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The Sleeping Dogs Are About to Howl

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My sister recently started selling advertising space for a local newspaper in Westchester, NY. One of her first leads was a heating oil company with about 2,000 customers. She was optimistic about the call. After all, oil prices are at record levels, she figured, and this guy must have money to burn.

She was surprised to find that things weren't going so great for him. In fact, he wasn't very interested in marketing his oil service at all. He wanted to expand his plumbing business. With oil prices so high, he would only add new oil customers if they gave him access to their credit card or bank account, with the right to take payment anytime they went beyond 30 days. "Did you know, she asked me, that his suppliers actually do that to him? And he has to pay within 10 days, not 30. What's more, she said, he doesn't even make more money when prices are this high. He makes less."

She was so surprised by this, she actually said to him—do your customers know that's the case? Do you ever communicate with them about it? "Nope" he said. "I don't think they care. All they care about is what's on their bill." "Well", she responded, "I heat my own home with oil. And it would matter to me. It wouldn't change the fact that I hated paying my bill, but I might pay it a little faster if I thought my oil company wasn't raping me (her words, not mine)."

And there, in a nut shell, is the point of this article. Nothing you can do will change the fact that your customers will hate their oil bills. But there's plenty you can do to make sure they don't transfer that ill feeling over to you.

You can tell your story better, and it will influence the attitudes and decisions of many customers. And

now's the time to start doing it.

Rise and Shine

Unfortunately, many of you still operate with the mantra—"let sleeping dogs lie." You assume that by talking to your customers about oil prices, you make them more price sensitive. You assume that nothing you can say will affect their thinking, mostly because the vocal minority has made you cynical. You think just because they're not calling you, that means they're ok. Or at least resigned to things.

But guess what? The dogs are about to wake up anyway. Pretty soon, your customers who signed onto programs last year are going to receive your "announcement" letter, and it's going

to hit them like a triple espresso. Maybe they'll also receive one of those post cards with a "special" offer from your competitors. Or see some crazy pre-buy ad from an outfit that needs to raise money fast. While we're at it, let's throw in those customers who weren't on programs, and think you made a boatload of money at their expense. And those who think converting to Natural Gas would shield them from the oil doom and gloom they see every day on the news.

It is not going to be a pretty summer. But it will be even worse if you don't address these issues head on.

Get Your Message Right

For over 15 years, I've beat the drum for improving customer communications and marketing in this industry. And I've seen some definite improvements. But overall, this is still the Achilles heel for many of you. And this year, that's really going to cost you.

I implore you to put together your customer retention

and communication strategy right now for what used to be the “off” season, but is now when your year can be made or broken. It should include the following:

How are you using all the various mediums at your disposal to engage your customers and tell your story? Your customers need to see that you are on their side. That you appreciate how tough the bills have been. And that you are doing what you can to make it a little easier.

At the same time, you need to put the current prices in perspective. The news is making it seem like the only way oil prices can go is up. We know that’s nonsense, and history verifies it. But it doesn’t matter if you’re not making that case to your customers.

More than ever before, you need to reinforce your personal relationship with them, and make the true value you provide clearer. Because otherwise, it’s much easier to go shopping to save some money. And as much as you emphasize the positives, you also can’t be afraid to raise doubts about the color of the grass on the other side of the fence. You need to give customers pause when their interest is peaked about getting the same thing they have now, only for a lot less. You need to make them think twice. And there is certainly enough evidence to use if you look for it.

For example, you all have customers you “rescued” when some other company didn’t come through, or disappeared entirely. Share their stories. There are also plenty of articles about companies that went belly up this year, leaving pre-buy customers in the lurch. Share them as well. The key is not to overdo it. Put in the right balance of concern, positive value, education, and “fear”, and you will hold onto many more customers than you will otherwise.

If you try to handle all this just when they call, it’s too late. Too many of them have made up their minds, or are just calling to cancel. And many of your people are overtaxed this time of year. Even if they knew the best things to say, (and many don’t) they don’t have the time to spend talking to each disgruntled, price wary customer.

Cover your bases

Instead, you need to reach out proactively, making good use of your spring newsletters, end of year communications, inserts and web site. Reach them before they call. Your tactics can, and should, feed off of each

other. For example, an article that points how oil prices are challenging for you also, could link to a section in your web site with answers to common questions about prices, a chart that reinforces you don’t make more money when prices are high, etc. Tell your story, and shape their opinions, or have them shaped by your competitors, the media, and their own frustration.

If you offer price protection programs, you have a special imperative this year, because so much attention will be focused on this area. How are you going to promote your options? If you’re concerned that your letters could lead to a new round of price shopping, you’d better think carefully about how they’re written.

A landing page on your site could have much deeper explanations about the pros and cons of price protection or what’s driving oil prices for those customers want to know more. You benefit when they see you as their resource, when they see you on their side, and when they understand the how this stuff really works. Because otherwise, they tend to think the worst.

One of the challenges you face is the lag between setting your cap/pre-buy price and the deadline for enrollments. A month can see a 30 cent shift in prices. Consequently, an increasing number of clients are using a rolling admission program, where customers can enroll on a daily basis on a website. (We have a terrific, inexpensive web solution for this, by the way.)

Remember that you don’t need to promote all your options to all customers, unless you don’t mind which choice they make. If you have a segment of customers on price protection and others who haven’t opted in, you are not compelled to promote this option to the latter, unless you feel you come out ahead that way. Segment your base, and send them just the right communication.

While you’re at it, it may be a good time to look closely at your price protection offerings in general. Are you offering the right options? Are you covering your expenses and risk? Are your target margins right, and what do you need to do if the answer to any of those is no? You can make changes in your programs so they work better for you, not just your customers.

For example, you can steer more customers onto budget (or cap) and away from pre-buy, and that can have

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a big positive long term impact on your business (prebuys give you an initial cash flow infusion, but hypersensitize customers to price, generally provide lower margin, and make it much easier for you to lose the account.) You can eliminate some programs, start charging for caps or downside protection, increase the charges, change the start date, etc. I know that many of you feel very anxious about making changes like this. But if you handle the communication thoughtfully, you can really reduce any negative customer reaction.

Prepare for the Onslaught

No matter how good your letters and communications, you are sure to get an avalanche of calls when your price protection letters go out, or new budget numbers are mailed. Are your people ready for the onslaught? What kind of training are you doing so that they can answer the two killer questions “why are you guys so expensive. I can get it from XXX for less.” And “I’m thinking of switching to gas.”

Take a little time each day now to go over one or two scenarios with them before things get really crazy. Give them talking points. Have them role play (even though they hate it.) Keep track of customers who call to complain so that you can follow up with them. Too many of you think the game is over when they hang up the phone. In fact, it may have just begun. It may also be time to hire a person who is much more of an inside sales and retention specialist.

“Are your front-line people ready for the onslaught? What kind of training are you doing so that they can answer the two killer questions ‘why are you guys so expensive. I can get it from XXX for less.’ And ‘I’m thinking of switching to gas.’ ”

This is also a critical year for getting more customers on budgets. One of our clients in southern Connecticut increased his budget enrollments from 25% to 50% over three years. He recently analyzed his customer losses through December and found the following: 75% of his losses came from the pay as you go clients. The budget customers were either asleep, or felt like it was too big a hassle to try and get their money back and leave. That’s a really good kind of customer to have at a time of hyper volatility.

You could see an increase in budgets just because prices are so high. The question is whether you want to be satisfied with a little, when you could get a LOT by marketing these programs smarter. I encourage you to go for the gold this year. And that means smart use of direct mail, engaging your customer service reps and salesmen, etc. Set goals for the company and create an incentive for reaching them. Make sure your letters have language which says that this payment amount is an estimate which could change as a result of usage, price increase or decrease. While you’re at it, make sure your price protection agreements give you the right to re-bill a delivery at current rates if payment is late.

I wish I could tell you that by doing all this, your customers will go back to sleep. But \$100 a barrel crude is a blaring radio. The best you can do is give them some ear plugs. And make a terrible situation a little better.