

Getting Customers To Understand Their Contract: What Zuckerberg Should Have Said

Mark Zuckerberg's testimony before Congress this week highlighted a problem faced by all companies: that the customer does not understand what they bought because no one reads the details. While Facebook was not blameless (as I'll explain below), the basic problem of customers not reading contracts, directions and forms is ubiquitous.

At a course I just taught for 17 CEOs of small and medium businesses, a universal complaint was customers don't read the contract or only remember positive details, e.g., it is time and materials but our *estimate* is \$140,000 – they only remember the \$140,000 when costs overrun due to scope changes.

One business services executive said, “The contract was only 3 pages and the client still had not read it!” I asked an audience of 450 quality managers at a Las Vegas conference how many had completely read their homeowners insurance policy – not one hand went up. Nobody reads!!

Actions To Get Customers To Read - Given the overwhelming information customer receive, you need to highlight the potential surprises, which is actually a sign of honesty and a delighter. Six suggestions are:

1. Put The “Bad” Stuff In The Welcome Letter - One insurance company created a welcome letter that said, “Welcome to the family! There are three things customers tend to miss when reading their policy.” The first item highlighted was a valuables limitation provision which, in many policies, is often as low as \$5,000 – totally inadequate for customers with a house full of valuables. While sales hated the letter, customers would read it and then ask to buy a rider for a higher amount. The company got more revenue and

surprises were avoided. Try a short video with key items - customers who will not read *will* watch a 90 second video.

2. Use A Header With The Statement, “We Know You Don’t Like Unpleasant Surprises” - Avis has led its contract fine print with the above header. I, personally, have read at least a bit of what follows as Avis has told me, “Skip this at your peril.” I’ve never torn up a contract, but I am better educated.

3. Highlight Negatives - Bold the heading of issues that may be a surprise. There is a much higher probability that customers will read it.

4. Conduct An Onboarding Survey Tied To Sales Representative Incentives - If the sales reps know an onboarding survey will be sent to the customer, their candor and honesty goes up dramatically. A vehicle leasing company found that when account representatives educated customers about how breakdowns were handled, satisfaction was much higher than when breakdowns were not mentioned.

5. Aggressively Educate On The Customer’s Responsibilities In The Partnership - A software firm conducts a welcome call with the customer that highlights the customer responsibilities and key contract limitations. A major logistics firm has a section on its website that I like to call, “Here is how we smash your packages and here are *your* responsibilities for protecting your package.” Customers will play by the rules when told explicitly what the rules are.

6. Tell Customers When An Unpleasant Surprise Is Coming - Bad news does not get better with age! Your CRM system should monitor your operations and tell customers when an adverse event is going to happen. The more time they have to plan the less angry they are with you.

Summary - Telling customers the bad news and truth might drive away 4% of sales, but it creates trust with the other 96%. The 96% of customers will be

willing to pay a premium for such honesty and transparency, raising loyalty as much as 32% for, “warning me of potential problems.” Surprises at the beginning of a contract, especially when the customer feels misled, cause 3-4 times as much damage as other operational and service issues. Also, sensitivity to the price rises dramatically because trust is destroyed. You will always be blamed for what the customer misses in your contract.

What Zuckerberg *Should* Have Said - The Senator said, “Your terms of service (TOS) only have benign uses of the data. Why were the “bad” things not noted?” Zuckerberg basically said, “The TOS were already several pages long so we did not want to make them so long no one would read it.” Wrong Answer!! He should have said, “We will highlight the ‘bad things’ in the TOS (ideally at the beginning) in the future. We will educate customers on the top three areas of concern on our home page. We realize we may lose a few customers but we’ll gain the trust of the other 90%+.” **The worst thing a company can do is have customers learn that it has intentionally misled them.** jgoodman@customercaremc.com