means there are three basic kinds of customer overhead to optimize, eliminate, or mitigate; the necessary, the unnecessary and the unforeseen. Regardless of the type, they all should be managed with “positive experiences” as the desired outcome.

What's needed to optimize these overhead costs to the customer is the development and implementation of creative, targeted benefits and activities. The first, important step in this process is gaining insight about what "overhead" means to customers – individually, by groups, or by market. That's why companies should specifically ask customers about their "non-product" related needs, intentions, activities, and, generally, what really matters to them that affects their business or life activities. It's these questions that uncover their - for example - time issues, multi-vendor product coordination requirements and ongoing tasks or activities (that may have nothing to do with the company's products). It's these questions that uncover the collection of opportunities that, if taken advantage of, creates a collection of benefits that become hard to duplicate.

Will using the word "overhead" be sufficient to promote action?

No, especially in light of some of the pressures companies feel as they try to mitigate customer overhead – for example, adding more, well trained support and sales personnel, more capital equipment and more time to product development and manufacturing processes to create a more robust product and service, which, if not mitigated, could result in increased customer overhead costs.

No. It's going to take action on the part of customers to realize how much time and money they spend on overhead so they can put it in the context of the *total* price they pay. This means they have to put a price on the experiences they have doing business with their vendors.

And no, it's going to take a collaborative effort, as suggested above, to develop creative solutions.

But it's a start.