

## Georgia's Business #404

### Guest: Richard Brock CEO, FirstWave

#### **Richard Warner:**

I'm Richard Warner, welcome, this week on Georgia's Business one of the state's technology pioneers. He's been a CEO, an investor, a mentor, he's been up and down and back again. And he's one of the most talented customer relationship management experts in the country. His name is Richard Brock. He's CEO of a company called FirstWave which helps companies manage their sales channel better so they sell more and ideally earn more. I want more customers. What's the most important thing I can do?

#### **Richard Brock:**

Well I guess the most important thing is to keep the customers you have. And I think the difference is, we're now with the internet changing global economy and so it is a global economy so we have to compete on the satisfaction of the customers. So it has put the customer relationship really in proper focus. I mean the early customer relationships system were about how you can sell cheaper. And that's not really the way it is anymore. I mean maybe big companies would like that, but that's not on the cards anymore its about how you can service customers. You have to reach them differently that you used to. You have to sell entirely differently that you used to. But the most important thing to focus on is what is the customer experience? It should be called customer experience management and you should live your life focused around do you have the right customer experience because that's the only way to survive today.

#### **Richard Warner:**

Had an email about two weeks ago that changed the way I think about business. And it was designed to make you think outside the box. The email basically said your job is not to provide the best product for your customer. Give them what they paid for. What you need to over deliver is how you communicate with them and that relationship.

#### **Richard Brock:**

Well I would paraphrase that to say you're talking about perceived value and that's what sales is all about and customer satisfaction and we unfortunately, the margins are thin and every business today because business is so much more efficient. You do Google search everybody that has every product at the best price etc. So you've got to improve your margins which means you got to get people to pay a premium. I'll give you an example. Apple computers charges a premium for what they do. But they I've it back to the customer by giving them a better customer experience. So the satisfaction level, the way you treat your customer, that is what it's all about. That's the secret sauce I think in to being a profitable relationship is to get people to pay you what you need to give them what they want. But they don't pay you for what your cost is and too many businesses used to think well you know we pay X, we'll mark it up to Y, and you'll pay it. Not in today's super-efficient market. You have to get people to perceive the value of what

you're offering is what you're asking for. Example, if we look at restaurants, they're all different price points. Even more to the point lets say automobiles. If you look at any parking lot there's a range of automobiles and you think we really don't need that many automobiles because how can they be that different. Well they're not but people have a trade off and some people put more of their disposable income into certain automobile than others. Because it's a perceived value having one brand versus the other. And that's how they're all successful so if you just look at that as an example, the parking lot is representative of human nature if you will. If people are going to buy not a homogenous, not the best car for them. There should be about 3 or 4 cars everybody should choose from, there's 50 models if you will. It's the marketers job and manufacturers job to deliver to the perceived value and that's what you have to get in balance is the cost of what you offer to the perceived value of the customer.

**Richard Warner:**

It starts with the marketer. The marketer is the one who is supposed to put that perceived value in the mind of a customer. You're like me and you find yourself in a situation where you're competing against 2 or 3 companies for a piece of business that you really want and you're very hesitant to go up on price regardless of your experience how great you are because you want the business.

**Richard Brock:**

You know, I'll give an example that will kind of address your question and how I got in this perceived value thing very young age. When I first got out of graduate school I practiced as a certified practice accountant and often along the way I worked for Vice Whitehouse Coopers, a large regional firm, and then I had my own CPA firm. And so one of my first clients introduced me to his neighbor who was a dentist and so I went to the distance and I was very lucky to have this account, second year in his practice and second year of my CPA sole practice so I met with Dr. Garver, I remember him well, and so he said what are you going to do and I said well I'm going to take this one right system and I'm going to code the checks like they did last year and I'm going to do this a little differently. And he said you know what, I could do a better job of coding those checks cuz I didn't describe it well I'll do that for you. So then he did that. So that's less work than the first guy did. Then I met with him one evening to review the financial statements I had drafted from him using computer system. He said it can't be that expensive. I couldn't have spent that much money elsewhere. And I said well lets take a look and he says, oh you're right. We caught a couple mistakes he had made but basically he was shocked at how much he was spending. And the moral of the story is, the first guy way back when charged \$250 to do his tax return but never communicated to him and that's what you're referring to, did not communicate the perceived value so I was going to charge \$400. So I remember meeting with him and he had a very interesting reputation, nickname was Mad Dog. But I'm sitting across from his desk as we are now, and I've got my little tie on and I said, Well Dr. Garver this bill this year is going to be more than last year because I had to set up your system on the computer and set up your tax return but it'll go down next year because I knew I was charging \$150 more than the last guy. In fact he put his hands on the table and stood up and I thought for sure he was going to grab me by the collar and choke me to death. And he said, that's not enough, you did too much

work for that. He said tear that invoice up and I'm going to give you a check for \$600. Which was not good enough because now he has this beautiful boat in the Gulf Coast, and he's taking me fishing on Friday afternoons. Life is large here and in the course of one year I had 8 dentists because every young dentist in town I became the CPA for because I was the best guy. So when I had that experience at that early age it says it is not about the cost. The first guy spent more time than I did. He made an investment thinking he would get it in subsequent years and all that work and I said no I expect to be paid. I need to be paid. So I charged what was a fair price and here's a customer telling me that was not enough and really writing a bigger check. That's a true story, and that changed my life and got me totally focused on perceived value. That's what the market is about.

**Richard Warner:**

You're in a competitive situation for this client that you want, and you want to charge more than perhaps you feel comfortable with in order to be profitable at this. You need to be putting a lot of your energy into defining the value of what it is you're going to be doing, making a very clear value statement to this potential customer and doing a better job than the other two companies who want it and are focused on lower prices.

**Richard Brock:**

I say never okay. There's commodities. Let's say that you're selling copy toner. But if it's all the same, if the photo copy comes out great, then do I need to buy a more expensive plan, I say no. But if we're talking about something that really matters in a business product, and that's where most of this market is something that they really need. It's not a commodity or if it is a commodity, you need to amalgamate more services around it. You got to focus on a solution. It's interesting, I was taking a golf lesson last week and the guy said don't stare at the ball. He said look where you're going, look at the target and basically hit the ball on the way to where you want to go. And so I think if you look at the price, you really can't control the price. I used to sell for CPA firms, software. And it was very innovative software around time and billing or practice management. Now we go in to CPA firms and I would say well who in your firm sets your billing rights? And they would say, well the Manager Partner does or the two senior guys do. I say no they don't okay. Your customers set the billing rights because if you charge them too much they go to somebody else. If they're willing to pay what you want to charge it's the perceived value. So that's where I'm going to you is, you really should never try to. You can compete on price. If so, you better have the buying power of a Wal-Mart or Home Depot. But even there, Home Depot struggled the last couple of years because her customer satisfaction ratings and they have actually addressed that very beautifully. Dell, which is about low price, but they let the customer satisfaction rating get down and they got killed on the bogs which is a huge impact on business. So they've now aggressively responded to that. It was in the Wal-Street Journal last week, what they've done. You take Apple on the other end which charges I thin 30% more for their computer product and you have to wait in line, well you don't really because their so efficient in their computer stores. But people pay 30% more for a comparable reads and speeds if you will because of the buying experience and the customer support experience. So, I think if you're focusing on price, that's the wrong alternative. A few people can be the low cost producer, but only one can be the lowest cost. The only thing that people can repetively do all the time is

being customer intimate so those people have a perceived value and the relationship, and are willing to cover you when you don't do as well as you might have. Or you may have to charge a little more than someone with less because it's not enough to them and they relish the comfort of buying a solution from someone they can trust.

**Richard Warner:**

Harvard Business review does a thing on Bellsouth and how a big contract comes up, multi-million dollar contract and the company with the better solution lost the deal because a company with an inferior solution went in and established the relationship during this pitching time, and got the business because people felt more comfortable with them.

**Richard Brock:**

Well I'll give you an example. We did a contract a few years ago. It was really an important contract. It was 10 million dollars in revenue for our small company which is a lot of revenue. And it was in the UK Government. We were doing it for the UK government. The man I was meeting with that made this statement had 10,000 employees that worked for him, 10,000. So he was a big kahuna if you will, very nice man and I got to meet him through business. But he came over here from the UK with EDS, Price Water House Coopers, and IBM. It was consortium that they had outsourced the project too. And the first vendor, big buys from big. The first vendor was a big company, and he came along and says, I'm sorry and they says, we went with big because he was allegedly safe. And then the big vendor says I'm sorry but we're going to be nine months late on delivery and a lot more money. And they says, the money isn't the issue, but this is an important job creating things. We promised jobs in these rural areas and we're not going to back off. So we got in there as a little guy who could commit more. And here's the beautiful quote, we won large call center of the year for Europe with that project so hey I'd rather have the \$10 million than the recognition but that wasn't a bad recognition. But the kindest words ever said to me, once again like Dr. Garver told me about you did too much work for that, George McCorkle in the UK government told me, Richard, I chose to do business with your firm because you were big enough to meet my needs, and remember he was dealing with the super bigs, but you were small enough to listen to 'em. And so here you're surrounded by all these massive hug vendors who have not done a good job, they choose me because I was kind of the only one who could commit to get it done in a hurry and he was so happy with it and we're still getting money out of it. So you learn things and I guess I say I've learned the most not for what I've done right, I've made a few mistakes along the way, maybe more than I should. But I learn from what people tell me. And when they tell you something like that you say, now that is something to make note of you know, perceived need, perceived value, big enough to listen.

**Richard Warner:**

Your impulse is to go in there and try and show how you're going to do a good job. I have these customers, I do these things, let me show you some examples of those things. And what you really need to be doing is spending a whole lot more time, an inverted pyramid, where they're talking and they're conveying and you're asking as opposed to you're selling.

**Richard Brock:**

Well you know that's true in any kind of relationship frankly. Well the secret to a happy marriage is two words, say yes. But other than that kind of a relationship in general, you know people often say God gave you two ears and one mouth to be used in that proportion. And in any relationship, I know that the more you engage customers, in even more demand today, because you don't get a chance to sit across the table as we are. You can't read the body language. They don't know you, if you will, they're buying through the internet so it's over the phone or whatever. And the more that you can get them to tell you, the more they think you care about their needs. And actually the more advantage to that is the more you can reflect back how your product meets the needs that they perceive they have. For example, if you're trying to sell aspirin, you know lets say it's New Year's Eve. We don't have a lot of takers ok. There's no perceived need for aspirin. New Year's Morning, how do you feel? Felt better, ok. What's wrong? I had a hah! So we have an established perceived need for the aspirin. I'll sell it to you what I couldn't sell you New Year's Eve I can sell you all day on New Year's Day. So that's why listening to customers is the right thing to do for a thousand and one reasons. It's the only way to really long term compete. If you knew what people want, you'll be fine. And it's ironic that listening to customers is such a way to compete. It should not be available, if you will. It should be the common denominator. People want to say, well I'll use a bigger marketing measure, I got brighter people, I got more brighter people in the corner than the other guy, etc. But the customer doesn't care. They care that you can meet their needs. It's a trust factor. All of the things being equal. People buy from people they like and trust. So I'm speaking more to the small businesses. Now the internet has murdered the big business because they can't use their muscle any more. We can talk more about that but they've lost the advantage of having more money because they're now forced to play ball the same way as the small companies and the small companies can compete pretty mano y mano.

**Richard Warner:**

You know you talk about the blogs and there was a product that was out there being advertised that looked intriguing. So I googled the product looking for blog entries. What's the real story on this? This is very intriguing. Totally trashed in the blogs. No chance I would ever consider buying it.

**Richard Brock:**

You know, it's amazing. I've seen competitors that spent so much money in marketing. In the years past in the software business, it was who spent the most money, who had the biggest booth in the trade show. That was really it. And you spent fifty thousand, seventy five thousand dollars for a booth. You would get slaughtered today, slaughtered today, if you were delivering an inferior product. The blogs are everything. You know, personally web blog, everybody individually allowed tot ell the story as they see it. IF you start to look at blogs you'll start to say well some people are really having an attitude issue. And like you say, it got the attention of Dell computer to the extent they took a senior executive and made him in charge. Dell is all over any single mention of their company in a blog. And there's software out there, its free as a matter of fact, you can set up and you can monitor and blog that mentions your company. And I really encourage

companies to do that. So therefore the big companies I was saying, they got all the money in the world and they can market like they want to, but if they don't create a perceived great customer experience then its going to be told, and buyers are looking whether they're big company buyers or small company buyers, are looking for experience. So right now we might say instead of marketing, we're communicating our experience. And we're not allowed to do that. Our money doesn't speak. IT is our actions that speak and it's not our words that matter, it's the words of our customers. So we go back to experience management is what it's all about.

**Richard Warner:**

The Dell thing was justified. Their customer experience was horrific because once they sold you the machine; they'd offshore the tech support and the billing to India. And they could not get their stories straight. It's a big Dell lease. I'm glad to hear that they've addressed it because it was a big issue a year ago.

**Richard Brock:**

Well it got them to their needs. Put it this way, it was damaging enough, and didn't read the blogs, but apparently the guy that wrote it was very smart and he would just research. It was a major corporate problem. Conversely, Apple, their support is done in Canada. I was shocked and I called support and they said "Hi, I'm Mike form Apple." One, you got through in a hurry, which was nice. "May I have your first name", you say Richard. "What's your last name Richard?" Once again I'm personalizing it. Brock, and they'd say "What's your phone number in case we get disconnected." and I'm thinking, I must have dialed the wrong number. This guys really going to call me back? And I've had it happen where my cell-phone went dead or whatever and they did in fact call back. So Apple doesn't apologize for the prices they charge, and look at their stock and how their doing. And it's all about customer experience management. And I'm a technical guy and I think they have a great product, but even if they had a parody product, to me that premium, and I don't know if its 30% or whatever, there's a premium in the Apple product but its worth it to me because my customer experience is good. That's what it's about.

**Richard Warner:**

We've not touched on competition and their many different fields of thought on how to deal with competitors. Your big competitor at FirstWave is Sales Force. How much do you pay attention to what Sales Force is doing?

**Richard Brock:**

Well it's interesting. Because they are the big gorilla in the space and they advertise massively and they have the mindshare, I would say we compete with them all the time, and never. All time and never because what we do, we sell a fair amount of CRM. The people have tried them and they have a turn rate that they're not too proud of but not everybody is happy with them but they don't mention that in their advertising. The way we compete, is that we've gone upstream. When you have a big gorilla like that, it's kind of like, whenever you have a space where we were competing effectively and we're all out having a goodtime catching our fair share of the salmon in the river. And then a big bear walks in and let's just say it's Salesforce.com and all that massive amount of money

becomes a safe corporate choice and the big bear raises his hands with big ugly claws and he says you know I'm going to whack you upside your head if you don't get out of the stream. So what you do is when you have a big bear in your part of the stream, you go upstream to where it's thinner, to where....

**Richard Warner:**

What does that mean? Does that mean you pick a vertical, an industry? Or do you get more expensive and specialized or what?

**Richard Brock:**

Well, it's good to have a perfect fit. And if you're going to be an experienced guy, to know the main expertise is what people are really buying. So getting non-generic if you will, getting specific is always an advantage. Going to smaller customers or maybe market vertical niches such as that. But when you get upstream there's only raccoon in there. So you walk in and you say raccoon move over. Ok, I'm going to have some of those fish. You cannot compete head to head with a gorilla, unless you're a similar gorilla and then all you do is beat each other upside the head. And the blogs hurt gorillas, so these big companies come and go but I think the middle market companies....never before have they had the chance for sustainable long term advantage because of the education value of the customer used to be, you have to spend a lot of money to be known. No. You have to do search engine optimization so that you're found. And when you're found, they're also going to find your awards, so you better have a good reputation because of the blogs. So basically the game changed. Have a good solution, deliver with customer intimacy and you're going to do fine even against the big gorillas.

**Richard Warner:**

Warts, Blogs. What do you do when you're on the wrong side of a blog?

**Richard Brock:**

Well you know I think you just have to commute openly and honestly, and you have to hope the preponderance of evidence if, you will, will prevail. And they will because if enough people are interested in your company and someone disparages you, everybody will discount that person as being irrelevant. And people, because it's their own time and they like to have their own voices, people who really like your company will come forward. They can give you a balanced perspective. But I think the way to really cut off the criticism is to admit your mistake and say that's true, this was a problem, and we fixed it, and here's how we fixed it. Because until you do it's just going to fester and get worse and worse and worse. And if you really want to irritate a bunch of bloggers, if you will, deny the truth. So I'd say the blogs, in my experience...

**Richard Warner:**

Keep you honest.

**Richard Brock:**

Yeah. I think they keep you honest more than they disparage, if you will. If it's a pendulum where you have on this hand the bad news is going to really hurt you badly,

and the good news is over here. I really think that if you irritate them, boy they'll load you down around here, but people will see through that and it's a balancing act. So just basically open and honest and people will forgive you for anything if you admit it. Most things.

**Richard Warner:**

Any entrepreneur is going to go through ups and downs. You've been up, you've been down, you've been up... Up's more fun. What have you learned during the last 20 years doing this? Did you ever think about throwing in the towel and saying, I'm going to go sell insurance?

**Richard Brock:**

Well that'd be fiercely competitive. I might choose something easier than that.

**Richard Warner:**

Bicycles at the beach.

**Richard Brock:**

Now that's an attractive one. I learned this in high school. The most important lesson I learned in high school, you could say well you didn't pay that much attention to anything else which is true. I did very well in college to the surprise of everybody who knew me in high school but, its like turn around this is life, this is not a dress rehearsal anymore this is the take. So I got serious. But in high school I had a goodtime. I know a lot about the fun you have in high school. But I had a Latin teacher. What do I remember about Latin, but I remember this he had a lesson, a motto. He says, quitters never win and winners never quit. So I've never quit, and I have surprised myself or been blessed and things fall out of the sky if you don't quit, you'll do fine. Now you can't butt you head against the wall. You may have to move your head a little bit and try something different.

**Richard Warner:**

Well when things are trending down and they're clearly, this isn't working. Something's got to happen. How did you step back and re-invent or be honest enough to figure out what has to change. It's tough.

**Richard Brock:**

A lot of self-analysis and I think the most important thing is self honesty, if you will. You have a bias because you're experienced but you got to say, wait a minute. The joke we have in our office all the time, we talk about messaging and what we're going to send. OH, matter of fact its fun because we do direct marketing for people so we actually bet money. Just a dollar. I'll bet you this will pull better than that. MY track record is 50/50 ok. But what we say is that when we talk about marketing message whatever is that nobody in our office is going to buy this stuff. So our opinions don't matter. We need to talk to the people who buy our product and what do they think about this method, how do they respond to it. So assuming, when you turn around a situation you think ok, what are our assets? For example we re-positioned ourselves from our customer relationship management company, the CRM, mostly on the technology, where it was so crowded and

commodity, to focus on what people wanted. So we engaged a consultant, we said look, Jim what do we do here with these assets? How do we compete today with all these bigger budgets? He said let me tell you what people tell me. They want leads. So to me, the analogy I would make is selling leads is like aspirin on New Year's Day, selling CRM is like selling brussell sprouts. And my wife would buy them but not so much me. So you basically listen to what your customer. So when you get a stopping point, you get people who you respect for their honesty, not because they agree with you, because their honesty, they call the baby ugly. There's always a route, there are others in the same boat. Where are they going and what's working? So you got to make sure that you don't go out to sea when its 40 foot C's out there, you stay in the backwaters until you re-group, but if you're honest and open, you'll find a route that will get you back out to sail again and you'll live to fight another day. Listening to other people is really the essence,

**Richard Warner:**

Did you poll them? You brought in a consultant, but back to listening to customers, did you call them up, did you send them e-mails, take this poll. What do you do?

**Richard Brock:**

Well it depends what you're trying to accomplish. When you have a customer, you can have relationships, you can lift up the phone but people love to be visited, and so it depends on the relationship. When you sit down with them mano y mano and go to diner with them, whatever the case may be, that's when you get the more open stuff. And they start to tell you about what the competitions doing and things like that. So the easy way would be send them a survey, but my experience, and we do a lot of surveys, surveys will surface a problem, like if you send out a customer support survey and say did you like it. As a matter of fact along that line I had a customer support manager...

**Richard Warner:**

Oh I was just going to tell you we're almost out of time. Good stuff I really wanted to thank you for being with us.

**Richard Brock:**

Well thank you it's been a pleasure talking to you this afternoon.

**Richard Warner:**

Richard Brock as I mentioned in the beginning you've been in this space and this market a long time good to have you here. Chairman and CEO of FirstWave, one of the outstanding CRM Companies that's around, appreciate your time.

**Richard Brock:**

Thank you very much...