How to Define the (Customer) Relationship: Crash Course Entrepreneurship #10

Crash Course: Business - Entrepreneurship
https://youtube.com/watch?v=hoO5ZdKl2qE
https://nerdfighteria.info/v/hoO5ZdKl2qE

Like any committed relationship, the relationship between a business and its customers needs nurturing.

And that shouldn't come as a surprise! I mean, we've already mentioned customers over 100 times in this series.

We need customers to run a successful business, and naturally they're going to have certain expectations. So we want to make sure we deliver on those expectations and develop those relationships as our business develops. I'm Anna Akana, and this is Crash Course Business: Entrepreneurship. [Theme Music Plays] So the first question we have to ask ourselves is: what kind of relationship do we want with our customers?

We daydream about building our perfect partner for me it would be the body of Chris Evans with the head of Chris Evans. Or finding a BFF, so why can't we do the same for our customer relationships? You know, the level of commitment, kinds of interactions we want to have, or even the medium we use to communicate.

There are lots of options to consider before making any decisions or jumping into anything. The easiest type of relationship to build is no relationship. If a business only engages with customers at the moment they make a purchase, or either person could be a robot and nobody would notice, this is called a transactional relationship.

A good example is a credit card machine that takes 3% of a sale as a processing fee. The credit card company never needs to see the shoppers, and the shoppers might not even know that 3% of what they just paid is being sent elsewhere. In love, transactional relationships are a no-go, but here both sides are happy.

Another fairly hands-off option is a self-service relationship. This is where the business has no direct contact with the customer but provides all the necessary equipment for customers to help themselves. Think self-pump gas stations or self-serve frozen yogurt shops.

The customers do all the work, but they get to customize to their heart's content. We can kick this up a notch by providing automated self-service. Generally, this recognizes something about the customer and can be personalized using customer profiles.

Automated services can simulate a more personal relationship, like Goodreads suggesting books or Hulu offering movie recommendations. Love those computer algorithms learning everything about us… Some companies like to deliver an even more personal touch with a personal assistance relationship -- one where the customer can communicate with a real person to get help during the sales process or after the purchase is complete. This could happen in brick-and-mortar stores, on the phone, by email, or some other way.

I hear skywriting is making a comeback. Many companies are integrating a "live chat" feature on their websites, like Internet or mobile phone providers. Live chats provide immediate access to a company representative without the hassle of going into a store or the horror of a live phone conversation.

The next level is a dedicated personal assistance relationship where each client has a specific representative devoted to them. You could even say they're...going steady. The point is to create a much deeper bond that will last a long time.

This is possible in businesses that don't have millions of sales and expect to be with customers for a while. For instance, local tax accountants or insurance agents usually maintain personal relationships with their clients. Then, there's the modern-day classic: the loyalty program. [If you don't have at least 3 memberships and punch-cards in your wallet right now HOW ARE YOU SURVIVING WITHOUT ALL THE DEALS??

Switching costs -- like money, time, or plain old hassle -- are a way to describe how easy or hard it is for someone to switch loyalties to another business. So loyalty programs reward customers for their purchases and make it a little more costly to switch brands, so they return again and again. It's far cheaper to retain or "lock in" previous customers than to start from scratch with someone new.

Not to mention, happy customers also talk about how happy they are with a new product. Kinda like those couples who just got together and they're like SUPER obsessed with each other. Gym memberships are notorious for this.

Maybe they give you a discount if you get a friend to join, but to cancel you have to go all the way into their office and fill out 1 or 2 or 15 forms. Or on a simpler level, maybe your favorite lunch spot has a loyalty card and the feeling of getting closer to 12 punches and a free sandwich makes you want to keep coming back. At the most involved end of the spectrum is the long-term relationship.

These are built with customers over time through regular interactions and possibly with an emotional connection. This type of customer is like the die-hard Patagonia fans who support the company over many years. They're not just in it for the snazzy vests, they believe in things like Patagonia's environmental mission and the quality of the clothing.

But also the snazzy vests. Might as well put a ring on these folks. But sometimes a business isn't necessarily the expert providing everything to its customers, it's a conduit for greatness.

In a co-creation relationship, companies don't rely on a lot of in-house innovation and instead work directly with customers to develop products, which relies on some great chemistry! You almost never see videos created by YouTube employees — creators like us are making almost all of the content. And finally, a business can also rely on customers' expertise by creating communities online or in real life.

In these spaces, customers can interact and exchange user knowledge, which can end up strengthening their bond with the business that brought everyone together! Not to mention, it's an opportunity to stay up-to-date on what people who care about your product are saying. If people are complaining about a glitch or sharing innovative uses in these communities, that's awesome feedback!

So after we know the options, we want to decide which customer relationships will work for our business. Only one thing to do: spin the wheel of relationships and let fate decide! Well... no...

Sort of. All of the decisions we've made so far about our business -- from choosing a legal structure to getting customer feedback -- have involved asking key questions and listening to trusted advice. So figuring out what relationships we want to nurture is no different!

And just like you might have multifaceted relationships with a parent, a friend, a partner, and the coffee barista that works at your local shop on Thursday mornings, customer relationships aren't mutually exclusive. So go ahead and pick more than one for your business! There's also no ideal mix, and we're not here to tell you exactly what you'll need to do as an entrepreneur.

What works for one business in one region might not work somewhere else. Let's compare two businesses: The Running Company, an Australian brick and mortar shoe store with several locations, and Salesforce, a massive tech company that sells cloud-

based software to other businesses to help them manage their customer relationships. Both want to cultivate a long-term relationship with customers.

The Running Company needs repeat customers to compete with the big department stores. And Salesforce needs to convince customers to continue using their software and pay for subscriptions and updates. The Running Company has personal assistants to make sure customers have a great experience in the store and want to return.

Salesforce has account managers who provide dedicated personal assistance to each client, by being available to help with whatever problems come up, along with online demos for immediate troubleshooting. Both businesses also want to lock-in customers with loyalty programming. The Running Company offers exclusive online products for those who join and other member-only running-related content.

Salesforce's customers are other businesses, and when a business adopts an entire platform, it can be very expensive and time-consuming to shift to a different platform. So switching costs are already high, and their loyalty programs look a bit different. They might take business representatives out when they come to town, or provide a discount if you pay for your subscription annually instead of monthly.

These days a lot of businesses are trying to build communities centered on their brands as part of their customer experience. Each Running Company location offers a free weekly running club open to all speeds, as well as events throughout the year. Salesforce has started putting on their annual Dreamforce -- a massive tech conference in San Francisco, California meant to bring together over 200,000 users and enthusiasts.

So even though these two example businesses couldn't be more different in the products and services they offer, they actually have the same basic types of relationships. Presumably, they decided on those relationships by carefully considering what they were capable of and what would appeal to their customers. Let's do this ourselves in the Thought Bubble.

Ashlyn wants to start a traveling bike repair service. She's outfitted her own bike with a special cart that holds all her tools and unfolds to be her repair station. When people need her, they tweet their location, she confirms the appointment, and away she zips!

Basically, Ashlyn's value proposition is providing fast and efficient bike repair that comes to the customer. It's simple, mobile, tech-savvy, and appeals to a target market of athletic, busy, techno-literate cyclists aged 25-to-45. For the first few months, her natural personal assistance relationship is keeping a lot of cyclists happy and she thinks she's building some great long-term relationships.

From chatting with her customers while she works, Ashlyn learns that many are looking for new trails to try and fellow bikers to ride with. She decides to build community by leading free evening rides around town and hosting DIY clinics on how to do basic bike maintenance. And she designs helmet stickers with her sporty logo.

It's going great! Well… sort of. Turns out what customers actually wanted wasn't a long-term relationship, but to be empowered to fix their own bikes.

So her clinics are packed, but she's not getting any tweets. Not even a half-hearted chirp. To keep pedaling forward, Ashlyn needs to let her customer relationships evolve.

She decides that for a smaller fee, she'll show up and anyone who's taken her class can use her tools -- like her air pump or special bike wrenches -- to do basic maintenance. So she's cultivating a self-service relationship with her customers. And now that she's got them hooked, she could start charging a small fee for her classes or evening group rides with a loyalty program where the 5th one is free.

Thanks, Thought Bubble! There's no right answer, but engaging in some human-centered thinking about what would work -- or is working! -- for our customers can help us make sure we're on the right track. Basically, our value proposition should never be far when we're trying to build a business.

The bottom line is: begin as you mean to go on. Plan how you'll interact with your customers and get ready to react to feedback if you find the relationship has evolved. Next time, we'll discuss all the ways you can let your customers know how amazing you are, from social media to snail mail.

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