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## Five Questions With ... John Tschohl

Customer service guru [John Tschohl](#) is a bestselling author of five books on customer care. As a "service strategist" and president of Service Quality Institute, Tschohl preaches the gospel of creating "overhappy" customers. He started the world's first customer service training program some 30 years ago. He has been featured on *Good Morning America*, CNBC and PBS as well as *USA Today* and other major newspapers. We're honored to have him share his customer service insight with us this month.

**ID:** *What are the common blunders small companies make when it comes to customer service?*

**JT:** The number one reason most companies, small or big, do not do much about customer service except for talking about it, is because they do not understand its importance and power.

Consequently, companies spend huge amounts on advertising and all forms of marketing campaigns (promotions, discounts etc...) to get new customers, but do very little to keep customers, build on word-of-mouth advertising or increase their retention. Many companies would easily spend \$100 to get a new customer, but not \$5 to prevent losing one.

Another common failure is companies focus on cost cutting without evaluating the consequences over the quality of their services. Such examples can be extensive use of frustrating voice-mail systems or outsourcing their call-center operations to other countries where customers face language barriers with non-native English speakers. They do not understand the power of a great customer experience.

Also, many managers underestimate the need to develop skills of their employees – especially in those organizations with high employee turnover. The most important person in every company is not the CEO or the general manager, but the person customers directly interact with. Unfortunately, these are people that are least paid, least appreciated and least trained.

**ID:** *What are some cost- and time-effective customer-service tips you can offer small or micro-entities?*

**JT:** My first advice to small or micro-entities would be for them to understand that customer service is the most powerful strategic weapon they will ever have access to.

This enables them not only to differentiate in the market place, but this is also a strategy that will not be copied by competitors. The positive word-of-mouth generated by loyalty is the cheapest, most reliable and most effective advertising method.

Companies should be selective in their hiring process – they should not employ people who hate customers. And then put the right training in them. You should hire for attitude and teach the skills.

Third, empowerment is the key to create an outstanding *customer experience*. There is something magical that happens with customers when the person in front of them is able to solve their problem quickly and without moving it to a higher managerial level.

Unfortunately, both managers and employees can be negative to empowerment. On one hand, management fears that customers are liars and cheats who will try to take advantage of their empowered employees. Also, they fear that employees will "give away the store" trying to satisfy a demanding customer and even they might fear that empowerment will make their management and supervision positions unnecessary.

On the other hand, employees are afraid that making empowered decisions in the favor of the customers will lead to being fired, penalties and reprimands.



generates customer loyalty. Service recovery is about recognizing the problem without blaming anyone, apologizing for inconvenience and taking, on the spot, an empowered decision to fix the problem and compensating the customer.

Every organization has something of value and low cost it can give a customer who has experienced a problem. Each company should identify a dozen or so products or services with value in the eyes of the customer but won't cost an arm and a leg when used as compensation for a problem.

For an airline, that might be a first-class upgrade or a discount for a next flight. For a dental clinic might be a free cleaning. A hotel can make an upgrade or give a free entrance to spa. A ski resort can give a free lift ticket. A computer repair store can extend the customer's warranty by a year. A phone company can give a 1,000 free minutes.

**ID:** *To what extent are customers responsible for good customer service? I ask this in reference to two recent situations. In both instances, I was relentlessly polite, despite the phone-tree hell and a language barrier. In the end, I got more than I expected.*

**JT:** The fact that you got more than expected is not at all surprising.

As long as customers are responsible for the decision where they spend their money, customers have an important part to play. In most cases, bad service is a result of the fact that customers do not complain.

Studies performed on customer behavior show that only 4 percent of unhappy customers complain, so the companies are not always aware of the poor level of service they provide. The balance of 96 percent of unsatisfied customers simply believe that their complaints will fall on deaf ears, so they prefer to take their business (and of course, their money) elsewhere.

A complaining customer is normally not looking to place guilt, but to have the problem solved. Therefore, such customers are golden opportunities for any company to use service recovery techniques and turn around the situation in the favor of both customer and company.

This is a strong base for building a long-term relationship. The same studies also reveal the fact that unhappy customers who once had a problem solved by the company, become more loyal than customers who never had a problem with that company.

**ID:** *How have the principles of customer service changed in the digital age?*

**JT:** The basic principles of customer service have actually not changed.

It is about creating a superior *customer experience* during the interaction between the company and its customers. People will always look for an easy, convenient way to do business and will always expect to receive value while they are treated with warmth and respect.

The digital age opens new possibilities to create competitive advantage. Competitors are now just one click from each other. It is eat or be eaten in a marketplace where speed is absolutely essential.

Still, many companies miss the point of using *strategically* digital technology. Focusing exclusively on technology, they see it as the Alpha and Omega of the business and make software the backbone of their entire activity – instead of treating it like a vector for differentiation and basis for creating an outstanding *customer experience*.

Amazon.com is one of the most customer-driven companies in the world. Its competitive advantage does not lie in its computers' and servers' complexity and performance, but in the convenience and the speed offered to customers.

You can order a product from the convenience and privacy of your home in the middle of the night. If you send Amazon an e-mail and ask to be called, your phone will ring within seconds. You will be able to talk to a person who understands you and is able to help.

**ID:** *Can you cite an example of your best customer service, and your worst? (Name names!)*

**JT:** In addition to Amazon.com, Commerce Bank, now part of TD Bank, is another example of outstanding customer service.

Founded by Vernon Hill in 1973, Commerce Bank has grown constantly due to its commitment to *Wow!* customers and breaking, one by one, the rigid standards and rules applied by a totally inflexible banking sector. It introduced the seven-day opening hours, free coin counting service, free pet food for the customers bringing their pets and a 24/7 call center where a live

person would answer any call within three rings. This year (2010), Vernon Hill has taken the same principles to London and established Metro Bank.

On the other hand, the 2004 retirement of Dell's CEO Michael Dell and the lack of customer focus during the subsequent years drove down Dell Computers' stock to a dismal level.

Michael Dell built his entire business around the *customer experience* but with changes in top management after his retirement, the company lost that focus — along with millions of dollars in revenue. After Dell left and the company started outsourcing its customer service operations to India, the company's stock value dropped by more than 60 percent.

(Michael Dell returned as CEO in 2007. This year the company agreed to a \$100 million settlement related to civil fraud charges that, from 2001 to 2006, the computer manufacturer used payments from chip maker Intel to artificially inflate profits.)

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