ACHIEVING EXCELLENCE THROUGH CUSTOMER SERVICE

JOHN TSCHOHOL

13th Edition
“John Tschohl really gets it. He knows, and helps you learn, that great companies are created by creating great customer experiences. At Metro Bank, our goal is FANS NOT CUSTOMERS, and John can show you how to revolutionize your business.”

Vernon Hill, Chairman/Founder
Metro Bank London

“In the 21st Century Business World, Laser sharp focus on the customer and delighting the customer is the only sustainable decisive competitive advantage for any customer services organization. And John is telling this to the business world in this book. It is a must read book.

Tewolde Gebremariam, Chief Executive Officer
Ethiopian Airlines

“Tschohl’s book is even more of a must read now that it has been updated to address the dramatic changes in customers’ expectations, behaviors and channel use in the past three years!”

John Goodman, Vice Chairman
TARP Worldwide

“John Tschohl’s Achieving Excellence Through Customer Service is a blueprint for success for all American entrepreneurs to follow. Adapting these concepts to a corporate vision of customer driven solutions has made possible Delta Dental Plan of Massachusetts becoming the leader in its market.”

Robert Hunter, D.M.D., Retired CEO
DentaQuest Ventures, Inc.

“The most practical customer service book I’ve read. No one in the hospitality business should miss this one.”

Jack Vaughn, Retired President
Opryland Hospitality and Attractions

“Every leader with vision should read Achieving Excellence Through Customer Service. The concepts in this book can help them make their organizations world class in customer service.”

Abdullah Mat Zaid, Former President, MAS Catering
Malaysia Airlines

“Customer loyalty is earned or lost every day. Outstanding customer service is no longer an option in today’s competitive marketplace. Live the lessons of John Tschohl’s book before your competition does.”

David F. Dyer, Former President and CEO
Lands End
“In a global world where consumers rule supreme, where what industry a company belongs to or what product or service it turns out matters only too little. Where companies race along in competition for the best talent, best technology, and best design, the best service turns out to be the key competitive edge. Out in a marketplace, winners are the companies that not only know how to meet customer needs, great companies learn how to exceed expectations and provide unrivaled service.

Our Bank is developing its own Sberbank Production System, a unique lean production pattern predominantly predicated upon customer centricity. That means every customer counts, is valued, and each customer complaint is a gift to our company. We are building up a Bank aspiring to provide excellent massive service.

John Tschohl, the customer service guru, shares his best practices on how to forge a customer centric service company for the future. This book is a gift to all following the Customer and struggling to make their companies into market leaders.”

Herman Gref, President and CEO
Sberbank
Russia

“Everyone should read Achieving Excellence Through Customer Service. It provides guidance and inspiration to anyone truly serious about implementing a service strategy.”

George N. Gillett, Jr., Chairman
Booth Creek Management

John Tschohl has touched the very nerve of today’s competitive business world in his book, Achieving Excellence Through Customer Service! The book is not only interesting, but practical and a must reading for every successful executive and for the whole organization.”

Jorge Nicolau, CEO
Cable and Wireless Inc.
Republic of Panama

“John Tschohl’s book, Achieving Excellence Through Customer Service, hits right at the heart of today’s most critical business problem and provides management with the guidance needed to eliminate the problem.”

Dr. H. James Harrington
Author, Business Process Improvement

“Tschohl offers a unique perspective on the philosophy of providing quality customer service, along with realistic examples of proven techniques.”

Darryl Hartley-Leonard, Retired Chairman
Hyatt Hotels Corporation
“A fascinating book on the importance of customer service. John Tschohl has important things to say about this critical success factor.”

Frederick W. Smith
Chairman of the Board and CEO
Federal Express

“Customer service excellence is the dream of every organization and anyone serious about making this dream a reality must read this book. It’s simple, practical yet full of lively hints, experiences and witticisms that make it a truly powerful yet enjoyable read.

Larry Howai,
Former Minister of Finance
Republic of Trinidad
Former CEO
First Citizens Bank

“Customer service has become as basic as the ABCs for personal success and organizational excellence. The YMCA appreciates that John Tschohl continues to challenge us to improve our capacity to serve at every level of the organization.”

Len Wilson, Retired Director General
Jerusalem International YMCA

“WOW! WOW! WOW! I have been waiting for a workbook on customer service. It’s finally here with Achieving Excellence Through Customer Service.”

Stew Leonard, Jr., President
Stew Leonard’s

“Achieving Excellence Through Customer Service is easy and fun to read, but at the same time, it is very serious and convincing about the importance of customer service.”

F. Tomas Dueñas, CEO
Esco Interamerica LTD Costa Rica

“John Tschohl’s book has become the manual for our company wide customer service training. It provides us with many practical tools for developing service champions within our organization. This book should be mandatory reading for any business that wants to create evangelical, loyal customers.”

Richard Mortensen, Director of Organizational Development
Shasta Pools of Phoenix, Arizona
“John is a believer in the power of delivering quality service. He goes to the heart of the subject of service in his teaching and writing and many will find, like I have, that his insights into service are not only enlightening but practical.”

Kay Wee Sim, Retired, Senior Vice President, Cabin Crew
Singapore Airlines

“Excellent! I’ve really taken advantage of it! It motivates me as an executive and as an owner.”

José Ma. Hernández
Owner and General Director
El Pollo Pepe, Mexico

“Achieving Excellence Through Customer Service guides us in delivering exemplary service to our stakeholders, resulting in overall corporate success in terms of customer retention, new sales (via word of mouth), market share, financial vitality and positive reputation in our community. It is a must read for any company serious about its quest for excellence, no matter where it is on the quality journey.”

Thomas Raffio, President and CEO
Northeast Delta Dental

“John Tschohl is an insightful guide on the business frontier. He surveys the landscape for key issues... then blazes a well-defined path to customer satisfaction.”

David Graebel
Chairman Emeritus, Graebel
Contents

Introduction: WHAT THIS BOOK WILL DO FOR YOU

1 Chapter 1
EXCEPTIONAL SERVICE: THE SECRET WEAPON:
Making Money With Customer Service

29 Chapter 2
WORLD CLASS SERVICE ROLE MODELS:
Modeling the Best

53 Chapter 3
IN THE BEGINNING WAS... THE PLAN:
Removing the Blindfold

85 Chapter 4
LET’S GET ORGANIZED:
How to Get There from Here

113 Chapter 5
LET ME INTRODUCE YOU TO... YOUR CUSTOMER:
Service Is What Your Customer Says it is

133 Chapter 6
DON’T HIRE EMPLOYEES WHO HATE CUSTOMERS:
They Are Untrainable

159 Chapter 7
CARROTS ARE MOTIVATIONAL FOR EMPLOYEES:
Break Your Stick
Chapter 8
KNOWLEDGE IS POWER-PROFIT POWER:
Tactics and Strategy in Quality Service

Chapter 9
LITTLE THINGS MAKE A BIG DIFFERENCE
Culture and Consensus in Customer Service

Chapter 10
TURNING YOUR BUSINESS INTO A SHOPPING SERVICE:
Ban Banker’s Hours!

Chapter 11
MY CUSTOMER, MY FRIEND:
How to Keep Your Friends

Chapter 12
WIN BY LOSING: A COMPLAINT IS AN OPPORTUNITY:
So, Solicit Complaints

Chapter 13
CUSTOMER SERVICE PROS ARE MADE, NOT BORN:
Train Front-Liners and Executives Alike

INDEX
Achieving Excellence Through Customer Service

13th edition

John Tschohl

BEST SELLERS PUBLISHING
Minneapolis, Minnesota USA
Acknowledgments

Thank you to the staff at Service Quality Institute for providing the support both on the original book and this revised edition.

My family has provided ongoing support for my fanatical commitment to customer service. Thanks Pat, my wife of 42 years, Christina, and Matthew. My mother, Agnes Tschohl, who passed away in 2003, at the age of 102, gave me the self-confidence and self-worth to reach my goals.

Most importantly, I would like to thank the thousands of customers I have worked with over the last 47 years, who have helped me define this strategic customer service message.
Introduction

WHAT THIS BOOK WILL DO FOR YOU

If you’ve heard and read all you want to know about how bad service is in the world and how important service is to customers and to your bottom line, you may be ready for a little action. This is the 13th edition and has been updated with 2018-2019 information.

After many recent articles and books dealing with the need for quality service, few business managers remain unconvinced. Many, however, remain unequipped to express their commitment in action. The mission of this book is to equip the already convinced to implement the already proved: service is a strategy as powerful as marketing and as potent as a quality product itself in the ongoing effort to realize the full profit potential of a company.

This book gives you detailed, step-by-step knowledge that you can use in establishing profitable customer service strategies.

The profit-producing capability of an organization derives from impressions made by all employees on the organization’s customers. The means of creating these impressions are the quality and efficacy of the product or service that the employees sell: the quality, accuracy, dependability, and speed of their service — and the warmth of their human relationships with customers. All employees, from CEOs to minimum-wage hourly workers (some more than others), influence a company’s reputation and form the attitudes of customers both internal and external. Therefore, these employees — especially front-line service employees — must be trained to deliver service. The service mentality and the desire to provide service are not native traits. Once trained, employees’ motivation (commitment) must be renewed.

In 1979, long before customer service came into vogue, I designed a customer service training program that organizations could use to change the attitudes and the behavior of employees. This was my ninth year in the consulting and training business.

I saw organizations spend millions on advertising, trying to attract customers. But then they used baseball bats (figuratively) to drive them away. This was bizarre behavior, I felt. If these organizations would just
provide good service, making their customers feel special, wanted, and appreciated, they would keep the customers their advertising attracted.

The learning system I developed in 1979 has been used by millions of people throughout the world. It is cost effective and user friendly, and it is written to be understood by the employee participants, not just management and trainers.

This book is written for managers — for senior and middle managers who influence the service quality of a company by deciding what employees who deal directly with customers will do, how they will do it, and, initially, whether they will do it at all. They tell employees what is expected of them in terms of customer service; and they evaluate and report to them their service performance.

Service leaders and champions of service can use this book to drive a service strategy. Entrepreneurs who want to grow their businesses through a service culture will find these ideas valuable.

But, to imply from the significance of management in the service scheme that only management needs training would constitute a significantly counterproductive oversight, no matter how elegant the rationalization supporting it. The reason is that an estimated 95 percent of the factors that determine reputation of a company among customers and prospects are in the hands of front-line service employees. Even though a manager may harbor low esteem for the personal qualities of front-line workers, a grossly uninformed and unfair view, the fact remains that they still are primarily responsible for delivering service. They create impressions that form an organization’s reputation. They especially must be trained. And money must be spent training them.

But, today, many organizations don’t train front-line employees in service at all. Instead, they advertise that they have service. Apparently they hope that employees will read the ads and feel compelled to live up to the promise.

Training and motivation for people who actually deliver service and how-to-do-it implementation instructions are the twin I-beams supporting the substance of this book. They are:

• The reason this book was written.
• The features that distinguish this book from other books on service.
Among key benefits to readers of this book are:

- Hands-on ideas, skills, and techniques that can be used immediately.
- Knowledge about shaping employee attitudes, a powerful competitive force moving a firm toward greater market share, customer loyalty, and profitability.

**HOW THIS BOOK IS ORGANIZED**

The book presents information in building-block fashion. Each chapter helps you to understand and to use information that follows properly.

The first chapter presents facts and statistics and logical narrative to use in persuasive internal reports and memos on service. Chief among benefits of quality service itemized in Chapter 1 is the positive impact of service on the bottom line. Customer service is not an expense. It is a high-yield investment. World Class Service Role Models in Chapter 2, like GE, Home Depot, help us understand why service is critical.

Chapters 3 and 4 deal with getting started — Chapter 3 with planning and Chapter 4 with organizing.

Chapter 5 presents essentials of a basic subject, knowing what your customers want — in other words, knowing what you have to do to win their satisfaction and their continued patronage. This step is essential to the development of any company’s service strategy. Know your customers. Factoring results of national surveys of consumer needs and wants into your plan simply isn’t good enough.

A quality service program stalls quickly without employees to implement it aggressively. That’s why a chapter (Chapter 6) on finding service-minded employees is included. The message of Chapter 6 is that trainable employees with native service ability generally are born, not made (with exceptions).

But, even high-potential employees need to be re-motivated. So, we present Chapter 7, dealing with the function of employee motivation in a service strategy.

The following three chapters (8,9,10) are the meat and potatoes of the book. Herein lays information that a reader would need months or years to assemble from diverse sources. These chapters were brightened by ideas in
action — case histories from all over the country and the world.

Chapter 8 primes the reader’s imagination with treatment of essential loyalty-building service programs. Chapter 9 contains more “basics of quality service” from which readers can select practices most appropriate for their organizations. Chapter 10 covers projects with the most tangible, profit-making results — results that even the most hard-nosed manager would admire. From this chapter should come the heavy-caliber ammunition for use in winning support for a service program of hesitant VIPs in the organization.

Once a program is underway, the next concern should be with maintaining momentum and with practicing “preventive maintenance.” According to Chapter 11, you must give a new service program a boost to get it up to speed, measure service performance, stay alert to customer dissatisfactions and eliminate them, and identify and perpetuate reasons for satisfaction.

Chapter 12 deals with soliciting and encouraging complaints, with preventing when you can, and with converting and retaining as many unsatisfied customers as possible.

The final chapter gives you the tools to design your own in-house training system. Chapter 13 presents the most up-to-date information on training dealing with technology, packaging, persuasive communication, and group dynamics.

In this book you will find a blueprint for a quality service program that increases profit by developing customer satisfaction and loyalty. Satisfied customers buy more, and they buy more often. They don’t switch to competitors. The larger base of loyal customers that is the yield of a quality service program reduces the need for advertising and marketing. Why? Because fewer customers abandon a company for its competitors, leaving behind a need to replace them with new customers attracted by advertising and marketing.
Chapter 1

EXCEPTIONAL SERVICE -
THE SECRET WEAPON

The battle for repeat business is critical to long-term success in today's intensely competitive marketplace. Customer service is not just a competitive edge. In many industries it is the competitive edge. Service is the new standard by which customers judge performance.

-WILLIAM BAND, partner with the Strategic Management Practice, Coopers & Lybrand Consulting Group, Toronto

MAKING MONEY WITH CUSTOMER SERVICE

Most businesses do not understand that customer service is really selling because it inspires customers to return more often and to buy more. Patronage by loyal customers who buy again and again because they like the fact that service yields 65 percent of a typical organization’s volume, according to a study by the American Management Association.

One of the greatest problems in customer service is reluctance of managers to look at service as a marketing strategy. Too many of them see it as an after-sale service, something relating back to a previous sale rather than ahead to the next one.

Studies prove that service actually is more effective in many companies at enhancing volume and profit than marketing, promotion, or advertising. I suspect that in companies with comprehensive, highly professional service strategies, service adds more to the bottom-line results than research and development, product innovation, capital improvements, broad selection, credit services, or any other strategy.

As noted in Electrical Contractor magazine, “In our service-oriented society, quality of service has become more significant to company success than
quality of product. And, those companies that lead the way in service excellence will have a powerful competitive advantage over those who lag behind.” To make this true for your company, meet these conditions:

1. Management Commitment. This is the most vital prerequisite to the success of a quality service program. There should be no advertisements flaunting “We Love You” service unless top management believes in personal, helpful service as strongly as it believes in family values, patriotism, and profit. Management words and deeds must continuously communicate management commitment to employees. Unfortunately, in my years of customer service experience, I have been consistently surprised by management commitment... to lip service.

2. Adequate Funding. The organization enthusiastically spends all the money needed to develop and to maintain a professional service driven strategy.

3. Conspicuous Improvement in Service. Service improves so much that customers notice and, as a result, feel as if product (tangible or intangible) quality has improved. The organization’s service must be noticeably better than service provided by competitors.

4. Training. Employees are thoroughly trained to implement a service strategy keyed to special needs of an organization’s customers or clients. Since 1980 I have been encouraging businesses and organizations to train all their employees. Unfortunately, businesses usually ignore training employees on the art of service though it is likely to have greater impact on earnings than anything else a company can do.

5. Internal Service. In a retail store, the display department and the merchandising department must help each other present merchandise and service in ways that win customer satisfaction and loyalty. In a manufacturing company, maintenance and production departments interact amicably and helpfully to deliver to customers the products of quality sufficient to maintain their loyalty. Departments help each other instead of sniping at each other.

6. Involvement of All Employees. All employees should feel that their work affects customer perception of service quality and even product quality, no matter how far they are removed from the “front
line” and from direct com-munication with customers. This is why I acquired the total involvement and idea campaigns from Advanced Management Group.

COMPETITIVE EDGE

Because quality service is an effective selling tool, it is also a long-term competitive advantage. In fact, often it is the only competitive advantage available to an organization in a service economy in which many organizations provide essentially the same service.

Put yourself in the shoes of a housewife standing at the end of a long row of refrigerators. They look alike. They do the same thing — refrigerate. Chances are, however, that the housewife will walk over to one refrigerator first — the one bearing the brand name that warms her heart with memories of friendly, helpful, knowledgeable salespeople or with visions of a company’s considerate responses to her inquiries. True?

Yes, we do live in an era when the only difference among many products and services discernible to customers often is no more than a distinct difference in service quality. That difference — that margin — is manifested in a friendly, low-key feeling of approval for an organization and for its product or service.

This is the competitive edge.

Southwest Airlines

Southwest Airlines is a major U.S. airline with 742 Aircraft. Their motto is that “Customer appreciation day is every day. They think of themselves as a Customer Service company that happens to fly airplanes.

Total revenue for 2018 was $21,965 billion and profits of $2.465 billion. They put 123 million bags on their airplanes in 2018 and delivered 97.2%

Herb Kelleher, the late former CEO, founded Southwest in 1966 with $10,000 of his own money. His net worth when he passed in 2019 was $2.5 billion.

The name “Southwest” became synonymous with Customer Service and a great place to work. The late Herb Kelleher said, “The culture of Southwest is probably its major competitive advantage, but the hardest thing for someone to emulate is the spirit of your people.” Employees own about 13 percent of the
corporate stock. With an 83 percent unionized workforce they have never had a strike. Most U.S. and international carriers always seem to threaten a strike or walk out. The airline has more than 58,000 employees as of 2018 and operates more than 4,000 departures a day during peak travel season.

Notable 2018 accomplishments for the Company include:

• Achieved 46th consecutive year of profitability
• Employees earned $544 million in profit sharing
• Revised Boeing delivery schedule to support continued fleet modernization
• Announced intent to begin service to four Hawaiian airports in 2019: Daniel K. Inouye International Airport in Honolulu, Kahului Airport on Maui, Lihue Airport on Kauai, and Ellison Onizuka Kona International Airport at Keahole; from Oakland Metropolitan Airport, San Diego International Airport, Mineta San Jose International Airport, and Sacramento International Airport
• Entered into an agreement with Alaska Airlines to lease 12 slots at New York’s LaGuardia Airport and 8 slots at Washington Reagan National Airport
• Began providing cargo service to select international destinations
• Launched international service from Indianapolis International Airport, Sacramento International Airport, Mineta San Jose International Airport, Columbus International Airport, New Orleans International Airport, Pittsburgh International Airport, and Raleigh-Durham International Airport, ending the year with 23 active gateway airports (including seasonal) from the 48 contiguous states
• Received numerous awards and recognitions, including:
  • Ranked No. 1 in the Department of Transportation Customer Satisfaction ranking for 2017
  • Named Domestic Carrier of the Year by the Airforwarders Association for the 9th consecutive year
  • Ranked highest Low-Cost Carrier for customer satisfaction for the 2nd year in a row in the J.D. Power 2018 North America Satisfaction Study™
  • Named one of Corporate Responsibility Magazine’s 100 Best Corporate Citizens 2018
  • Ranked among the Best Airline Rewards Programs by U.S. News & World Report
  • Named to Glassdoor’s Best Places to Work list for the 10th consecutive year
  • Named Program of the Year for Rapid Rewards® Program and recognized for
providing the Best Loyalty Credit Card; the Best Airline Redemption Ability; the Best Elite Program; the Best Promotion; and for the 6th consecutive year, the Best Customer Service by the Freddie Awards

• Designated a 2019 Military Friendly Company by Victory Media

• Recognized as a Best Employer in Forbes’ 2018 list

Southwest Airlines was named to FORTUNE’s 2019 list of World’s Most Admired Companies. Southwest ranks No.11 on the list. “It is an incredible honor to be on this list once again,” said Gary Kelly, Chairman and Chief Executive Officer of Southwest Airlines. “I am so very proud of our Employees, and the credit goes entirely to them.” FORTUNE collaborated with partner Korn Ferry on this survey of corporate reputation, and asked executives, directors, and security analysts from around the world to rate which companies they admired most. Voters were able to select any company in any industry that ranked in the top 25 percent of last year’s survey, along with those that finished in the top 20 percent of their industry.

ABOUT SOUTHWEST AIRLINES CO. In its 48th year of service, Dallas-based Southwest Airlines Co. (NYSE: LUV) continues to differentiate itself from other air carriers with exemplary Customer Service delivered by more than 58,000 Employees to a Customer base topping 120 million passengers annually. Southwest became the nation’s largest domestic air carrier in 2003 and maintains that ranking based on the U.S. Department of Transportation’s most recent reporting of domestic originating passengers boarded. In peak travel seasons, Southwest operates more than 4,000 weekday departures among a network of 99 destinations in the United States and 10 additional countries. Southwest has announced its intention to serve Hawaii, subject to requisite governmental approvals.

Southwest coined Transfarency to describe its purposed philosophy of treating Customers honestly and fairly, and low fares actually staying low. Southwest is the only major U.S. airline to offer bags fly free to everyone (first and second checked pieces of luggage, size and weight limits apply, some carriers offer free checked bags on select routes or in qualified circumstances), and there are no change fees, though fare differences might apply.

We are focused on the basics: 1) the Reliability of our Operation; 2) the Hospitality of our Customer Service; and 3) the perpetuation of low operating costs.

No other airline in the world can match this. In 2004, Delta lost $3.3 billion and United lost $1.2 billion. Southwest Airlines, after September 11, 2001, was
the only U.S. carrier to not lay off any employee or furlough any planes. Its profit in 2001 was $511 million. Each of the major U.S. airlines lost billions of dollars per year through 2012, while Southwest made millions. Southwest and JetBlue forced the major U.S. Airlines into bankruptcy because of their low prices and superior service.

When Southwest enters a new market, it is called the “Southwest Effect.” Prices are reduced by two-thirds by the other carriers to match Southwest prices.

Southwest is serious about keeping costs down and then passing the savings to the customers to increase market share. Plane turnaround time is 20 minutes. This means it needs fewer planes which save it several billion dollars in assets. It was also the first airline to offer ticket-less travel on the Internet.

Southwest uses only 65 workers to fly and support each aircraft, compared with 129 at United one of the largest airlines in the U.S. Many state-owned airlines from developing countries, despite having low wage costs, have high labor costs (as a proportion of total costs) because of overstaffing, which itself may be attributed to unions and government intervention.

The average number of hours flown per month by a Southwest pilot is 70 versus 36 for United. The output per employee is 20 percent higher at Southwest than at United though Southwest operates smaller capacity aircraft and flies shorter distances.

Southwest Airlines has made its frequent flyer program valuable by placing no limits on available seats to frequent flyer members. If a seat is available on a particular flight, it can be obtained in exchange for frequent flyer points.

Low fares. Nothing to hide.

We’re all about being open and honest with Customers and making sure pesky fees stay away from our low fares $0 1st & 2nd Checked

$0 Change fee*

$0 LiveTV*

Yes! That’s Transfarency

“We constantly strive to provide our loyal Customers with the best program, so to receive the official title of the Program of the Year means a lot to us,” said Jonathan Clarkson, Southwest’s Senior Director of Loyalty, Partnerships, & Products. “Our Customer-focused loyalty program offers a unique combination of Customer Service, award availability, and program value. We’re proud
Customers continue to come back for more.”

Herb Keller, the late former chairman, said, “You have to treat your employees like your customers. When you treat them right, they then will treat your outside customers right.” This does not mean compensation. Every employee at Southwest makes about 50 percent less than employees at the major US carriers. The difference is employees at American, United, etc often hate their companies and their job. Employees at Southwest love the company and their jobs.

Gary Kelly, CEO, was quoted in the Wall Street Journal: “It doesn’t matter who they are. They all match our low industry-leading low fares. They will fly airplanes. So far, they have been unable to match our great People. That’s our true strength and why I am so confident about the future of Southwest Airlines.”

Southwest’s market capitalization in 2001 was greater than that of all the major U.S. competitors combined. It knows it is in the service business. Its competitors believe they are in the airline or transportation business.

So far, only JetBlue decided to copy Southwest’s speed, technology, and price built around service. The late Herb Kelleher says that arrogance is the greatest danger to a successful company. He says, “A company is never more vulnerable to complacency than when it is at the height of its success.”

There are a number of principles and strategies I believe we can learn from Southwest Airlines.

1. It’s in the customer service business, not the airline business. This is a mindset and paradigm switch. Very few firms realize they are in the service business.
2. It uses technology to increase speed and keep prices very low.
3. It values its employees. This is rare for most firms but a must for service leaders.
4. It uses price to drive business but it is built around service.
5. It is a great place to work.
6. It attracts high-performance employees the cream of the market, because of its reputation.
7. Recognition, not money, drives performance.
8. The marketplace values a service leader. The value of Southwest is worth more than its competition combined.
9. It uses it assets, planes and fuel more effectively.
The Feeling of Approval

When customers are presented with choices between companies, the “low-key feeling of approval” becomes as effective in persuading them to buy from one company and not from another as the advice of a close friend.

Jan Gates, service manager of Chef Francisco, a frozen-food manufacturer in Eugene, Oregon, knows about the competitive edge of customer service. “In our field, as in others,” she says, “the market is maturing. My company always has sold quality. But, now there are other companies out there with quality products, and pricing is about equal, so we have to sell service.”

Banks, too, know that they must sell service more than ever because prices for banking services usually are similar. They know that larger corporations do business with 20 to 30 banks around the world. And they know that service is the key to business retention, and to differentiation.

Bank management traditionally has considered its industry to be very good at service. Consumers, however, usually rate banks very low in customer service, often at the same level as car dealers.

MARKET DOMINANCE

When a company makes the momentous discovery that customers are really “people,” and when they give customer service at least as much power and influence over decisions as they give financial considerations, then they are well on the road to achieving a competitive advantage and even market dominance. That means money.

Unfortunately, many companies are ruled by “number crunchers” unfamiliar with the value of loyal customers who buy for years and years and tell their friends how much they enjoy doing business with an organization. W. Edwards Deming, the late, famed management consultant who taught quality to the Japanese and whose reputation was built on statistical control, said that if you run a company on figures alone “you will go under because the most important figures aren’t there.”

Deming asked: “What about the multiplying effects of happy customers in either manufacturing or in service? What about the effect of an unhappy customer?” The fact that a majority of companies are ruled by financial and number crunchers is precisely why service is so ignored and nonexistent. They fail to understand how important customer service is and how highly valued it is by customers, and so effective in boosting volume and profit.
In my years in customer service I have consistently found that manufacturing firms are more committed to service than are so-called service firms. If a manufacturing firm accepted the failure rate in its service that a service company does, it would be out of business quickly.

The reason that manufacturing firms are more committed to service, I think, is that they have a limited number of customers. Service firms, on the other hand, wrongly believe that their customers are unlimited. Lose one and you can always get another!

**Service Can Be Your Salvation**

There is knockout value in service even for companies with reputations for indolence, insolence, ignorance, insincerity, indifference, and aloofness... or for hollow promises... or for vanishing whenever a customer has a complaint.

Good service and customer education programs, you see, restore brand loyalty, confidence, and repurchase intentions of customers who experience service problems with a company. This finding was the result of research by the Technical Assistance Research Program (TARP) of Washington, D.C., is one of the leading research organizations in the service field.

In the intensely competitive atmosphere of the 20th century’s closing years, companies must train service-delivery employees to look for the service element in everything they do.

The question that anyone employed by any organization with customers must continually ask is: “How can I do this work to further the interests of the customer?”

Service is the energy and the strength needed by an organization struggling just to stand still instead of falling behind. With service, the company can begin running downhill toward greater profit, gaining momentum as it goes.

In the U.S. most CEO’s believe they provide incredible customer service. Very few customers would agree.

**PREDICTABLE PROFIT INCREASE**

So real is the feeling of approval - the competitive edge - that increases in customer satisfaction can be measured in terms of added increments of profit.

One study determined that average return from service activity for makers of consumer durables such as washing machines and refrigerators is 100
percent. In other words, if a company spends $1 million on a service program, the company received $2 million in bottom-line benefits.

For banks, return on service is as high as 170 percent. Payoff can be even higher — as high as 200 percent — in the extremely competitive retailing field. Here, high-quality personal service is the star of the team, and customer loyalty is the first-round draft choice.

It occurs to me that I has not defined customer service.

WHAT IS QUALITY CUSTOMER SERVICE?

This much is certain: What the consumer defines as service has changed radically. Today’s definition includes convenient location and hours, breadth of selection, category dominance, and speed of transaction. It can even mean competitive prices.

Still, the basic nature of service remains unchanged. It involves employee courtesy, product knowledge, helpfulness, and enthusiasm.

Quality service is orientation of all resources and all people in a company toward customer satisfaction, not just those who deal face-to-face or voice-to-voice or email-to-email or computer-to-computer with customers. Too many firms use technology to make it more difficult for the customer to interface with the customer. Service leaders like Amazon leverage technology to increase speed and customer convenience.

Service is selling, warehousing, delivering, inventorizing, order selection, labor power, employee relations, adjustments, correspondence, billing, credit, finance and accounting, advertising and public relations, and data processing. There is a service element in any activity pursued by any employee engaged in work for their employers because, ultimately, all their work impacts real or perceived quality of the product or service purchased by the customer.

Service is defined by listing its functions — maintaining old customers, attracting new customers, and leaving all customers with an impression of the company that induces them to do business with the company again.

Expressed in another way, the functions of quality service are:

• Customer maintenance
• New customer development
Expressed in terms of attitude, service is:

• Thoughtfulness
• Courtesy
• Integrity
• Helpfulness
• Efficiency
• Availability
• Friendliness
• Knowledge
• Professionalism

The newsletter Quality Assurance Report states that only when a company knows exactly what kind of service its customers expect, delivers on those expectations 100 percent of the time, at a price that customers are willing to pay, while still getting an acceptable return, can the company claim to excel in customer service.

So it seems that the bottom-line definition of service is “whatever your customers think it is.” This is the definition that we favor.

**Wilderness Safari**

Two young overland safari guides, a South African and a New Zealander, had been working in the remote wilderness reaches of Botswana since 1977 and by the early 1980s, they decided to strike out on their own…they started Wilderness Safaris.

They wanted to ensure that the financial benefits of their safaris flowed to Botswana and its people and thus help to ensure the conservation of the country’s wildlife areas. They also wanted to offer authentic safaris with integrity that catered to people as passionate about nature as they were.

Today, 35 years later, Wilderness Safaris’ Purpose is even more firmly defined, entrenched and embraced than ever before. As Africa’s leading sustainable and authentic ecotourism company, Wilderness is dedicated to conserving and restoring Africa’s wilderness and wildlife by creating life-changing journeys and inspiring positive action. Its model is responsible and sustainable, change’s people’s perspectives on the planet, and inspires those exposed to it to effect
positive change in their own lives and own spheres of influence.

Wilderness Safaris exists to protect pristine wilderness areas and the flora and fauna that they support. The company believes that by protecting these areas, and including the local communities in this process, Wilderness will make a difference to Africa and ultimately the world.

Wilderness continues to, wherever possible, only employ citizens from the countries where it operates. This forms part of its commitment to its 4Cs sustainability ethos of Commerce, Community, Culture and Conservation. The Community C is as important to Wilderness as the other Cs, and therefore training its staff in order to grow local talent is as vital to the company’s people strategy as is ensuring the external communities surrounding the areas where Wilderness operates truly realise the benefits of ecotourism. Although upskilling staff can be challenging, as in some instances the required skills are not available, Wilderness is able to take very shy people with virtually no education and transform them into the most customer-driven employees you will ever experience. In 2017, Wilderness significantly reduced its non-citizen representation to 3%, further showcasing the company’s dedication to growing local talent.

Operating 40 camps and safaris in some of Africa’s best wildlife and wilderness reserves across eight countries: Botswana, Kenya, Namibia, Rwanda, Seychelles, South Africa, Zambia and Zimbabwe, Wilderness is run by a group of likeminded wildlife enthusiasts who came together to build a successful safari business, delivering a unique experience for guests, fair returns for shareholders and stakeholders, while ensuring that Africa’s pristine wilderness areas remain sustainably protected. I have been on 4 safaris with them.

Wilderness has by far the best customer service in Africa and I must say they would rival any company in the world. Their people love their jobs. They have no rules. At each camp when you arrive in your tent you have a handwritten note with your name on it that welcomes you to the camp. The night before you leave each camp they have another handwritten note with your name on it thanking you for coming. They use your name, all employees smile and are friendly.

As I am in Africa several times a year and I have been on 8 safaris, 4 with Wilderness; I am not willing to gamble going on a safari with another company again when I have the best experience with Wilderness Safaris.

At the end of February 2017, Wilderness employed roughly 2,700 staff from more than 20 different ethnic groups and hosts about 35,000 guests from around the world each year. The private concessions that Wilderness manages offer some of Africa’s most impressive and untouched wildlife experiences. Wilderness
is privileged to operate on almost three million hectares (seven million acres) of Africa’s best wildlife and wilderness reserves. As a company, they do not distinguish on race or gender, however they are committed to employing staff from neighbouring communities.

The company is as committed to reducing its negative impact on the environment as it is on maximising its positive impact. Wilderness continues to drive its solar conversion programme by implementing various sustainable energy solutions in almost all of its camps across Africa, with 13 Wilderness Safaris camps currently operating on 100% solar power. It is the sustainability team’s ultimate goal to achieve carbon neutrality of Wilderness Safaris’ operational business.

Wilderness Safaris creates life-changing journeys for its guests and clients, not holidays. A journey is an immersive experience, changing how you view the wild places of Africa and the world. They work closely with government, conservation and the community partners to ensure the ongoing financial success and sustainability of the business. By ensuring that the Commerce C is sustainable through high-end ecotourism, Wilderness is able to help conserve Africa’s spectacular biodiversity and share ecotourism’s benefits with rural people.

If you want to experience heaven at least once in your lifetime sign up for a safari with www.wilderness-safaris.com

**Land’s End**

Land’s End is a leading multi-channel retailer of casual clothing, accessories, footwear and home products. They offer products through catalogs, online at www.landsend.com and affiliated specialty and international websites, and through retail locations.

They are a classic American lifestyle brand with a passion for quality, legendary service and real value, and they seek to deliver timeless style for men, women, kids and the home.

Land’s End was founded more than 50 years ago in Chicago by Gary Comer and his partners to sell sailboat hardware and equipment by catalog. “While our product focus has shifted significantly over the years, we have continued to adhere to our founder’s motto as one of our guiding principles: “Take care of the customers, take care of the employee and the rest will take care of itself”.

In Fiscal 2018, Lands’ End generated revenue of approximately $1.41 billion. Net income was $28.2 million. Lands’ End, Inc. is a leading multi-channel retailer of casual clothing, accessories, footwear and home products. They offer products through catalogs, online at www.landsend.com and affiliated specialty and
international websites, and through retail locations. They are a classic American lifestyle brand with a passion for quality, legendary service and real value, and seek to deliver timeless style for women, men, kids and the home.

Sears acquired Lands’ End in May 2002 for $1.9 billion, moving its brand into one of the largest retailers in the U.S. Sears Holdings Corporation.

In 2014 Lands’ End spins off from Sears Holdings to become a publicly traded company on the NASDAQ on April 7 under the ticker symbol “LE”.

Whether you contact Lands’ End by phone, mail, or web, your order falls into capable hands. The company has toll free lines for sales and customer service 24 hours a day, 364 days a year, excluding only Christmas. Customers also can communicate with Lands’ End via e-mail and they respond to every single one within 4 hours. Lands’ End provides 70-80 hours of initial training each year. Packages are shipped within 48 and no questions asked. If you want to test one of the most incredible service role models, log on to their web site www.landsend.com or call them at 800-963-4816 some weird hour to test their caring attitude with a live voice. This is the standard all firms should try to emulate.

Lands’ End Canvas launched Pinterest boards in 2011. The company begins offering digital catalogs with unique content developed for iPhone and iPad and makes its digital catalog available through the Google Catalogs app. Lands’ End launches its mobile club that sends text alerts to mobile shoppers. The Lands’ End Facebook page reaches 750,000 fans. The Lands’ End Canvas Facebook page reaches 100,000 fans.

One of the secrets of service leaders is they work closely with the media to reinforce their customer service brand. Executives are accessible. Before being acquired by Sears Lands’ End leveraged its focus on exceptional service but once Sears bought the firm Sears prevented Land’s from working with the media. Today few people hear about Lands’ End. Now that Land’s End is no longer part of Sears its brand and image will improve.

According to CEO Jerome Griffith, “We will put our retail destiny firmly in our own hands as Sears continues to close locations.

We’re looking forward to the opening of our first location in the Chicago area in the second quarter and plan to open four to six stores over the course of the year. As we open stores throughout the year, we will leverage our customer data and analytics to ensure that our locations are ideal for the brand and our customer base.

Ultimately, we plan to open 40 to 60 locations over the next five years. Our real estate team is exploring opportunities and locations where we have strong
brand recognition, focusing on high-traffic areas and convenience. We ended the year on a strong note and are well positioned heading into 2018.

In Fiscal 2015, Lands’ End customers had average annual household income of $106,000 and approximately 42% of their customers were within the 36-55 age group, according to an analysis of their customer files. James F. Gooch was appointed new CEO in September of 2016.

Lands’ Friendly, #IAmLandsFriendly

Sustainability partnerships, ENERGY STAR certified buildings, working toward becoming a zero landfill company, Earth-friendly vendor policies - Lands’ End has been building upon the environmental stewardship of the company’s founder Gary Comer for more than 50 years. The company supports both national and local causes, including the National Forest Foundation, the United States Lighthouse Society and the Clean Lakes Alliance.

Under the initiative of “Lands’ Friendly,” Lands’ End has implemented a wide range of environmentally focused business practices including programs to reduce or eliminate paper consumption, comprehensive recycling and waste management initiatives. For example, in 2012, Lands’ End began a partnership with the National Forest Foundation - the official nonprofit partner of the U.S. Forest Service. Since then, Lands’ End has been part of large-scale plantings in U.S. forests resulting in the planting of 1.2 million trees and counting.

In 2016, Lands’ End launched a new sustainability initiative called Breathe New Life, with some of the largest corporate clients in the Lands’ End Business Outfitters division. Instead of disposing of unusable materials and apparel, Lands’ End now works with Martex Fiber to recycle those textiles into post-consumer fiber, material for insulation, bedding, acoustics, home furnishings and more.

The Lands’ End guarantee has always been an unconditional one. It reads: “If you’re not satisfied with any item, simply return it to us at any time for an exchange or refund of its purchase price.” We mean every word of it. Whatever. Whenever. Always. But to make sure this is perfectly clear, we’ve decided to simplify it further. Guaranteed. Period.®

I’d like to return this taxi, please.
As you’d expect, over the years our guarantee has been put to the test. We’ve been given countless opportunities to demonstrate our commitment to customer satisfaction and our willingness to stand behind the products we sell - though none more demonstrative than the return and refund of an original London taxi. Featured on the cover of their 1984 holiday catalog, the taxi was purchased for $19,000 by a Kansas native as a gift for her husband (an avid car collector). In 2005, her husband contacted Lands’ End and expressed interest in returning the car for a full refund. Of course, we obliged - because whether your purchase includes a tote or a taxi, your satisfaction is Guaranteed. Period.®
The Intangible Difference

Service means different things to different people. At the lowest level service is something a customer is not entitled to, but you give to him as a gift. At a somewhat higher level, service means focusing on customer transactions but only fixing something if it is broken. At the highest level, the aim of service is to deliver more than the customer expects. Good service no longer gets you into the game. Only consistent exceptional service will create loyal customers.

The “Guaranteed Period” campaign is probably one of the better-known branding campaigns done by Land’s End. Customers get a full refund, anytime, if they are not satisfied with their product. It doesn’t matter if it has been worn or washed. There are no exceptions and no questions asked. At Land’s End, they adhere to their founder’s motto as one of their guiding principles: “Take care of the customer, take care of the employee and the rest will take care of itself.”

Many companies assign customer service a selling role, viewing it as a function that allows salespeople more time to sell. That is the way it is practiced at Ore Ida Foods in Boise, Idaho, says Dick Johnson, recently general manager of customer service. This is the prevailing function of service in many companies. Certainly, seeing service as selling is appropriate. It is just not a complete view of service.

In a sales-oriented service environment, everyone works to make the sales rep’s time otherwise more productive. Someone else answers questions that salespeople would otherwise have to take time to answer. Someone else schedules deliveries.

To do their jobs in a company where sales support is a service function, employees learn to ask themselves questions such as:

• “How can I process the order sooner?”
• “How can I deliver the quickest?”
• “How can I improve my performance to support the customer?”
• “How can I enhance product quality with service?”

Supervisors and managers should continually retrain employees to monitor themselves by asking themselves questions such as this. The day that pressure to maintain quality is released is the same day that quality in customer service will disappear.
HIGH TECH, HIGH TOUCH

Quality service is more essential now, when hands-off technology is so popular.

The more we are faced with “high tech” the more we want “high touch,” says consultant John Nesbit. “High touch” is translatable for our purposes as “personal service.”

What Nesbit says is that the fewer contacts we have with the people in an organization, the more important the quality of each contact becomes. Also, the more often we are forced to interact with a machine, the greater our yearning for human contact becomes.

So, machines that do not offer the immediate option of recourse to a warm, breathing, intelligent employee just will not do … if a company is determined to win the satisfaction and loyalty of its customers.

Our economy is “blessed” today with computer-generated car rental agreements, closed-circuit TV hotel bill reviews, automatic credit card bill payments, and phone systems that require callers to wait until a recorded voice reads a list of options before connecting to the extension desired.

Automatic teller machines electronic transfer of funds by banks, and airline ticketing machines are counter-productive in terms of customer disloyalty (readiness to switch to competition), insensitivity, and even alienation.

The concept of requiring customers to pay for personal service at a counter manned by a real, live teller began spreading in America when the First National Bank of Chicago inaugurated the practice in 1994.

Our guess is that banks will gain an advantage over First National Banks of America by retaining free personal service by live tellers.

Voice Mail Equals Non-Service

A voice mail system (IVR) is a perfect example of non-service. A company that uses voice mail to communicate with customers must have too many customers and too much business. I believe voice mail technology is the most expensive piece of technology you will ever buy, you will never stop paying for it. My research shows more than 90 percent of customers hate voice mail. Firms using voice mail are on a suicide mission.

Companies seem to be lured into using voice mail by a promise of cost savings through technology. This is a bean counter concept that will lose customers. If they considered the effects of voice mail on customer service
quality, there would be far fewer voice mail systems in the United States. Unfortunately, many firms outside the United States have fallen for this costly technology. What is more shocking is most large firms in developing countries where labor costs are extremely low use voice mail.

If you value customers and want to crush your competition, then never install voice mail for customers. If you already have the technology, identify your biggest competitor and donate your equipment to it.

Customers are deprived of contacts with real-time human beings. Voice mail leads them to a point where they are urged to leave a message. If they do not leave a message, the call is terminated.

My experience shows that organizations with voice mail systems (IVR) do not return calls when callers leave a message in which they request a return call. Voice mail is often used to screen calls.

Any organization with 100 employees or more should consider having a call center answered with a live person 24/7. In developing countries where labor costs are low this will give you a competitive advantage. Make sure your very best employees are in the call center.

### Call Centers in India

Many U.S. firms outsource their call centers to India to save money. While the labor costs are a fraction of U.S. labor costs, you will keep more customers and have much higher performance with a U.S. based call center. They can speak English, are more empowered and will consistently deliver higher customer service.

Dell has had significant negative feedback and significant reductions in customer satisfaction as a result of its call centers in India. It is returning its call centers to the U.S. after billions of dollars in lost capital value of the company and its stock. It uses India and the Philippines for back room work where no customer contact is needed. Quality and customer service are far more important than price.

Commerce Bank (now TD Bank) had a 470 time return on its stock, CBH, because of its focus on “Wow Service.” Its call centers were manned by live people who answer calls in one or two rings 24 hours a day, seven days a week. Commerce Bank answered the calls in 1-2 rings. With TD Bank it now takes up to 25 minutes before you can reach a live person.

Voice mail began as an internal communications concept. It should be used for internal communications only, unless your staff masters the art and the
science of delivering exceptional customer service.

Research shows that 34 percent of people who abandon calls will not call back. The lost revenue can be considerable. Many firms with voice mail and understaffed call centers have not quantified the cost of these abandoned calls.

People contacts usually are the most memorable of our buying experiences, not our contacts with optical readers or electronic robots. However, all contacts within an organization contribute to our perceptions and judgments about that organization.

People will continue to appreciate and to reward warm, helpful service by other living, breathing human beings, no matter how computerized the society becomes. They will smile when you address them by name or when you give them information or help that they did not expect. They will tell their friends about fast service by friendly, helpful employees who knew what they were doing and enjoyed doing it.

The competitive edge will continue to go to companies with personal, personable service.

Discover card in the U.S. has LIVE people. They are advertising this in their TV advertising. They are still using a complicated system to get to the live person. Takes about 3 minutes on a Saturday.

**The Little Things**

Too many organizations in service industries will continue to overlook basic techniques such as calling regular customers by name - the “little things.”

I have gone to the same convenience store twice a week for more than six years to buy gas. I always present my name to the clerk: It is on the credit card that I submit. Not once have I ever been called by name. Not once has anyone in that store seemed to recognize me.

Most other convenience stores are the same. As a result, I do what I suspect many other people do — I select my gas pumps on the basis of convenience and price because service is unattainable.

Another reason that personal service by a live human is superior to any technological marvel is that flawless, zero defects, perpetual motion machines that never break down or misbehave have not yet been discovered. If they have, they probably serve only small numbers of people.

The shift from smokestack economy to service / information economy requires transformation in the way organizations are managed to help prevent
EXCEPTIONAL SERVICE: THE SECRET WEAPON

sacrifice of personal service upon the altar of economy-by-technology. Management and organizational change needed to achieve professional, company-wide transformation into a service-oriented company as described in Chapters 3 and 4.

HOW TO BENEFIT FROM SERVICE ENHANCEMENT

Customer service exerts a multiplier effect: It multiplies results achieved by advertising, marketing, and sales.

The basis for this “multiplier effect” is a positive feeling about a company that quality personal service places in the minds of customers and, thereby, in the minds of people motivated by personal service to recommend the company.

When a company advertises against a backdrop of consumer good will for the organization and its products, then the company’s cash registers ring a merry tune after advertising.

On the other hand, if a company’s employees routinely sentence customers to long waits, then behave as if they were doing customers a favor by helping them complete their purchases, a week’s worth of the prime time commercials on network TV would have little effect on sales.

Even in the absence of advertising and other marketing, when a business successfully adopts a professional service strategy, then sales, profit, and return on investment usually improve geometrically — not just proportionately. Customer satisfaction and loyalty increase, and customer complaint numbers drop.

Customer service is the first-string quarterback. With customer service playing, the rest of the team performs better and the team wins most of the time.

If a company treats its’ customers right, makes customers feel at home, and gives them the distinct impression that the company values their patronage, then profit is the quite certain result. On the other hand, if the company treats service as “nice to do if you have the time,” then the company will find that other strategies, such as advertising, achieve only anemic results and fall short of expectations or potential.

Because of the “enhancement effect” of service, some companies begin major expansions of marketing programs just as new quality service programs begin to take effect. It is a smart move: Service augments normally anticipated
results of marketing.

To clarify the value of quality service, we can say that service retains the customers you already have, attracts more customers, and develops a reputation that induces customers and prospects alike to do business with you in the future.

This objective is achieved by satisfying customers who then recommend your company to friends, relatives, and acquaintances and who, by their comments, develop and then augment your positive reputation in the marketplace.

**Word-of-Mouth Recommendations**

Cultivate positive word-of-mouth comments on service if you want to achieve a very profitable reputation for good service. Word-of-mouth recommendation often is more effective than product advertising in influencing purchase decisions.

TARP found in a study that customers who have a good experience with a company on a small ticket item tell an average of five other people. However, customers tell an average of 9 or 10 other people about bad service experiences. That’s a good argument for a customer satisfaction effort if there ever was one.

Conclusion: Word-of-mouth communication about bad service is more likely to suppress sales results than good service talk is likely to enhance them.

Service leaders depend on word-of-mouth advertising. It is 10 times less expensive than paid advertising and 10 times more powerful. Amazon is now the most valuable retailer in the world. Amazon built its’ business through word-of-mouth advertising. The online retail giant’s market value is about $719 billion. Walmart (WMT) is worth a little more than $275 billion. Costco depended on word-of-mouth advertising to grow its business to $138.43 billion in sales for year ended September 2, 2018. Costco employs about 245,000 full and part-time employees. In 2018, Costco had 94.3 million members.

**Customer Complaints**

Another benefit of a quality service system can be more customer complaints. Customer service encourages complaints, and that is good. Complaints are opportunities to correct problems that a company might never otherwise hear about.

Often times, employees avoid complaints because they have never been educated in handling them. Indeed, 80 percent of the complaint letters that I write go unanswered — like one I wrote to the President of Marriott Courtyard
hotels. During the first (and last) time I stayed at a Courtyard hotel, my father-
in-law had a heart attack. The hotel did not deliver an emergency message left
for me. What is more, they did not make the wakeup call that I left the night
before.

Indeed, a service system that simplifies and encourages complaints tends
to increase profit. Why? Because customers who can complain to the company
are less likely to spread their complaints throughout the community, thereby
turning away a certain amount of business.

It is a wise move to make it very easy for customers to express their
opinions. (See Chapter 12 on complaint systems.)

Summary of Benefits
Benefits of quality service, all of which will be discussed later in the book, can
be condensed into this list:

1. Customer loyalty and increase in market share and return on sales.
2. Increased sales and profit.
   Reordering.
4. Higher customer count and more new customers.
5. Savings in marketing-advertising-promotion budgets.
6. Fewer complaints in an environment receptive to complaints. More
   complaints resolved. Customers stay.
7. Positive company reputation.
8. Differentiation.
9. Improved employee morale and productivity because customers
   respond positively to them.
10. Improved employee relationships: People talk to each other because
    they are in better moods, doing work they more often enjoy.
11. Fewer employee grievances, absenteeism and tardiness.
12. Less turnover.
CUSTOMER LOYALTY

One of the greatest benefits of customer service is customer loyalty. Loyalty is a hedge against competition’s erosion of your customer base.

“What is more important than customer service?” asked Bruce Bolger when he was Editor of Incentive magazine. “Few companies can depend upon a continuing flow of new customers. Sooner or later most must build a loyal base. The better the service the bigger that base.” Loyal customers who continue to buy are the foundation for long-term success.

“It’s well known,” said Marva McArthur, when she was customer service executive for Waddell and Reed Services of Kansas City, “that it is a financial benefit to a company to get repeat business from the same customers instead of having to go out into the market and find new customers.”

Indeed, it is a lot smarter... and cheaper... to emphasize customer service, thereby keeping many of the customers a company already has, than it is to spend a large part of the budget to attract new customers.

Francis Tritt of Kansas City, Missouri, who conducts seminars on customer service, says that businesses that used to throw all of their energies into creating new products and luring new customers are beginning to realize that they ought to be doing more to keep the customers they already have.

It is instructive to note that the business philosophy of L.L.Bean, Inc., purveyor of outdoor clothing and supplies, includes this phrase: “...treat your customers like human beings and they’ll always come back for more.”

Eastman Kodak Corporation viewed its customer service program as a key to customer retention. Retaining customers is vital in staying ahead of the competition and in remaining profitable. The problem it did not understand was innovation.

Jan Carlzon, former president of The Scandinavian Airlines System, wrote in Moments of Truth: “We have oriented ourselves to become a customer-driven company that recognizes that its only true assets are satisfied customers, all of whom expect to be treated as individuals and who won’t select us as their airline unless we do just that.” There is no better illustration of the value of customer loyalty than the consequences of disloyalty and loss of customers. Take a 100-store supermarket chain as an example. If each of those stores alienated only one customer per day, how much money do you think the 100-store chain would lose annually?

For one such chain the loss estimate was $94.4 million.
Cost of Lost Customers

“Studies have shown that hotels may be losing as much as 12 percent of their annual revenues when dissatisfied customers switch to other hotels,” says William Sheehan, former president and CEO of Omni Hotels.

Look at every customer as a potential lifelong patron — as equity in your marketing investment. Satisfied customers generate word-of-mouth referrals, so every time you lose a customer you weaken your sales base. The longer you keep a customer, the greater is the equity in your marketing investment.

Attend especially to intangible traits of a product or service. Over the long haul, relationships, based upon perceptions formed over time, are more important than so-called tangible traits.

Service, however, certainly is more than smiles. At the very best it is attitude and all the supporting systems.

Loyalty, however, is fleeting. Customers always ask, subconsciously, “What have you done for me lately?”

The transitory nature of customer loyalty is the best reason to make service an established corporate strategy constantly reinforced by follow-up training and supported by highly visible management commitment that is communicated.

The American Management Association found that successful companies spend about 20 percent more money on personnel, including on personnel training, than unsuccessful companies do. The finding held true for companies of all sizes in every industry.

Customer loyalty is very effective in muffling the call of new competitive products and services. It takes a lot more effort by competitors to lure away a loyal customer than it does to attract one who is loyal no more as a result of the unreliability of a company and the hostility of its employees.

Peggy F. Haney, former vice president of consumer affairs for American Express said: “As a result of our customer service program, both satisfied customers and those who have problems that we can work out quickly are much more loyal.”

Substantiating Haney’s view is Roger Nunley, former Director of Industry and Consumer Affairs for Coca Cola USA. He said, “In terms of brand loyalty it is in the company’s best interests to influence not only the half (of customers) who intend to change brands but all of those who wouldn’t normally contact us.”
**Service Can Restore Loyalty**

Service not only maintains loyalty, it restores it. A report cites documented evidence that good service and customer education programs can restore brand loyalty, confidence, and repurchase intention of customers who experience problems.

A group of Michigan hospitals discovered the truth in the assertion, when it experienced a serious problem with malpractice suits. So, a hot line was established to answer calls from people who planned to file suits. The hot line staff discovered that the former patients now intending to become litigants were motivated to file by bad employee attitudes and personal behavior, not by low quality of medical care. After the staff began dealing with the real causes of the malpractice threats - the way the staff treated patients - many of the planned suits were dropped.

**Bottom-Line Value of Service**

Is customer loyalty important to the bottom line? Your local supermarket expects at least $4,400 to $22,000 from each consumer during the five years that market research shows that the consumer lives in the same neighborhood. Appliance manufacturers figure brand loyalty is worth more than $2,000 in profit over 20 years. In banking, the average customer represents $80 a year or more in profit. All these figures rise with inflation.

Auto industry studies have found that a brand-loyal new car dealer’s customer represents average revenue of at least $140,000 over the customer’s lifetime. You can see that it is ludicrous for a Service Department manager to stand toe-to-toe with a customer and argue about who should pay for a $40 part. It is ludicrous because the car dealership stands to lose much more in the future than the profit on a $40 part.

**A Vow to WOW**

Since day one COSTCO has had an unwavering commitment to doing the right thing for their members, employees, suppliers and the community. Their strategy is to make sure its customers come back. Its merchandisers are meticulous about their choices of product for their customers and have set detailed standards on everything from the size of cashews to the thread count of bed sheets.

That unbeatable value proposition on quality products and customer service has inspired roughly 90% of Costco’s 90 million cardholders worldwide to renew their $55 to $110 memberships each year.
Costco reported net sales of $138 billion for FY 2018, an increase of 9.7 percent from $116 billion during the similar period last year.

Costco currently operates 768 warehouses, including 533 in the United States and Puerto Rico, 100 in Canada, 39 in Mexico, 28 in the United Kingdom, 26 in Japan, 13 in Korea, 15 in Taiwan, 1 in Iceland, 1 in France, 10 in Australia and two in Spain. Costco also operates electronic commerce web sites in the U.S., Canada, the United Kingdom, Mexico, Korea and Taiwan.
Chapter 2

WORLD CLASS SERVICE

ROLE MODELS

"I cut my losses quickly on bad hires that didn't perform."

- JACK WELCH, Former CEO, General Electric

MODELING THE BEST

GENERAL ELECTRIC

General Electric was the best run company in the world under Jack Welch who has been considered the most effective CEO in the world. The stock was $1.40 a share on April 1, 1981 when Jack Welch took over as CEO. It was $40.50 when he retired September 6, 2001. A $10,000 investment made in GE on December 30, 1983 would have been worth $241,165 on March 22, 2001. When Welch was named CEO, GE had 425,000 people doing $25 billion in business. When he retired it had about 300,000 people and sales of $135 billion.

In Welch’s book, “Jack: Straight from the Gut”, he writes, “Companies can’t protect jobs. Only satisfied customers can do that.”

Welch wanted GE businesses to be number one and number two in their markets. Those that were not, even if profitable, were to be fixed, sold or closed. During his first four years as CEO, Welch sold 125 businesses. During his first decade as CEO, GE acquired businesses with 150,000 people, sold businesses with 135,000 workers, and cut another 120,000 jobs for a net loss of 155,000.

In 2000, Montgomery Ward, one of the largest but least service-driven retailers in the United States with 250 stores and 37,000 employees, was shut down by Welch.

Many management jobs were eliminated at GE through a process Welch called “de-layering”. Within a decade, management levels between the chairman and field employees dropped from nine to between four and six.

GE’s leaders under Welch had a passion for excellence, and they hate
bureaucracy, but they are open to ideas from anywhere.

The first obstacle to overcome in the battle to becoming boundary-less is the not-invented-here (NIH) mentality. Welch writes, “Boundary-less means that you look everywhere in the world for better ideas. You realize that every time you meet someone there is a better idea. There is a better idea out there every day and the job of every person at GE is to find a better way.”

In a joint interview with Herb Kelleher, the late CEO of Southwest Airlines, Welch said, “If this place is stifling you, share it, shake it, break it. Check the system, because it wants to be a bureaucracy.”

“We spend all our time on people. The day we screw up the people thing, this company is over,” Welch said. GE has to out-think and out-execute day in day out. Welch spent 15 to 20 percent of his time interacting with customers and more than 50 percent of his time on people issues.

To fully understand Welch’s thinking, consider his remarks in a 1995 interview with Fortune Magazine. Welch said, “The facts are, it’s limitless. Our productivity is at the beginning stages. There’s so much waste. There’s so much more to get, it’s unbelievable. And somehow or other, people think all these things are finite.” In a 2006 Fortune Magazine article, when asked about keep lean said, “I was all for de-layering and flattening organizations. Today I’d flatten them even more. Some companies are still too hierarchical. Some are right out of Bethlehem Steel.”

Welch gradually rebuilt General Electric into what he calls a “people factory” that generated success by richly rewarding talented managers and relentlessly culling inferior ones.

Every year he would ask each of GE’s businesses to rank all its top executives. He forced the leaders of the businesses to identify the people in their organizations who they considered in the top 20 percent, the middle 70 percent, and the bottom 10 percent. If there were 20 people on the management staff, he wanted to know the four in the top 20 percent and the two in the bottom 10 percent — by name, position, and compensation. The underperformers generally had to go.

Differentiation comes down to sorting out the A, B, and C players. The A’s are people who are filled with passion, committed to making things happen, open to ideas from anywhere, and blessed with lots of runway ahead of them. They have the ability to energize not only themselves, but also everyone who comes in contact with them. They make business productive and fun at the same time.
It is passion; probably more than anything else, that separates the A’s from the B’s. The B’s are the heart of the company and are critical to its operational success. GE devotes lots of energy to improving B’s. Welch wants them to search every day for what they are missing to become A’s. The manager’s job is to help them get there.

The C player is someone who cannot get the job done. C’s are likely to enervate rather than energize. They procrastinate rather than deliver. You cannot waste time on them, although GE does spend resources on their redeployment elsewhere.

Managers who cannot differentiate soon find themselves in the C category.

The A’s should be getting raises that are two to three times the size given to the B’s. B’s should get solid increases recognizing their contributions every year. C’s must get nothing. GE gives A’s large numbers of stock options at every grant. About 60-70 percent of the B’s also get options, although the same people might not receive them at every grant.

Losing an A is a sin. Love’em, hug’em, kiss’em, don’t lose them! GE conducts a postmortem on every A they lose and hold management accountable for those losses. It works. GE loses less than 1 percent of its A’s a year.

But dealing with the bottom 10 percent is tough. The first year, new managers name their weakest players, they do it readily. The second year, it is more difficult. By the third year, it is war.

If a GE leader submitted bonus recommendations without identifying the bottom 10 percent, Welch sends all the recommendations back until differentiation is made real.

Year after year, forcing managers to weed out their worst performers was the best antidote for bureaucracy.

On ranking employees, Welch in July 2006 said “it was controversial. Weed out the weakest. The Red Sox and the Mets are playing tonight. Guess what? They’re not putting on the field guys in the minors. It’s all about fielding the best team. It’s been portrayed as a cruel system. It isn’t. The cruel system is the one that doesn’t tell anybody where they stand.”

Some think it is cruel or brutal to remove the bottom 10 percent of the people. It is just the opposite. What is brutal is keeping people around who are not going to grow and prosper.

In Welch’s book Jack: Straight from the Gut, he said, “I was an impatient manager, especially with people who didn’t perform. I cut my losses quickly on bad hires that didn’t perform. People who were arrogant or pompous didn’t last
very long. Those who delivered took home outsize salary increase and bonuses, just as I now did.” I encourage you to get a copy of Welch’s 2001 book. The principles are incredible. Jeff Immelt who replaced Welch must not have read it.

General Electric Company operates as a technology and financial services company, Year-end financials as of September 30, 2018 GE had revenues of $123.79 billion and profit of $3.4 billion. Financial year 2017 they lost $5.8 billion. They have hidden in their financial statements the net income. It is on page 104 out of 120 pages on their annual report. Amazing. They have 313,000 employees worldwide. Jeffrey Immelt said 2015 was their best year. I find customer service has slipped at GE and Immeet and his Board are more interested in their compensation. Frankly anyone who loses $6.12 billion in 2015 and says it is their best year should have been fired. In May 2003 I bought $1000 worth of stock in GE.

As of January 28, 2019 it is only worth $528. The same investment in Amazon is worth $52,064. He started as CEO September 7, 2001 and the stock value significantly decreased under his leadership. His successor, insider John Flannery, also instituted write-offs, asset sales, and a dividend cut, but only got about a year or so on the job as Chairman & CEO before he was replaced. He was replaced October 1, 2018 by H. Lawrence “Larry” Culp Jr. He is the first outsider to run GE in the company’s 126-year history.

Under Jeff Immelt the stock of GE was less than when he started 16 years earlier as CEO. He got paid during his tenure over $500,000,000. Waste became prevalent. I believe greed took over and the focus was on CEO compensation and Board compensation. When Immelt flew he had 2 corporate jets. One as a backup in case the first plane had mechanical problems. Fish stink from the head down. Regardless of how poor GE performed Immelt was rewarded with typically over $33 million in annual compensation. No accountability.

General Electric (GE) was the worst performing stock in the Dow in 2017. General Electric stock is down roughly 60% in 2018. The shares are lower by nearly 80% over the past three years.

General Electric used to be, under Jack Welch, one of the best managed companies in the world. There are several things that make GE great:

• Through good years and bad it consistently does the things the rest only wish they could.

• It has the ability to change directions unabashedly.

• It develops people, evaluates them and acts on the results. The result is an extraordinary, high-performing organization.
• It is aggressive. It thinks big and takes risks.
• Its leadership spends a great deal of time thinking about employees.
• It has the best people at every single position. No one has better people.

BAD SERVICE NULLIFIES ADVERTISING

Richard Israel, retailing consultant, found that much of a huge advertising investment by a major furniture chain evaporated at the moment a customer entered a store and walked smack into a “non-supportive psychological environment.” (Translation: Salespeople initially ignored customers and failed to respond to questions and requests.)

All your company’s promotion, advertising, marketing, and goodwill can be ruined by one rude or indifferent employee. Money spent on advertising is largely wasted when customers show up in response to it and are turned away by indolence, insolence, ignorance, insincerity, indifference, and aloofness.

“The whole purpose of advertising,” says Israel, “is to get the customer to come in the front door. After that, advertising can’t do anything more for you. It’s up to the people in the store to take over during the last four feet.”

We tend to assume that employees know from birth what to do for customers during these last four feet. If they do know, they are not applying their knowledge. No, employees do not arrive on the job with a full-blown set of service skills.

I believe that advertisers should allot a portion of their ad budgets to development of learning programs for employees in order to reinforce media programs with customer service knowledge and skill.

Advertising brings customers in the door, all right; but, bad customer service sends them right back out the door again. One of the nation’s largest manufacturers, looking for a way to cut down on erosion of market share without spending much money, “found that its advertising sold only 17 percent of its products,” says Richard Seltzer, a leading customer service consultant. “The other 83 percent was sold by the company’s reputation — past consumer experience, word of mouth, magazine stories about the company, and so on.

“In other words, when (the manufacturer) looked at all the money that had been sunk into advertising, it was not selling as many products as it thought,” said Seltzer. “As a result, they expanded into a complaint handling program.”
“**I WANT IT ON TIME** and in the proper hands. I want it done correctly, accurately, exactly, precisely, perfectly, efficiently, reliably, expertly, proficiently, faithfully, totally, absolutely, unequivocally, unmitigatedly, maturely, flawlessly, supremely, unsurpassedly and certainly without fault. I want it unharmed, unbotched, untainted and unscrewed-up. And most of all I want it done **CHEAP!**”

**OUR MOST IMPORTANT PACKAGE IS YOURS**

It is tough for manufacturing companies to understand that they are in service, too. It is difficult for managers of these companies to realize that service has a powerful impact on the bottom line.

These companies must make the transition to a service orientation or they will be left behind by competitors who do — competitors who realize that service adds product value and customer loyalty.

**CUSTOMER SERVICE: A PROFIT CENTER**

Item: When nothing was changed but service level by its 30,000 employees, Woolworth’s of England saw a 30 percent increase in sales in their 800 stores in 1987 using Feelings. The problem is one customer program will not sustain a
service culture. On November 26, 2008, trading of shares of Woolworths Group plc was suspended. In January 2009 Woolworths closed its doors with 27,000 job losses.

Item: Computer terminals lit up at Zellers Inc., third largest retailer in Canada, with a system-wide $20 million sales increase when the only change was a new customer service system led by a training program for employees featuring reinforcement and review. This 12.5 percent increase in sales at Zellers stores continued for months. Increased volume occurred despite declining sales and customer traffic throughout the retailing industry at the time.

However, this story entered a new and sadder phase. Wal-Mart showed up in Canada after buying Woolco. Zellers reacted with inaction: Management’s clear customer service vision faded when the managing executives expressed the conviction that customer service was good enough.

Unfortunately, many customers disagreed. Zellers’ stock lost 27.5 percent of its value in 30 days.

Facts such as these verify the marketing impact of service and whet the appetite of business for customer service programs.

So, it seems true that an increase in customer satisfaction yields a measurable increase in profit. Zellers no longer exists.

The Home Depot

Home Depot, the second largest retailer in the U.S., and world’s largest home improvement retailer, is one of the world’s leading role models for service. Founded by Bernie Marcus and Arthur Blank in 1978 with three stores in Atlanta, Georgia. They ended the third quarter of 2018 with 2,286 stores and 400,000 associates. They have retail stores in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, 10 Canadian provinces and Mexico. Marcus said, “Customer cultivation is just like cultivating a tomato plant. Prepare the soil, maybe put some additive in it. Plant the seed. Prune it. Fertilize it. Apply insecticides. It will always grow bigger if you cultivate it. If you cultivate it, it will bear more fruit.”

The Home Depot, Inc. is the world’s largest home improvement specialty retailer Sales for fiscal 2017 were $100.9 billion, an increase of 6.7 percent from fiscal 2016. Total company comparable store sales for fiscal 2017 increased 6.8 percent, and comp sales for U.S. stores were positive 6.9 percent for the year. Net income was $8.630 billion.
“Our ongoing commitment to enhance the interconnected retail experience for our customers, provide localized and innovative product, and deliver best in class productivity resulted in record sales and net earnings,” said Craig Menear, chairman, CEO and president.

Robert Nardelli became President and CEO of Home Depot in 2001 when he was overlooked as CEO of GE. The founders Marcus and Blank moved quickly to recruit Nardelli and stepped down to install him as CEO. Nardelli said, “The biggest threat to success is complacency. The biggest competitor we have is not Lowe’s (the No. 2 home-improvement retailer); it’s us.” Nardelli in 2007 was terminated with a $210 million severance package. His huge salary and lack of progress with the stock ended his career at Home Depot. Craig Menear has been CEO since 2014 and sees opportunities to further grow its business across the millennial and aging consumer populations, as well as with the professional customer.

Arthur Blank said, “We’re in the relationship business, not the transaction business.” Few retailers understand the power of this thinking.

Blank and Marcus said, “Their values empower people to be their best. Nobody loves a company. A company is just a sign. Nobody loves brick and mortar.”

Traditionally, they hire the best people in the industry, so they make more money than their counterparts do at their competition. That breeds initial loyalty when they are hired; receiving company stock further deepens that loyalty; and then they fall in love with the way they are treated.

Through the Home Depot stock purchase, all associates can make a no-risk stock purchase at 15 percent off the going market price. Appreciating by as much as 48 percent compounded annual growth since they went public in 1981. In 2018 they bought back $15 billion in stock.

The founders feel it is important that they don’t just develop an intellectual relationship with their customers and associates. There also needs to be a tight, emotional bond. At the end of the day, we are in the people business. And people need bonds with each other.

While Arthur Blank was President and CEO he spent 25 percent of his time visiting stores. Members of The Home Depot board of directors are required to visit 12 stores each quarter.

Home Depot’s four keys to success are:

1. The customer is king. Everything is done for that customer when he needs it done to ensure that he will return.
2. Do not believe the B.S. The only way for executives to really know what is going on in the store is to be in the store and see what the customers are saying and doing.

3. Run scared. Always be ready to rethink your plans and change to meet the new needs. Do not get complacent when you are doing a good job, because the market is continually evolving.

4. Be an entrepreneur. Everyone within the organization must be empowered to do what is right in a situation, not just what company policy dictates. This can create chaos for the suppliers, but it keeps the customer back.

To keep current of this leading worldwide service role model visit their website (www.HomeDepot.com). Read Marcus and Blank’s book, The Home Depot Built From Scratch, and buy some of the company’s stock so you get their annual reports (you’ll also make a lot of money).

I recently returned two items to Home Depot. One of these items I needed in a larger size. I did not have a receipt for the second item. Home Depot credited my credit card for the two returns with no questions asked. When I tried to pay for the 53-cent item, with my credit card, Beth, at the checkout counter said she could not process a credit card charge of less than $1. I had no cash and no checkbook. Beth said, “Don’t worry. I have 53 cents on me.” How many of your employees would automatically do this? After leaving the store, I called the store manager on my cell phone to congratulate him on Beth’s performance.

With service like this, why would I shop anywhere else? Home Depot is light years ahead of other home improvement stores when it comes to superior service. Home Depot has created a service culture with empowered and service-driven employees. Year after year its employees excel at service.

**Profit Contribution of Service**

Profit contributions of customer service show up at many points. Order upgrading is an example. Let’s say that a customer calls in an order for 3,000 pounds of material and the employee taking the call says: “If you buy 5,000 pounds you get a 10 percent discount, you know.”

Says the customer: “I’ll take it.”

That is order upgrading. That is volume and, presumably, profit contributed by customer service.

Does profit vary in direct proportion to degree of customer satisfaction?
We think it does.

It is true that when you do something for a customer, even when it is as simple as a refund or deduction, you are rewarded with far more than the cost of providing the service in future business attributable to the good will that your gesture engendered.

**Apple**

If you walk into an Apple store today you will be greeted by a sales staff member and you are not asked, “How can I help you?” Instead they ask, “What would you like to do today?” They go right to the heart of any technology user’s question, a question that’s always related to what they want to do with the technology the user is interested in.

And once you explain your needs, they take care of it on the spot in most cases. Or if you need more hand holding, they turn you over to the Apple Geniuses. No wonder 50% of people buying Apple products are new to Apple. Apple’s products are simple to understand and use, but if you do have a problem, Apple can take care of it at their stores or over the phone quickly. By adhering to their basic principles of keeping it simple and by constantly offering great customer service and in-store experiences Apple will continue to grow and command a large share of the market.

Apple is the number one brand in the world and Fortune Magazine’s Most Admired Company. In its last fiscal year ending September 29, 2018 revenue was $265,595 billion with a net profit of $59.53 billion. International is 61% of sales. As of March 2019 it expects to have amassed $300 billion in cash. That is more cash than almost all governments. Apple is the most profitable retailer on the planet.

Angela Ahrendts, SVP Retail & Online Sales said, “If you’re going to employ people anyway, why not make them the differentiator? They are not a commodity.” She is ranked 25th most powerful woman in world. In July 2006 she was CEO of Burberry in the UK. Angela rose its value from $2.6 billion to $9 billion. She was the highest paid CEO in UK 2012 $26.3 million. She earned over $70 million at Apple in 2014 - More than CEO, Tim Cook

Angela “believes the key to Apple’s future is not just marvelous products, but also engaging and energizing its nearly 100,000 employees, 60% of whom now work in the $21.5 billion retail division.”

CEO Tim Cook said, “If you believe the most important data points are people. You want to push the people who are doing great. Any you want to either develop
the people who are not or, in a worst case, they need to be somewhere else”

Cook said, “The goal was to get people who were creative,

wickedly smart, and slightly rebellious. “Under Steve Jobs, there’s zero
tolerance for not performing”

“To be thrown upon one’s own resources, is to be cast in the very lap of fortune”. Benjamin Franklin

**Cost of Service**

It costs money to start a customer service program. Unfortunately, some companies cannot see beyond initial expense to long-term results; so, they put off new service programs.

Spending money on something that pays off in profit should not be a sticking point for a business. Most executives in most kinds of business enterprises do not reject good ideas because they are expensive. Price should not be the crucial consideration when it comes to developing or to maintaining a positive business relationship with a customer.

“The best kept secret in the global economy today is that if your service is awesome you get so stinking rich you have to keep buying new bags to take all the money home,” wrote Tom Peters in Thriving On Chaos.

Some well-known companies with “awesome” service are Disney, Federal Express, Wal-Mart, Commerce Bank, Nordstrom, GE, Dell, The Home Depot and Amazon.

What happened? Customer service happened. During the same time that the company was getting so profitable, it ranked at the top in customer satisfaction.

Profitable carriers satisfy unhappy customers by “giving a full explanation if they can’t comply with a request,” says Dan Smith, director of consumer and industry affairs at the International Airline Passengers Association in Dallas.

Growing evidence that customer happiness shows up on the bottom line is one reason that companies such as GE, Whirlpool and Coca-Cola spend millions to improve complaint handling.

Maryanne Rasmussen, former vice president of worldwide quality at American Express, said, “The formula I use is: Better complaint handling equals higher customer satisfaction equals higher brand loyalty equals higher profitability.”
CUSTOMER SERVICE SAVES MONEY

Not only does customer-satisfying service make money, it also saves money. Keeping customers, you see, reduces marketing expense. Money unexpended on marketing equals profit retained.

A professional customer service program enables a company to reduce marketing expenditures because fewer customers are lost. Fewer former customers need to be replaced.

Club Industry magazine, edited for management of membership businesses such as health clubs, noted that with a 2,000-member cap and a 40 percent attrition rate a club must pick up 800 new members a year to stay afloat. The cost of recruiting 800 new members can put a big dent in a budget, the magazine continues.

“Good service may cost money, but not as much as a major annual recruiting drive,” the magazine observes. “If that same club can cut its attrition rate in half through better service, it would need to attract only 400 new members per year.”

The Multiple of Five

There is yet another relevant equation here: Money spent on customer service equals customers retained. Keeping customers is very important to business success because customers are five times more likely to switch vendors because of perceived service problems than for price concerns or for product quality issues, according to research by The Forum Corporation. The study involved 2,374 interviews of customers and employees from many different companies. It is interesting that this multiple of five also shows up as the rate at which dissatisfied customers switch their business to competitors.

The 5-to-1 ratio shows up once again when we compare cost of obtaining a new customer with cost of keeping a customer you already have. This has been a rule of thumb in customer service for years. The difference in cost between “getting” and “keeping” a customer becomes clear when you measure cost of customer acquisition through marketing (advertising, direct mailings, field sales calls, and so on) against the cost of maintaining an account in house.

Service Yields Savings

Savings are achieved with good service this way: Employees improve service performance and thereby prevent dissatisfaction and complaints. This reduces
or eliminates cost of correcting problems such as payroll for a larger customer relations staff. Furthermore, service saves marketing costs because it is easier and cheaper to sell to current, satisfied customers than it is to sell to mere prospects.

Many business managers are unaware of the fact that service saves marketing costs. What is more, quality work (doing things right the first time) that is part of quality service saves other costs such as the cost of doing a job over again, cost of repairs and replacement, the simple administrative costs of complaints that would not be made if an organization practiced quality service delivery.

Of course, good customer service drastically reduces the number of lost customers to be replaced. Poor service is responsible for 40 percent of customer defections, according to study results announced in 1990 by Booz, Allen & Hamilton Inc., management consulting firm.

Some managers even believe that quality service is expensive, notes Ronald L. Vaughn, Max Hollings worth Professor of American Enterprise at the University of Tampa. But, he observes, courtesy, friendliness, and positive interchanges with internal and external customers, those quality service hallmarks, are free!

**Service Doesn’t Cost, It Pays**

Another way of looking at the initial cost of a service program is that the cost of a dissatisfied customer is much greater than the cost of providing service, says Dr. Vaughn.

Customer service does not cost. It pays. If you keep your customers happy you have an “easier sell” — thereby saving marketing expenses.

Selection of a brand or a product, or choosing a company to do business with is not so much a conscious choice, in many cases, as it is a knee-jerk choice. The knee jerks in the direction of the good-service company, when a consumer has a good “feeling” about a company that derives from the company’s quality service.

We predict that service of the future will be known as a facet of marketing, not as a frill or a customer bonus as it often is known today.
IT’S FIRST CLASS TO BE SECOND

Despite all the benefits of quality service, experienced managers often shrink from starting a formal quality service program when a competitor rolls out a program before they do. Most reasons for this inaction can be grouped under a single word: pride.

Middle managers think that they will look bad in the eyes of senior managers... and competitors... if they seem to copy a competitor’s strategy. A department may have been developing a customer service program for months. Management shies away from instructing the department to implement a competitor’s wildly successful plan because they want to avoid demoralizing employees.

These emotional reactions are the reasons that most of the time a company that installs a customer service program will not be challenged in the customer service area for at least two years by its competitors. Other companies do not want to embarrass employees who were bested by the innovative firm. Companies in the airline and automobile industries nurture no such reservations. Within one or two days of a special price promotion all the companies in an industry will have copied the strategy.

Stanley Marcus, the late Chairman Emeritus of Neiman Marcus, says that the only thing that forces a company to become service driven is a competitor. A competitive service program stands a 50 percent chance of failing because commitment will be weak or nonexistent. But service is so important that ego should not be allowed to interfere with speedy use of a customer service program.

This same kind of intellectual and emotional baggage interferes in other ways with implementation of quality service practices.

1. A manager accustomed to applying sophisticated management and financial tools sometimes is incapable of understanding that something as simple as customer service can actually increase profit.
2. Management wants to avoid offending those who were responsible for service by suggesting that they develop a new service system similar to a competitor’s.
3. Company management in an industry dominated by a single competitive corporation widely admired for service often cannot believe that something as inexpensive and fundamental as customer
service could be the reason for dominance such as ROI as high as 20 percent.

4. Service that develops long-term customer satisfaction and loyalty is hard work — too much work for some companies. This may be the major reason most firms do not focus on service.

5. Service is a “soft issue” — intangible and abstract. It is hard for some managers to believe that a customer service program is worth their time. Service does not require tangibles such as million-dollar computers, a fleet of trucks, industrial robots, numerical control machines, or new buildings, so it is difficult for managers to imagine it. Therefore, customer service could not be very important.

The benefits, however, of a quality service program — once they have been achieved — simply “blow away” all empty rationalizations.

It is a fact of life that many companies leave customer service leaders unchallenged in their industries. Years and even decades pass before they take up the gauntlet in the coliseum of customer service.


Companies with good customer service steamroll the competition, continuing for years to confound competitors with poor customer service by out-performing them no matter what they do. You would think competitors would catch on.

CALCULATING RETURN ON SERVICE

Frederick Reichheld and W. Earl Sasser, writing in Harvard Business Review, point out that “As a customer’s relationship with (a) company lengthens, profits rise. Customer defections have a surprisingly powerful impact on the bottom line.”
Reichheld, former director of Bain & Company’s customer retention program, and Sasser, professor at Harvard Business School, added: “It is common for a business to lose 15 to 20 percent of its customers each year. When defections are cut in half, the average growth rate more than doubles. A five percent change in rate of retention swings profit increases from 25 percent all the way to 100 percent.”

In my opinion, this is the most powerful customer service research that I have seen in 16 years.

Despite the profit impact of reducing customer defections, accounting systems do not capture the value of a defection prevented, reconsidered or reversed.

Nor do businesses even track numbers of defections. As a result, executives vastly underestimate the cost of losing a customer.

Most accounting systems focus on current-period cost and revenues, ignoring expected cash flows over the lifetime of a customer.

A Defection Management program can be a great help to a business.

DEFECTION MANAGEMENT

Create Swat Teams
Create an action group of your most proficient employees. Their job: To contact defecting customers and to persuade them to give the company another chance.

List Action to Reduce Defections
Prepare a list for individuals, for departments, and for the entire organization.

Training
Implement expanded quality service training (or new approach or content) every six months, since employees will not change customer service practices for life in reaction to one-shot training. Train the entire work force. Cost of training is a small fraction of potential growth in sales and profit.

If you want to determine whether your company has a high customer defection rate and to take steps to retain customers, the obvious first step is to determine defection rate. Then you are prepared to identify the causes for defection.
Secondly, determine the life of a loyal customer and how much they spend each year over their customer lifetime.

Assemble employees, supervisors, and managers into focus groups charged with the task of listing the causes for defection. When a steady customer drops out, call and ask the reason for the defection.

Interview front-line employees: They see customers come and go and they usually know exactly what the primary causes for defections are. You can also send survey forms to former customers, including an inducement for them to reply. Telephone and in-person interviews with defecting customers are also effective.
MEASURING AND DEFINING
THE COST OF ZERO DEFECTIONS

What is the defection rate?
What is the lifetime of a loyal customer?
How much does a loyal customer spend each year in the customer’s lifetime? It should increase each year.

Year 1 ___ Year 11 ___
Year 2 ___ Year 12 ___
Year 3 ___ Year 13 ___
Year 4 ___ Year 14 ___
Year 5 ___ Year 15 ___
Year 6 ___ Year 16 ___
Year 7 ___ Year 17 ___
Year 8 ___ Year 18 ___
Year 9 ___ Year 19 ___
Year 10 ___ Year 20 ___

TOTAL REVENUE ___
You will want to know, also, the amount of profit that a loyal customer generates each year. Once again the profit should increase each year because of the reduced marketing costs and increase in revenue.

Year 1 ____ Year 11 ____
Year 2 ____ Year 12 ____
Year 3 ____ Year 13 ____
Year 4 ____ Year 14 ____
Year 5 ____ Year 15 ____
Year 6 ____ Year 16 ____
Year 7 ____ Year 17 ____
Year 8 ____ Year 18 ____
Year 9 ____ Year 19 ____
Year 10 ____ Year 20 ____

TOTAL PROFIT ____

The reason for doing all this is to determine:

Annual Defection Rate ____________
Total Loss in Sales ____________
Total Profit Loss ____________
Grand Total: All Losses ____________
After reviewing the grand total of all losses, you will probably have cardiac arrest. The losses for most firms will be in the millions.

Your plan for countering high defections should include in a review of the problem:

- Cost of acquiring new loyal customer
- Annual marketing and advertising budget
- Average size of purchase by a loyal customer
- Number of customer complaints each year
- A system for measuring and tracking defections

At this point you should have all the information needed to analyze the total annual cost (loss of profit) of customer defections. Enter the necessary detail into this formula:

Defection Rate

\[
\text{Defection Rate} = \frac{\text{Total defections per year}}{\text{Total profit over life of customer}}
\]

\[
\times \frac{\text{Total sales revenue lost from annual defections}}{\text{Total profit over life of customer}}
\]

\[
= \frac{\text{Total sales revenue lost from annual defections}}{\text{Total profit lost from defections per year}}
\]

Maintain momentum of your Defection Management Program by issuing monthly reports of declines in defection rate and monetary savings related to defection rate. Share this with the entire workforce.

Also, recognize, praise, and compensate employees who have been responsible for a zero defection rate. Usually, I focus on recognition; but savings can be so large that you ought to share some of it with employees.

The purpose of recognition is to keep the program going — something you want to do because of the tremendous benefits available from reductions in defection.
Need for Defection Control

Service Quality Institute conducted a survey of large Plasma Group to determine impact of defections. This center operates from 17 locations with some 300 employees. We found that annual “value” of each donor was $5,035.88.

The statistics were based on these findings:

- Defection Rate: 6 Percent / 40,600 donors per year
- Lifetime of typical donor: 41 months / 3.4 years loyal donor
- Lifetime total donations: 16 liters by loyal donor
- Fair market value of loyal donor’s plasma: $11.48
- Average profit on one liter of plasma after manufacturing: $40
- Profit provided by loyal donor over typical lifetime: $6,560

We also found:

- Revenue Loss, One Year: $103,320,000
- Lifetime Revenue Loss: $351,288,000
- Profit Loss, One Year: $59,040,000
- Lifetime Profit Loss: $200,736,000
- Total Loss, One Year: $162,360,000
- Total Loss, Lifetime: $552,024,000
Whenever a single donor defected, lifetime loss to the plasma group was $18,040. One donor!

TARP, the Washington, D.C., service consultants and researchers, developed economic models that predict return on dollars invested in handling complaints and inquiries. The models apply to buying patterns, profit margins and dozens of other factors.

Another service model provides a way to document value of an existing service system — and also to determine how to improve service in cost effective ways.

TARP is seeing a significant reduction in risk and insurance claim costs. In one case, by empathizing with the customer’s injury and offering to pay the doctors’ bills, risk expense was reduced by $2 million the first year.

The “Market Impact of Service Model” determines the effect of reaching dissatisfied customers and concluding contacts satisfactorily. It provides executives with the actual dollar impact of existing service and service improvements; it quantifies economic impact of service levels; and it indicates which service should be changed to achieve greatest bottom line impact.

This service model also enables executives to determine the amount that profit and ROI would increase for each increment of decrease in “unarticulated dissatisfaction” — complaints unexpressed.

It also determines impact on profit and ROI of reduction in cost per customer contact and of an increase in percentage of customers satisfied by the service system.

This model is the salvation of company service departments and service systems because it gives them the figures to document their roles as corporate profit centers generating sales.

The Service Model assumes the following returns on service costs:

1. Increased sales and return on investment from better service. Service gets better as a result of improvements made to prevent customer dissatisfaction.

2. Reduction in service cost. The result of preventing dissatisfaction.

3. Positive market impact, the result of satisfaction that good service causes among a larger proportion of customers. Using the model, comes up with specific information for a company such as incremental cost versus incremental benefit.

Increments are expressed in terms of employee equipment added in one location to achieve, for example, a 3 percent increase in customer loyalty. Bottom line
value of 3 percent increase in loyalty would be calculated.

To estimate increased sales and ROI resulting from service, the model combines company-provided data and data obtained from surveys of a sample of all customers. The result is calculations such as:

- Net purchases by customers whose complaints were satisfied.
- New purchases resulting from positive word-of-mouth.
- Profit on sales from complaint handling and resultant word of mouth recommendation of the company.
- ROI from money invested in service.

**MAINTAINING QUALITY SERVICE LEVELS**

Once you have hired people with good service tendencies, and once they have learned to apply your service system, then your concern becomes maintaining a high level of service. Pride is your best tool for maintaining service level.

Employees are proud to work for a company with a president and other senior managers who support the need for good service and then prove their support with their actions. They are proud of a company that maintains in training and in every other relevant contact with employees that it is committed to service excellence and then proves it by providing financial support for service.

**Bad Service Causes Employee Turnover**

A study by the Forum Corporation found employee turnover to be inversely proportional to employee perceptions of the quality of service provided by their employer. That is, turnover drops when employees feel that the company is providing high quality service. On the other hand, when a company’s service is perceived as bad, not only do consumers not like to patronize the firm, but also employees do not like to work for it.

A report on the Forum study states: “The highest turnover rates are associated with companies possessing the lowest employee ratings of service quality... Factors such as length of service with the company, job function, and frequency of contact with customers demonstrate little influence upon turnover rate.”
Reduced turnover is such an established result of employee motivation because of quality service programs that its opposite — increased turnover — should be considered a warning that a company may not be customer-focused.

This was one of the major findings in a survey of more than 700 companies throughout the world by The Forum Corporation. Turnover is directly associated with employee opinion of service quality. The results of the Forum study add relevance to the lack of pride in work that is rampant today. This is an issue that must be dealt with by companies determined to maintain a quality service reputation.

The underlying message in this book is that customer service is something that you can achieve. Once an organization’s chief executive officer is committed to a professional level of real (not claimed but nonexistent) service and once the CEO has communicated his/her commitment to the organization’s managers, then it is time for commitment to be translated into action. That is what the rest of this book is about — action.
Chapter 3

IN THE BEGINNING WAS... THE PLAN

The most effective business strategies developed today are those that take a service orientation. Customer service is a vital function of any well-run company’s operation.

— ERIC JONES, Former President, Data Systems Group
Texas Instruments

The best way to sell is to make it convenient to buy.

— ANON

REMOVING THE BLINDFOLD

The pride that motivates professionals to demand excellence of themselves and of others is the same pride that often becomes a blinder concealing shortcomings, such as poor service, that are left to chip away at a company’s reputation.

Pride is the reason that executives do not react to high marketing costs. (Those high costs are needed to attract new customers to replace those lost to poor service.)

Pride is the reason that a steady slide in sales is not attributed to unreliability, slow delivery, resistance to customer requests, or unresponsiveness to customer complaints.

Pride prevents perception of embarrassment and discomfort of employees who must deal continually with hostile customers fed up with bad service; and pride prevents the realization that this embarrassment is a primary cause of low employee morale and high turnover.

The pride that believes in either the infallibility or in the untouchability of management or that harbors fundamental faith in overall superiority of an
organization vis-à-vis all competitors is a blindfold that must be removed from the eyes of an organization’s managers before effective customer service planning can begin.

How? Determination to define needs and benefits sought — in unemotional, harshly objective terms — is effective.

**Short-Term Profit: A Blindfold**

Service often is not a priority for management. I place a substantial portion of the problem of under emphasis on service at the feet of corporate leaders.

A common feature of corporate service mentality, besides pride, that blindfolds managers developing a service strategy is short-term emphasis on profit at the expense of long-term service quality.

Part of the difficulty is their short-term orientation. If you are evaluated on quarterly or yearly profits that is what you will pay attention to.

Pride, misplaced priorities, short-term orientation... and also failure to understand realities of the service economy all are reasons that service often is given short shrift.

After years during which our economy has been more service-oriented than industrial, many managers still do not understand the significant difference between the old world of manufacturing and the new world of service, says Alden Clayton, former head of the Marketing Science Institute in Cambridge, MA, a non-profit business think tank.

**Only Lip Service**

Granted that service is a veritable triumph for some leading organizations, still a large proportion of managers have made virtually no adjustment to the new service climate except to pay lip service to it with boring or brazen slogans: “The Customer Is Always Right,” “Satisfaction Guaranteed,” and “The Customer Is King.”

They may install a service program, give it a noisy send-off, then publish a quarterly motivational article in the company magazine, paper the walls with posters, and send an annual letter to employees extolling the importance of service.

They may launch a battle of platitudes with competitors. They boldly commit the company to a larger lobbying budget. They noisily herald a new, strongly-worded Corporate Philosophy or Mission Statement that asserts
unqualified commitment to service. Ad and promotion budgets are boosted for the purpose of creating a service image. (Managers expect that employees will read the ad and spontaneously deliver good service. They are dreamers!)

That, however, is not service. Service is service.

Stand guard against this self-deception. Learn to recognize it. Reject it in favor of pro-active development of a long-term service plan that becomes your professional guide to quality service performance.

Firms that advertise service rarely have it. The service role models like Federal Express, Nordstrom, Home Depot and Commerce Bank do not advertise service. In late 2001, U.S. Bancorp launched a multimillion-dollar media campaign promoting “Five Star Service”. This is the same bank that lost 27 percent of its stock value and $7 billion in market capitalization on December 6, 1999 because they lost their service focus. Wal-Mart which built its business around customer service lost its focus on service over the last several years and in 2007 started to advertise customer service. K-Mart did this same thing about 10 years earlier against Wal-Mart. It failed.

**Where the Plan Begins**

Begin by completing a professional assessment of the company’s service status and needs, evaluating customer views on service, developing service standards, objectives, and actions—and writing it all down in a Service Plan.

The consequence of an all-talk and no-effective-action approach to service is delay of serious effort to install a customer service program. At one time many people considered General Motors Corporation to be an example of this approach. Except in the case of Cadillac, General Motors long took a cosmetic approach to customer service. The company sent service managers through a training program in which they were actually taught how to refuse requests for service politely. It used “800” numbers to field complaints. This approach backfired. Customers concluded that General Motors is “supercilious” and that “they are very courteous but don’t want to fix your car.”

However, in 1987 Oldsmobile offered a customer satisfaction program that Service Quality Institute customized for dealers. Those who adopted it realized a 4 percent average improvement in their Customer Satisfaction Index (CSI). Training works. It is just hard to convince management.

‘Polite evasion’ antagonizes people more than saying right out that you cannot do what the customer asks. Tactically, nothing is wrong with “800” numbers, but, it did not lead to improvement in customer satisfaction because of GM’s lack of service strategy.
SERVICE: A VALUABLE BUSINESS STRATEGY

Service is valuable for companies hard-pressed by competition. The most successful companies today push quality service, not price. After all, competitive pricing brings shoppers, but not necessarily customers. Anybody can lower price, but give a customer something worthwhile, like service that treats him or her in a personal, individual, sincerely concerned manner, and he or she will gladly pay the asking price and return to buy again and again.

Home appliance manufacturers increasingly depend upon service to distinguish themselves from competitors. Whirlpool’s “Cool Line” information-complaint (800) number began in 1967. In 1985, General Electric began the same type of service, “The GE Answer Center.” (800 numbers and similar information-complaint systems are discussed in Chapter 9.)

Marva McArthur, when she was a customer service representative at Waddell and Reed Services, a Kansas City financial services company, said, “Our company recognizes that many companies offer basically the same kinds of mutual funds and options that we offer. So to be more competitive we try to be faster in servicing accounts and we try to provide better quality.”

We have found the experiences of one fitness club to be applicable to virtually all businesses interested in increasing profit: A formal survey by the Homewood/Flossmoor Racquet and Fitness Club near Chicago found that 72 percent of members considered “speed of service and atmosphere the staff creates” the most important aspects of the Club. Value for the money was rated third, supporting the idea that Club members, and by extension customers everywhere, want service first and are willing to pay for it.

Is not the fact that customers think that service is important reason enough for any business to consider service to be worth significant investment in time and money?

“Service, service and more service is what counts today,” Harold Saper said when he was director of Corporate Service for Budget Rent-A-Car Corp.

THE BEGINNING

Some companies should begin planning for a service program by understanding what is important to their customers — and all companies should
include this information in their plans. They need research. (See Chapter 5.)

Other organizations should begin by evaluating their own performance. They may discover glaring shortcomings in authentic, tangible efforts to fulfill customer expectations.

**What Customers Want**

Customer expectations. An organization must know its customers’ level of expectations for these reasons: Do less than customers expect and service is bad; do exactly what customers expect and service is good; but, do more than customers anticipate and service is perceived as superior.

I urge you to do more than your customers expect if you plan to retain them. Doing so sets the positive word-of-mouth process moving.

The realities of customer expectations are the primary determinants of expectation level. Few patrons of luxury hotels can be led to expect anything other than luxury service; so, the hotel should not waste its time and reputation trying to lower expectations.

Likewise, trying to set expectations that vary widely from the realities that customers perceive is futile. Martin Stein, auto industry analyst, observes: “General Motors’ advertising campaign for Mr. Goodwrench, GM’s mythical service expert, does not work. People doubt that the quality of service being advertised will be available. They may be looking for a Mr. Goodwrench, but they are not finding him.”

The job of bringing service strategy in line with customer expectations is basically the same as positioning a company or product in the marketplace. Service positioning starts with four givens:

- The segments targeted.
- Expectations of customers within those segments.
- Strategy for exceeding expectations.
- Expectations of service level that has already been created by competitors in the minds of your customers. (The goal is to exceed these expectations.)

Federal Express’ strategy is to meet expectations for all the actions and reactions that customers perceive they have purchased, including not only pickup and delivery but also documentation and shipment information.

A winning service position meets two criteria: It distinguishes a company from its competition and it leads customers to expect slightly less service than
the company can deliver. Network Equipment Technology (NET) actually disciplines salespeople for “overpromising.” NET realizes that keeping expectations at just the right level — slightly below perceived performance — is a constant challenge.

Years ago, Avis positioned itself as the second-place car rental company that had to try harder. The company is doing the same thing today by portraying itself as the rent-a-car company that tries harder because the employees own the company.

Maytag positions its washing machines as being so reliable that the Maytag repairman is bored to death. The result is high expectation of service. It is to be hoped that customers receive at least as much as they expect.

**Positioning Service**

Communication tools used to position customer service are the same communication tools used by any marketer — advertising, promotion, public relations, and so on. Since service is intangible, communication must dramatize service in ways that make service benefits real and clear.

All forms of communication must tightly focus on target markets because customer expectations are strongly influenced by any impression of the other kinds of customers they visualize in loosely focused advertising.

Reaching the wrong segments can be disastrous. A business traveler checking into a budget motel revises her or his expectations radically if a drunk is seen sleeping in the lobby.

Positioning customer service, in a service plan, differs from normal positioning because customers are hyper-sensitive to tangible service clues such as uniforms, repair trucks, brochures, and lobbies.

Often, customers are hard put to tell that a service has been performed without additional visual evidence such as the elaborate receipts that auto garages make out, or the paper that hotels wrap around toilet seats to tell guests that the toilet has been cleaned. Customer expectations of service rise and fall precipitously in response to these seemingly minor clues.

There is a message in this that should be reflected in your service plan. Make sure that it is easy for your customers to notice that they have received service.
Foundation of the Service Plan: Service Strategy

When organizations know what is important to their customers and when they realize the shortcomings of their current service, then they are ready to write a Service Plan.

The foundation of a Service Plan must be a clear service strategy. You need, in the strategy, a strong vision of the values of service to your organization and also a coherent, well-executed plan for achieving those values. All the pieces of the puzzle must be present.

A Service Strategy describes your customers, reports their evaluations of different aspects of service, estimates budget for achieving customer satisfaction, and projects profit increases. Without a strategy it is difficult to develop a concept of service that rallies employees... or to arrest conflicts between corporate strategy and actual customer service... or to come up with ways to measure service performance and perceived quality.

In short, without a strategy you cannot get to first base. Developing a Service Strategy is an essential step toward choosing an optimal mix and level of service for different customer groups. Provide too little service or the wrong kind and customers will become more responsive to the blandishments of competitor sales messages. Provide too much service, even the right kind, and your company might price itself out of the market and struggle to balance the books at the end of the year.

One of the major weaknesses of most organizations is the top management’s lack of a service strategy. They fail to realize the strategic opportunity on how to use superior service as a vehicle to build market share and market dominance. Top management in service role models walk the talk daily. The financial performance of their organizations is very dramatic.

Sam Walton, the founder of Wal-Mart, the world’s most powerful retailer and largest business in the world, built a service role model. Few companies in the world have been willing to match Wal-Marts’ service strategy. Before his death, Walton was the wealthiest man in the world. After paying death taxes his family still is the wealthiest family in the world. I have trouble understanding why others do not copy this service strategy.

During the last few years Wal-Mart forgot how it built its company and the service strategy. The result has been a dramatic reduction in the value of the company (over a $90 billion reduction) and a loss of brand. Today its focus is solely on price.

In Lead and Disrupt, Charles A. O’Reilly III and Michael L. Tushman in
their book said “Every business we could think of died because they were too cautious. In today’s world, firms that miss a transition or fail to respond to a disruptive innovation quickly find themselves out of business. Management is ensuring that the trains run on time: leadership is about ensuring that they are headed to the right destination. Management is about execution: leadership is about strategy and change.”

**Service: No Afterthought**

A service plan is a proper part of every new marketing plan. A new product never should be introduced until service has been thought out and tested. Service is not an afterthought. It is an important original part of a marketing plan.

Every corporation that acquires another corporation ought to plan how it will achieve customer satisfaction and allot money for that purpose at the same time that it is preparing financial and operating plans. What often happens, however, is that millions are spent on brokers fees and on new signs, new uniforms, and golden parachutes, but not one red cent is spent on the organization’s implied service responsibility to the customers who will make or break the organization’s financial plan.

**Guidelines**

Use these guidelines in making decisions about the features of your service plan:

1. Under-promise and over-deliver. Set customer expectations at the right level.
2. Research customer needs thoroughly. Only the customer knows what he or she wants.
3. Segment the market and design core products and core services to meet the needs of the customer base. Not all customers who buy the same service or product have the same service needs.
4. Continue to drive the plan strategically.

**Gather Information**

Describe your customers in terms of their needs and wants. If you do not know who it is you are trying to satisfy and what their needs are, it will be difficult, indeed, to satisfy them. Gather information needed to set goals such as average revenue per customer and the market share you seek.

In planning sessions ask and answer questions such as:
• What do our customers want and need from us? (Answering this question is covered in detail in Chapter 5.)

• What services can we provide customers that the competition does not?

• How can we improve existing service?

• How can we improve customer awareness of good service? (Service loses impact when customers do not know about it or notice it.)

Set up a system for on-going information gathering from customers and for assigning ratings of service performance. Rate:

1. Time spent resolving typical problems.

2. Ease of access to the corporation and to its services.


5. Degree of difficulty experienced by customers in attracting attention of employees and obtaining responses.

6. Content of the company’s response to the customer in terms of accuracy, completeness, and effectiveness.

In addition, each of the foregoing attributes of service must be broken down into component parts. The elements of “Ease of access,” for example, may be seen, from the customer’s point of view, as:

• Ability to get through with the first phone call.

• Being placed on hold.

• Time on hold.

• Awareness of the number to call to get the desired service.

• Availability of service when needed — including evenings and weekends.

• Being assisted by the first person reached versus being transferred one or more times.

In the Service Plan specify action called for by each of the component parts in your attributes of service.

Evaluating current level of performance is a legitimate part of this information-gathering phase. So is establishing a means of keeping your finger on the pulse of your service program.

Observe and evaluate continuously by asking questions such as:

• Is the company really making and delivering the quality product or service it
• Do customers see it that way?
• How can we do it all better — answering customer needs in a way that grows the business?

One of the best ways to find out what customers want is to ask them. So do it; then analyze their answers.

Details on methods of determining customer needs and wants and updating your knowledge is found in Chapter 5; but we will cover here some of the points that are most essential to preparation for drafting a Service Plan.

**Service Audits**

Make sure that surveys — call them Service Audits — identify customer wants and expectations and that they are thorough and objective assessments of interactions between the organization and the customer at all known points of contact. You want to know what customers think and you want to use that information to develop an effective service strategy.

It is important to update customer surveys, though, so you can update your strategy. If you do not update, you may end up on a customer service treadmill — running at sprinter speed but moving at a snail’s pace.

Plan to conduct customer surveys incessantly. Do not worry that customers might tell you to get lost. Customers usually are quite willing to tell you what they want and to rate the service they have already received.

The trouble is that most companies conduct one-shot surveys and base decisions on their results for years afterward. This practice belies customer expectation of service meeting current needs 365 days a year.

**Mailed Questionnaires**

Jack Shaw did some research to find the most effective way to extract information from his company’s customers when he was Director of Quality Assurance and Field Operations for Northern Telecom Co., a telecommunications manufacturer headquartered in Nashville, Tennessee. He found that they responded most willingly to periodic mailed questionnaires. Shaw also discovered a bonus from mailed questionnaires: They enhanced customer opinions of the company because they demonstrated that the company was interested in their ideas.

Another company has each manager call one customer per month to ask “How are we doing?”
IN THE BEGINNING WAS... THE PLAN

Stew Leonard’s, the dairy store chain in Connecticut that is a celebrated paragon of customer service, makes a fetish of its resolution to deliver on its promises to customers. The stores receive over 20,000 MOO comments each day. Every customer receives a response within 24 hours.

Stew Leonard’s, is a true role model for any retail establishment that strives for perfection in service to customers. Rarely does a business respond to all customer comment cards within 24 hours, in fact, over 95 percent do not respond at all. Sales are now over $400 million, it welcomes 20 million shoppers every year and total Team Members of 2,500.

Stew Leonard’s does many things to develop whole-company culture dedicated to producing satisfied customers.

Stew Leonard’s is headquartered in Norwalk, Connecticut and operates six stores: in Norwalk, Danbury and Newington, Connecticut and Farmington and Yonkers, New York. More than 10 million customers are served by 2,500 employees. The company has a 7 percent employee turnover. Sales are estimated at $400 million for all stores. The stores sell more of every item it carries than any other store in the world and is listed in The Guinness Book of World Records for having “the greatest sales per unit area of any single food store in the United States.”

Stew Jr said, “Customer Service is still a top priority and we find that story telling by our management team is essential. Great customer service is all about breaking policies. We give a customer a free ice cream cone or coffee, if they spend over $100. What does the young person do at the ice cream window if the customer asks for free sprinkles too? How about a cappuccino instead of a coffee? Big price difference. We tell them to access the person themselves and make the call. IE, break the rule.”

Each year, over 20 million shoppers visit all six farm fresh food stores. The New York Times deemed Stew Leonard’s the Disneyland of Diary Stores.”

In 1988, the family business baton passed on to Stew Jr. who is the current CEO and President. Stew Jr. is a hands-on leader who spends his day not in his office, but by choice, on the store floor with managers and employees who are respectfully always referred to as “team members.”

At Stew’s they believe in developing and growing leaders from within. Over 82 percent of managers have been promoted from within the company. Recognition and celebrating outstanding performance is an everyday occurrence. In 2016 alone, 19,725 “Moo Notes” (personalized notes to team members, from their managers with a free lunch coupon) were handed out.
The company’s culture is built around an acronym for S.T.E.W.: Satisfy the customer; Team work gets it done; Excellence makes it better; WOW makes it fun.

Stew Leonard’s was named for Fortune Magazine’s “Top 100 Places to Work For” list for 10 consecutive years. One thing Stew always says at the store is, “You have to make Stew’s a great place to work before you can make it a great place to shop!” Still, some businesses perform as if the offensive adage, “The customer is always wrong,” was their business philosophy. They react to customer complaints with the same alacrity as Stew Leonard’s three-ton granite rock, which stands at the entrance of each of the stores and reads: “Rule #1 – The customer is Always Right”; Rule #2 – if the Customer is Ever Wrong, Re-Read Rule #1.

According to one customer… “I wasn’t prepared for how easy it was to shop- how friendly the staff and no shopping list needed- you walk up and down the rows and you grab what you need- no frivolous buying at all. The basil is heavenly as is the fresh mozzarella and the rest of the produce- but the meat and fish to die for, fresh, firm and prices were amazing- no hidden fat on the meat cuts.

**Ask Employees What Customers Think**

You can also obtain valuable information, believe it or not, by simply asking employees what customers think. Employees are very good at estimating overall service quality. However, employee information should not be considered a substitute for data collected directly from customers. It is helpful, though. After all, employees deal with customers directly, day after day.

Employees are consulted at Omni Hotels. Every month department managers select specific service problems from customer comment cards and ask every employee reporting to them how they would remedy the problem.

**How Not to Use Surveys**

The main problem with surveys is that many managers have cotton in their ears. They pay for surveys, then they “pooh-pooh” the results when they do not fit their preconceived notions of what they will or ought to reveal.

Another problem with the way surveys are handled is that impersonal and incomplete toll-free phone lines and comment cards are used. Phoned-in written information that is volunteered by customers is an anemic substitute for group focus interviews.
“The problem with such methods (comment cards and phoned-in comments) is that they measure only the extremes,” says Christopher Hart, adjunct professor at the University of Michigan, who studies service industries. “You hear from Mr. Grumpy and Ms. Smiley but not from Mr. or Ms. Average.”

Nevertheless, determining your customers’ needs and wants is an essential preview to a Service Plan.

In the U.S. almost all firms are asking for a survey with each transaction. Total overkill. I no longer will fill out a survey. It is totally out of control. I could maybe see every 10 or 20 customers but NOT every customer with every transaction.

I suspect very few people fill out these surveys. If the service is exceptionally bad many will complete the survey. Frankly, most firms do not really read the surveys, most do nothing about the feedback. Everyone wants to do surveys because everyone else is doing one. It has gone way too far.

**After Surveys — Objectives**

After you know what those needs and wants are, establish objectives and strategies to achieve them. Line up resources including employees that are needed to implement strategies to achieve objectives. This alignment is more important than any other organizational move. It is critical to customer focus the establishment of infrastructure, a corporate culture. In a customer focused infrastructure, leadership, managers, and systems are lined up to serve the interests of customers.

This may mean passing up perfectly good business ideas because they do not fit in with objectives. Accepting them would dissipate corporate resources, making it more difficult to maintain focus on service goals.

With a clear reading of customer opinion in hand, you are equipped to begin writing down plans for meeting customer expectations.

But first, let’s discuss plan structure.

**Model for the Service Plan**

We suggest the “Market Impact of Service Model” developed by TARP as an additional guide in developing the structure for a Service Plan. The model specifies action needed to achieve a selected objective such as ease of access to services. It places executives in position to determine the most effective means of increasing ease of access in achieving other objectives.
When phone or fax services are being considered, access might be increased by adding lines, by adding staff to reduce the frequency of busy signals, and so on.

This “Market Impact of Service Model” can be used to identify improvements in service that are needed to increase market share or to boost revenue by a predetermined amount. The model produces “weights” indicating effect of the component parts of service on the overall effectiveness of service. These weights then are incorporated into simple formulas that can be used in planning.

Timothy W. Firnstahl, founder and CEO of Satisfaction Guaranteed Eateries Inc. of Seattle, developed his own service plan and wrote about it in the Harvard Business Review. His strategy for ensuring customer satisfaction “has worked wonders in our business” (four restaurants in the Seattle area). The strategy can, he is convinced, work wonders in other businesses as well.

His three-step system is:

1. Develop a simple, easy-to-understand service guarantee. In writing it, think about the company’s primary customer benefit and how to achieve it. “In our case,” says Firnstahl, “the principal benefit is enjoyment. For many it will be dependability. For others, it will be low cost or flexibility.”

2. Make sure employees know how to use their authority to do anything needed to keep customers happy. Make sure they do not under-use their power. Advise them to take action before a guest must ask for a remedy.

3. Make progress visible. Make graphs instead of written progress reports, for instance.

Set Realistic Objectives
Consider applying Management-By-Objectives theory in a Service Plan. Employ MBO theory in writing the plan, or use a similar methodical planning mechanism based on achievement of objectives (making them realistic), application of standards, enumeration of individual responsibilities, and evaluation of performance.

Among benefits of MBO are motivation, communication, and managerial control.

Authorities whose works will help you during this stage of Service Plan development are William G. Ouchi, John Naisbitt, and Tom Peters. Ouchi wrote Theory Z; How American Business Can Meet the Japanese Challenge. Naisbitt
wrote Reinventing the Corporation. Peters is the author of Thriving On Chaos.

The Service Plan, in summary, should incorporate:

1. Aggressive efforts to determine customers’ wants and needs.
2. A staff trained and motivated to deliver those wants and needs.
3. Active follow-up that includes efforts to obtain customers’ appraisals of service quality — feedback.

A Mission Statement
A mission statement is a motivational document, a fine way to focus a philosophy of service, but inadequate by itself. The Customer Service department of Bio-Lab has a mission statement that contains a list of business functions that have impacts on customers that should be controlled by a customer service department. The statement reads:

“The mission of the customer service department is to retain and to encourage increased business from customers by efficiently and courteously satisfying their needs with respect to ordering, shipping, invoicing, handling claims and adjustments, and responding to inquiries, complaints, and related activities.”

Continuing with objectives of customer service, the Bio-Lab mission statement reads: “As a principal point of contact between customer and the company, the customer service department is a vital element in assuring and maintaining profitability.”

Bio-Lab’s Anne Pinderton, director of customer service, comments on the statement: “We represent the company to the customer, so the way we handle a customer largely determines that customer’s impression of us.”

Refocus Existing Policies and Procedures
Top management must continually evaluate organizational environment and make improvements and adjustments in it to optimize the service performance of all employees.

A survey by The Forum Corporation of Boston revealed several important implications about long-term competitive advantages in continually adjusting company policies and procedures to make them more customer oriented. Forum is a leader in helping organizations create customer focus and has worked with more than 700 companies around the world.
Forum concluded, on the basis of survey results, that it is important to convey to employees the skills associated with reliability, responsiveness, self-assurance, and empathy.

Reliability implies that employees have the ability to set accurate expectations so that actual delivery of service meets or exceeds the customers’ expectations.

**Tell Employees What You Expect**

Companies must be accurate and specific about what employees do to improve service quality. If companies merely tell their employees to improve service quality, employees may choose strategies that are “sub-optimal.” For example, customers often place the highest value on reliability, but employees often choose to emphasize responsiveness.

When problems occur, solve them to the satisfaction of the customer not to the satisfaction of supervisors and managers. Every employee must be empowered to immediately break the rules to take care of customers on the spot. Saturn found that it reduced its cost of operation and improved quality because of an empowered and highly trained workforce.

Companies must attend to all dimensions of service quality. Many companies try to improve customer focus by implementing programs that change only tangible elements, those that are most visible and easiest to change such as name badges that say, “Have a nice day.” But these efforts are “sub-optimal,” since customers also want to be served reliably and with responsiveness and assurance. Companies need to recognize the service element in everything they do during these intensely competitive closing years of the twentieth century. Anyone employed by any company must continually ask: “How can this job of mine be done to further the interests of the customer?” Anything done in the interests of the customer, of course, is beneficial to the organization.

Companies that analyze activities and refocus them toward the goal of achieving total customer satisfaction include Northeast Delta Dental, State Bank, Nedbank of South Africa, Banco G & T Continental in Guatemala, and Singapore Airlines.

To refocus policies and procedures, create special relationships between company and customer by:

- Connecting people and systems to customers.
- Focusing on reliability.
• Preventing complacency.
• Retaining existing relationships.
• Paying attention to service quality.

Manage managers so that they:

1. Value employees, particularly front-line employees. (Employees should know that they are valued.)
2. Develop employees.
3. Listen to employees and solicit their comments.
4. Set customer-focused standards.

Lead and motivate all employees in the company so that:

• Everyone helps create positive customer experience.
• Systems support features important to customers.
• Leadership “enables” employees to act for customers.

Incorporate into the Service Plan policies such as a no-fault approach to claims and credits below a certain dollar amount that yields overall savings in processing cost for minor claims and substantially improved customer goodwill. In most industries more than 90 percent of claims or requests for adjustments are justified so investigation wastes money. Target Corporation, fourth largest nonfood retailer headquartered in Minneapolis, long practiced a no-questions-asked return policy. Ken Macke, former chairman and CEO, considers the return policy and the company’s spectrum of enlightened consumer relations practices to be very helpful in achieving his company’s volume and profitability records.

In 2001 Target dramatically changed this policy and virtually eliminated its return policy. Without a receipt returns are not accepted.

This change in policy will in the long run undermine its brand and allow competitors like Van Mauer, which offers free shipping, no interest and no questions asked return policy, to gain market share. They answer the phone in one ring with a live person. Call their Eden Prairie, Minnesota store at 1-952-829-0200. They answer the phone Monday to Saturday from 7 AM to 9 PM. Store hours are 10 AM to 9 PM. On Sundays they answer 9 AM to 6 PM and store hours are 11 AM to 9 PM. Wow. This is what I call awesome service.

In 2015 Target extended the return policy on a wide range of merchandise to 365 days, a huge increase compared with the old 90-day return allowance. “People are more likely to purchase impulsively with the assurance of a liberal return policy,” says consumer psychologist Kit Yarrow, author of Decoding the
New Consumer Mind and a frequent contributor to Money.com. “In stores like Target, impulse purchases are essential to their financial health.”

But, I will say it again, there is much more to quality service than an enlightened return policy. Target Corporation tripped on its apparent ignorance of this fact. The management of Target Stores in the early 1980’s reminded employees that it was a self-service organization and that they were not to take time to talk with customers or to help them. Target’s management felt that service costs money. They limited service to a money-back guarantee.

Since 1988 Target has seen fit to change this philosophy dramatically and to focus on service. Impetus for the change was forced by Wal-Mart. Wal-Mart used to lead discount and low margin chains in service.

Symbolic Acts
If the job is to refocus policies in pursuit of quality service, then management commitment is especially important. Commitment is best demonstrated by “dramatic, symbolic acts.”

An innovative technique for corporate executives and staff was the first national “Hyatt in Touch Day” in 1989 at Hyatt Hotels Corporation. Hyatt closed corporate headquarters for a day and company executives worked alongside line employees in 67 hotels. Four hundred corporate employees, from president to mail room clerk, carried bags, bused tables, and made beds. Former Chairman Darryl Hartley-Leonard worked at Hyatt Regency Chicago as a doorman, front desk clerk, and bartender. Tom Pritzker, chairman of Hyatt Corporation, spent the day at Grand Hyatt Washington as a front desk clerk and bellman. Jeff Lang, corporate mail room clerk, was a valet parking attendant at Park Hyatt Chicago.

Any company that chooses to adopt Hyatt’s tactic ought to tell the press about it, as Hyatt did. The result for Hyatt was spectacular nationwide positive publicity, which certainly does not hurt business.

Starbucks has flourished and firmly believes that customer service doesn’t cost, it pays.

Implementing the Service Plan
The Forum Corporation drew upon its own consulting experience, current research, and a comprehensive database to identify action that is taken most often by successful companies to implement service plans. Forum concluded: Companies best at implementing, monitoring, and modifying a service plan understand:
• What customers expect and what they get.
• What management says and what they do.
• What employees need to do, and what they are doing.

Haney of Amex says: “It’s our job to inform managers about consumer concerns. In this way, they can build consumer objectives into their individual business plans. We are part of decision making at all levels.”

**Developing Customer Service Infrastructure**

Companies that manage to stay close to their customers streamline communications among departments, buy new technology or adapt what they have, and discuss the values they wish everyone in the organization to share. The result is a service infrastructure, a service culture. Where it exists, customer satisfaction is everybody’s business.

The “culture” of an organization is best defined as a consensus favoring good service. It is understood and routinely accepted that customers will receive satisfaction and value for their money, that they will be treated like friends and not as antagonists, and that questions and complaints will be handled quickly. This kind of thinking pervades all decision-making considerations.

What companies with a service culture have in common is that talk of service permeates every management meeting, every plan and report, every decision. Employees know that the CEO is big on customer service. Everybody knows that the company gives outstanding service. That’s the company’s reputation, its image.

Service, in a company with a service culture, can be visualized as a membrane that envelops the entire corporate structure. This is an important point: a service culture will not develop without the commitment of senior management. Commitment must be genuine. It must be demonstrated by word and deed. It must be continuous. And it must influence every employee.

Unyielding, highly visible management commitment to quality service that creates a pervasive “service culture” in the organization yields organizational pride.

One food processing company executive says: “Enthusiasm about good service starts with management. It radiates from us to the people who work for us. They know that we are committed because we communicate our commitment by talking with them in person, not with memos.”
Conveying Dedication to Employees

How can your senior management influence employees with their dedication to service? Train and retrain employees. Publish stories in the company paper about customer service. Maintain poster and bulletin board displays and update them regularly. Make sure that supervisors mention customer service regularly in employee meetings.

At companies that pay mere lip service to quality service, splashy customer service campaigns run for 30 days or, at the most, 90 days. Everybody feels great! They’ve “got” customer service. However, service disappears from print and oral communication after the initial splash and effort to win customer satisfaction wanes.

When management is committed to long-term service, however, and when a Service Plan is followed and renewed continuously, pro-customer behavior becomes traditional and largely (but never completely) self-perpetuating.

“The constancy of the message is what’s important,” says James D. Robinson III, former chairman and CEO of American Express. “After years of being hammered in, it (customer service) becomes part of the company culture. Employees eventually realize that things are done for the customer and not just to make things easier or cheaper for the company. Consumers and the community realize it, too. The company has a ‘good reputation.’”

One message that committed CEOs should convey to employees is that anything done in the interests of the customer is, by definition, beneficial to the company and to them. Employees should have no trouble motivating themselves to pursue the service element in their work if they really believe this. (Commitment is discussed later in this chapter.)

A company can promote a service culture with actions such as these, taken from “Close to the Customer,” an American Management Association research report on customer affairs:

• Quarterly awards by marketing to production personnel who provide outstanding service to customers

• Regular, reinforced communications to employees that describe customer service techniques

• Management leadership by example

• Realization that if you believe your service is merely acceptable, you’re not improving as you should

• Monthly posters emphasizing importance of the customer
Long-Term Strategy

Strategy must be developed and then implemented by hardheaded analysis, talented management of people, intense concentration and commitment — and serious spending.

Fortune magazine defines service strategy as “knowing exactly which customers (companies) you want to serve and figuring out what kind of service will loosen (customers’) purse strings.”

Analyze:
1. All policies and procedures. Review them. They must be customer oriented.
2. Sales costs, including shipping expenses. Decide how to provide service in the most cost-efficient way.
3. Work flow. Develop strategies to level work load in a warehouse, for instance, so customers will not be subjected to slow delivery periods.
4. The company’s capability to react to unexpected events. Develop a “disaster” contingency plan that helps determine how to maintain service to customers when the computer blows up, or a tornado blows in.
5. Customer wants and needs. Make arrangements to have your customers’ points of view represented in your meetings. You know your customers better than anyone.

The strategic program that guides my company’s (SQI) customer service consultants is based on a top-down, whole organization approach that begins with consideration of the nature of the customer experience and creates strategies and tactics that maximize the quality of that experience.

I believe that the goal of a service strategy should be to “systematize” (to “institutionalize”) a customer service program. Everyone needs a long-term program, well-established in the culture of the company.

Customer service must not be viewed as a quick fix that will last forever.

Regard customer service as a long-term strategy on a par with other strategies and in line with the most advanced management thinking. It requires unremitting management commitment and employee enthusiasm to service over a long period so it can continue to work its magic on customer loyalty.

Here are three important long-term customer service strategies: call them “attitudes”, if you wish.
1. Service as a product. Most buyers do not have the technical knowledge needed to make the best choice in products such as electronic equipment, motor vehicles, or office machines. They want reassurance that support and service will be available if problems arise.

2. The customer is the boss. This slogan — The Customer Is the Boss — appears on signs in every office of Bio-Lab.

3. Strive for reliability. Reliability means consistent performance that meets the expectations of all your customers all the time. Admittedly, this is ideal. But a superior service program will come very close to achieving the ideal.

Consumers rank reliability as the key ingredient in good service, says Richard C. Whitely, Vice Chairman of Forum Corp., the Boston consulting firm specializing in customer service. However, he warns companies not to try too hard to be reliable and to end up over-promising.

He even advises that if you can finish a job in three days, promise it in five days. If, then, you finish it in three days you are likely to achieve “customer delight”, a goal also favored by Colby Chandler when he was Chairman of Eastman Kodak. (If speed is important to the customers, however, this might not be an intelligent tactic.)

Likewise, if you must provide an estimated bill, do not do as most people do and keep it unrealistically low. Instead, err on the high side so that you can “delight” the customer when the bill is less the estimate. This tactic is somewhat “gimmicky;” so, examine it through customers’ eyes before implementing it.

**Other Important Long-Term Strategies**

1. React immediately to customer dissatisfactions. Reacting immediately to customer dissatisfactions is a short run goal, however. It is a point acknowledged by Richard Gamgort, Director of Quality Assurance and Customer Affairs for Armstrong World Industries. “The long-run goal,” he says, “should be to get enough feedback from our customers to really get a feeling for how our product is meeting customer needs. A customer service program is a tremendous opportunity to stay in touch with customers to clearly understand their needs.”

2. It is critically important to examine and to correct anything that gets in the way of superior employee performance such as difficult communication or poor logistics. Even in companies that are not
customer-focused, most employees believe in the value of providing excellent service. So, the company should not get in the way with iron clad rules that employees are forbidden to deviate from, for instance.

3. Work hard to retain customers who report that they are satisfied, but who still credit your company with only fair or poor service.

In one Forum Corporation study, “wishy-washy” customers amounted to 40 percent of all customers. Although these people report that they are basically satisfied, they are vulnerable to competitors that provide high quality service.

“Long-term strategy” has lost out in many board rooms in recent years because of merger mania. Managements are intensely aware that corporate raiders might be lured to their companies by sagging earnings. So, management focuses on short-term financial results and on savings (money not spent) that fatten the profit figure.

This Wall Street mentality means that management in general seems unable to sacrifice next quarter’s earnings for long-term objectives, such as quality service, which can be achieved only through long-term commitment.

MANAGEMENT COMMITMENT

As essential as strategy, objectives and support systems (infrastructure) are a foundation for a service program. The entire program probably would wilt like an un-watered lily without (1) a corporate culture to sustain it and (2) a chief executive who, every employee notices, is just as committed to customer satisfaction as he is to stockholder satisfaction.

A finely-honed strategy will turn yellow inside its three-ring binder if management is not committed to service and if it does not demonstrate faith in the value of customer service by word and deed. Management must preach service and require service until it becomes the veins and arteries of the company. The most important factor in outstanding customer service, then, sits in the corner office.

In their book, Passion for Excellence, Tom Peters and Nancy Austin, write: “we propose leader... as cheerleader, enthusiast, nurturer of champions, hero finder, wanderer, dramatist, coach, facilitator, builder.” We could not say it better.

The President, Chairman and other top executives must frequently be heard and seen pushing the values of service and taking their own advice.
Visible management attention rather than occasional management speeches or articles gets things done. Action may start with words, but it has to be backed by symbolic behavior that gives life to words.

**Persistence**

Perseverance is a vital element in commitment, says Harvey Golub, former Chairman and CEO of American Express. “Constancy of the message is what’s important,” he says.

Develop a mechanism for maintaining commitment, like regular Executive Conference Sessions. Assign the job of expressing the customer point of view to one executive. All executives should know and react to customer interests, as a matter of course. The general purpose of Conference Sessions should be to inspire and to maintain commitment of managers to the customer service strategy — and to train them in techniques of implementing the strategy.

IBM continuously drums into employees that their work must be done to satisfy customers. Even after the sale, employees approach customers with the same interest and attention as when the customer was the prospect being courted. Though IBM works hard to get a new customer, the company works even harder to hold on to the customers they have. That is management commitment in action.

We agree with what Michael Durik, recent executive vice president of personnel for The Limited Stores Inc., says about perseverance in management commitment: “(Commitment) is a conscious effort that begins at the top and requires constant reinforcement and rewards to employees who excel.”

Constant reinforcement usually involves changes in the Service Plan improvements. Once you have tested a Plan against day-to-day realities, changes are sure to be needed. Welcome them. They are your opportunity to maintain quality service.

**Management Isolation**

Isolation is the opposite of commitment. Unfortunately, isolation is more common than commitment, in customer service. Management often is out of touch with day-to-day activity that creates the company’s reputation for good service or that creates a reputation for rotten service, instead.

Kenneth Bernhardt, business professor at Georgia State University, tells his management isolation story. With his family he moved to Boston in 1983
to become a visiting professor at Harvard. After repeated attempts to resolve a problem with his moving company through established channels, Bernhardt called the president of this national moving firm. When he explained to the chief executive’s secretary that he was a professor at Harvard, she asked if he was calling about business or a personal matter.

When Bernhardt said that he was having trouble with the company’s movers, the secretary said: “Oh, the president doesn’t talk to customers.”

Says Bernhardt about senior executives: “They don’t shop. When they fly, they fly in corporate jets and ride in limos. Their hotel rooms are reserved for them by someone else, and another someone checks in for them. At the highest levels, their Christmas presents are bought for them by an assistant. They certainly do not wait at home for the cable-TV man to show up.

“And most of them don’t talk with customers.”

Bernhardt says: “When top management is concerned with customers, you won’t find clerks who won’t help you.”

**Preventing Isolation**

Some companies such as IBM require top management to spend at least 30 days per year with customers. When Robert Townsend was President of Avis, top executives spent one week per year in customer contact positions. Competitor Hertz has a policy that requires managers to spend a month a year on the line. The idea is spreading in hospitality industry companies.

Commitment is magic. Rosemarie B. Greco once placed a phone call to a retired customer who had serious problems with his IRA account statement when she was president of Fidelity Bank of Philadelphia: “He was beside himself with gratitude. That taught me an important lesson about letting customers know that management is personally involved with their problems.”

**Benefits of Commitment**

When management’s commitment by example achieves the expected result, company-wide commitment, then every employee instinctively looks for the service element in everything they do. The question, “How can this job be done to further the interests of the customer?” guides their actions and decisions.

If management makes it very clear that fast, courteous, helpful service is expected and even demanded, it is a rare employee who will determinedly oppose management’s standards. Outstanding service becomes routine.
This is what leads to awesome, bigger-than-life status for companies with service at the “heroic” level. Customers not only are satisfied. They are “delighted.” So, they tell their friends about the company’s service, at every opportunity, recalling their own favorite stories.

A company with this kind of a service reputation gets by with mistakes. Customers forgive and overlook. What is more, such companies often receive credit for better service than they really have.

**No Lip Service Allowed**

In group interviews some people speak with emotional fervor about the importance of service quality. The same people, however, report in surveys that service ranks “Moderate” to “Low” in their action priorities.

Companies sometimes say they have service even when they have taken no action whatsoever to install a service program, like drafting a Service Plan. Maybe they have taken no action because high-quality service delivered consistently is a condition that is not easy to achieve, and because it costs real money up front.

I have found that 70 percent of customer service initiatives are lip service. People basically want to improve service; but they do not want to invest in it.

Instead of investing in service, companies add veneer to existing programs to make them appear more responsive to consumers. So it is that an organization will smugly congratulate itself on its new service “program” achieved with the master stroke of merely renaming the “Complaint Department” the “Consumer Affairs Department” or “Office of Public Responsibility.”

The common prevalence of this “lip service” in the service field was confirmed in a study of the state of customer service in more than 200 corporations by Achieve Global, the management training company. Ronald Dumas, when he was at Achieve Global, reported that the study uncovered the fact that “this problem (poor service) draws much more talk than action.”

Why? No company wants it to be known that it does not have customer service. So, when they do not have it they say they do and expect customers and prospects to believe them.

Commitment must be real. It must be honest. It cannot resemble a false front on a store... a mirage... or sleight of hand. It cannot be a customer service veneer on existing programs.

Unfortunately, there is plenty of veneer being applied these daily.
Dell

Dell is an example of a firm that built its business on these principles. Michael Dell is one of the wealthiest men in the world and Dell is one of the world’s largest technological companies. It is the third largest provider of PC’s worldwide. Michael Dell has said, “Under-promise and over-deliver.”

Fiscal year 2018 marked Dell’s fourth year operating as a private company, executing their long-term strategy of being the only fully comprehensive solutions provider.

Dell Technologies (NYSE: DVMT) announces its fiscal 2019 second quarter and full year results for six months of $44,298 billion with a $999 million loss.

For the fiscal year 2018 consolidated revenue was $78.7 billion.

In May 2003 Dell was a service leader. I invested $1,000 in Dell. As of January 2019 it is now worth $465. I did not realize that many firms would be unable to keep their focus on customer service. The value of Dell dropped because it lost its focus and never recaptured the service brand.

Dell’s internal operating strategy has been one of “velocity,” which means speed: in responding to the customers’ needs and wants, speed in inventory, of its vendors, in introducing new products, in marketing and in gaining dominance in the highly competitive world of computers. No other industry is so wrapped up in speed, has made speed so important to its future.

In 2006, Dell fell from grace after it lost its focus on service. Kevin Rollins was forced out in 2007 because the company’s lack of superior service significantly hurt sales, profit and the company lost over 25 percent of its value. Dell built its company by providing a great computer, low price and superior service. The focus on cutting back on service and outsourcing its call centers to India and the Philippines created a negative environment for its customers. Michael Dell himself called their past moves, “stupid,” “non-sense,” and “just plain wrong.”

“The team was managing cost instead of managing service and quality,” Dell said. With Dell now back as CEO, the company has tried to recover its image and brand, but it has been an expensive lesson. In October 2013 Dell completed a leveraged buyout by Michael Dell for $25 billion. The $1,000 in stock I had purchased in May 2003 was bought back for about $450.

It is easy for a firm to build its business on service and then to focus on cost and eliminate the customer experience. It will always come back to significantly destroy the value of the company. Wal-Mart has the same problem.
Surveys Are Not Service

Hotels, hospitals, airlines, banks and other businesses flood customers with service quality surveys, but for too many firms, that is as far as the project goes.

Everywhere you look these days you see customer contact people wearing buttons in their lapels that say things like “We’re No. 1 in Service,” or, “We Try Harder.”

Some stores seem to specialize in lip service. They have a booth just inside the front door with a sign hanging over it. On the sign in large letters are the words “Customer Service.” Ask the employee manning the booth what he or she does and you will get: “Give refunds, tell people where they can find merchandise, answer questions…”

When I wanted to buy tires at a discount store one evening I could not find a salesperson. I asked Customer Service three times to call over the loudspeaker for a salesperson. I’d already rung the bell eight times. Finally, a salesperson emerged from the background to help me spend money.

Too often the message that management just wants to make a show of providing service comes through loud and clear. One executive of a large banking system proudly extolled the incentives his firm offered employees for both sales and service. High sales brought a cash bonus; but good service earned a lapel pin.

The message in the contrast in reward value tells employees a lot about management’s values. The result, of course, is that employees do not take the occasional reminders to “treat customers as you would want to be treated” very seriously.

Slogans as Service

Slogans are a popular veneer. Delta Airlines painted itself into a corner when it vowed: “Delta is ready when you are.” So did Holiday Inn with its slogan: “No excuses. Guaranteed.”

These companies were begging for grumblers and they got them. Eventually the companies switched to less “omnipotent” slogans.

When I stayed at Naples, Florida, Holiday Inn, I left a wake-up call. The call never came, so I asked the desk why the call had not been made. They hemmed and hawed and generally avoided my question.

Finally I reached the manager. He denied that the hotel had made an error. “No excuses. Guaranteed?” Sounds more like “Excuses guaranteed.”
It is quite common to find a sharp disparity between slogans of advertising people and the realities of the front line employees.

Slogans may lead an organization along a detour that bypasses real solutions. Slogans and advertising hype create customer expectations. When those expectations go unmatched by service, one consequence is wasted advertising budgets. Another is disillusioned shoppers who take their business elsewhere.

Companies such as Holiday Inn should either train and retrain (remind) their employees in the means of implementing their slogan; or, they should strike the slogan from all their informational and promotional literature.

Companies, from multinationals to the corner photo studio, must realize that the quality of the company’s relationship with its customers will not improve just because the CEO has made a speech or because three articles have appeared in the company newsletter—or because a sign behind the cash register says “Customers Count.”

Proper procedure was followed by Bruno’s, a supermarket chain based in Birmingham, Alabama. Angelo Bruno, now deceased, former chairman of Bruno’s, reported that the company was one of the most consistently profitable supermarket chains in the U.S.

The late Harry Bressler, executive vice president of Steiner/Bressler/Zimmerman advertising agency, which handles the Bruno account, proposed a major advertising campaign stressing service and friendly, knowledgeable employees. It was a smart move, considering the fact that Bruno’s already dominated the market in low prices.

The smartest move of all, though, was to train all employees before the ad campaign began. Bruno’s wanted to make sure it would deliver that which it was about to promise so it called us in to train employees.

We demonstrated at Bruno’s that it takes only 1 to 5 percent of an advertising budget to train all employees to deliver the customer service message. Companies that truly focus on service can “own” their markets.

None of Bruno’s competitors caught on to the powerful impact of quality service promised and delivered for nearly two years. Only then did they begin to copy Bruno’s strategy. Just saying that you have customer service and doing no more than distributing an annual customer service memo to employees exhorting them to practice good service is not enough to install customer service as a permanent part of a management system.

It is my observation that firms that advertise customer-friendly service
most loudly are least likely to have it. Quality service is its own best publicity agent.

**Put Your Money Where Your Mouth Is**

Senior executives I have known nod vigorously in the affirmative when the need for service that attracts customer loyalty and increases sales and profit is mentioned. In the quiet moments after the bustle of a business day, however, they often let slip their belief that customer service is nice but that it is not really worth spending much money on. Retail companies, particularly, are loath to spend money training employees in service delivery.

Other companies have the foot-in-mouth disease, too. The president of one of the largest computer firms in the U.S. recently told the trade press about his commitment to focusing on customer service. So, I mailed a letter to him asking for a meeting to discuss our service technology. His secretary told me by phone that he was not interested.

“Many companies spend huge sums to lure new customers but pay little more than lip service to taking care of the ones they have,” wrote Bruce Bolger, former Editor of Incentive magazine.

“Most executives claim,” wrote Bolger, “that their companies stress good service, but how much do they spend in dollars and top management time on customer service?”

They are all for service as long as it is free... or cheap.

Achieve Global reported: “We find that few people are trained or educated to do anything about service. The typical investment in creating quality service is about $2.58 per year, a token amount compared with the tens of thousands to millions of dollars spent on other issues.”

Service Quality Institute has a three year service culture plan that allows a firm to train everyone using all their training programs for only $217 to $38 per person per year for three years. Organizations should be willing to invest $100 per year per employee.

Ask yourself: “Does our budget compare favorably with the advertising and capital investment budgets?” And: “How involved do senior executives get in programs specifically designed to improve customer relations?” I have never heard of a senior VP of Customer Service. Every larger company has senior VPs for marketing, finance, legal affairs, operations, and other functions, however.
Lip Service: Counterproductive

Mere lip service to customer service not only is useless but also counterproductive. Why? Because customers notice insincerity and interpret it as a deliberate attempt to deceive. Frequently, they react by reducing the amount of business they do with a company or by straying to competitors.

Remember Abe Lincoln’s adage: “You can fool some of the people all of the time and all of the people some of the time, but you cannot fool all of the people all of the time.”

As a result of the talkativeness of the people you cannot fool, your reputation for bad service becomes common knowledge. Your competition prospers.

Planning, drafting, and implementing a Service Plan requires sincere management commitment, a long-term strategy, and continual effort to improve service. There is a lot of truth in the statement that when you are not actively trying to make service better it tends to get worse.

Also required: Organization. It is the topic of the next chapter.

Starbucks - Adapting to Circumstances

Starbucks has experienced its share of failures and setbacks. When the economic downturn caused the coffeehouse industry to implode, Starbucks was ill-equipped to survive in a world where caffeine aficionados could no longer afford to drop $5 on a cup of java. But despite the odds, the brand has managed to refine its business model and adapt to changing economic circumstances.

The Starbucks training program has played a big role in the company’s success. Unlike other brands, Starbucks recognizes the centrality of the customer experience. They have tailored their training program to provide baristas with the tools they need to enhance the customer experience and deliver consistently high-quality products to its base.

In 2018 Kevin Johnson became the CEO when Howard Schultz retired. Johnson signed a $7.15 billion global licensing deal for Nestle to market Starbucks products outside its cafes. After two black men were arrested in a Philadelphia Starbucks because an employee called the police he closed the 8000 US Stores for an afternoon of anti-bias training.

As of the first quarter of 2019, Starbucks is in 78 countries, has 29,324 retail stores including 14,606 in the US and 277,000 employees wear the green apron globally.
Starbucks results for fiscal 2018 continued to demonstrate the strength of their global business model, and their ability to successfully make disciplined investments in their business and partners (employees). Net revenues grew to $24.72 Billion. That’s 1.07 billion over fiscal 2016, Net income was $4.5 billion.

Additionally, for fiscal 2019, they expect to continue investing in their partners and digital platforms. These investments will provide enhanced wages and benefits and also focus on mobile and loyalty programs.
“The purpose of business is to create and to keep customers.”
—PETER DRUCKER, Management Consultant

HOW TO GET THERE FROM HERE

It serves every company’s best interests to organize its service delivery system for answering every customer’s implied question: “What are you doing for me today?”

Stew Leonard Jr., of Stew Leonard’s grocery store in Norwalk, CT, commented: “Nobody walks in the door thinking ‘What can I do for Stew Leonard today?’ They walk in here thinking ‘What can Stew Leonard do for me today? If he doesn’t do it, I’m not going to come back.’ And I don’t blame them. Why should they?”

The point is, as they say, well-taken.

Stew Leonard’s grocery store is recognized by millions of people. It is the one with the huge boulder at the entrance with these words painted on it:

- Rule No. 1: The customer is always right.
- Rule No. 2: If the customer is ever wrong, re-read rule number one

The purpose of an organizational plan for the customer service function is continuous, company-wide service quality. Conspicuous commitment to exceptional service by senior management helps achieve this company-wide quality. So does a service culture in a company.

Centralized Reporting

A harbinger of the future may well be the organization of General Electric Motors Division, which manufactures a wide range of electric motors. Here all aspects of production, distribution and after-sales support of the product line report directly to the manager of customer service operations. Only the sales
department does not report to the customer service manager.

Terry Gautsch, customer service manager at one time, spent most of his GE career in marketing and engineering. He said, “People needed to realize that customer service no longer meant only how fast you answer the phone. It meant quality of the product, on-time delivery, responsiveness to complaints, after sale service, support... everything.

“The funneling of previously disparate elements through a common manager,” said Gautsch, “has made relationships tighter and more open between departments that never used to relate.”

Gautsch continued: “There’s an enormous gap between saying you work closely with traffic and actually having all of the company’s logistical functions reporting to one boss.”

In the new setup, said Gautsch, “Typical communication barriers have been erased.”

A Service Plan, employee training, consistent reinforcement of training, employee motivation, service level monitoring followed by adjustments to elevate service level whenever it drops... all this contributes to maintenance of a consistently high level of exceptional service.

**Needed: Consensus**

As a result of organization, a certain “consensus” sustains good service in all parts of the company just as a consensus supports the idea of democracy in America. The consensus favors treatment of customers as friends and not as opponents. Consensus favors giving customers’ satisfaction for their money. This kind of thinking hovers above every decision whether it is made over the counter or over the boardroom table.

After a well-organized Service Plan has been in action for some years, service becomes a tradition, as it is in Marshall Field’s department stores, IBM, American Express, Disney World, Marriott Corporation, Maytag and the Coleman Corporation.

Traditionally, good service takes on a life of its own. It helped Dayton’s (now Macy’s) department stores ward off a 1988 takeover attempt. A reputation for good service was a major reason the Minnesota state legislature passed an anti-takeover bill, according to news reports and commentators.

When you have an organization that promotes the service approach throughout the company, you augment the impact of service on sales. The
reason that leading companies emphasize service so strongly is that service strengthens sales.

SIX ORGANIZATIONAL COMPONENTS
Six organizational components enable a company to establish a strong customer service base. They are:

- Strategy. A service plan.
- Executive leadership.
- Well-trained and motivated front line personnel.
- Product and service design.
- Infrastructure.
- Techniques for measuring effectiveness.

SERVICE STRATEGY
Developing the service strategy/policy, a process described in Chapter 3, comes first. Policies segment the customer base into service expectations of customer groups. This equips a company to more effectively match the expectations of all consumers with the company’s ability to deliver expected service.

In a Canadian hospital, for instance, it is policy for patients who are able to do so to walk to operating and recovery rooms instead of being required to sit in a wheel chair and to allow someone to push them around. Also, they take their meals in a common dining room instead of in hospital rooms. That is the way they like it.

Good service policies are predictable. Customers know what to expect. It goes without saying that they should not be disappointed.

Delta Dental Plan of Massachusetts
Customers of Delta Dental Plan of Massachusetts had their expectations affirmed by the company’s “Guarantee of Service Excellence.” Client companies and customers receive cash payments, specified in advance, if service does not meet the high standards laid down in the Guarantee.

Through research and focus groups with companies who select dental insurance companies, Delta Dental identified the most critical things companies want from an insurance company: Perform perfectly every day. Develop a
Northeast Delta Dental Guarantee Of Service Excellence℠ Program

Northeast Delta Dental is committed to providing exceptional service to all its customers. Accordingly, we have established the region's first comprehensive guarantee program called Guarantee Of Service Excellence℠. We believe that when our people are inspired to pursue excellence in order to achieve a higher level of customer satisfaction, all those who share in Northeast Delta Dental will benefit. To emphasize our commitment, we guarantee these seven major areas of service and reinforce them by our comprehensive group refund policy.

<table>
<thead>
<tr>
<th>THE SERVICE</th>
<th>THE GUARANTEE</th>
<th>THE REFUND</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 SMOOTH IMPLEMENTATION TO NORTHEAST DELTA DENTAL</td>
<td>Successful implementation will be determined by the group through the results of a survey conducted by Northeast Delta Dental.</td>
<td>The group will be reimbursed the administration fee charged for its second month of service per the contract with Northeast Delta Dental.</td>
</tr>
<tr>
<td>2 EXCEPTIONAL CUSTOMER SERVICE</td>
<td>Northeast Delta Dental will resolve a telephone inquiry immediately or guarantee an initial update within one business day and notification upon resolution.</td>
<td>The group will be reimbursed $50 per occurrence.</td>
</tr>
<tr>
<td>3 QUICK PROCESSING OF CLAIMS</td>
<td>During the course of a contract year, 90% of a group’s accurately completed claim forms will be processed correctly within 15 calendar days.</td>
<td>The group will be reimbursed the administration fee for its last month of service per the contract with Northeast Delta Dental.</td>
</tr>
<tr>
<td>4 NO INAPPROPRIATE BILLING BY PARTICIPATING DENTISTS</td>
<td>Patients will not be charged for more than the appropriate co-payments at the time of service or for any difference between a participating dentist’s submitted fee and Northeast Delta Dental’s approved amount, as indicated on the Notification of Benefits form.</td>
<td>The group will be reimbursed $50 per occurrence.</td>
</tr>
<tr>
<td>5 ACCURATE AND QUICK TURNAROUND OF IDENTIFICATION CARDS</td>
<td>A pair of accurate identification cards will be mailed within 15 calendar days upon receipt of a completed enrollment form or request.</td>
<td>The group will be reimbursed $25 per pair of identification cards.</td>
</tr>
<tr>
<td>6 TIMELY EMPLOYEE BOOKLETS</td>
<td>Standard Northeast Delta Dental Summary Plan Description Booklets and/or Outlines of Benefits will be mailed within 15 calendar days of request, finalized benefits change, or receipt of signed contract.</td>
<td>The group will be reimbursed $50 per occurrence.</td>
</tr>
<tr>
<td>7 MARKETING SERVICE CONTACTS</td>
<td>Each group will receive at least two Marketing service contacts during a contract term.</td>
<td>The group will be reimbursed $50 per occurrence.</td>
</tr>
</tbody>
</table>

www.redelta.com
service plan and guarantee performance. Then back up a guarantee with money. Delta Dental guaranteed the things that were important to the companies, starting with 15 and refining it to seven.

The interesting part of the Delta Dental program is that the company’s quantified statistics prove that customer service results need not be intangible.

As a service business, this is particularly relevant for those who think this is intangible.

In an enlightened move, Delta did not begin implementing its Guarantee of Service Excellence (GOSE) until all employees had been thoroughly trained in service procedures and service philosophy.

Robert Hunter, D.M.D., former President of the non-profit Delta Dental Plan of Massachusetts and retired CEO of DentaQuest Ventures Inc, reported that this comprehensive preparation before activating GOSE was a major reason for a minimum guaranteed pay-out for non-compliance of merely $1,610 during the first nine months of 1990. Delta had budgeted $75,000 for this purpose! It had to call customers to get them to accept mistakes that Delta Dental made.

When Hunter joined Delta Dental Plan of Massachusetts, the company was in a crisis situation and fighting for survival. In 1986 it only had about 125 employees. For small firms that are trying to figure out how to compete with large well-known firms, his strategy is worth copying.

Hunter had practiced dentistry for 20 years and had no experience before joining Delta Dental of Massachusetts in 1989. Delta Dental had a 10 percent market share. He felt the level of service in the insurance industry is one step ahead of self-service gas stations.

Hunter read an article by Chris Hart, from Harvard, on unconditional service guarantees and decided he would use this as a way to differentiate Delta Dental from its competition.

The company identified 27 areas of importance to customers. Through focus groups and meetings with companies who select a dental insurance provider, however, Delta Dental discovered that customers had 27 different areas that were important to them.

The company identified seven service guarantees that were extremely important to the customers and then said it would pay money for every mistake it made. The guarantee and the results are on a special site that you can immediately link to (www.customer-service.com/deltadental). As you review the seven guarantees, you will notice customers did not choose price. The focus was on service.
Before launching the service guarantee, Delta Dental’s legal council had searched the world and found no insurance company that had ever implemented a service guarantee.

Its market share increased from 10 percent to 50 percent since it started the service guarantee.

In Massachusetts 94 percent of accounts and 95 percent of dentists rated Delta Dental good or better in service quality. The barrier to entry is so high for their competition that competitors go on to other states.

With a 50 percent market share, very few competitors are willing to match their service guarantee, record revenue and profits. I asked Robert Hunter, D.M.D., why other Delta Dental organizations don’t copy his service strategy. He said jealousy.

In 1990, Tom Raffio, implemented a service guarantee program at Delta Dental of Massachusetts (DDMA). Robert Hunter, DMD, and Raffio were the primary forces who developed and implemented this Guarantee of Service Excellence program (GOSE). Delta Dental of Massachusetts realized increased sales and decreased expenses that paid back the cost of GOSE many times over.

When Raffio became President & CEO of Northeast Delta Dental, the entity through which Delta Dental Plan of Maine, Delta Dental Plan of New Hampshire, and Delta Dental Plan of Vermont jointly do business, in 1996, he introduced 95% of the same service guarantee.

Since implementing this Guarantee of Service Excellence (GOSE) program, Northeast Delta Dental’s market share has grown from 20 percent to a whopping 50 percent in Maine, 70 percent in New Hampshire, and 60 percent in Vermont all in 2018 (based on figures from Delta Dental Plans Association that include national accounts).

Northeast Delta Dental grew to approximately 197 full-time employees at the end of 2018 with revenue of $388,018,309 and $6,234,515 net profit. When Raffio started GOSE they covered 275,000 people in Maine, New Hampshire, and Vermont—they now cover more than 880,000. In 1995 when Raffio started revenues were $57,559,439 and the Reserves/Surplus was $8,573,838 At the end of 2018 the Reserves/Surplus was $135 million. This is a nonprofit and they are required to invest in technology and human customer service.

In 2018, Northeast Delta Dental spent $203,820 on employee training. NE Delta Dental has 197 full time employees. They invest $1,129.64 in training in each full-time employee or... 1.53% of payroll.
In 2018 they had 457,717 primary subscribers, representing more than 880,000 covered individuals for the company’s combined plans in Maine, New Hampshire, and Vermont.

They are retaining well over 97% of their customers, in an industry where the norm is 80%.

Northeast Delta Dental is committed to providing extraordinary service to all customers including purchasers made up of employers, unions, associations, individual product buyers, and government and municipal workers; subscribers who are covered through purchaser groups; and providers or dentists. To emphasize its commitment, it guarantees seven major areas of service and reinforces them with its comprehensive refund policy. Northeast Delta Dental has retained 100 percent of its largest purchasers (all three state accounts of Maine, New Hampshire and Vermont) and typically more than 95 percent of all other purchasers for the past ten years.

No competitor has copied its service guarantee. Most are looking for ways to work with Northeast Delta Dental.

Guarantee of Service Excellence (GOSE) they had the following refunds and payouts:
<table>
<thead>
<tr>
<th>Year</th>
<th>Refunds</th>
<th>Average Refund</th>
<th>Total Refunds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>367</td>
<td>$44.54</td>
<td>$16,348</td>
</tr>
<tr>
<td>1997</td>
<td>700</td>
<td>$56.54</td>
<td>$39,573</td>
</tr>
<tr>
<td>1998</td>
<td>514</td>
<td>$98.26</td>
<td>$50,504</td>
</tr>
<tr>
<td>1999</td>
<td>1,097</td>
<td>$135.50</td>
<td>$148,634</td>
</tr>
<tr>
<td>2000</td>
<td>262</td>
<td>$96.00</td>
<td>$25,177</td>
</tr>
<tr>
<td>2001</td>
<td>277</td>
<td>$57.00</td>
<td>$15,865</td>
</tr>
<tr>
<td>2002</td>
<td>368</td>
<td>$84.11</td>
<td>$31,151</td>
</tr>
<tr>
<td>2003</td>
<td>552</td>
<td>$53.84</td>
<td>$29,720</td>
</tr>
<tr>
<td>2004</td>
<td>320</td>
<td>$53.04</td>
<td>$16,974</td>
</tr>
<tr>
<td>2005</td>
<td>266</td>
<td>$44.88</td>
<td>$11,939</td>
</tr>
<tr>
<td>2006</td>
<td>188</td>
<td>$66.24</td>
<td>$12,452</td>
</tr>
<tr>
<td>2007</td>
<td>168</td>
<td>$89.05</td>
<td>$14,959</td>
</tr>
<tr>
<td>2008</td>
<td>138</td>
<td>$81.92</td>
<td>$11,305</td>
</tr>
<tr>
<td>2009</td>
<td>123</td>
<td>$60.12</td>
<td>$7,394</td>
</tr>
<tr>
<td>2010</td>
<td>66</td>
<td>$101.23</td>
<td>$6,681</td>
</tr>
<tr>
<td>2011</td>
<td>57</td>
<td>$81.57</td>
<td>$4,649</td>
</tr>
<tr>
<td>2012</td>
<td>54</td>
<td>$127.87</td>
<td>$6,905</td>
</tr>
<tr>
<td>2013</td>
<td>50</td>
<td>$149.72</td>
<td>$7,486</td>
</tr>
<tr>
<td>2014</td>
<td>22</td>
<td>$203.55</td>
<td>$4,478</td>
</tr>
<tr>
<td>2015</td>
<td>39</td>
<td>$65.95</td>
<td>$2,572</td>
</tr>
<tr>
<td>2016</td>
<td>113</td>
<td>$58.82</td>
<td>$6,647</td>
</tr>
<tr>
<td>2017</td>
<td>111</td>
<td>$162.78</td>
<td>$5,747</td>
</tr>
<tr>
<td>2018</td>
<td>79</td>
<td>$183.20</td>
<td>$14,473</td>
</tr>
</tbody>
</table>

For annual updated results go to: www.customer-service.com/deltadental

The customer service strategy is the only competitive weapon you can use with competitors that will dramatically increase market share and rarely ever be duplicated. You will have a five to ten year lead-time over your competition.

If you cut prices on your most important product or service by 50 percent for the month of January, I suspect your competition would match you within 24 hours. When a new building concept is developed, competitors copy it within 6 to 12 months. For some reason, however, they will not copy your service strategy.
To succeed like Northeast Delta Dental, write a policy and communicate it to your customers. Even before customers benefit from the policy their loyalty toward you may move up a notch just because you have been considerate enough to write such a customer-oriented policy and to tell them about it. However, you better follow through and really give customers what you promise.

EVERY BUSINESS MUST IDENTIFY ITS
“MOMENTS OF REALITY”

Tom Winninger, who conducts seminars and delivers speeches throughout the country on customer service, says that all business executives who want a reputation for great service must identify the “Moments of Reality” (MOR) in their businesses. Then they must train employees to react during these MOR times in a way that will achieve customer satisfaction.

A MOR, says Winninger, is the point when the expectancy level of a good customer contacts the service delivery level of a business. He explained his concept in his book, Price Wars.

For instance, when a customer calls on the phone, an encounter occurs between expectancy level and service delivery level. If an employee picks up the phone by the fourth ring and says, in a caring tone, “How may we help you?” then the customer’s expectations have been met or exceeded.

An answer by the fourth ring is an average customer’s expectation in America. More than four rings and a business has disappointed a customer.

MOR’s vary by business, by type of customer, by product category, and even by time of year, in some cases. Identifying the MOR’s in a business requires research through focus groups made up of customers. And it requires application of the sophisticated awareness of customer reaction that is characteristic of most business people.

Make your service even better than your customers expect. That way they are sure to notice it, to commend it to friends and relatives, and to want more of it.
PREVENTING SERVICE

Ironically, a company may have a fine service policy, but certain business methods and development practically prevent good service. For instance, a business might find itself in a marketplace where competitors offer poor service because cost-reduction measures are given higher priority. As a result, there is little impetus to actually deliver on good service promises.

Or, a company may find itself offering a product for which there is heavy demand but insufficient supply. Inability to deliver a product certainly is poor service.

When a company grows very fast, concern with expansion often overtakes commitment to service and, in effect, negates service policy. Or, service policy can be suddenly de-emphasized by new management or ownership that stresses other areas such as new products.

ERECTING THE CUSTOMER SERVICE STRUCTURE

After you have drafted a policy, convene an Executive Conference session to develop the organization’s commitment to the policy. Top management should lead these sessions in which decisions are made about establishing service objectives and committing resources to them.

Objectives:
1. Make sure they are realistic - that you can achieve them.
2. Make them logical extensions of the Service Plan.

Manager Seminars
After the executive conference session, conduct seminars (typically a half-day long) that introduce all line supervisors and managers to the service program and that encourages them to lead by example and to provide a climate conducive to implementing the system.

Department Objectives
Bio-Lab Incorporated of Decatur, Georgia, lists this general objective: “To retain business and to encourage increased business from customers by efficiently and courteously satisfying their needs with respect to ordering, shipping, invoicing,
handling claims and adjustments, and responding to inquiries, complaints, and related activities.”

Every organization should have specific objectives that deal with how the work is done at the front line. Objectives might be to answer the phone by the fourth ring, to mail orders on the day promised or before, or to contact the customer with an explanation; to complete repair orders within two days or to provide free “loaners,” or to achieve a zero defects condition in manufactured product within a given period.

It is vital that organizational service objectives are incorporated into the personal objectives of all employees. Forty-two percent of companies with customer service programs that responded to an American Management Association survey include consumer affairs objectives as part of their performance appraisal systems.

At IBM, every employee’s job description is related to the corporation’s goal of providing customers, prospects, and vendors with the best service.

It is, after all, individuals, one at a time, who makes the decisions and provides the follow-through to achieve organizational objectives.

**Employees Implementing Objectives**

The next step should be involvement of front-line employees in implementing policy. All across an organization front-line employee should help develop specifications for their own performance. When they have a hand in establishing personal objectives they are more likely to identify with them and to fully understand them.

**Empowering Employees**

If customer-contact employees do not deliver service with intelligence, enthusiasm and good judgment the service plan and the organizational structure might as well not exist Even an elaborate, sophisticated plan would function like a long irrigation pipe in which water flows freely until it reaches a plug in the end of the pipe. No water reaches the field. No service (or very little of it) reaches customers when employees hands are tied by strict rules and penalties for deviating from rules.

Empowerment is giving employees the authority to do whatever it takes, on the spot, to take care of a customer to the customer’s satisfaction — not to the company’s satisfaction. Training is the key to empowerment, and empowerment is the key to creating a service culture.
When employees are afraid to make any decision that has not been pre-approved by written policy, there is a plug in the pipe. They must have the authority to do what is necessary to achieve customer satisfaction. They must be empowered.

We want to touch on this point to emphasize its place in the organizational structure, though it is discussed in detail in Chapter Seven.

Have you ever heard of Disney World’s reputation for exceptional service? Empowerment is a religion there. Employees are thoroughly trained and then told that they have the authority - it has been delegated to them - to do whatever is necessary to deal with problems on the spot in order to make customers happy.

Said James Poisant when he was manager of business seminars at Walt Disney World, “If a supervisor notices a front line person giving away the store, he’ll usually wait and talk it over with him later.” He will wait instead of intervening.

Cast members (as front-line employees are called) do not say, “That’s not my job, I’ll get a supervisor.” When people with problems call a number at Disney World, the first employee who answers the phone makes an effort — a heroic effort, if necessary — to solve the problem. The employee does not send the caller all over the company.

When you walk up to a guest relations window at EPCOT Center, register a complaint, and ask for return of your money, the employee at the window will more than likely act in your favor immediately and send you away happy. Management interference is discouraged.

The Disney philosophy is reflected in a statement that every organization in America with a desire for customer loyalty should mount on the board room wall: “Management Must Not Only Support the Front Line But It Must TRUST It As Well.”

Disney World believes that front-line employees should be the first and the last contact for customers. These employees and all Disney employees are treated with respect.

Disney realizes great financial benefit for its quality service standards. Because clients are willing to pay for helpfulness and friendliness, for cleanliness, and for fun, Disney facilities are able to charge admissions that are about 20 percent higher than admission charges at any other major entertainment center in Florida or California. Stock prices are high. Executives receive significant bonuses.
Home Depot has empowered employees as well. Several summers ago, I purchased a crabgrass killer, an Ortho chemical for my yard. Unfortunately it killed all the grass. The following April I was in a Home Depot store where I shop and recognized the Ortho crabgrass killer container. I read the guarantee on the plastic container and it said it would cover any damage caused by the product.

I asked Kevin Larsen in the home garden section for help with Ortho. Instead he said what Home Depot could do to solve the problem. I told him it was Ortho’s responsibility. He asked me to keep him informed of my progress. I had no receipt.

After over two months of haggling with Ortho they finally offered to reimburse me $10 because I did not have the $10 receipt or the empty chemical container. Not many people would keep either of these.

When I went into Home Depot I explained to Kevin what Ortho finally decided to do. He asked how much I had spent restoring the lawn. I said $300. He asked if I could wait a few minutes. About 5 minutes later he returned with $300 in cash.

I spent $50 on the way out of the store on more supplies and since then have spent over $56,000 with Home Depot. Why would I go anywhere else?

Empowerment

Empowerment is the most important skill employees need to master but probably the most difficult task you will try to get employees to use. I often believe that empowerment is a myth. Rarely do I see it. The best way to personally evaluate empowerment is to push employees when you have problems. Ask them, “Aren’t you empowered?” The response, 98 percent of the time will be, “No,” or “What? Are you kidding?” I am not sure if I have ever heard an employee say, “Don’t worry; I am empowered, and I will take care of you.”

An empowered employee can wow the customer. The major reason they will NOT make an empowered decision is they believe they will be fired. This fear is far more powerful than the possibility of a manager celebrating their use of empowerment. The second major reason an employee will not use empowerment is the fear of being forced to pay for what they gave away or waived.

If you want more empowerment, celebrate every empowered decision you hear about. Make a big deal about it. If you have an internal publication, talk in each issue about at least one person who made an empowered decision.
Dow Chemical has the same philosophy. Mitchell Kern, manager of customer service resources, says, “We view the customer service department as one-stop shopping. We want our customers to have a single Dow contact who can handle order taking, credit, delivery, and so on. The last thing we want when a customer calls is to tell him that we’ll get back to him or to refer him or her to somebody else.”

I believe that this empowerment of customer contact employees is a valuable “new dimension” in customer service.

Some business professionals criticize empowerment. On the same day, however, they might wax eloquent about the value of a business culture that encourages and rewards employees for their ideas and for their creative, independent reactions to fast-breaking developments.

At Saturn they found it is inefficient to have too many managers. The only way to reduce the number of managers is to transfer decision-making to the rank and file. American business has learned that workers cannot be replaced by robots but that managers can be replaced by subordinate workers.

David Cole, Director of the Office for Study of Automotive Transportation at the University of Michigan, says, “Non-managers must get used to the idea of having to take on more responsibility. And managers who hope to survive must share power, because the bottom line is that you cannot compete when you use human resources as inefficiently as in the past”

The management principle that has come to be known as “empowerment” does have its problems. These are the shortcomings that I see, the reasons that empowerment has not made as big an impact as it could if fully implemented. (Most executives will not even admit that these attitudes exist.)

1. Management does not trust employees, left to their own devices, to make enlightened decisions.

2. Management is wary of customers, too. They believe customers lie and cheat and take advantage of the organization. So, employees, neither as competent nor as experienced as managers, are likely to be duped by wily customers.

3. Many employees have no interest in making tough decisions which empowerment requires. People are so conditioned to following “rules” they are unwilling to risk making empowered decisions.

4. Middle managers and supervisors fear they will lose their jobs if employees are truly empowered. Why do they want to support a system that jeopardizes their job?
Empowerment definitely was not the order of the day at a ski shop in Reno, Nevada, where I negotiated a reduced price on a pair of after ski boots with an employee. My wife had stopped three times, but the salesperson failed to close the sale.

Unfortunately for the employee, the transaction was overheard and vetoed by the fiancé of the store owner. Red-faced with anger she denounced the employee in our presence and threatened to fire him. To be sure, this was not an “empowered” employee and the shoe store certainly has suffered for the dictatorial, distrustful management style of the owner’s fiancé.

SERVICE IS EVERY EMPLOYEE’S PRIORITY

Service, we have said, should be part of everyone’s job description. Service should be the umbrella over your corporate organization plan for service delivery. Avoid pigeon-holing customer service in a customer service “department.” That is a fine way to sabotage a service plan that is ostensibly aimed at achieving total customer satisfaction.

The trouble is that having a department for being helpful to customers engenders a “That is not my job” mentality. One of the trademarks of the late comedian, Freddie Prinze, was saying “That is not my job” to every request from “Please pass the salt” to “Do you have the time?”

What is needed is a whole-company customer service mentality. American business managers have tended to leave the matter of giving the customer what she or he wants to the customer service department Out of sight, out of mind. They typically assume that someone “in customer service” will take care of the customer.

The problem with specialization such as this is that everybody else in an organization begins to depend on the specialists whose function becomes absolving everybody else from service responsibility.

Some organizations, in fact, even have created special senior management positions dedicated, in practice, to making it unnecessary for anybody else in a company to be concerned with customer satisfaction.

GOOGLE

The relentless search for better answers continues to be at the core of everything Google does. Google handles trillions of queries per year—or 80% of all Internet searches on the planet.
With more than 60,000 employees in 50 different countries, Google makes hundreds of products used by billions of people across the globe, from YouTube and Android to Smartbox and, of course, Google Search. Beginning in a dorm room, Google is known world-wide to have a passion for excellence and continues to grow.

Alphabet, the parent of Google, had a fantastic 2017 with total revenues of $110.9 billion, up 23% over 2016, and operating income of $28.9 billion, up 22% year-on-year, excluding the EC fine. Their momentum reflects a relentless focus on users, advertisers and enterprise customers as well as the benefits of their commitment to long-term investing.

MOUNTAIN VIEW, Calif. – October 25, 2018 – Alphabet Inc. (NASDAQ: GOOG, GOOGL) today announced financial results for the quarter ended September 30, 2018. “Our business continues to have strong momentum globally, led by mobile search and our many products that help billions of people every day,” said Ruth Porat, Chief Financial Officer of Alphabet and Google. “Alphabet revenues were $33.7 billion, up 21% versus the third quarter of 2017, and we remain focused on delivering on the opportunities we see.”

Service at the Source
More effective is the kind of service provided by Hartford’s Travelers insurance company where claims clerks no longer just type endless claim forms and pass them along for approval by someone else. Instead they settle an increasing number of minor claims on the spot with a few deft punches on their computer keyboards. Now, Bob Fenn said when he was director of training at Travelers, “Entry-level clerks have to be capable of using information and making decisions.”

Large and increasingly automated organizations normally do not promote sensitivity to customers among employees when the immediacy of customer needs is segregated into the customer service/support area or when it is a “function” assigned to the sales area.

Instead of pushing customer service into a closely kept little department, it is far better that every department does its bit in the customer service effort.

The consumer affairs department can answer inquiries and field complaints. The sales force can make sales calls. Market researchers conduct focus groups. The R and D staff conducts value analysis attaching dollar benefits to product and service features. Shipping pushes finished goods out the door on schedule.
One function all these departments should have in common is, you know, service to customers.

Integration of Service

The American Management Association noted that “successful, high-growth companies... integrate all these parts into strategic business plans that run on a good deal more than slogans.”

Achieving and maintaining a high level of customer satisfaction is related to everything that anyone in the organization does. This is true because every management and non-management function — from the janitor’s job to the CEO’s job — affects customer buying decisions.

“It’s not just the sales force but everyone in the organization — from the people in the back rooms to those answering the telephones — who have an effect upon the customer,” says John Guaspari, lecturer and author of the book I Know It When I See It, a title that refers to quality.

Says Richard Gamgort, Director of Quality Assurance and Customer Affairs for Armstrong World Industries, “We preach that customer service is everyone’s responsibility, from salesmen in the field to R and D and technical personnel to marketing people who handle products and revisions and changes in products.”

Do not allow yourself the luxury of expecting that your employee newsletter pronouncements about service quality will be enough to spread the service doctrine throughout the company and to keep it alive and lively. Remember that most employees probably do not know what good service is, if your company does not have a long-standing service culture. So, telling them to provide service is like telling a high school student to draw a map of the United States.

Employees must be told what service is, shown what service is, led through a period of actually providing service, and then they must be re-motivated and re-trained periodically.

When employees have never been told that they have customer service responsibilities, majorities of them lose the sense of working for the customer and end up working for personal or departmental objectives. Those objectives easily can conflict with organizational service objectives.
SPREADING CUSTOMER SERVICE AWARENESS

To promote strong service-mindedness among employees, one leading company routinely rotates people between staff and line positions. The theory behind this practice is that line employees who deal directly with customers are more customer conscious. So, sending staff to spend time in line jobs raises their customer consciousness and also elevates customer awareness among their peers and, thence, throughout the company.

Other companies re-train employees in customer service periodically, place posters that remind employees of service and keep the posters fresh, and promote the value of service for the employee and the company in company newsletters, newspapers, and pay check envelope stuffers.

Whole-company service is important because customers perceive the company as a whole. They do not make allowances and reason, “Oh, he is in a staff job. She doesn’t know what customers want.”

A foul-up in one department that is low on the customer consciousness scale affects customer perception of the entire company.

Re-train employees every six months. Do not stage a huge, company-wide training event and never train again. The consequence might be poor service, except for a couple months after training.

Managers might be led to reflect at this point: “I guess the customer service training wasn’t very good.” The reality is that any training must be reinforced. Employees must be reminded no training is effective for a lifetime.

Another error in employee training is simply repeating the same training. Employees become bored and inattentive when training is repetitious.

Advertising agencies for large companies like Sprint, AOL and Dell change their commercials every month and often every week. They spend millions on production. The agency and advertising head within these firms does not say “I know you will create the perfect ad that we can use for the next five years. We will save production costs by using the same ad every month for the next five years”.

This would never happen because no ad is perfect, it has limited impact. Fresh new commercials are critical to keeping the attention of the viewer. The millions spent on advertising with this type of ad would be wasted. In essence, this is what most organizations do with their training programs. Labor time is the same as advertising rates. If the message does not work, all your money is wasted.
Include enough new video, new material and new ideas in the training so it is fresh and expands or reinforces previous training. SQI has enough weapons in its training arsenal that it can train employees to reach the same quality service objectives every four to six months for years without turning off employees with repetition. The mistake most organizations make is they believe one customer service training program will change the behavior and attitude of the employee for life. This is impossible. Without new material every few months, just like your advertising campaigns, your focus on customer service will die.

**Employee Suggestion Systems**

In Japan, 50 suggestions are made for every solution of one problem, according to a study done by the Japanese Suggestion Association. “In Japan, only 10 percent of the quality improvements come from teams. The remaining 90 percent come from individual suggestions,” stated Dr. Kaoru Ishikawa, the father of the Japanese quality process and the Quality Circle concept.

The following chart compares the suggestion programs of Japan and the United States according to the Japanese Suggestion Association study and information obtained from the Employee Involvement Association.

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>JAPAN</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suggestions per eligible employee</td>
<td>32.4</td>
<td>0.17</td>
</tr>
<tr>
<td>Percent of workers participating</td>
<td>72.0 %</td>
<td>6.5 %</td>
</tr>
<tr>
<td>Percent of suggestions adopted</td>
<td>87 %</td>
<td>35 %</td>
</tr>
<tr>
<td>Average award value</td>
<td>$ 2.50</td>
<td>$ 592.00</td>
</tr>
<tr>
<td>Average net savings per suggestion</td>
<td>$ 129.00</td>
<td>$7,906.00</td>
</tr>
<tr>
<td>Yearly net savings per employee</td>
<td>$ 3,792.00</td>
<td>$ 469.70</td>
</tr>
</tbody>
</table>

Reinforcement of employee commitment and participation can be accomplished also with SQI’s two employee involvement programs:

1. The well-established BAD (Buck-A-Day) campaign asks everyone to focus on cost reduction. Everyone gets to the same objective: Find a way to reduce costs by at least a dollar a day.

2. The GOOD IDEA campaign focuses on quality and customer satisfaction.

Both employ copyrighted Innovation Manager software to analyze, categorize, prioritize and track implementation of customer service ideas.
Employees have fun participating in the BAD program. Among features of the BAD program are Certificates, BAD Buttons, WANTED posters, and weekly newsletters that recognize achievements in innovativeness of individuals and groups.

Furthermore, random drawings each week for both campaigns determine recipients for medals, dinner for two, movie tickets, and other items built around recognition. Large scoreboards compare performance of groups and departments, thereby encouraging friendly competition.

The reason both campaigns work is because the reward for the ideas is recognition not money. They are simple, uncomplicated, fun, and easy to administer.

“We tied Buck-A-Day into our on-going suggestion program,” reported the chairperson of the BAD campaign at Blue Cross/Blue Shield of Memphis. “Participation level jumped from less than 8 percent in a year to 80 percent per year in just three weeks.”

About 60 to 80 percent of all employees participate voluntarily, in large companies. In smaller companies, participation often is at or near 100 percent BAD and GOOD have been implemented by more than 3,000 companies.

The campaigns work on the principles that:
1. Involvement of employees leads to commitment.
2. People on the firing line have ideas that are vital to the success of an organization.

The BAD cost reduction idea campaign and the GOOD IDEA customer satisfaction campaign are inexpensive and available from SQI distributors and consultants throughout the world. Both BAD and GOOD IDEA are personalized for each company, so they appear to have been developed internally.

The campaigns are very effective in re-charging any ongoing customer service campaign such as SQI’s trail-blazing “Feelings” training program for all employees.

**Long-Term Benefit**

Rotation of employees between staff and line positions is not always convenient for the company or for employees. But a strong service-minded organization should be so important that management is willing to accept short-term disruption to achieve long-term benefit.

In training sessions, every single employee should be taught that he or she
becomes part of the company’s sales effort through the service they provide. Every employee should be trained to assume that every person they meet on the job is a customer or a prospective customer and to treat them as if his or her job depends upon that person’s satisfaction. The internal customer is just as important as the external customer. The Scandinavian Airlines System spreads service consciousness throughout the company, said Jan Carlzon, former President, by declaring that “we would turn a profit by becoming a service-oriented airline.” He continued: “We ignited a radical change in the culture at SAS.”

“Traditionally,” said Carlzon, “executives deal with investments, management, and administration. Service was... the province of employees located way out on the periphery of the company. Now, the entire company, from the executive suite to the most remote check-in terminal, was focused on service.”

**Share Customer Service Facilities**

Share customer service awareness with dealers, distributors, and franchises in a company-wide product and service delivery system. Tell them that they have full access to the company’s sales and service operations. That should include online programs that track service and parts, to ensure customer satisfaction. Enhance awareness of service facilities also by discussing with resellers a division of service responsibilities. Which service problems they should handle themselves and which ones they should pass on to the marketer should be a topic that is discussed long before need arises.

Most marketers, however, are reluctant to establish policies that deal with these issues. They are reluctant to allow dealers and distributors access to their communication systems. So, service consciousness tends to die like a flower after the first frost somewhere between manufacturer and manufacturer’s representatives.

However, a dealer, distributor, or franchise IS the manufacturer to customers. Actions taken by them reflect on the manufacturer. A chain is only as strong as its weakest link.

Tom Peters and Nancy Austin expressed the need for customer service awareness when they said in Passion For Excellence: “Attention to quality can become the organization’s mind-set only if all of its managers — indeed, all of its people — live it.”
Automobile driving consists of a series of adjustments in steering that keep you in your lane and on the road. Similarly, to maintain a level of service that retains customers, you need a mechanism for monitoring service performance.

Do it by periodically re-evaluating all service support systems to make certain that they really do support the service strategy. Be aware that support systems can block or weaken a strategy.

Evaluate by answering these questions with current information:

• Does recruiting and hiring turn up people who are capable of learning to practice professional customer service?

• Do orientation programs for new employees instill them with an awareness of service strategy from the beginning?

• Does the company newsletter preach the same gospel as the chief executive?

• Do training programs advance the cause of effective service?

• Does the performance appraisal system provide feedback to employees about effectiveness of their customer service efforts?

Gamgort of Armstrong says, “We in customer affairs have taken on responsibility to design the methods and to manage the systems that provide constant monitoring and feedback as to how well we’re doing in terms of meeting customer expectations.”

Responsibility for responding to that feedback and making sure that any area of weakness is strengthened is assumed by the various support functions, says Gamgort.

The Technical Assistance Research Program developed two statistical models that monitor service by documenting value of a service system (by measuring its performance) and by determining how to improve service in a cost effective manner. The models also project results of a service system before it is implemented and provides a way to prove that contemplated service will achieve bottom-line results.

**Market Impact of Service**

“The Market Impact of Service Model” determines effect of reaching people who are dissatisfied and of concluding such contacts satisfactorily, a common activity.
This service model quantifies economic impact of various levels of service for corporate executives. It indicates, too, which service should be changed to achieve optimum bottom line impact.

Assume that sales support/customer service staff takes on most of the after-sales support that salespeople formerly did for themselves such as handling terms, exchanges, and adjustments. This frequently makes a sales force 5 percent more productive, the model has determined.

Normally this amounts to the equivalent of one more field sales call per week. This added productivity costs almost nothing to achieve. Roy Chitwood, the late author of “World Class Selling” and President of Max Sacks International said the average sales call costs a company $99-$452. Chitwood feels it costs your company just as much to support a low-producing salesperson as a high-producing one.

“The Market Impact of Service Model” also enables executives to determine the amount of profit and ROI increase for increments of decrease in “unarticulated dissatisfaction.” That is dissatisfaction that a customer has not told you about but which is likely to motivate him or her to patronize your competitor.

The model also yields amount saved when the number of service contacts per customer are reduced (because more customers are more often satisfied) and when the number of satisfied customers increases.

**Documenting Service Value**

The model is salvation for executives charged with overseeing a service system. It enables them to document their contention that service is a profit center generating substantial additional sales.

In summary, “The Market Impact of Service Model” reveals:

1. Increased sales and return on investment (ROI) from better service. Service gets better as a result of improvements made to prevent dissatisfaction of customers.

2. Amount of reduction in service costs through prevention of dissatisfaction.

3. Positive market impact by the satisfaction that good service causes among a larger proportion of customers.

The Service Model estimates increased service-generated sales and return on investment by combining company-provided data and data obtained from
customer surveys. The result is calculations such as these:

- Net purchases resulting from complaint satisfaction.
- New purchasers resulting from positive word-of-mouth. That is, recommendations resulting from effective complaint handling.
- Sales resulting from positive word-of-mouth recommendation by satisfied customers.
- Profit on sales from complaint handling and resultant word of mouth recommendation.
- ROI from money invested in service.

Primary use of the second model, the “Sensitivity to Profits Model,” is to postulate impact of various expenditures on customer satisfaction before expenditures are made. The model equips executives to make educated decisions about priorities.

Monitoring your service system also makes it possible to determine degree of customer satisfaction needed to retain the customer’s brand loyalty or company loyalty.

This is vital data. Research has documented the importance of satisfaction in establishing brand loyalty. Brand loyalty, by the way, determines a company’s ability to retain or to increase market share.

**BACKLASH**

A new service structure might sustain major damage from “sabotage” if you do not take preventive steps. The unintentional “saboteurs” are managers reacting with apathy, neglect, or even with hostility to seeming “devaluation” of their managerial role.

Managers may feel that a company-wide customer service concept diminishes their authority because, typically, front-line employees are given more authority to make decisions in achieving customer satisfaction. Their job requirements, they feel, consist mostly of mere coaching, informing, criticizing, praising, and educating.

**Accountability for Customer Service**

To cope with managerial backlash, make managers accountable for customer service as much as they are accountable for profit, and base bonuses and evaluation scores on how well they succeed in achieving service objectives through their people.
The degree to which objectives are achieved should be determined by continuing impartial evaluation. It is advisable that an unbiased outside organization does the evaluating and that the organization prepares a “Customer Service Index.”

Tie appraisals to meaningful customer service measures. Appraisals should be based on customer surveys and direct observation instead of on guesswork. Failure to develop realistic appraisal methods contributes to weak service motivation and cynicism.

When managers realize that achieving customer service objectives, expressed as their personal objectives, can help them become successful in their careers, they are likely to abandon any hostility to them.

Carlzon, of Scandinavian Airlines, had something to say about managerial cynicism and hostility in his book, Moments of Truth: “The middle managers, who were understandably confused by their new role within the organization (after front-line employees were given more responsibility), became hostile and counterproductive. We had put them in a completely unfamiliar situation where they were squeezed from both directions. Directives came shooting down from above that conflicted with their expectations and experience. They heard what we said but didn’t know how to translate it into practical actions. From below came demands for responsibility and power to make decisions, which they viewed as threats to their own position.

“We had directed middle managers to go out and listen to the people on the front line — to find out what they needed to do their jobs. The managers, however, were not accustomed to thinking of themselves as filling a support function, especially if they were supporting people previously considered subordinates.

“The word “support” conjures up an image of attending to needs, not administering. At SAS, like at other companies, support and service always had been relegated to a low status. Every promotion had moved people away from serving the customer and toward administration.

“When people on the front lines “broke the rule” to help the customers, naturally the middle managers responded by reining them in. This infuriated the front line.”

Keeping Managers Happy
Communicate to managers before a new or expanded service program begins. Tell them that their roles will change but that their authority will go unchanged.
Work with them to achieve the understanding that now the organization depends more than ever on their proficiency at coaching, informing, criticizing, praising, and educating.

The authority of managers will be broadened in a total company service strategy to include translating overall strategies into practical guidelines that the front line can follow. Managers also mobilize resources that the front line needs to achieve objectives.

Point out to middle managers that all this requires hard-nosed business planning and healthy doses of creativity and resourcefulness.

Changes in managerial responsibilities when an organization becomes customer-oriented are significant. Ascending hierarchical tiers of responsibility must be flattened so that customer contact employees respond directly and quickly to customer needs. Front-line people who deal personally with customers become managers, too — managers of their own situations vis-a-vis customers, one at a time.

In an advanced service system, employees have the authority to select appropriate action and to supervise implementation to achieve customer satisfaction.

However, before employees actually have this authority; people occupying higher levels of the old management “pyramid” must understand that their roles have changed greatly. They are now leaders making it possible for those out front to make operational decisions. Nevertheless, it is they (the middle managers) who have total responsibility for achieving stated service results.

REPORTING STRUCTURE

Views still differ about who ought to have authority over the service function. Some feel that sales and service will cooperate only if a sales manager controls both functions. Others say that the service function needs a separate management structure to keep service reps focused on customer satisfaction instead of on quotas and other sales issues.

In the most profitable service organizations, the head of service reports either to the chairman or to the president of a division. That is proper because they make profit decisions.

In the most customer-oriented organizations, marketing, sales, and service all report to one person, usually the chairman or the president, who is
accountable for all customer interactions.

However, often you will find that customer service is located in the marketing, accounting, production, or distribution department. Sometimes it is called the “complaint department” and it ranks low on the organization chart. The function called “consumer affairs” more often is a staff position reporting directly to the top. In many cases, a customer relation is the company’s main mouthpiece, as it should be when the company does not have a customer service function. For instance, in retail chains, consumer affairs must have the full force of the company behind it when dealing with vendors in regard to warranty work.

**Customers Come First**

Actually, the organization chart for a corporation ought to show the customer, not the CEO, at the top. The city of Bloomington, Minnesota has the people at the top and the mayor and city council reporting to them. Bloomington is one of the most customer-driven cities in America. Xerox Canada expressed the idea graphically. The company built a six-foot metallic pyramid inscribed with the names of 4,500 Canadian employees. The corporate silver and blue pyramid was designed to tell the world that a Xerox customer, at the apex of the pyramid, is supported by every employee in the organization, listed below “Customer.”

Mansour’s, a family owned department and specialty store in Columbus and LaGrange, Georgia, is built “from the sales associates on up,” says Fred Mansour, President. Each associate is vital to the operation, he says, and is made to feel very much a part of it.

This attitude has spread throughout the business world. For instance, Peter Burwash, President of a management and consulting firm in the hospitality industry, says, “Clubs (exercise clubs, social clubs, spas) see the employee as being their most important asset. The reason most clubs fail is because owners, presidents, and general managers think they are the most important people in the club. They create a huge communication gap that results in employee resentment and lack of effort toward both management and members.”

**THE RIGHT LEADER**

A thoroughly committed company needs a respected and motivated leader to drive and to manage the service function for the company in the same way that
a corporate counsel or senior vice president of finance manage their functions.

A senior executive assigned to customer service must be viewed as the occupant of a key position. So, he or she must hold the rank of Senior Vice President or Vice President of Customer Service.

Especially in industrial companies, the Vice President of Customer Service should be in charge of service and product quality. He or she should be an innovative and creative person who is willing to take chances and able to recognize an end result benefit when it presents itself.

The top customer service position holder and also executives who report to her or him must be ready to endure and even to thrive on criticism directed at them for ruffling feathers in the process of achieving goals.

To attract executives with these qualities, rewards for success must be great. Attracting them is easier than it once was. In years past, if you were sent to work in customer service, obviously you had done something wrong. Now, customer service has become a tour of duty for people on the fast track.
Chapter 5

LET ME INTRODUCE YOU TO...
YOUR CUSTOMER

Give the lady what she wants.

- MARSHALL FIELD, pioneering merchant

My first message is: Listen, listen, listen to the people who do the work.

- H. ROSS PEROT, Chairman, Perot Systems, Inc.

SERVICE IS WHAT YOUR CUSTOMER SAYS IT IS

“Hight-growth companies stay in touch with their markets — and willingly spend the money to do so. They know their customers and they keep their knowledge fresh,” says the American Management Association (AMA) in its “Research Report on Consumer Affairs.”

It is important to know your customers’ wants and needs before you try to sell them a service or a product. If you do not know, then you are guessing. Guesswork makes dissatisfaction inevitable.

Yes, knowing your customers so you can give them what they want and keep them as customers, costs money. But spending money on something that pays off in profit has never been a problem for a company.

When dissatisfied customers complain to you — or, as more often happens, they switch their business to your competitors without complaining — you learn what they do not like, all right. But you will wish that you would know that as well as before you alienated them. You will wish you would practice proactive, research-based customer service instead of reactive service.
The Sometimes Fatal Assumption

You might have been good at predicting customer behavior in the past, but remember that it is not what you think you know that is important. It is what customers think that matters, even if they are illogical, uninformed, or witless. Good service has nothing to do with what the provider of services believes it to be, unless these beliefs coincide with the attitudes of customers.

Good service only has to do with what customers believe it to be. Few executives truly understand what good service is, nor are they close enough to their own employees to understand how bad and inconsistent service is.

Manufacturers and service firms need to realize that dealers, distributors and franchises are a reflection of their company. Service standards should be emphasized and enforced. A chain, remember, is only as strong as its weakest link.

Never assume what customers want instead of spending time or money on them. Remember that opinions and needs change over time, what you knew in the past about your customers may well have changed. What’s more, the information you have may be too general to apply to specific business projects you have in mind.

A company that sold package tours to retired people felt that it knew the market well, but inferences based on generalizations about the market proved faulty. The president of the company said, “We had decided that they would want to stay in hotels with other older persons, would want nurses with them, would like American food no matter where they were, and would enjoy only brief excursions that wouldn’t tire them.”

The company was wrong. Sales plummeted after an initial surge.

“Then,” the president said, “We talked to the oldsters. We found that they wanted to see new places, mix with the young and the old and with people who live in the areas they visit. They also wanted to eat new food, and they weren’t overly worried about their health. They thought our program was a bore.”

“Service is in the eye of the beholder,” says Jack O. Lowenstein, director of administration for FMC Corporation’s Chemical Research and Development Center in Princeton, New Jersey. “The customer decides whether one organization is better. If the customer rates you excellent then, by George, you’ve got it.”

Ultimately the key words are ‘customer perception.’ It matters not whether all the specs are met, whether all dimensions are perfect. If the customer does not like the product, that is the ultimate reality. Only when we deliver a product on time and it truly meets the customer’s expectations of quality, usefulness,
and price worthiness can we expect the customer to heap superlatives upon us.”

Whether or not customers like the product and the service is something you ought to know early in the game.

Perception of Customers Is Reality for You

Lowenstein thinks that a wall in every office should bear this sign: “Perception Is Reality When It Comes to Being Judged by Others.”

The first step toward learning what customers consider reality should be to decide exactly what business you are in, from a customer point of view, if you have not done so already. Usually you will conclude that you are in the business of providing customers with a variety of “services,” even if you are not a service business, strictly speaking. Make a list. You might surprise yourself. Many service firms still do not realize that they are in the service business.

The second step is to identify all market segments - all customer groups. It is important to determine needs and wants of all customers.

The third step is to set up the systems you will need for listening to customers. The way to find out what customers want is to ask them. And allow them to tell you. Make it easy for customers to communicate with the company.

• Print an 800-phone number on billings, for instance.

• Provide customers with email addresses that they can use to convey their opinions. Make sure that employees know how customers should contact the company so they can tell them.

• Collect data and then analyze it for generalizations and trends. Hyatt Hotels & Resorts does this. Its “In Touch for the 90’s” quality assurance program includes a customer rating system that rewards individual hotels for the most favorable customer comment cards. Follow-up is done by focus groups of hotel general managers who discuss service results and philosophy, according to Darryl Hartley-Leonard, retired Board Director of Hyatt.

Consider a continuing evaluation of the ups and downs of service quality and on the basis of it prepare a “customer service index.” The index could become the universal scale of your performance in the customer service area.

SURVEY TOOLS

Informal Surveys

One informal survey format is a simple discussion of recent customer reactions
at a monthly or weekly staff meeting. Use findings from these discussions as
guides to action needed to improve or to expand service.

Managers and supervisors who attend these staff meetings come prepared
with results of surveys of front-line employees. They have asked them what
customers are saying about service, good and bad.

Kris & Mary Anne Kowalski, owners of several Kowalski supermarkets in
the St. Paul, Minnesota area, have a fine informal survey format that could be
used by an organization of any size. Each quarter they rent a conference room
somewhere near each of their stores. They meet at each store with an invited
group of 8 to 12 customers.

“Nothing formal,” says Kowalksi. “We just order out for pizza and ask
them a lot of questions about what they like and — more important — what they
don’t like about our stores. They talk. We listen.”

Out of these meetings have come decisions to stock more low-calorie
foods for older customers, to offer smaller meat cuts to accommodate people
who live alone, and so on.

**Formal Surveys**
The basic formal survey form is focus groups in which a leader asks questions
and motivates responses. The group should consist of customers and also
employees from all functions and from all seniority levels. Conduct formal
customer surveys every 60 to 90 days. Less frequency than 90 days is risky
because you are likely to miss a development that mandates a change in service.

The best companies survey customers and employees. Usually both
company staff and an outside consulting organization conduct surveys.
The inside survey of sales and marketing people asks questions designed
to determine whether they believe that the company is doing a good job of
satisfying customers.

**Employee Surveys**
When employees are queried by an outside consultant they are not told that their
employer is sponsoring the survey. Reason: Greater candor by employees. They
will make statements that they would suppress if they thought that the assertions
would reach their bosses. A significant percentage of these statements make
revela-tions that, followed up, lead to significant improvements in service.

Professor Michael LeBoeuf, of the University of New Orleans, suggests
questions that are variants, customized to a company’s business, of what he calls “the platinum questions,” to indicate their value. They are:

- “How are we doing?”
- “How can we get better?”

When surveying former customers, ask a different question: Why did you stop buying?

Applying professional surveying standards, fashion questions that ferret out answers to these general queries, too:

- “What do customers want that we can profitably make?”
- “What kind of information do our customers need to have from their perspective?”

**An Effective Focus Group**

Focus Groups are an effective way to get more insight into your customers. They should be done continually. Singapore Airlines surveys every fifth passenger on every fifth flight, every day, all year. You need to engage a good facilitator to insure everyone’s voice is heard and the conversations stay on track.

A focus group will often have 8-12 participants. A significant percent will not show up so call to remind participants. To get 10 participants you may need to have confirmations for at least 15. Usually they will be given an incentive to participate. Vail Associates in Vail, Colorado, will give away two ski lift tickets worth over $378 to get you to attend a 90-minute focus group after the ski day. Refreshments, cheese, crackers and fruit are all served in addition. They still have problems getting skiers to participate.

During the ski season they will conduct over 20 focus groups, all video-taped. An outside firm is hired to conduct the focus groups. This is a small investment to insure the millions it spends annually on capital investments are wisely used.

Always have an incentive to generate participation. The price needs to increase if you are seeking participants with higher income or positions.

Some focus groups will not know who the firm is that sponsored the focus group. The session will be video-taped and the sponsoring organization is often behind a one way mirror observing the feedback.

The focus group can be conducted by someone from your organization if they can keep their cool and ego in check, and don’t defend or argue with
participants. Ask probing questions and take good notes. Most sessions are video-taped or audio-recorded – then edited for management. You can gain more information by listening than trying to defend or explain your current position.

You need to be careful because sometimes one person can influence everyone toward his or her point of view. Ideally you want unvarnished comments from everyone. Ron Kaufman in Singapore, the author of Up Your Service said, “Set them at ease and get them talking about what they either like, don’t like or wish they could get from your business. If they could change one aspect of your service, what would it be? If they could wave a wand and make one requirement go away, what would disappear? If they had to choose between more of X or less of Z, which would they select and why? Be clear in advance which questions you want the group to answer.”

Select the audience you want. Every organization will have a variety of segments. You might conduct the research on 5 to 10 different groups, or you might start with just one group.

You might want children, teenagers, CEO’s, wealthy people, business buyers or consumers. This is why it is also ideal to do a variety of focus groups throughout the year and annually with different groups.

Stew Leonard, President of Stew Leonard’s, still conducts his focus groups personally each month and rotates between the three stores.

Focus groups can be very powerful if you act on the ideas and information you learn.

800 Numbers
Incoming 800 and 866 toll free lines are widely used to make it easy for consumers to contact a company.

An AMA study found that in a recent year average expenditure for 800 number operations by organizations using them was well over $250,000. Some large companies spent more than a million dollars a year.

Chesebrough-Ponds spent $800,000 during one recent year. Other companies that spend a great deal on 800 number systems are General Electric (GE Answer Center) and Whirlpool (Cool Line).

One mid-sized chemical processor spent $350,000 to install and to operate an 800 number to put its salespeople in touch by direct line with customers without going through retailers. Result: Sales increased by 20 percent.
A billion-dollar chain of convenience stores - a business that does all its selling over the local counter and that takes no phone orders at national headquarters - spent $200,000 on an 800 line to field customer queries and complaints. Result: Sales revenues increased by 19 percent.

Incoming toll free lines to facilitate customer comment, inquiry, and complaint pay off.

“Thank You” Customer Calls

The Royal Bank of Canada uses its toll free line for proactive instead of reactive customer service. In a continuous program, reps call existing customers and say little more than “Thank you for being our customer. We appreciate your business and we want to know if you are having any problems.”

The project works so well that what was expected to be just a justifiable business expense actually paid for itself with more business within the first year, not even considering the financial benefits of saving accounts that would have been lost without such a program. Increased income came from referrals, upgrades, and cross-selling.

Stephen Higgins, manager of Direct Marketing Services for the Ontario District of the Royal Bank, says: “Our system centers on uncovering customer needs. But people don’t tell you what their needs really are if they think you’re trying to sell them something. So we call just to touch base with them and to learn about each unique situation.

“Of course, when we uncover needs that we can satisfy, we make recommendations. That generates more business from each customer. And because our customers feel that they have been treated fairly, they are more than willing to make referrals that generate new customers.”

The initial objective of the Royal Bank program was to drive new business into the branch office network. But more and more customers asked to finalize business over the phone, so the bank moved toward completing more transactions on the phone.

Mail/Phone Questionnaires

General Electric calls or sends a postcard to everyone who receives a GE service call and asks customers to assign a satisfaction rating to the call. The company mailed 700,000 postcards in a recent year and received a customer-satisfied rating of more than 90 percent. GE contacts dissatisfied customers and asks them what they would like the company to do differently.
Northern Telecom Co., a manufacturer of telecommunications equipment, mails questionnaires to customers. The objective is to determine reasons for any customer dissatisfaction and to take appropriate action. But Northern Telecom and other companies that conduct surveys also benefit in terms of positive impression on customers that is made by the company’s evident interest in them.

Northern Telecom also sends out engineering questionnaires tailored to each type of customer and to business cycles. This is done just after installations, 30 days after installation, and six months after installation.
If the company waited to send out questionnaires until, say, a year after installation, “a cancer may have killed the patient,” says Jack Shaw, director of Quality Assurance and Field Operations.

**Questionnaire Results Influence Compensation**

Everyone who uses a Humana Hospital (Humana Health Care Corp.) receives a mailer asking for an evaluation of care and service. About one-third of 300,000 surveys Humana sends out monthly are returned. Results influence employee compensation and are used to identify areas that will be improved throughout the organization.

Renex, the computer interconnectivity products company, uses mail and phone surveys to solicit customer evaluations. Questionnaires employ a scale of 1 to 10 to rate tech reps on courtesy, responsiveness, and clarity of instructions.

Questionnaires also ask for ratings of corporate strengths and weaknesses with questions such as:

- Do we work your problems through until they are resolved?
- How well do the things we sell work?

A small firm that sells software to Fortune 500 companies spent $110,000 on mail/phone questionnaires, $100,000 on consumer education materials, and $300,000 to educate its own employees in customer relations - and grew by 30 percent as a result.

Timothy W. Firnstahl, founder and CEO of Satisfaction Guaranteed Eateries, Inc., in the Seattle area, says that once a month groups of his employees call several hundred customers and ask them to rate their experiences. They obtain names from reservations lists and credit card charges.

Says Firnstahl: “Most people are amazed and delighted that we take the trouble to phone them. Many develop enormous loyalty to our restaurants.

**Customer Comment Cards**

You used to see them everywhere. They take many forms, but most are post cards or similar card formats that are mailed in or deposited in collection boxes. Ideally they provide a method for them to be mailed anonymously to your CEO.

I rarely see customer comment cards anymore. The absence of feedback from the company reinforced the waste of time most customers felt about the cards. Most firms should have typed on the card, “Please complete this information. And humor us. We will rarely read the cards or act on any of your comments.”
In Houston, at the Airport Sheraton, I had terrible service. I filled out the comment card, which had to be returned to the front desk. A major campaign to measure and promote customer satisfaction by J. D. Powers was in place. I suspect my very critical survey was quickly destroyed by the front-desk staff.

Target stores in the 1980’s used a customer card that generated information that was extremely negative and embarrassing. They solved the problem by changing the questions on the comment card.

In general, though, I am surprised at how few organizations respond to written complaints. I estimate it to be 5 percent or less. Few firms seem to respond immediately to customer complaints. One of the reasons few comment cards are filled out is because customers know from previous experience they will not get a response. The reason for my surprise is that research shows that if a complaint is resolved quickly a company can retain 82 to 95 percent of complaining customers.

Advertising dollars are so plentiful that businesses are committed to the process of acquiring NEW customers. Executives often believe that there are enough potential customers out there that they do not need to do anything to keep current customers. Ad agencies love to create beautiful comment cards because “it looks good.”

It is a shame that many firms do not understand the economic value of keeping current customers.

**Creative Approaches**

Some means of staying in touch with customer wants and complaints are quite imaginative.

**THE LAWS OF CUSTOMER SERVICE**

Yes, there are laws that govern and affect customer service, and those laws are just as immutable and constant as the laws of gravity or aerodynamic lift.

The laws of gravity and lift are working all the time... for or against you.

You may not know those laws; you may not understand them, but they affect you none-the-less.

Ignorance of the laws of gravity and lift does not exempt you from their consequences.

And that’s the way it is with the laws of customer service. Customer service
laws are always at work, and you will certainly experience the consequences of the laws. Let’s look at these laws of customer service and then decide to make the laws work for us rather than suffer the consequences when they work against us.

**The Law of First Impression**
This is best explained by stating the following: How people perceive you, determines how they tend to react to you.

It’s simple. You put out bad vibes, scowls and glaring hostility, and you’ll be perceived as an unfriendly person and one to be avoided if at all possible. And all this happens within 20-30 seconds, Consequences? Scarcity of sales and loss of repeat customers.

**The Law of Harvest**
Or, “What you plant is what you get.” Most everyone realizes that if you plant corn, you get corn, If you plant beans, you get beans. And, if you plant weeds, you get weeds. It’s that way with customer service... Plant friendly, courteous and prompt service, and you get a harvest of respect, loyalty and prosperity. The law of HARVEST also involves ABUNDANCE. One seed can produce 3 or 4 ears of corn with many kernels on each ear. That’s abundance. The same holds true for customer service. Plant seeds of friendly, courteous and prompt service, reap a harvest of respect, loyalty and prosperity.

**The 2nd Law of Thermodynamics**
This is a very technical law requiring a pretty sophisticated explanation. However, in layman’s terms it simply means, “Anything left to itself goes to pot,” or deteriorates. Your house is a good example. Never paint it, roof it, or caulk it, and in a few years it will be in shambles.

Customer service is like that too. Do nothing positive about it in your place of business, and it won’t get better, but will instead become a problem through lack of attention. We have to make positive efforts to keep things in shape!

**Lost sale follow-up program**
Companies follow up lost customers or lost sales by finding out exactly why customers took their business elsewhere. They ask them. Then they make adjustments to prevent further losses for the same reasons.
“The laws of customer service” amount to a personal philosophy recommended for anyone dedicated to satisfying customers. (Reprinted courtesy of the Service Quality Institute).

Getting the law on your side.

Knowing the laws and the fixed consequences of those laws gives us an opportunity to make the laws work for us.

Three simple steps can help you establish the laws of customer service in your organization so that they are always working for you.

FIRST. Establish customer service as a philosophy, policy and standard operating procedure. Never “leave it alone”. Always be applying some pressure to keep it looking alive, sharp and attractive. Make customer service training a habit in your organization and decide to measure your efforts and the results.

SECOND. Plant seeds of friendly, courteous and prompt service every day as often as you possibly can. Remember... the law of harvest includes abundance. Make that work for you by planting many seeds of customer service each day. Plan to reap big harvests.

THIRD. Check your attitude... and that of all your employees. Don’t let them get before your customers until they’ve taken charge of their attitudes. Check them out... smiles, pleasant voice, knowledge of their jobs and a willingness to be of service. Teach your staff, “the customer IS my job”... not an interruption of the job. The customer is the REASON for our jobs. Get the point nailed down in the minds and hearts of every employee. Then, FIRST IMPRESSIONS by customers will be positive, favorable and profitable to you.

IS THE LAW ON YOUR SIDE? Are these laws working for or against you?

For more help with customer service and the law, write or call:

Service Quality Institute
9201 East Bloomington Freeway
Minneapolis, MN 55420, USA
Tel. (952) 884-3311
Skype: ServiceQualityInstitute
Email: quality@servicequality.com
Web: www.customer-service.com
**Key account reviews**

Some companies refer to key account reviews as “debriefings.” Everyone involved in an account from product managers to customer service supervisors conducts open-ended discussions. Problems, upcoming special needs, and recognition of competent activity, all are topics for discussion. Key accounts are worth preventive action such as this.

Armstrong World Industries executives ask key customers for both criticism and compliments. Customers are given the opportunity to comment as they wish about Armstrong products. Calls are made every month to key accounts and to other customers selected at random.

**Customer visits**

Some companies visit their customers’ premises now and then. They observe their products being used and they talk with their customers’ employees to find out if they have any insights and observations that might help in product design, delivery, or service. There is no better way to get an insight into your customers’ needs and how you can meet them than by watching them and communicating with them while they are working. You will make a powerful positive impression on the employees and their managers, too. In some companies, one of the job objectives of all middle managers is a specific number of customer visits such as this each year.

The vice president of a company that offers drilling services to the oil and gas industry reports a variation on the customer visit practice. He says that the sales force visits buyers before every job begins. The salespeople review data and interpret it for clients’ chief engineers. Then they report back to the home office and make recommendations for service that should be provided, based on their interpretations at job sites.

**Complaint correspondence summaries**

Summaries of customer complaint correspondence are routinely circulated in some companies to senior management, middle management, and front-line people who work in areas referred to in correspondence.

**Service expenses**

Look for tips to customer needs and wants in repair costs, field service costs, liability costs, high warranty costs, and returns / refunds. Include counts and amounts in regular management reports.
Video record focus group meetings

Make the topic for a meeting “What is it like to do business with us?” and video record the meeting. Show the video to every employee. Run it continually in employee lounges, perhaps, and show it as part of most routine training sessions.

Respondents in an American Management Association survey selected these as the most successful tactics in assessing customer needs and wants:

- 800 numbers
- Focus groups
- Mail/phone questionnaires

The least effective methods, according to the AMA survey, were:

- Point-of-purchase surveys.
- Assigning non-sales personnel to point-of-purchase stations to conduct surveys.
- Comment cards enclosed with merchandise.

SO WHAT DO CUSTOMERS WANT?

Here is a genuine shortcut that saves time and money for you: Take our word for what you will find when you ask customers what they want. Just ask employees what they think customers want... then skip the surveys! Employees are quite perceptive about customer opinion.

But... please do not take our advice! Debrief customers, talk to customers who call in on 800 lines, make it convenient for customers to contact you, and so on. YOUR customers differ from everybody else’s customers in very discernible ways.

More Service

You will find that customers want more service today than in the self-serve 70s. One reason is that they have less time for buying, so they want the buying process to be fast and efficient. Even industrial customers are caught up in the hurry-hurry syndrome.

A parody on this desire for more service was part of the movie, Back to the Future. Michael J. Fox’s character, who was traveling backward in time, walks past a 1950’s-era filling station and is flabbergasted (not realizing yet that he is
traveled back in time) to see four cheery attendants in neatly pressed coveralls rushing around to service a car. Like a pit crew at the Indianapolis 500 race they dash up to the customer’s car, fill the gas tank, check the oil, clean the windows, and polish the chrome.

Service. People want and expect more of it.

The Journal of Marketing reported results of a survey under the heading “What Customers Care About.” They care about:

- **Product Quality**: 100%
- **Customer Service**: 97%
- **Price**: 92%
- **Vendor/Franchise Management**: 86%
- **Location**: 65%

A Chain Store Age magazine survey found that 80 percent of shoppers said that the prime reason for choosing a retailer was ability to get their money back with no hassle.

Most major retailers excel at providing money-back guarantees. Unfortunately, millions of small businesses can’t afford money-back guarantees. (So, the big keep getting bigger.)

The Marketing Science Institute of Cambridge, Massachusetts asked customers of a wide range of service businesses such as banking and appliance repair what factors they considered most important in assuring their satisfaction with a product or a service. Researchers found that these were the most important characteristics of quality service:

- **Reliability.** Customers want companies to perform desired service dependably, accurately, and consistently. A major source of customer dissatisfaction is un-kept promises, it turned out.

- **Responsiveness.** Companies should be helpful and provide prompt service. A business that answers or responds to telephone calls quickly meets this expectation.

- **Assurance.** Employees should be knowledgeable and courteous, customers say, and should convey confidence in the service they provide.

- **Tangibles.** Physical facilities and equipment should be attractive and clean, and employees should be well-groomed.

- **Empathy.** Customers want companies to provide individualized attention and to listen to them. The Marketing Sciences survey indicates that people want to be treated as individuals. They want to be noticed.
This want is confirmed by a Rockefeller Foundation study that discovered an astonishing 68 percent of all customers stopped buying from companies because of the indifferent way they were treated. Not only does the disgruntled person stop buying, but she/he usually tells 8 to 10 people why she/he stopped buying, the study found. And one in five of them broadcast the bad news to as many as 20 others.

Nevertheless, companies are reluctant to finance training for employees to teach them superior customer service skills and to motivate them to replace indifference with enthusiasm. They assume a native ability to provide service. Or, they assume that employees are too dumb to learn or that they expect turnover to be so great that training would be a waste of money. Of course, managers who think this way are encouraging a self-fulfilling prophecy.

Managers of World Series and Super Bowl teams usually attribute their teams’ success to a mastery of “the basics.” Their players make very few mistakes, they say.

However, companies that pay employees $7 to $12 per hour (developing countries it might be $100 – $300 a month) feel that training them to excel at the “basics” is unnecessary. That’s funny. They sorely need training.

Professional athletes train constantly to maintain consistent top performance. (Can you imagine Tom Brady, all-star quarterback for the New England Patriots, as a no-show for training camp and giving his reason as “I’m already good enough”?) It is a rare employee in American business, though, whoever receives more than two hours of training in customer service.

“The evidence is overwhelming that people, not machines, are the driving force behind economic growth,” according to a Special Report on Human Capital in an issue of Business Week Yet, it is quite rare for companies to provide customer contact employees who actually convey service with more than one to two hours of training.

Customer dissatisfaction damages a business because it takes a dozen positive contacts to dispel one negative incident, according to research. Your surveys probably will reveal, too, that customer loyalty begins to fade quickly as the level of service declines below expectation.

The customer wants and expects service to be at a suitable level all the time. When the level of service no longer meets his or her expectations, the customer exercises other options like buying elsewhere.

Customers begin to wander away, the Better Business Bureaus of the U.S. found, when they are faced with too large a selection — an incomprehensibly-
wide range of product/merchandise choices coupled with little information on which to base intelligent decisions.

Customers also lose interest in the face of unclarified complexity and advanced technology such as complicated product design and inadequate or complicated instructions. Whatever the reason, lack of consumer understanding translates into unrealistic and unreliable consumer expectations. This is a worst-case scenario, in a marketing sense.

It is sometimes very enlightening and even a little disturbing to see the results of customer surveys.

A poll of its readers by The Atlanta Journal and The Atlanta Constitution asked readers for their conclusions about its causes. These are the responses that were listed by 610 respondents:

- Greed
- Lack of pride in their work by service people
- Low pay
- Lack of training
- Automation

SO YOU KNOW WHAT CUSTOMERS THINK. NOW WHAT?

Once known, customer needs and expectations should be translated into specific activities and procedures that add value to basic products and services and that intensify customer loyalty.

First, tell every employee what you found. Make them aware of what customers are saying about service. One company prints customers’ comments and a question, matched with responses, and circulates them every week to every employee.

Inform all employees, but take the greatest care to communicate the information to front-line sales and service people who do the real customer-contact work. They should be especially well acquainted with results of surveys of customer needs, wants, and dislikes. The American Management Association suggests that front-line people receive all consumer comment/complaint reports.

So, let customer-contact employees and also all other employees know the results of 800-number phone calls and focus group studies, for instance. Let
everyone in on results of mail/phone questionnaires. Post results throughout the company for everyone — including customers — to see.

Gamgort, Director of Quality Assurance and Customer Affairs at Armstrong World Industries says that customer survey information is presented formally at monthly executive staff meetings attended by the President and his entire staff. The information also is issued in report form to key appropriate management in the company — vice presidents of marketing and sales, of manufacturing, and of finance. It is sent to the employee relations director too.

“We have brought on some very loyal customers whose original contacts with our company resulted from their ‘concern’ with the product,” says Gamgort.

Not surprisingly, Armstrong’s official view of complaints is that they are opportunities — opportunities to improve customer satisfaction level and, thereby, to increase sales and profit.

Every four weeks Marriott Corporation circulates a report that goes to Bill Marriott, board chairman and president, to hotel general managers, and to everyone in between.

**Uber and Lyft**

Uber and Lyft are shaking things up. Taxi drivers across the world tend to be the same, Often dishonest, rarely speak English, poor customer service. Where I live in the Twin Cities, the rates are inflated and it takes forever to get a taxi.

In April 2016 Uber and Lyft were allowed to pick up passengers at the airport. Cabdrivers now wait 6 hours for a customer at the Minneapolis airport. As a typical monopoly the MSP airport charges $6 for a pickup with total ride costs approximately 3 times that of Uber. Uber says it now provides more than 100,000 trips per week.

In December 2016 the total number of e-Trips at the Minneapolis airport—which largely consists of Uber and Lyft rides — reached 31,478, up sevenfold since January 2016. Meanwhile, monthly cab rides dropped 25 percent to 40,171 over the same period.

The taxi industry is a monopoly. Its heavily regulated and an industry that is known for bad service and high prices. Enter Uber and Lyft. Their drivers are free-lancers who employ GPS-enabled smartphones to link up with passengers. It’s a technology platform that connects riders and drivers. If you want a ride, they will connect you to all the transportation providers that are available in a market and get you the quickest pick up time, highest quality ride and get it to you at the lowest cost that’s possible.
Uber and Lyft are quadrupling sales every year and offering employment to hundreds of thousands of drivers and convenience and safety to millions of riders.

You get safety, you save money, you get a great experience... all from your smartphone. Ingenious!

This is probably the greatest example of where great service, speed, technology and low prices will destroy a monopoly usually protected by local government. Almost every time I use a taxi I get badly burned. This is a worldwide problem.

By 2020 Uber, Lyft and other transportation network companies are expected to control 67 percent of the for-hire vehicle market in the United States, up from 15 percent in 2014, according to a report by the Aite Group, a research and advisory firm in Boston.

Lyft is aggressively challenging Uber, its larger rival, for market share by expanding into small-and midsize cites.

**Achieve Superior Customer Service**

In order to achieve superior customer service your employees must be flawless in their execution. A customer can tell within 3 to 5 seconds if the employee cares. Too many companies do not seem to understand how critical it is to teach the fundamentals of customer service until they are mastered. Intellectual awareness and acceptance are worthless without flawless execution.

Michael Fred Phelps II (born June 30, 1985) is an American former competitive swimmer and the most decorated Olympian of all time, with a total of 28 medals. Phelps also holds the all-time records for Olympic gold medals (23), Olympic gold medals in individual events (13), and Olympic medals in individual events (16). In winning eight gold medals at the 2008 Beijing Games, Phelps broke fellow American swimmer Mark Spitz’s record of seven first-place finishes at any single Olympic Games. At the 2012 Summer Olympics in London, Phelps won four gold and two silver medals, and at the 2016 Summer Olympics in Rio de Janeiro, he won five gold medals and one silver. This made him the most successful athlete of the Games for the fourth Olympics in a row.

Wayne Gretzky, hockey’s leading scorer and four-time Stanley Cup winner said, “The better your habits are, the better they’ll be in pressure situations.”

In addition to his willingness to master the basics, he has an attitude where he expects to win or he cannot believe he did not. He has a different mind-set altogether.
If you want a team of Michael Phelps’ on your staff, I suggest you spend at least 40 hours a year training employees on the art of service. Make sure you are using new training programs that help them master the basics.

**WhatsApp**

From food stamps to Billionaires. WhatsApp co-founders Brian Acton and Jan Koum made the deal of a lifetime when they accepted Facebook’s jaw-dropping offer of $22 billion in 2014. In 2014, Jan entered the Forbes list of the 400 richest Americans. Jan Koum, whose family lived on food stamps after emigrating from Ukraine originally worked with Acton at Yahoo for years before they decided to start WhatsApp. Koum was born in Kiev, Ukraine. He moved with his mother and grandmother to Mountain View, California in 1992. His mother worked as a babysitter while Koum worked as a cleaner at a grocery store.

WhatsApp is known for shutting out the world to focus on building the company’s messaging product and relationship with customers. They have a firm policy of “no ads, no games, no gimmicks”. They started WhatsApp in 2009. The service soared in popularity overseas where people clamored for a service that would let them text friends and family across borders without racking up carrier fees. Today, WhatsApp users send billions of messages each day.

Facebook honcho Mark Zuckerberg predicted it will be one of the rare Internet vehicles, like Facebook, to reach 1 billion users. It has already surpassed this. Kaum’s net worth as of April 2018 is $9.7 billion. He is #170 on Forbes richest and #3 richest entrepreneur under age 40.
Chapter 6

DON’T HIRE EMPLOYEES WHO HATE CUSTOMERS

“We spend all our time on people. The day we screw up the people thing, this company is over.”

- JACK WELCH, former CEO, General Electric

THEY ARE UNTRAINABLE

A dynamic service economy must be staffed by employees who are anxious to provide service. And they should not be allergic to work. A motivated work force begins with the hiring process.

Hire people who want to be friendly and helpful, then make good service part of their job descriptions.

Hire people who are possible to motivate. Hire people-oriented employees and teach them how to implement your professional service program. Hire people who are naturally endowed with positive service attitudes and values. They can be trained in service techniques.

Customer contact employees must possess and practice the right “attitude” toward people before they can convey positive communication skills that make customers feel “important” and that induce them to return.

People who skulk behind a barely suppressed sneer are largely untrainable with resources available to most organizations. Do not hire people who are embarrassed to provide service.

They will not be trainable either.

Incompetent people cannot render good service, so the best companies tend to recruit meticulously. They make outlandish efforts to hire only the right people, to train and to motivate them, and to give them the authority necessary to serve customers well.
All service role models are very careful about who they hire. Southwest Airlines will hire 1 out of 45 applicants, Nordstrom 1 out of 20. Southwest Airlines has carefully screened its 53,000 employees. The company values humor, an outgoing personality and selflessness. They infuse humor in their ads so it will attract the type of person they are looking for. They want a person who likes to think outside the box, and is not afraid to take a risk and just have fun. Southwest focuses as much on qualities like common sense and humor as on job skills. They recognize that customer service is delivered by people not computers or machines.

That’s the secret: Find people with good service potential... and train them.

You cannot expect to change the basic personalities of employees who sneer at the world in general and at customers in particular.

Yet, it is common for business people to believe that “everybody knows” how to provide quality service, that somehow employees just soak up knowledge of service techniques so all you need to do is to put them in a service job and they will quickly “evolve” into skilled service pros.

Service. Servile?

For the time being, says Thomas Kelly, former assistant professor at Cornell University’s School of Hotel Administration, “The American service economy is burdened with people who frequently view service as ‘servile’ work. In our culture, (service) jobs are not considered a worthwhile occupation. When workers view giving service as beneath them, it shows.”

Indeed, “The customer is always right,” the motto of the early American merchant class, is likely to be the punch line in a joke among service employees today. The younger generation of individualistic workers would much rather be “in command” than “in service”.

Ask a passing waiter for a glass of water and you are informed that it is not his table. Seek the attention of an idle clerk and he or she acts as though you are interrupting. Watch the office worker sit within arm’s reach of a ringing telephone and ignore it because it is not his or her time to answer.

Do service workers act this way because they are unmotivated? Is business partly responsible for their lack of motivation? There is evidence that the answer to both questions is “Yes.”

In a cover story on service, Time magazine wrote: “...many salesclerks, delivery-truck drivers, and other service workers are unmotivated because of the low pay and lack of career path in their jobs.” Says journalist David Halberstam,
whose best seller, The Reckoning, chronicled the decline of America’s auto industry “The main questions are, ‘Does this job lead to anything? Does it have any dignity?’ No.”

But, we have got to believe that people still are “educable” to the service life, once they have been hired.

GENERAL ELECTRIC: A GLOBAL ROLE MODEL

General Electric is the 9th largest company in the world. After Jack Welch took over, General Electric sales rose 3.7 times and profits grew 5.7 times. He has created more wealth than any CEO in history.

Welch said, “Size means sloth systems rather than speed, simplicity and self-confidence. Tear this place apart. You need to engage every mind in every activity of the company – everyone. Shame on you for wasting any mind. Take your people. Let them dream, keep experimenting, energize the place, and you have yourself a ball game.”

Management according to Welch, “has to energize others, excite people. It doesn’t do any good if you are a whirling dervish if you aren’t energized by it. I use this phrase all the time about a manager: A manager’s job is to carry a can of fertilizer in one hand, a can of water in the other. Think of the employees as flowers, and grow the perfect garden. If they don’t grow, cut the flower and plant another one. Business management is all about surrounding yourself with the very best people.”

Welch believes a merciless push to upgrade human capital is vital. He said, “Ultimately people, not money or tools, make General Electric work.” Asked about what the future holds, Welch responded, “Everything is faster. The pace of change is just going up exponentially.”

GE leaders have a passion for excellence and hate bureaucracy. They are open to ideas from anywhere. Welch believes “deflation is in front of us today. Agility is all about moving in response to changes. Size is a limitation.” The facts are, it is limitless. Our productivity is at the beginning stages. There is so much waste. There is so much more to get, it is unbelievable. And somehow or other, people think all these things are finite.

GE management believes that through Internet-derived productivity they can save from 20-50 percent of selling, general and administrative expenses. If realized, those savings could boost GE’s already impressive operating profits by nearly half. GE does more than 4 million transactions a year. If all the
transactions went to the Web, transaction costs would drop from $50 to $100 each to as low as $5.00 per transaction.

Jack Welch got involved with the Internet in January 1999. He believed e-business would change the DNA of GE forever by energizing and revitalizing every corner of the company. GE does a significant amount of its business through the Internet.

HOW TO FIND EMPLOYEES

Here are some suggested courses of action.

1. Ask Current Employees for References

Employees can be your best recruiters and best source of referrals. Some employers ask new employees for recommendations their first week on the job.

Burger King pays employees $500 for referral of a person who is hired as a manager and pays Burger Bucks for referral of entry-level workers. Employees get one Buck if a friend turns in an application, five Bucks if the friend is interviewed, and 25 more Bucks if the friend is hired. Bucks are redeemable for gift certificates at retail stores.

Great Adventure Theme Park in New Jersey pays $50 to the referring employee and $50 to the new hire.

Existing employees get a “referral fee” for introducing successful new hires at University National Bank & Trust Co. They are asked to refer people they worked with elsewhere who were outstanding employees. “Our goal,” says Vice President Ann Sonnenberg, “is to hire genuinely nice people who are very capable and who enjoy helping others.” She realizes that it is impossible to fabricate a “genuinely nice” person.

In-house ad promotions, grand prize drawings for vacations and other awards also are used to induce employees to suggest applicants.

Remember that employees are unlikely to help you find new people if they do not enjoy working for you, so pleasant working conditions and high morale are fundamental to success of any effort to find new employees through present employees.

One bit of good news is that once you begin a customer service program it can be a great help in finding employees. That is because a service environment that produces satisfied and complimentary customers is a climate that employees
want to continue to be part of. On the other hand, without a good working
environment, malaise sets in. Employees feel that they are victims of their job
environment.

In an enlightened approach to hiring courteous people, Disney World
uses its best “cast members” (employees) to select employees. They pull the
best employees out of the departments for which the company is hiring — the
potential peers of the new employees — and give them three weeks of intensive
training in applicable labor law. Then they let them select final candidates during
45-minute interview sessions.

“Its human nature,” says James Poisant, former manager of business
seminars at Disney World who was in charge of this process, “to recruit in your
own image. We put them in a room and say, ‘Pick the person that most reflects
your values.’ In 45 minutes cast members pick up on who’s fooling and who is
genuine.”

2. Adopt Creative Techniques
A supermarket chain in the East parks a well-marked Winnebago camper in
shopping center and school parking lots to solicit job applications. Potential
employees enter the camper to fill out applications and are interviewed on the
spot.

Builders supply stores in the South are advised by their industry association
to offer tools and scrap lumber to high school shop teachers in exchange for
student workers.

A Connecticut restaurant chain imported 75 French students to work during
summer school break. The students paid their own way to America and home
again and also found their own housing. Restaurants reported that the French
students motivated local young people to apply for jobs, too. McDonald’s and
Pizza Hut began offering tuition assistance in low employment areas. Burger
King offered scholarships.

Restaurant, hotel, grocery and other retail managers are visiting high
school counselors in person now instead of phoning in job openings. Also, they
speak to classes about their industries and about long-term opportunities.

White Castle restaurant representatives attend job fairs to talk to parents
about the work experience and benefits that they provide students.

All over the country, businesses are reaching out to younger students to
begin building early interest in jobs. Many organizations offer tours of their
facilities to grade schoolers. Finally, companies have recognized that customers,
too, are potential employees. One retail chain began a recruitment campaign based on the motto: “Our customers make some of our best employees.” Store signs displayed the message.

Pizza Hut employees told management, when asked, that one of two main reasons they applied to Pizza Hut was that they had been customers and liked the atmosphere. The other primary reason for applying was that their friends who worked at Pizza Hut encouraged them to apply.

The Pizza Hut employees also liked flexible hours and a teamwork style that made the job fun.

3. Hire the Handicapped

Prudential Insurance Co. employs the deaf in computer operations. Pizza Hut employs 500 handicapped workers in 38 states, at last report. Target stores, Marriott and Radisson Hotels use both physically and mentally handicapped workers.

Thirty-six million Americans have disabilities. Two-thirds of disabled adult men and even a greater proportion of disabled adult women are unemployed. The handicapped constitute a valuable pool of potential employees, considering that new and affordable technology makes the workplace far more accessible to them than ever before.

For example, now that computer data can be encoded into speech or Braille, blind persons are employed effectively as computer programmers, telephone operators, customer service reps, and staff writers, to name but a few occupations open to them.

Recognizing this, IBM Corporation created a national support center for people with disabilities. Located in Atlanta, the center’s purpose is to spread information about the hundreds of computer-aided products that improve the productivity and the quality of life of people with disabilities. The Center’s staff is knowledgeable and experienced in informing employers about technologies available to help people with various disabilities to function in the workplace. Nearly 20,000 inquiries were handled in a recent year. Many of them were generated by network TV commercials.

However, misconceptions continue to deter employers from even considering the handicapped. One prevalent fallacy is that the cost of remodeling and adding facilities to accommodate the handicapped is very high. Not true. The U.S. Labor Department asked 367 Federal contractors to estimate cost of physical accommodations for the disabled in the workplace. Seventy percent
of the accommodations on the Labor department’s list cost $100 or less to construct.

Another fact that ought to break down mental barriers to hiring the handicapped, in the face of continuing shortage of service workers, is aid available from state and local agencies. Many state vocational rehabilitation departments loan adaptive devices for use by disabled employees who are blind or disabled in other ways. Many also assist with supervision and training of more severely disabled workers and also provide job coaches.

4. Hire the Elderly
Charles McIntyre, former manager of Stebbins-Anderson home center store in Baltimore, may have an idea that many commercial, governmental, and private organizations can use. He says: “Older workers who’ve been in this business feel very comfortable offering service. They don’t feel that it’s demeaning to be polite and to rush to a customer’s aid. That’s not necessarily the lifestyle of younger people. I do not want to put them down; it’s just that the older people grew up in a different time.”

McDonald’s was a pioneer in targeting the elderly employment group when the fast-food chain introduced its McMasters Program in 1986. The program trains seniors who want to return to the workforce but lack confidence. It increased the percentage of older workers in McDonald’s labor force to more than 13 percent at last report.

Kentucky Fried Chicken, Marriott, and Pizza Hut are other hospitality industry companies that are leaders in training and employing seniors.

The Days Inn National Reservation Center, in Atlanta, has employed more than 50 older workers through senior citizen job senior centers and churches to list available jobs. Specify “Seniors Welcome” on Help Wanted signs in stores. Most firms that employ seniors caution that it is important to pay attention to the relations between older and younger workers. Problems can arise if a senior employee feels that he or she does not fit in.

Recognizing this difficulty, Kentucky Fried Chicken tells older workers that they are not compared with younger workers in evaluations. The chain also teaches managers how to deal with seniors and to recognize their talents. Many a young manager feels awkward being the boss of a senior employee.
5. Check Resumes
Always check resumes. In December 2001, George O’Leary resigned as Notre Dame’s football coach after being there only five days. After thorough checking of his resume it was discovered that he had never finished his master’s degree nor played in a football game at the University of New Hampshire as his biography claimed.

MOTIVATING JOB-SEEKERS
TO TAKE YOUR JOB

Today service workers enjoy a seller’s job market. They can and do pick and choose where they want to work. So, you must make your workplace and your jobs as appealing as your budget allows.

Consider flexibility in work hours. It is a requirement for today’s service jobs. Radisson Hotels no longer tells potential new hires when shifts are available. It asks interviewees when they are available and arrange schedules to meet their wishes. Other employers do the same.

Commissions
At First Service Bank in Massachusetts a commission and bonus system motivates and rewards employees for practicing their product knowledge and sales referral skills. Cash, trips, or event tickets are awarded. And new employee perks include birthday gifts and luncheons and one-year service awards.

Offers of free training attract employees too. First Service Bank offers a 36-month, three-level training and certification program. Most of the training was developed and is delivered in-house by staff members. Once “cast members” (employees) at Disney World in Orlando, Florida, (from costumed characters to sanitation workers) have been hired, they go through three days of orientation at Disney University. Orientation begins with two days of traditional courses that include Disney World history, achievement, and philosophy (company culture) and discussion of cast responsibilities. On the third day, cast members are introduced to company policies, procedures, and benefits and familiarized with their work areas. This orientation is followed by one to fourteen days of on-the-job training.
Disney World’s 3,000 job categories are filled by more than 195,000 full-time and part-time cast members worldwide.

CHOOSING SERVICE-MINDED EMPLOYEES

Nordstrom’s department stores ran “Now Hiring” ads that sketched a fine profile of a desirable customer service employee. The copy read: “We are looking for experienced people who want to learn, grow and expand with us. People, who genuinely like people; who find satisfaction in helping others; in going out of their way to be of service. We need people to make things go smoothly. People with ideas.”

Screening

To get the best, you have to TEST.

• Test for attitudes.
• Test for personalities.
• Test for skills.

Eric Harvey and Mel Kleiman, in their book 180 Ways to Build a MAGNETIC CULTURE, said a magnetic culture is one that naturally attracts and retains the best and repels the rest. Building such a culture requires value-driven practices, tough-minded hiring standards, and extraordinary levels of respect for the people you work with and those who work for you. Remember that relaxed people will tell you almost anything. Job interviews are stressful. Once you have explained your agenda, engage in a little small talk until you sense that the person is relaxed. Ask about the traffic or the weather. Offer a soft drink or water.

Harvey and Kleiman suggest trying a four question interview:

First, to get an overview of an applicant’s history, say something like: Tell me about your very first paying job and three things you learned from it.

Second, for every trait, skill, or characteristic that is important to success on the job, say: On a scale of one to ten, rank yourself in terms of (e.g., communication skills) and tell me your reasoning.

Third, ask: How were you rated for each of these areas we’ve just discussed on your last performance appraisal? Could you mail or fax me a copy of the last one received?
Fourth, ask: Is there anything else you’d like to tell me about yourself and your abilities before I answer any questions you have?

Do not hire without background checks. Applicants screened had a criminal record; one in three misrepresented themselves on the application; and one in four provided false education and credential records.

References: When all else fails, ask for a copy of the person’s last performance review. Then fax, write, or call to verify the information.

In the book, How Google Works by Jonathan Rosenberg and Eric Schmidt, Rosenberg said “Once you identify the people who have the biggest impact, give them more to do. When you pile more responsibility on your best people, trust that they will keep taking it on or tell you when enough is enough. As the old saying goes: If you want something done, give it to a busy person.”

For a manager, Rosenberg stated, “What is the single most important thing you do at work?” is hiring.

At Google they believe growth matters most. They believe that hiring should be peer-based, not hierarchical, with decisions made by committees, and it should be focused on bringing the best possible people into the company, even if their experience might not match one of the open roles. Hiring well takes a lot of work and time. But it is the best investment you can make.

Google interviews are a half hour. They break down candidate evaluations into four different categories:

- Leadership: They want to know how someone has flexed different muscles in various situations in order to mobilize a team

- Role-Related Knowledge: they look for people who have a variety of strengths and passions, not just isolate skill sits.

- General cognitive ability: they’re less concerned about grades and transcripts and more interested in how a candidate thinks.

- Gogglyness: They want to get a feel for what makes a candidate unique.

Hiring decisions are too important to be left in the hands of a manager who may or may not have a stake in the employee’s success a year later. That’s why at Google they set up the process so that the hiring decision is made by committee. If you want to hire someone, the decision needs approval from a hiring committee, whose decisions are based on data, not relationships or opinion.
The Smart Way to Hire Superstars

In his book, Topgrading: How Leading Companies Win by Hiring, Coaching and Keeping the Best People, Bradford D. Smart said, give “letter grades” to employees. “A and B players are assets. C players will kill your company.”

The magical question he said to ask is “If I were to ask you to arrange an interview with your former boss, what would he or she say were your strengths, weaknesses, and overall performance? This reveals the truth about a person. Obviously, he or she knows there is nowhere to hide and must be honest. We literally call every boss a candidate has worked with over the past decade to do this interview. If they get rave reviews from everyone, that indicates a good track record. Top candidates like our thoroughness. These A players don’t mind doing this. But C players hate it because they know bosses won’t say nice things about them.”

Jonathan Rosenberg, High Tech Product Management Executive, said in How Google Works, “A workforce of great people not only does great work, it attracts more great people. The best workers are like a herd: They tend to follow each other. A workforce of great people not only does great work, it attracts more great people. The best workers are like a herd: They tend to follow each other. Get a few of them and you’re guaranteed that a bunch more will follow. Get a few of them and you’re guaranteed that a bunch more will follow. Passionate people don’t wear their passion on their sleeves; they have it in their hearts. They live it.”

“Once you get your smart creative on board, you need to pay them: exceptional people deserve exceptional pay. Top performers get paid well in athletics, and they should in business too. If you want better performance from the best, celebrate and reward it disproportionately.”

When Jonathan was in business school and interested in product management, he went to a couple of presentations given by prospective employers. One was from a company that was a leader in consumer-packaged goods, stuff like shampoo and household cleaners. They described product management in their business as a science, driven by precise data garnered from focus groups and product performance. “It’s like driving forward by looking in your rearview mirror,” they said, and they meant that as a good thing.

Then he went to a presentation by the leading high-tech firms in Silicon Valley. They said that product management in Silicon Valley was like “flying and F-16 at Mach 2 over a boulder strewn landscape, two meters off the ground. Plus, if you crash it’s just like a video game at the arcade, and we have lots of
quarters.” Cool! The best industries are the ones where you’re flying the F-16, your pocket full of quarters, trying not to crash.”

**People Skills**

Employees who deal with customers need people skills — the interpersonal know-how to handle a universe of customer attitudes and diverse situations and to uncover and to address needs. Employees must leave customers with the feeling that they are in good hands.

As a result of their people skills, employees derive more satisfaction from their work and have more respect for themselves, for the work they do, and for their employer. Their people skills, by the way, should be applied to peers and subordinates because it will increase the cooperativeness needed to obtain good service for customers.

Anne Pinkerton, director of customer service at Bio-Lab Incorporated, expresses it this way: “We want our employees to be friendly, outgoing, and professional.”

**Including Managers**

Harvey Feldman, when he was president of Embassy Suites, looked most closely at general manager candidates’ interpersonal skills, especially the way they treat low-pay employees who deliver service. Feldman believed that they should be treated as competent workers so they will be motivated to deliver competent service. “With training and experience,” said Feldman, “they (employees) all have the curiosity and intelligence to go beyond making beds.”

Eric Schmidt, CEO of Google “once chatted with Warren Buffett about what he looks for when acquiring companies. His answer was: a leader who doesn’t need him. If the company is run by a person who is performing well because she is committed to its success, and not just making a bundle by selling to Berkshire Hathaway, then Warren will invest.” (from How Google Works).

**Other Desirable Service Characteristics**

**Thinkers**

You want people who know how to think. If someone is solving the same problem three times, then they do not belong in customer service. Employees should be able to get to the root of problems.
Education

Donlyn Turmaine, director of worldwide customer operations at The Timberland Co., a footwear manufacturer in Hampton, New Hampshire, says that she looks for bright, well-educated people because of their tendency to be aware of the value of customer service.

To be considered for a position in Dow Chemical Co.’s customer service department applicants must usually have a college degree (in anything from art history to engineering) and fit the company’s profile – “pro-active, a communicator, and a problem solver.”

Communication Ability

To gauge communication abilities Dow telephones candidates for customer service employment instead of writing a letter. After all, they will be doing much of their work by phone, so their employer should be aware of the impression they convey by phone.

Structured Work

In customer service employees, Dow looks for some of the same qualities found in good salesmen, but with a slight difference, says Mitch Kern, manager of customer service resources. Along with the aggressiveness of successful salesmen, Dow looks for customer service employees who can work well in a structured environment.

“Salespeople often are free spirits, which may not be perfect for this job,” says Kern.

But, in other characteristics, good customer service are very similar to salespeople. Jim Marxhausen, a Minneapolis retailing executive, says, “The best associates are secure, enjoy life, think highly of others and are motivated by strokes.”

Identification with Company Values

Recruitment efforts must be aimed at hiring people who share corporate customer service values. Those values must be continually reinforced from the first day on the job to the retirement party.

Steve Riley, Account Manager for EDS Corp., says that his company has a strict code of ethics that is part of the corporation’s customer service philosophy.
Training

Customer service pros are made not born, even if they are cordial and willing to provide service. They rarely learn by experience either, because role models are rare. If employees practice what they see and experience as customers, then they are more likely to be rude and neglectful than they are to be considerate and helpful.

The recruitment philosophy at Disney World is: You cannot teach courtesy, but you can hire people with that quality. After hiring courteous employees Disney trains them in the expression of their courtesy.

Disney World hires only one of 60 people that it invites for interviews.

Because Disney’s employee management methods are widely admired, the organization conducts intensive three-day courses for companies that want to duplicate the Disney method. Representatives of hospitality and other service companies from hundreds of countries attend the course entitled “The Disney Approach to People Management.”

An important lesson here, especially for small businesses or for companies far removed from entertainment or hospitality, is that Disney built an appealing company culture on indoctrination of employees in its history, its philosophy, respect for employees, and the realities of public perceptions of the company. This culture gives Disney a big edge over other service companies in attracting desirable employees. Any company can do the same thing in its own way.

Low-Budget Training

Many small businesses, however, do not have sufficient resources to train employees. They can consult the Small Business Administration and the U.S. Department of Education that joined forces to prepare a manual outlining on-the-job training options for small businesses. Up-to-date information can be obtained by calling the SBA’s Office of Advocacy... Phone: (202) 205-6533 – Email: advocacy@sba.gov

Your industry’s national or state trade association also may be a source of guidance and materials helpful in providing employee education and training.

Service Quality Institute customized a service program for Miller Brewing Co. to offer to “wait people.” The company knows that service-driven employees who feel good about themselves sell more Miller beer.

I do not want to overlook our own contribution in the area of affordable training — our Service First Video Library, a series of twelve 15-minute videos
on 12 different customer service topics. Thousands of firms across the world are training millions of employees with the Service First Video Library. The videos teach employees the art of service, change attitudes and reinforce the skills for superior service. An in-depth leader guide, PowerPoint presentation, discussion guides, answer sheets and certificate of completion are downloaded off Service Quality Institute’s website, www.customer-service.com.

Some of the employee training video titles are: “Handling Complaints. The Irate Customer,” “Exceeding Customer Expectations,” “Empowerment,” and “Teamwork Development.”

The videos are designed for employees, not for management. Content of the videos, mostly case histories dramatized by professional actors, is entertaining and easy to grasp. The program is upgraded every two years. The 2017 version was just upgraded. The organization owns the videos forever regardless of employee turnover. The discussion guides are free to copy and to customize.

By equipping employees with the knowledge base to properly handle each new situation and establishing a standard to be practiced by all associates, our unique and insightful programs not only cultivate strong customer service, but establish a consistent level of care your customers will rely on, encouraging both return business and referrals, and thus growing your brand.

Real-World Training

The best kind of training is practical, real-world training depicting situations that employees recognize and identify with. One specific example of real-world training is that provided by Poppy Rossano of Williamsville, New York, who would not allow repair technicians for her office machine business service a customer’s equipment until they learned to “leave the client’s place neat and clean,” she said.

Employees of the Meridian banking group (325 branches in Pennsylvania, Delaware and New Jersey) take a course in professional customer relations that includes filling out deposit slips while wearing glasses with Vaseline smeared on them — and counting money with three fingers taped together on each hand. The purpose is to give employees better understanding of the difficulty faced by older customers with glaucoma or arthritis when they do business in the bank.
KEEPING EMPLOYEES ONCE YOU’VE GOT’EM

After you have attracted applicants, induced them to apply, hired them, and then “trained them in,” you still do not have a stable work force in a day when service industry employees probably have more employment options than any other workers in history. You must develop and then you must maintain loyalty and commitment.

Let low-wage employees know how much you appreciate them and how important they are to the organization. Appreciation and recognition through training are important, considering the fact that service employees often quit because they feel unappreciated and unwanted.

When we find people willing to work for $7 to $10 an hour, ($200 a month in many developing countries) we should counsel ourselves: “I am lucky to find these individuals. I am going to treat them right. I will do everything I can to let them know how much I appreciate them and how important they are to this organization.”

I am repeatedly amazed at the minimal respect accorded low-pay employees by their managers (except in the glowing words of the annual report). Do they not know that the cost of replacing them approaches $1,000?

A workforce that is absolutely dominating in its service delivery can be self-perpetuating because employees will enjoy their jobs and will want to keep them.

So, if your service training is effective, you can expect an immediate impact on employee retention. It works this way: Once you reach a point where the “customer satisfaction index” is high, then employees will be far more likely to stay than they were when customers viewed them as adversaries and sought revenge by being “difficult.”

A report on a study by the Forum Corporation states: “The highest turnover rates are associated with companies possessing the lowest employee ratings of service quality... Factors such as length of service with the company, job function, and frequency of contact with customers demonstrate little influence on turnover rate.”

This finding was confirmed when Sears surveyed customers in its stores. Employee turnover directly correlated with customer satisfaction. In stores that received relatively high customer-service ratings, 54 percent of the sales force turned over in a year compared with 83 percent at stores with low customer
Don’t Hire Employees Who Hate Customers

After you have trained employees to treat customers as friends—instead of antagonists and interruptions in their busy schedules, then customers begin smiling and calling them by name. As a result, employees become enthusiastic about their jobs, thereby earning even more applause from customers. They begin working even harder. And better. Self-image improves. Morale runs high. Pride and team spirit take over and raise retention rate.

People-oriented employees who derive personal satisfaction from dealing with customers are more likely to enjoy their work. So, your turnover will be low, and that’s no small benefit at a time when good employees are hard to find and hard to keep.

Customer service improves retention because:

1. It improves the mood of customers, and employees like working where customers are happy.
2. Good service improves the reputation of an organization in its community. Employees enjoy working for companies with good reputations. It enhances their personal reputations.

Poor Service Causes Turnover

Turnover drops when employees feel that the company is providing high-quality service, according to study results.

Recognizing the influence of quality customer service on turnover is Peter Gregerson Sr., retired chairman and president of Warehouse Groceries Management. One purpose of the company’s service program, he says, is “to increase the employee’s value and worth to the company and to himself.

“We wanted to develop skills our competitors didn’t have in customer relations,” said Gregerson. “We hoped, with those things in mind, to increase our sales and our profit with repeat business and fewer customer complaints. We felt that it would reduce our employee turnover as well.”

When employees learn to thoroughly enjoy their jobs and turnover rate drops, you have achieved a great deal, considering the high cost of hiring and training. Now you are keeping employees so you do not have to find new ones.

The Team Concept

Both small business and large corporations are learning that fostering a team concept (employee involvement) and a partner relationship with employees
pays big dividends.

The Disney Company attributes its enviable achievements in employee commitment and customer service to “pixie dust.” The formula for pixie dust is not secret. It is Training + Communication + Care = Pride.

Texas Instruments’ “Total Quality Culture” program involves all 29,977 employees in 35 countries. The program is built on a team concept and seeks to maximize involvement and commitment. Productivity and product quality improved after the program began.

Three types of employee teams at Texas Instruments are:

• Quality Improvement Teams. Meet once a month. Identify and address broad problems within assigned product areas. Examine issues such as productivity and waste reduction.

• Corrective Action Teams. Made up of workers from a number of disciplines. They work on solving specific problems including any uncovered by Quality Improvement Teams. This team is short-term and it disbands after completing a project.

• Effectiveness Teams. Meet one hour per week. Address employee concerns. Participation in this team is voluntary. Management selects and trains team leaders. As with similar efforts in other companies, recognition, team spirit and identity are key elements in the program.

Each team designs its own logo that is displayed on jackets, T-shirts, and plaques.

**Employee Communication**

Disney management believes that 90 percent of all organization problems are caused by poor communication. Forms of Disney employee communication are weekly divisional newsletters, a company-wide weekly newsletter, management forums, employee opinion polls, exit interviews, and the “I Have An Idea” program. Cast members (employees) can win up to $10,000 for submitting original suggestions to management.

Disney has an entire department devoted to maximizing the employee work experience. The Activities Department coordinates a full range of clubs and travel, instructional and community services and the employees Little Lake Bryan Recreation Area where picnics and parties are held.

In the Hardee’s fast food chain, district rallies attended by hundreds kicked off a retention program called “Serve With Pride.” Unit crews performed skits
with program themes. Prizes were awarded and T-shirts, mugs and visors bearing the “Serve With Pride” message were given to everyone.

The retention program includes broad-based employee training and expansion of a fast-track development program from managers only to hourly workers.

Public Relations
Employees often decide to apply for work with a particular organization and decide to continue working there because they enjoy the distinction of working for a company that has a good reputation and high recognition value among their friends. The “image” of an organization can help reduce turnover. Image, of course, is greatly influenced by the quality of service.

A top public relations priority for the national association serving the restaurant and hotel industries is to upgrade the public image of jobs in the industries. The association tells anyone who listens that it is not necessary for employees to be available for work 120 hours a week to work in a hotel. And fast food and restaurant support jobs are not dead-end employment.

Preventive Action
Conduct exit interviews to find out why employees leave, then eliminate the causes.

Employee surveys and exit interviews frequently point to poor supervision as the reason for quitting a job. Supervisors who treat people like chessmen are an even more common reason for employee discontent than low pay. So, many service companies are training and motivating supervisors in employee retention techniques.

Many managers are now being graded as much on their employee retention rate as on their sales and customer counts, in fact. At Burger King, 25 percent of the bonuses of top managers is based on performance in developing and retaining personnel. Rax, of Indiana, requires district managers to document turnover in their reports.

Consider testing skills training for a few groups of new hires and then evaluating effectiveness. Is it reducing turnover? If it is, this is a program you will want to continue.
Incentive Programs

Incentive programs, long restricted to sales staff, are increasingly being used to motivate hourly employees and to reduce turnover.

There are, however, conflicting schools of thought regarding incentives for non-sales workers. Should employees be set up to compete with each other for achievement awards? Or, should incentives be offered in an open-ended fashion to all?

My experience leads me to sanction the latter alternative: Each employee should be given opportunity to achieve her or his highest potential — no matter how that potential compares with over-achievers on the staff.

The Advanced Management Group acquired by Service Quality Institute referred to in Chapter 4, lists the following as primary selling points:

- The people who do the work are best equipped to develop customer satisfaction ideas.
- Recognition by peers is such a powerful reward for good ideas that expensive vacations and new cars are unnecessary.

However, note this: Because the purpose of incentives typically is to motivate employees to improve performance and productivity, a poorly conceived incentive program might be considered insulting if employees already feel that they are working hard and productively.

First: Sincere Recognition

Most employees prefer rewards that are “icing on the cake” instead of the primary motive for performance. Sincere recognition by supervisors and by peers and then positive reinforcement for good work seems to be a very effective employee motivation system.

Increasingly, employers reward employees who simply meet acceptable service standards and then provide additional incentives to those who exceed them. That is one effective way to motivate and to maintain employee loyalty to the employer. But, as with other types of incentives, “pay for performance” requires careful planning and implementation as well as a valid means of measuring employee performance and productivity.

My experience tells me that the 19” color TV sets given to each of 21,000 employees by Stone Container Corp. of Chicago one year as a reward for record sales the previous year probably was not very effective as a turnover preventive action. But the company may have seen the TV sets as no more than an earned reward.
Certain rules should be followed in administering pay-for-performance incentive systems:

1. **Timeliness**

Present awards as soon as possible after the desired behavior takes place. Instant or spot rewards can be cash, a dinner or a gift certificate. Tokens or other currency awarded for superior performance can be redeemable for premiums or applied toward company lotteries or drawings. Offer special parking privileges. Post a framed photo of the employee in the lobby for a month. All these forms of recognition are effective and provide instant feedback.

The Grand Hyatt Hotel in New York recognizes outstanding employee performance by awarding wooden coins redeemable for free haircuts, facials, manicures or valet and laundry privileges for a month. Twenty-five coins earn a one-week vacation in Hawaii. By the way, incentives are even more effective when they contain an element of fun.

2. **Public Presentation**

The second rule is to present the awards publicly whenever possible. Status and prestige conveyed by awards often is equal to or greater than monetary value in motivational terms.

Stew Leonard’s, the very successful Norwalk, Connecticut, dairy store famous for its customer service, may have defined the essential nature of such awards. The store bestows the Superstar of the Month Award upon one employee in each department who is selected for overall superior performance. Selection is based on criteria such as attendance, attitude, achievement and safety.

At presentation time costumed animal characters - cows, animals, and ducks - bring balloons to winners. Fellow workers gather around and a plaque is presented right there on the sales floor. A picture is taken and featured in Stu’s News, the company newsletter.

The picture also is mounted on a walnut plaque and hung in the “Avenue of the Stars,” an entire picture-covered store wall. “Ladder of Success” charts are mounted at cash registers. They display to customers each employee’s progress at the store.

The ABCD (Above and Beyond the Call of Duty) Award goes to employees who do something for a customer that is not called for in their job descriptions. Recipients receive polo shirts featuring the ABCD award imprint.
Then there is the “Hall of Fame” program that honors employees for career achievement and, finally, “Stuie Awards,” determined by employee balloting. The “Stuie” is presented annually to top manager, top supervisor, top employee, and rookie of the year.

3. Employee selection of the incentive system

Solicit input from employees on the type of system that is meaningful to them. (Allowing greater employee involvement in decisions affecting them is itself a turnover reduction strategy.) Employees often are more conservative than managers in the size of awards they recommend, by the way.

Often employees have valuable insight into means of measuring and improving performance. For instance, it reportedly was an employee suggestion that began the system of immediate awards to employees by mystery customers when they discover superior service. Banks, restaurants, hotels, and other retailers, particularly, use mystery customers who score employees against a checklist of required customer service and procedural items. Employees who rate a perfect score receive immediate awards, usually cash, a gift certificate, or redeemable tokens.

Many companies, such as fast-food outlets, achieve the same recognition results by simply awarding achievement pins or certificates. Some companies use extra paid vacation days as incentive awards.

4. Tenure bonuses

Reducing turnover among hourly employees is the sole objective of another type of incentive program, tenure or longevity bonuses.

With some businesses such as seasonal resorts and amusement and food service operations, longevity is a relative term and cash bonuses may be paid for as little as 30 days on the job. The principle is the same, however, whether the payoff comes at 90 days, six months, a year, or later. Most businesses that use this system structure it on a graduated scale according to the seriousness of the turnover situation and the supply of replacement workers.

Job Sharing

Job-sharing is flourishing in restaurants, retail operations and elsewhere. Working in five or six jobs over a period of time instead of in one job gives employees a greater overall understanding of and appreciation for the business
they’re in and reduces the boredom that often is the result of working in one job. Result: Reduced turnover.

**Wilderness Safari in Botswana**

Two young overland safari guides, a South African and a New Zealander, had been working in the remote wilderness reaches of Botswana since 1977 and by the early 1980s, they decided to strike out on their own…they started Wilderness Safaris.

They wanted to ensure that the financial benefits of their safaris flowed to Botswana and its people and thus help to ensure the conservation of the country’s wildlife areas. They also wanted to offer authentic safaris with integrity that catered to people as passionate about nature as they were.

Today, 35 years later, Wilderness Safaris’ Purpose is even more firmly defined, entrenched and embraced than ever before. As Africa’s leading sustainable and authentic ecotourism company, Wilderness is dedicated to conserving and restoring Africa’s wilderness and wildlife by creating life-changing journeys and inspiring positive action. Its model is responsible and sustainable, change’s people’s perspectives on the planet, and inspires those exposed to it to effect positive change in their own lives and own spheres of influence.

Wilderness Safaris offers private access to over six million acres of Africa’s finest wildlife and wilderness areas, through some 50 luxury camps and safaris across eight countries.

Wilderness Safaris exists to protect pristine wilderness areas and the flora and fauna that they support. The company believes that by protecting these areas, and including the local communities in this process, Wilderness will make a difference to Africa and ultimately the world.

Wilderness continues to, wherever possible, only employ citizens from the countries where it operates. This forms part of its commitment to its 4Cs sustainability ethos of Commerce, Community, Culture and Conservation. The Community C is as important to Wilderness as the other Cs, and therefore training its staff in order to grow local talent is as vital to the company’s people strategy as is ensuring the external communities surrounding the areas where Wilderness operates truly realise the benefits of ecotourism. Although upskilling staff can be challenging, as in some instances the required skills are not available, Wilderness is able to take very shy people with virtually no education and transform them into the most customer-driven employees you
will ever experience. In 2017, Wilderness significantly reduced its non-citizen representation to 3%, further showcasing the company’s dedication to growing local talent.

Operating 50 camps and safaris in some of Africa’s best wildlife and wilderness reserves across eight countries: Botswana, Kenya, Namibia, Rwanda, Seychelles, South Africa, Zambia and Zimbabwe, Wilderness is run by a group of likeminded wildlife enthusiasts who came together to build a successful safari business, delivering a unique experience for guests, fair returns for shareholders and stakeholders, while ensuring that Africa’s pristine wilderness areas remain sustainably protected. I have been on 4 safaris with them.

Wilderness has by far the best customer service in Africa and I must say they would rival any company in the world. Their people love their jobs. They have no rules. At each camp when you arrive in your tent you have a handwritten note with your name on it that welcomes you to the camp. The night before you leave each camp they have another handwritten note with your name on it thanking you for coming. They use your name, all employees smile and are friendly.

As I am in Africa several times a year and I have been on 8 safaris, 4 with Wilderness; I am not willing to gamble going on a safari with another company again when I have the best experience with Wilderness Safaris.

At the end of 2018, Wilderness employed roughly 2000+ staff in 7 countries with 64% under the age of 40 and hosts about 35,000 guests from around the world each year. The private concessions that Wilderness manages offer some of Africa’s most impressive and untouched wildlife experiences. Wilderness is privileged to operate on six million acres of exclusive wilderness areas of Africa’s best wildlife and wilderness reserves. As a company, they do not distinguish on race or gender, however they are committed to employing staff from neighbouring communities.

The company is as committed to reducing its negative impact on the environment as it is on maximising its positive impact. Wilderness continues to drive its solar conversion programme by implementing various sustainable energy solutions in almost all of its camps across Africa, with 13 Wilderness Safaris camps currently operating on 100% solar power. It is the sustainability team’s ultimate goal to achieve carbon neutrality of Wilderness Safaris’ operational business.

Wilderness Safaris creates life-changing journeys for its guests and clients, not holidays. A journey is an immersive experience, changing how you view
the wild places of Africa and the world. They work closely with government, conservation and the community partners to ensure the ongoing financial success and sustainability of the business. By ensuring that the Commerce C is sustainable through high-end ecotourism, Wilderness is able to help conserve Africa’s spectacular biodiversity and share ecotourism’s benefits with rural people.

If you want to experience heaven at least once in your lifetime sign up for a safari with www.wilderness-safaris.com

**About their people**

Wilderness, in their selection and training, take very shy people and transform them into warm customer-driven employees who smile, call you by name and go out of their way to help you. They all love their jobs even though they are paid only a few hundred dollars a month.

We were picked up by Evas at the airstrip to go to the Kings Pool camp. Evas was training to be a guide. He loves his job. Around 27 years old. Makes 1500 Pula a month. This is about $160 USD. All employees work for 2 months 7 days a week and then get one month off. Wilderness Safari flies them home.

Each camp is in the Wilderness. Each country they have camps that require by law they hire employees from the local area. Each camp is in a very isolated part of the country. The employees they have to pick from are less educated than ANYONE you will have to choose from. In Botswana the population tends to be very shy and very soft spoken. Diamonds fund the country. (A girl’s best friend). Botswana has about 2 million people and is the size of Texas.

From Kings Pool we all flew to North Vumbura camp. A smaller camp with room for about 16 guests. Service again was incredible. The guiding, food and accommodations are unbelievable. The kitchen staff sang to me but I cannot find the SD card with the video.

Why I’m wild about Wilderness Safari and what lessons you can learn from them:

1. They take shy uneducated employees and develop them into customer driven employees
2. They all love their job and it shows.
3. They have no rules. The customer does what he wants.
4. If the bar is not staffed (which usually it is) just help yourself.
5. At each camp when you arrive in your tent you have a handwritten note with your name on it that welcomes you to the camp.

6. The night before you leave each camp they have another handwritten note with your name on it thanking you for coming and telling you when to have your bags ready for pickup and when you will depart for the airport.

7. The employees all smile and are all very friendly.

8. They use your name.

9. Everything is focused on the customer experience

10. When you leave for the game drive and when you return, staff is there to greet you.

11. They have cold towels to wash your face and hands when you return from each game drive

Kings Pool

When you deliver great customer service you have very loyal customers. Vernon Hill, the author of Fans Not Customers and Founder of Metro Bank London and Commerce Bank in the US says fans are more loyal and sell for you.

I am a fan of Wilderness Safari. I have been on 8 safaris and 4 with Wilderness Safari. I have hundreds of options. I am in Africa several times a year. Frankly, I am not willing to gamble going on a safari with another company when I have the best in the world. Wilderness Safari has 60 luxury camps in 8 African Countries. Guests have exclusive access to nearly 7 million acres.

Like I mentioned, this is my 4th safari with them. Every now and then I like to touch heaven.

Wilderness Safari has by far the best customer service in Africa and very few firms in the world could compete with their level of great service. My wife and son agreed with me. They both want to go back.

Visit their web site http://www.wilderness-safaris.com At Wilderness Safaris they create journeys, not holidays.

Wilderness Safaris had its origins in Botswana in 1983. It is here that they started their love affair with the wilderness and where they offer their guests exclusive access to wilderness areas and wildlife of unparalleled quality.
Chapter 7

CARROTS ARE MOTIVATIONAL FOR EMPLOYEES

“The dollar bills the customer gets from the tellers in four banks are the same. What is different are the tellers.”

- The late Stanley Marcus, Chairman Emeritus, Neiman Marcus

BREAK YOUR STICK

The only way to motivate employees is to pay them more. Some managers still believe this outdated management maxim.

The next bit of logic out of the mouths of uninformed managers often is: “So, since we can’t afford a larger payroll I guess we’re stuck with poor service. We’ll just have to make the most of what we’ve got.”

Not so, Mr. Executive. Not so.

It’s as if some managers never heard of the hundreds of studies in human motivation that prove that job satisfaction, self is trying to compete with K-Mart for poor service.

In order to compete with Wal-Mart, K-Mart spent $3 billion on store renovations during 1993 and 1994. It only yielded a sales increase of 5.3 percent and a 3.8 percent increase halfway through the $3 billion renovation. Wal-Mart did not conduct a massive renovation program. During the same period, Wal-Mart sales rose 26 and 22 percent.

K-Mart filed for bankruptcy on January 22, 2002. It closed 316 stores during the first quarter of 2003. It came out of bankruptcy on May 6, 2003, with new leadership. It was forced to reduce its 2,500 stores and 250,000 employees. Its sales for February to April 2003 were $6,181 billion. Its sales for January 31, 2005 fiscal year were $19.8 billion with a profit of $907 million. Sales decreased 15.4 percent. K-Mart no longer will reveal sales figures. It was acquired by
Sears Holdings in 2004. Edward Lampert is the Chairman and Chief Executive Officer and there is little focus on customer service. Lampert is a numbers guy and does not understand the power of awesome customer service.

In the early 1950’s, $1 out of every $5 spent on retail trade went in to cash register at Sears. In 1972, 1 percent of the US GDP was accounted for by Sears, and more than half of the households in the US had a Sears credit card. It was the top retailer in the US. Within any three-month period, two out of every three Americans shopped at a Sears store. A single share of original Sears stock was worth $20,000. In December I sold my remaining shares of Sears for $.12 a share.

In 1992, Sears lost $3.9 billion on revenues of $52 billion. In 1993 the catalogue business was shut down.

Sears Holdings has already closed more than 350 Sears and Kmart stores in 2017. An additional 45 Kmart stores and 166 Sears stores were closed in 2018. According to Business Insider, there were 866 Kmart and Sears stores still open as of September 13, 2018 down from nearly 2,000 stores five years ago. The long-embattled retailer, which filed for Chapter 11 bankruptcy protection in October 2018, had already announced the closing of 143 locations by the end of 2019 and another 40 Sears and Kmart stores set to close in February 2019. Customers prefer Amazon to poor customer service. There is a good chance Sears will go out of business in 2019.

For years it has had a higher cost structure, higher overhead, more fat, and was not frugal. Wal-Mart was able to pass its frugality on to its customers with everyday low pricing.

Price is extremely important to most customers. Service role models like Amazon, Southwest Airlines, and Wal-Mart are masters at keeping prices low and eliminating costs. The late Sam Walton, founder of Wal-Mart, said, “A dollar saved is a dollar passed on to the customer.” Many firms believe a dollar saved is a dollar passed on to the executive team.

K-Mart needs to reduce its fat at the top and then get all employees to look for ways to eliminate waste. It needs to become lean and mean and should start with the CEO’s office. On January 21, 2002, the board of directors did just the opposite. It increased the salary of the CEO, Chuck Conaway, to not less than $1.5 million a year, up from $1.4 million he was promised when he signed on in 2000. He also was eligible for yearly bonuses worth at least 125 percent of his annual salary, or $1.875 million.
Conaway’s new agreement called for K-Mart to forgive a $5 million loan it made to him the previous year if he stayed until July 31, 2003, or if he is fired without cause before then. He would receive $6.5 million on July 31, 2003, or if he is fired in the interim. This was K-Mart’s first step in cutting costs, paying the chairman $11.5 million to stay. On March 11, 2002, he was fired, 44 days after rewarding him with $11.5 million for a $2.42 billion loss. His severance compensation package was reduced to $9.5 million. Only in the America do CEOs get paid more for poor performance. The worse they do, the more they get paid.

Their executives and the board do not get it. If they took this same money over the next two years and spent it to change attitudes and performance of the entire workforce to master the art of speed and service, the company would not have under-performing stores. Poor sales forced its parent, Sears Holdings Corp., to close more than 300 Kmart stores since merging Kmart with Sears in 2005 and 150 in 2017.

Even though the evidence is so strong, so vivid, most firms in the world will continue to follow in the footsteps of K-Mart and continue to hand the marketplace to Wal-Mart.

One of the ways to improve service is to make sure that employees feel valued, loved, and appreciated. If you expect an employee to treat the customer like royalty, you must treat the employee like royalty. Wal-Mart is the lowest paid employer in every country it is in, but it communicates to its employees that they are wanted, loved, and appreciated. K-Mart never was successful with this strategy. Few employees felt appreciated, and it showed in sales and customer loyalty.

When front-line employees are paid very little, it’s critical that you work hard to make them feel appreciated.

Sam Walton once said: “Satisfied, loyal, repeat customers are the heart of Wal-Mart’s spectacular profit margins. Customers are more loyal to us because our associates treat them better than salespeople in other stores do.”

Here is an annual comparison of total sales for Wal-Mart, the customer service retailer, and K-Mart, a direct competitor of Wal-Mart that seems to not follow through on its commitment to service.

Wal-Mart and K-Mart are very comparable retail operations. We are not comparing apples and oranges. Each retailing chain carries essentially the same product lines, priced approximately the same, and sold from very similar store environments.
<table>
<thead>
<tr>
<th>Year</th>
<th>Wal-Mart Gross Sales</th>
<th>Kmart Gross Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$500.3 billion</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$485.87 billion</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$482.14 billion</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$485.65 billion</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>$476.29 billion</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$466.1 billion</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>$443.9 billion</td>
<td>$14.567 billion</td>
</tr>
<tr>
<td>2011</td>
<td>$418.9 billion</td>
<td>$15.285 billion</td>
</tr>
<tr>
<td>2010</td>
<td>$419 billion</td>
<td>$15.6 billion</td>
</tr>
<tr>
<td>2009</td>
<td>$401.2 billion</td>
<td>$15.7 billion</td>
</tr>
<tr>
<td>2008</td>
<td>$374 billion</td>
<td>$17 billion</td>
</tr>
<tr>
<td>2007</td>
<td>$345 billion</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$312.4 billion</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>$288 billion</td>
<td>$19.8 billion</td>
</tr>
<tr>
<td>2004</td>
<td>$256 billion</td>
<td>$23.3 billion</td>
</tr>
</tbody>
</table>
The former Vice Chairman and Chief Operating Officer of Wal-Mart, Don Soderquist, said: “People everywhere — customers and associates — want to be treated right.”

One person best qualified to account for Wal-Mart’s success is David Glass, former President and CEO. He says that “the secret to Wal-Mart’s success is the fact that when he was CEO the company paid very strict attention to three basic principles.”

He defines them as the following:

1. Value and service for customers. The customer is the boss. Everything possible is done to make shopping at Wal-Mart stores a friendly, pleasant experience. Wal-Mart associates strive to provide exceptional customer service.

2. Partnership between the company and its associates (employees). A family-like environment stresses teamwork.

3. Commitment to communities in which stores are located.

Glass concluded: “We want to always have the best customer service. We want to always have the best prices, every day. Our commitment to the customer is always — in everything Glass concluded: “We want to always have the best customer service. We want to always have the best prices, every day. Our commitment to the customer is always — we do.”

Wal-Mart is the largest private employer of minorities in the U.S. Each week over 265 million customers and members visit their 11,695 stores under 59 banners in 27 countries and e-commerce websites in 10 countries. With fiscal year 2018 projected revenue of $500.3 billion.

Walmart employs approximately 2.2 million associates worldwide. Associates that are on the front lines interacting with customers on a daily basis. Walmart is investing in associate training and development, including 200 new training academies, connected to existing supercenters that provide hands-on training to further develop important skills needed in today’s retail environment.

MOTIVATION IS VITAL

Motivation of employees to provide service to customers certainly is important. After all, it isn’t the president or the vice presidents who have continuous contact with customers and who convey an impression of the company to them.
It is employees who deal directly with customers, so it is employees who bear primary responsibility for making a positive service impression.

“The Customer Is Always Right” is a useless slogan without employees who are motivated to believe it and are enthusiastic about customer satisfaction.

Companies that do not know how to motivate employees or that do not care about motivation tend to over-value money as motivation and they also usually think that negative reinforcement and close supervision are great motivators.

Certainly it is usually possible to force employees to go through the motions of being eager, helpful and friendly. Customer service by rote, however, turns customers off as often as poor service itself.

Service By Rote
Service by rote is what is happening when a zombie-like employee says, for the 576th time in a day, “Have-a-nice-day” as if the employee’s mouth is wired to a continuous loop tape recorder. Sometimes the absurdity of the vapid phrase is so evident that employees speak the words so quietly or mumble so badly that it is difficult to hear them.

Where is the customer service in that? It is not it much better for employees to make friendly conversation with customers because they feel like doing so instead of doing it because the boss told them to do so?

A reader wrote to Ann Landers, the newspaper advice columnist, asking: “Where did that brainless line come from — ‘Have a nice day’?”

You go to a restaurant. The service is lousy, the food is awful and the prices are out of this world. You pay the bill and the waitress says, “Have a nice day.”

You go to the drug store for some medicine. You feel rotten and look like death warmed over. The pharmacist has four people ahead of you. He is smiling and talking to a pretty customer while the three people ahead of you are glaring. By the time he gets to you, you are ready to wring his neck. After he finally fills the prescription he hands it to you and says, you guessed it, “Have a nice day.”

NINE MOTIVATORS

Discard the belief that high-quality customer service can be achieved just by ordering employees to be friendly to customers, to provide assistance, to be reliable and trustworthy, to become acquainted with product features, to handle complaints immediately, and so on. Innocuous, mock-friendly phrases don’t forge close ties with customers or encourage them to return again and again.
Management Commitment

Clear and obvious commitment by top management and supervisors to quality service by every employee is the most motivational condition that can exist in an organization. When the boss believes in service and proves it by the way he/she treats employees, then an employee begins to see personal benefit in the service. It becomes clear that providing service will improve likelihood of raises and promotions, especially when service performance is a standard in formal job reviews. So, employees find satisfaction in delivering service because they realize that they are building their own futures!

Employees are proud to work for an organization that is committed to excellence in service to people, some of them friends and acquaintances. Performance improves. Turnover drops.

Service Culture

Management commitment gives rise to a service “culture” that engenders pride, productivity, and work quality.

For a company to shine in customer service — for employees to feel motivated to deliver service — every manager must get “the service religion.”

The top executive must perform as a true service leader and lead by example. He or she must, for example, be able to excite the eager participation of middle management in his or her strategies. He or she must communicate with the employees, imparting the company’s vision. He or she must also listen to what employees say they need in the way of resources to convert that vision into reality.

To succeed, a CEO no longer can be an isolated and autocratic decision-maker. He must be a visionary, a strategist, an informer, a teacher, and an inspirer.

Managers must also lead by example if changes in employee behavior are expected. Never can they get caught in the middle between “Do as I say” on one side and “Don’t do as I do” on the other side. Instead, in leading by example, supervisors say “Do as I do” and they are fair, consistent, and competent in dealing with the people who report to them.

Supervisors also must help employees see connections between their performance and organizational objectives. Employees must notice that their quality service performance is furthering the objectives of top management and of their immediate superiors.
A final note: The call to quality customer service performance must not be viewed as a quick fix that will have a perpetual impact. Continuous management commitment and employee enthusiasm are needed if quality service is to survive and work its magic on customer loyalty.

Training

How-to-do-it training is essential to good customer service. When employees know how to do their jobs, they are far more likely to do them well. Training should include not only the skills needed to deliver quality service, but also the skills needed to obtain it from internal suppliers — fellow employees.

Training carries a bonus with it. “Training tends to make salespeople feel special,” says Charles W. Jackson, marketing and management consultant in the Princeton, New Jersey, office of Right Associates, outplacement specialists. He is the former senior vice president of human resources for Philadelphia-based John Wanamaker’s department stores.

That training makes employees feel “special” was borne out in a training program for all 22,000 employees of Zellers, the Canadian department store giant, in 215 stores. At that time Zellers was the largest retailer in Canada. They now have more than 35,000 employees and over 350 stores. Lloyd Davis while at Zellers reported that a strong team spirit developed after the training with our “Feelings” program. Team spirit was a result of the fact that “Feelings” is both a personal improvement program and a customer relations program.

Davis said: “When employees feel good about themselves after the personal improvement program, they work. They also are more eager to acknowledge and to compliment customers.”

In the mid 80’s, Zellers trained over 50,000 employees with my program, Feelings. Sales increased over $30 million in 60 days. With changes in management it lost its focus on customer service.

On August 5, 1993 I wrote a letter to its President, Paul Walters, encouraging him to focus on customer service. I said, “When Wal-Mart comes to Canada they not only are going to have great distribution and exceptional low prices, but as you know, they believe in motivated employees and exceptional service. Paul, I am concerned strategically that Wal-Mart will eat Zellers when they finally come to Canada.”

Walters’ response to me on August 12, 1993 was tough and brutally frank. He did not appreciate my comment that Wal-Mart would “eat” Zellers when they finally came to Canada. Instead he focused on their record sales and earnings.
When Wal-Mart entered Canada on January 14, 1994 the value of Hudson Bay’s stock (Zellers Holding Company) dropped 20 percent and within two years became the largest retailer in Canada. It had Zellers for lunch. Customer service must be a lifetime commitment. Now Costco is having Sam’s (owned by Wal-Mart) for lunch.

Peter Drucker said, “Every failure is a failure of a manager.” “Leaders of companies are charged with making sure that they can sense new threats and seize new opportunities by reconfiguring existing organizational assets. This is the essence of what organizational leaders are supposed to do,” according to Charles A. O’Reilly III and Michael L. Tushman in Lead and Disrupt. They further said, “In today’s world, firms that miss a transition or fail to respond to a disruptive innovation quickly find themselves out of business.” Zellers, and Sears never understood this.

**Costco a Role Model**

W. Craig Jelink is President and CEO of Costco. Costco is a $138 billion retailer, employ over 245,000 people, operate over 762 warehouses and serve more than 94 million members worldwide. Costco focuses on high sales volume and rapid turnover of inventory. There warehouses operate on seven-day, 70-hour week.

Their unwavering “do the right thing” philosophy, led to another strong year in fiscal 2018. Net sales for the 52-week fiscal year totaled $138 billion, an increase of 9.7 percent, with a comparable sales increase of 9 percent. Net income for the 52-week fiscal year was $3.134 billion, or $7.09 per share, an increase of 17 percent. Revenue from membership fees increased 10.1 percent to $3.142 billion.

Costco’s merchandising strategy is to provide members with a broad range of high-quality merchandise at prices consistently lower than could be obtained through traditional wholesalers, mass merchandisers, supermarkets and supercenters, It carries only merchandise in which it can provide members significant cost savings.

Costco carries an average of approximately 3,700 active stock-keeping units (SKUs) per warehouse as opposed to discount retailers and supercenters that normally stock 40,000 SKUs or more. About 3,000 can be found at any given time. The other 1,000 are the treasure—hunt stuff that’s always changing.

Worldwide Costco has a policy of member satisfaction. Its policy is to accept returns. Only on computers is the return limited to six months.

Every vendor selling to Costco had to reserve 5% of its sales to cover
returns. Quality is a core value of Costco and if a vendor does not have great prices and quality they will never be able to sell Costco.

Membership renewal rates in the U.S. and Canada were 90 percent, and renewal rates worldwide saw an increase to 88 percent. We are seeing higher sign-up rates from younger generations and a more diverse membership base. This shift can be partially attributed to our buyers’ increased focus on products that have an appeal that spans generations as well as sourcing products globally to expand cultural and ethnic offerings.

At Costco, which has 245,000 full and part-time employees, a cashier can make up to $49,000 a year, including bonuses. The average wage at Costco is nearly $20 dollars an hour and 89% of Costco employees are eligible for benefits. Costco was named in a survey published by Forbes as America’s best large employer in 2017.

In 2018, Costco reached a milestone with their 762 warehouse locations. Fiscal 2018 expansion included the opening of 21 new warehouses around the globe, with the 100th location in Canada; and they continue to add gas stations and other ancillary services to locations in different countries. They are not only focused on new markets, but how they strategically infill and relocate within markets where they currently operate. In 2019, they expect to open 23 new warehouses and relocate up to 4 warehouses to more ideal locations. Especially anticipated is the planned opening in 2019 of the West Shanghai warehouse, their first in China.

Costco refuses to mark up an item more than 14 percent. “Most retailers look at an item and say. “I’m selling this for ten bucks. How can I sell it for $11?” We look at it and say, How can we get it for nine bucks? And then, How can we get it to eight? It is contrary to the thinking of a retailer, which is to see how much more profit you can get out of it. But once you start doing that, it’s like heroin. My wife and I needed more hearing aid batteries. A pack of 48 at Costco sells for $8.99 with better quality than other retailers. At Walmart a pack of 24 was $13.48.

Costco, one of the largest retailer in the world, is more upscale than Sam’s Club. It has better service and better people. It has mastered what I teach in my book, e-Service: Speed, technology and price built around service. Sales in stores open at least a year -- an important industry measure that takes growth in stores out of the equation -- increased 8.4% in the quarter ended Feb. 18, 2018 it reported. Costco’s online sales leaped 28.5%. It is modeling the behavior and focus on service that Wal-Mart built its business on but forgot. Average sales per
In the past year Costco continued to expand its inventory online, chief financial officer Richard Galanti told Wall Street analysts. Costco also sees growth in its e-commerce channel as consistent. “We’re pleased with the fact that sales for the last two, three years, at least, (web sales) have been on a year-over-year comparable basis around 20%,” Galanti told analysts.

**Praise and Recognition**

In some companies, the only time employees get attention is when they make a mistake. No one comments on their good work. There is foundation for an assertion that the lack of positive reinforcement for employees who deliver service is the foremost service problem. Most employees go year after year without getting a word of praise.

Employees in service businesses need to feel that their contributions are noticed because recognition influences self-esteem — and self-esteem gives a person the assurance and buoyancy that impresses customers and wins their loyalty. So supervisors, remember that a word of well-deserved praise can do more than any management system to set the quality of service.

Deliver your “thank you’s” personally as often as possible. It is a good idea to spend some time with employees, too. The mere presence of the boss is a form of recognition. Praise puts employees in a frame of mind to want to do well. Without a positive attitude, any training will be mostly wasted.

**Means of Administering Praise and Recognition**

Consider adopting one of the following programs:

1. Service Employee of the Month Award and a tangible prize
2. Reference to employee in company journals
3. Acknowledgment at company functions

American Express Travel Related Services Company has an annual Great Performers Award for employees who provide customers with high levels of service.

Federal Express’s Golden Falcon Award is the highest honor that FedEx bestows on non-management employees “for service above and beyond their customary line of duty.” The award includes a pin bearing the company’s Gold Falcon emblem and ten shares of FedEx stock.
**Celebration of Small Success**

Even small successes should be celebrated, thereby increasing the frequency of praise. Big bonuses are nice, but so are pizza parties, small gifts, a decorated cake, and bouquets of balloons, humorous plaques, sincere handshakes, or rounds of applause.

To increase concern for consumer comments by manufacturing plant employees, the Consumer Relations Department of Scott Paper Co. developed the Consumer Value Excellence Award. The award recognizes the manufacturing plant team that demonstrated a unique obsession with creating value for consumers during the preceding year.” It is based on work done by manufacturing.

This award is presented to employees during the company’s National Business Meeting by the leader of the winning manufacturing team. Then a dinner is set up at the winning plant site and the vice president of marketing presents plaques to each team member.

As a secondary move to increase all employees’ awareness of the value of consumer input, the Consumer Relations Department announces winners of the award during National Consumers Week. Other activities during the week are a video highlighting the winning team, buttons, a display of consumer letters, a display of free samples sent to consumers, posters, articles in employee publications, and a plant tour of the winning manufacturing facility.

**Recognition**

Giant Food, Inc., of Landover, Maryland, has a Staffer of the Month award. Says Mark Roeder, the public affairs coordinator, “If we see employees being courteous toward customers, we give them a courtesy award.”

At Marriott Corporation, bellhops and people in the reservation center have attention showered on them whenever their work rises above the norm. Toshiba America made its service support phone operators into heroes. At Disney companies, even floor sweepers are “heroes.”

Top mechanics at Sewell Village Cadillac are publicly praised. The best of them earn more than $100,000 per year. Training is the best available.

At a financial services company, the Employee of the Month is given a day off with pay, has his or her picture displayed on bulletin boards, and receives a plaque.

A high-technology firm held a two-day, off-site meeting for distribution
people to brainstorm new opportunities. The firm was careful to make the setting and trappings as lavish as those it provides for top management at similar affairs. This is a form of recognition.

By the way, if top sales performers earn sizable bonuses or expensive prizes, then top service performers should earn comparable rewards. If they do not then the unspoken message sent to employees is: “Service is less important than selling.”

*Employees as Entrepreneurs*

John McCormack, who with his wife, Maryanne, owns 17 Visible Change salons, says that quality service is the secret of their success. A system of incentives and rewards is designed to make stylists at the Houston-based salons, feel and act like entrepreneurs, each with his or her own clientele.

Those whose services are requested by repeat customers receive extra rewards. At the same time, a stylist who doesn’t achieve a 65 percent request rate within six months is asked to leave the firm.

Says McCormack: “The first step is setting standards. Then make sure everyone in the company understands those standards. If you reward your associates for superior performance, then your customers are going to get the service you want to deliver.”

The company holds motivational classes that build employees’ service-oriented attitudes and that enhance their self-confidence. McCormack comments: “If you take care of your employees, they will take care of your customers. There’s not one company in America that has a problem as long as they have happy employees. If you don’t have your people on your side, how can they help your business succeed?”

*Team Spirit*

Two stonecutters were chipping away at blocks of granite. A visitor asked, “What are you doing?” The first stone cutter grumbled, “I’m cutting this damned stone into a block.” The second, who looked pleased with his work, replied, “I’m on a team that’s building a cathedral.” That’s the spirit.

A worker who can envision “the whole cathedral” and who has been given responsibility for constructing his portion of it is far more satisfied and productive than the worker who sees only a granite stone and a long hard job staring him in the face.
Team spirit makes “Statement Day” at University National Bank & Trust Co. in Palo Alto, California, a big success for the bank and for its customers. Every employee, including the chairman, gathers around the big conference room table on the first day of each month to stuff statements into envelopes. This makes it possible to provide customers with a very special service among banks — a monthly statement that arrives within a couple days of the close of business.

Working together to accomplish a valued objective builds team spirit and a customer-oriented corporate culture. University National Bank reports that its return-on-assets ratio is 75 percent higher than the state average. Executives credit customer service and team spirit for the record.

The Bank of San Francisco has developed a team framework for its client contact staff. Team leaders are given entrepreneur-like freedom and all team members are hand-picked by the team leader. Furthermore, the market served by the team is one with which the leader is thoroughly familiar and comfortable. Team leaders know they have authority and that they will receive the support necessary to build their business.

The rest of the bank — administration, operations, branches, credit — is designed to support the teams. All team leaders meet regularly with representatives of the other areas and with senior administration staff to assure reliable, high-quality support.

The authority of team leaders at the Bank of San Francisco cuts across the authority of organizational departments and middle managers, because it is critical that they be allowed to be flexible and innovative to meet individual client needs.

**Pride**

Pride is a powerful motivator. One source of pride is the return of customers. When a customer comes back, smiles at an employee, and buys something, that employee is motivated by the thought that he or she has been doing something right and is important to the company.

This kind of motivation often is far more effective than money in inspiring employees to provide good service. It is called “job satisfaction.”

There is no great mystery to employee motivation. We have known as much as we need to know about human motivation since the time of Alexander the Great: Human beings are wanting animals. They commit their energies to the extent that doing so brings them what they want.
Rewards

Incentive Compensation

Dow USA promotes customer service by adding incentive compensation, keyed to performance, to its tech service reps’ salaries. But in determining the amount of incentive, Dow combines the performance of tech service reps and salespeople in establishing performance ratings.

Says Kern: “If you say you want the customer service rep and the salesperson to be part of an account retention team, reward them for their joint success.”

It’s an idea that would be endorsed by Michael LeBoeuf of the University of New Orleans. He favors bonuses both for service and for sales reps. “Most managers and people in charge don’t reward service reps for taking care of the customer,” he says.

This oversight fuels service reps’ “attitude of indifference or even contempt” for customers, he adds.

Personal Benefit

The best motivation is personal benefit. Employees want to practice customer service when they recognize personal benefit in it.

The editors of Electrical Contractor magazine may have been somewhat harsh, but there is truth in a statement in a recent issue: “One of the first things (employees) should realize is how being customer oriented helps them secure their paychecks and also their security through the future growth and prosperity of their companies. They need to know why being customer oriented is critical to the success of the business. Then, they need to assess whether their behavior is helping to create and to maintain satisfied customers or to lose customers.”

In a more constructive vein, Michael Barzelay, associate professor of public policy at Harvard University’s Kennedy School, believes that a service quality campaign (in state and local government) can motivate career civil servants for several reasons. First, he says, it focuses on the value of what they do. Since the improvement process requires employees to solicit feedback from clients, they are reinforced when they learn that they’ve done something well.

Second, people are more enthusiastic and committed to any change project that they control themselves. In internally driven service-improvement projects, employees get a chance to voice their own ideas and strategies for change, rather than being subjected to the whims of outsiders or oversight groups.
### Improved Relationships

When employees learn the value of friendly, helpful relationships with customers, they’ve also learned a lesson that will help them improve personal relationships both on and off the job.

On the job, smiles and friendly talk with customers and with an employee’s peers create a pleasant working environment and ease the way through a day. When employees get along well with fellow employees and with customers, they feel good about themselves; so they are happier, more productive, and more effective.

<table>
<thead>
<tr>
<th>Ten Ways To Appreciate Customers (From General Motors)</th>
<th>Customers: What They Want From Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Obey the golden rule (“Do unto others as you would have them do unto you”)</td>
<td>• Cleanliness</td>
</tr>
<tr>
<td>• Use praise (Be generous and others will respond in a positive manner)</td>
<td>• To Feel Important</td>
</tr>
<tr>
<td>• Be sincere (A customer’s trust depends on your sincerity)</td>
<td>• Sincerity</td>
</tr>
<tr>
<td>• Use the customer’s name (Everyone enjoys being recognized)</td>
<td>• Integrity</td>
</tr>
<tr>
<td>• Be a friend (It takes one to know one)</td>
<td>• Honesty</td>
</tr>
<tr>
<td>• Smile (It’s the best way to hear what the customer is saying)</td>
<td>• Trust</td>
</tr>
<tr>
<td>• Listen (It’s the shortest distance between two people)</td>
<td>• Eye Pleasing Environment</td>
</tr>
<tr>
<td>• Give (The customer will see and appreciate the value received)</td>
<td></td>
</tr>
<tr>
<td>• Think &quot;you&quot; instead of &quot;I,&quot; (Consciously use the word and always retain your sense of humor)</td>
<td></td>
</tr>
<tr>
<td>• Care for the customers (Actions speak louder than words)</td>
<td></td>
</tr>
</tbody>
</table>

**To Help Customers, We Need To**

- Believe in our product
- Be convinced of their needs
- Avoid showing anger
- Remain courteous
- Remember they want benefits
- Ask questions
- Give them full attention
- Say thank you
**Improved Self-worth**

Off the job, when employees find their social lives improving, their feelings of self-worth improve, too. They have more self-esteem so they feel better about themselves, more confident, more hopeful about their lives, and more highly motivated. Employees in organizations known for stellar personal service experience enhanced personal popularity with peers and friends, a result of applying the same techniques that achieve customer satisfaction.

**Customer Applause Motivates**

As a result of improved relationships with customers, employee performance is rewarded and reinforced with “applause” from customers. So being human, they continue what they’ve been doing and maybe even do it more often and with greater gusto. They may begin working harder, which leads to greater productivity and more sales per employee. Pride and team spirit take over and make inspired performance routine.

Joey Prusak, 19, former store manager at Dairy Queen in Hopkins, Minnesota provided one of the most exceptional experiences I can recall. Joey is called a hero after refusing to serve a woman he saw stealing $20 from a blind man who had unknowingly dropped the cash. Prusak gave the woman an ultimatum: Return the money or leave. When she chose the latter, the 19-year-old stepped in and gave the man $20 from his own pocket. According to a customer, Joey approached the man and took out his wallet and said “Sir, on behalf of Dairy Queen I would like to give you the $20 that you dropped on the ground as you walked away from the counter”.

In this case, an anonymous letter was sent to the store by a customer then the manager posted it in the store then a co-worker posted it on Facebook and it went viral.

Prusak ended up getting a very special phone call from billionaire Warren Buffett, whose company owns Dairy Queen and requested that Prusak attend the Berkshire Hathaway shareholders meeting as his special guest so that he could meet him.

It is easy to understand why this happens. Customers are VIP’s in a service employee’s life. Employees are people and people respond emotionally to the attitudes of other people, including customers.

Employees are much happier at work and after work when their customers are happy with them. Encourage employees to apply customer service tactics in their personal lives on and off the job. Smile and compliment people, listen
attentively, try to be helpful, and use friendly greetings and parting comments. As a result, employees will often discover that their job, family, and social lives improve, so they stay motivated to continue applying the same service tactics.

Because employees benefit from applying customer service techniques, they are likely to be motivated to learn, too, and to practice what they learn. So motivate employees by pointing out how a service attitude and the friendly, helpful service techniques you are teaching them can help them personally.

When employees find their social lives improving, their feelings of self-worth improve. They have more self-esteem, so they feel better about themselves, more confident, more hopeful about their lives, and more highly motivated to do well on the job. It all comes together.

As a result of practicing good customer service, employees earn more applause from customers, so they begin working harder.

The objective of the supervisor’s intent on motivating employees to provide outstanding service should be to convince them that, personally, they’re getting more out of their knowledge and practice of good service than the company is.

Employees are motivated by regular, reinforced training, by the belief that service attitude and practice help them in their personal lives, and by equitable, personal treatment by their supervisors.

**Pride and Satisfaction**

Employees should be encouraged to develop pride in their personal performance and also in the organization for which they work. The company will be more widely respected when customers are treated with respect and friendliness.

When Andrew Adriance was manager of the Polo Club in Boca Raton, Florida, he once said, “We view service as a matter of pride among individuals because the service we offer is based on pride — pride in the facility, fellow employees, and management and pride in the membership. Once the pride is there, the peer pressure to provide service will be heavy and the person who isn’t providing it becomes conspicuous.

“Pride means that service becomes the ultimate priority. If you don’t serve, you lose members. If you lose members, you can’t support the upkeep of the facility, and you lose the pride. It’s a dangerous cycle.”
Greater Self-respect
This feeling is a result of seeing customers return because they liked the way the employee treated them.

Optimism
Outlook becomes brighter. Hopes for professional advancement appear more realistic.

Control
Employees feel that they are in control of their lives. They are able to deal with customers and with job problems more easily and effectively.

Easier work
The job becomes easier to handle as a result of teamwork and cooperation that friendly relationships engender. When one “gets along” with coworkers, work goes faster and easier.

Increased Self-confidence
When employees are secure in their relationships on and off the job they become more confident.

Job Enjoyment
Employees anticipate work with pleasure instead of with dread.

Employee Orientation and Information Literature
One of the most outstanding employee orientation programs I have ever seen is anchored by an 80-page, four-color booklet printed on expensive 8 1/2” X 11” glossy paper by Woolworth’s of England. The clearly high cost of this brochure signals the sincerity and commitment of the company to employee orientation and motivation.

The booklet looks like the fortunate result of collaboration between a star cartoonist and an inspired layout artist. Producers of the booklet used many color pictures, imaginative drawings and sketches, and copy that employs just enough words — no more than that — to excite, challenge, and motivate employees. The bad news is they recently discontinued its use.
Many service employees intent on satisfying customers subscribe to the Golden Rule. Here are other guidelines for personal action with a list of customer service preferences and customer service action tips. (Reprinted courtesy of General Motors Corporation.)

**Service “Contract”**

Inside the booklet is a “contract” with new employees that promises recognition and reward if they perform up to standards.

Supplementing the booklet are letters and stars on name badges signifying completion of various programs and achievement of specified knowledge and performance standards. After 12 months on the job, achievement of standards earns cash bonuses. One badge letter is “X,” indicating that an employee has completed a training program in customer service.

Another fine piece of employee literature was a little red book entitled “Let’s Get in There and Fight,” distributed by SAS to every one of the airline’s 20,000 employees and then to new employees. The book lays out information, in concise form, about the company’s vision and goals — information that only the board of directors gets to see in most companies.

Says Jan Carlzon, former president of the Scandinavian Airlines System (SAS): “Beyond the attention to service, we were also able to stir new energy simply by ensuring that everyone connected with SAS — from board members to reservation clerks — knew about and understood our overall vision.”

**Tools Needed to Provide Quality Service**

Make sure that systems and technical support that “allow” employees to do their jobs as well as they can are in place. That may mean word processors instead of typewriters for employees or numerical control equipment on the production line.

One of Tom Peters’ four major conclusions, published in his book, Thriving on Chaos, arose from 10 years of poring over studies and observing companies. It was: “Workers in all parts of an organization will become energized by the opportunity to provide a top-quality product or service.”

(Peters’ other three conclusions from his 10 years of study were the following: (1) The customer will pay a lot for better, and especially for best, quality. (2) Firms that provide that quality will thrive. (3) No product has a safe quality lead, since new entrants are constantly redefining, for the customer, what is possible.)
“Many service companies haven’t realized that the person who delivers the service is the most important [in the company],” says Alden Clayton, head of the Marketing Science Institute of Cambridge, Massachusetts, a nonprofit business think tank.

Apparently certain that money is at least somewhat motivational, she suggests that people who deliver service should be paid very well instead of being pegged at the lowest position on the wage scale, a common practice.

Retailing companies using commission-based compensation systems are finding that the increased compensation that such systems pay is, indeed, motivational. The usual result of commission-based systems is better customer service.

**Commissions**

More and more often today the best customer service is found at companies where employees are on some kind of commission system whether you are buying a car or real estate, men’s suits, or expensive women’s clothing. Commission jobs pay more so they usually attract more capable people.

One specialty retailer, Bergdorf Goodman, has good results with an all-commission sales force. The high-fashion Manhattan unit of Carter Hawley Hale of Los Angeles also put all its sales associates on commission. Said Marita O’Dea, when she was vice president and director of personnel: “We get people who are highly motivated, like to sell, and want to stay.” But these people also must possess “the basics of good selling skills and knowledge of high fashion and high-priced merchandise,” she adds.

Most employees of Nordstrom Department Stores work full time, unlike employees at most other department stores, and they all work on commission. They’re encouraged to build long-term relationships with customers. They keep a “client book” on what each customer likes and doesn’t like. Customers are then called when items that might interest them arrive or when preferred items are on sale. Competitors who have tried to imitate Nordstrom by putting more salespeople on commission — without building up the concept of long-term relationships and without using full-timers — have failed by driving away customers because the salespeople push too hard for a single sale.

Bloomingdale’s, the department store chain, put all 1,500 sales personnel at its flagship store in Manhattan on commission instead of hourly wage.
The commission setup at Bloomingdale’s is part of a plan to improve customer service by giving sales staff greater incentive to satisfy customers so they will buy more and return to buy again. When commission selling was established in the men’s accessory department, sales rose 22 percent as employee take-home pay grew.

A commission-based sales compensation system also has been successfully adopted by Stanley Korshak, the Dallas-based high-fashion retailer.

But commissions are not incentives for everybody.

**Profit Sharing**

Besides commissions, Maurice Maio, when he was president of Maio plumbing, the leading plumbing repair service in the San Diego area, offered money in the form of profit sharing and a 401-K retirement plan. He also had a very liberal vacation pay benefit program based on a year’s total average earnings and several other attractive motivational perks.

Money may be motivational when it is a reward strictly for customer satisfaction. At Renex Corp., a Woodbridge, Virginia, company that sells computer interconnectivity products, customers help evaluate performance of tech reps who receive bonuses based on customer satisfaction. Tech reps that do outstanding work earn about 10 percent more than they would if they worked for competitive firms.

Renex Corp. treats technical service reps like salespeople. They want to make sure that tech reps really do reinforce sales. The company does not treat service reps like the bank manager in Chapter 3 did. He gave cash bonuses to high sales performers, you remember, but he dispensed lapel pins to high performers in the service area.

**EMPOWER EMPLOYEES; MOTIVATE WITH RESPONSIBILITY**

You can motivate employees by trusting them with responsibility to make decisions about action needed to achieve customer satisfaction.

It is not possible to be a service leader without empowerment. Every employee must be empowered to bend and break the rules to take care of a customer to the customer’s satisfaction. If the customer wins then your organization wins.
Indeed, workers who are willing to accept responsibility beyond the narrow confines of their authority can be crucial to the success of an enterprise, as the economy becomes more service based.

This is true: Customer satisfaction generally must be achieved by the first employee a customer deals with or customer satisfaction will be lost or lessened. This means that decisions should be made at point of “discovery,” not deferred to a decision point far up the corporate ladder.

Why? If a customer is forced to take her or his concern beyond the first personal contact, most of the time that customer will just give up. Often they will never return.

But I estimate that no more than 5 percent of companies train employees to deal with problems on the spot, though the practice is expanding. Yet, if customers are required to contact more than one person, most of them give up and many of them never return.

Barnett Banks of Florida has decentralized its retail operations, giving branch managers the power to make many decisions that once were passed on to headquarters. Many of the bank’s tellers and credit officers now are authorized to make decisions and to solve problems that formerly were referred up the chain of command.

“Customers want responsible action, preferably from the first person they speak with,” says Paul Hawken, President of Smith & Hawken, a company that sells gardening products through catalogs. No one should have to go “higher up” to get permission to be considerate, he says.

**Authority**

Front-line employees must be trained to respond to unique needs with speed and courtesy. Only in this way can companies multiply the number of happy, satisfied customers and build up an important competitive advantage. When employees are empowered to pursue customer satisfaction, they are supercharged with enthusiasm. An employee of L.L. Bean, Inc., drove a van 500 miles from Maine to New York to deliver a canoe to a customer leaving on a trip. Bean employees regularly meet vacation-bound customers at highway toll booths to deliver hiking or camping equipment.

An important reason for empowering employees is that doing so often maintains morale in difficult situations such as when a customer is angry. Employee morale is sorely damaged when employees are not trained to handle irritated customers. They end up enduring unpleasant experiences and emotional
strain. But, when employees have been empowered, given the authority to take action that, for example, defuses conflict situations, you will maintain morale and even reduce turnover.

Charles R. Day reported, when he was Editor of Industry Week magazine, that “A (Dollar Rent-A-Car) supervisor escorted me to my vehicle. My paperwork did not indicate its location, and she did not want to risk my wandering around a parking lot sticking keys in door locks like some crazed sweepstakes contestant. At 10 o’clock on a sweltering night in Tampa her concern was gratifying, and if anyone at Dollar ever wonders about overstaffing, do not. Such service lodges in the memory and helps heal wounds from future woes.”

No policy book can cover contingencies such as the one the Dollar Rent-A-Car supervisor handled so well. Do not even try to concoct a policy. Just give employees responsibility to do what is right. It is being done throughout the economy.

A GTE phone company branch in Sun Prairie, Wisconsin, scrapped its computerized question-and-answer list normally asked of customers who need repairs. (Customers would try to say something that wasn’t a direct answer to a question and be cut off with a “Let’s get back to the questions” retort by employees.) Now, service operators take down information as customers give it — and even chat a little if that is the customer’s pleasure.

**Service by Salespeople**

Salespeople, definitely in the service business, are motivated with very-loose-reined supervision at Merck Sharp & Dohme, a U.S. pharmaceutical company. “They decide on their own how they will spend their time,” said Jerry Keller, when he was Merck vice president.

“Salespeople can take off early if they want to. But, in return,” says Keller, “they routinely give their home phone numbers to physicians and stand ready 24 hours a day to answer questions or to fill emergency orders. They pay us back in abundance.”

Timothy W. Firnstahl, founder and CEO of Satisfaction Guaranteed, Inc., which owns four restaurants in the Seattle area, reported on success of his employee responsibility program.

The company’s slogan had been “Your Enjoyment Guaranteed. Always.” But says Firnstahl, “We had given employees responsibility (for good service) without giving them authority. The result was that they tried to bury mistakes or to blame others. I saw it every time we tried to track down a complaint. The
food servers blamed the kitchen for late meals. The kitchen blamed the food servers for placing orders incorrectly.”

The same things happen in other companies. Employees scurry about to avoid responsibility whenever a problem occurs.

“For our guarantee to be truly effective,” says Firnstahl, “we needed to give workers themselves the power to make good on the promise of the guarantee — at once and on the spot. We decided to eliminate the hassle for customers and for ourselves. No forms to fill out, no phone calls to make, no 40 questions to answer, just immediate redress by the closest employee.”

So Firnstahl instituted the idea that any employee could and should do anything to keep customers happy.

“In the event of an error or a delay, any employee right down to the busboy can provide complimentary wine or dessert or pick up an entire tab if necessary.

“Different guests respond in different ways, so we told our employees not to feel limited by the guidelines and to do whatever it took to make sure guests enjoyed themselves.”

Authority Leads to Pride

It took a while for employees to get into the spirit, but soon they found that they liked working for a restaurant widely respected for its commitment to customer satisfaction.

Firnstahl expresses the philosophical basis for empowerment of employees. He says: “Preeminence in any field gives people feelings of self-worth that they could never get from just making a buck. Their power as company representatives increases their pride in the business and that, in turn, increases motivation.”

The movement to give more decision-making responsibility to front-line employees, as a shortcut to customer satisfaction, was given impetus in the hospitality industry by a Quality Assurance Committee at an annual meeting of the American Hotel and Motel Association.

Beliefs Promoting Empowerment

The committee developed this list of beliefs that a manager must have to be successful in quality assurance responsibilities:

• The person doing the job knows best how the job can be done.

• Problem solving and decision-making can be done at the lowest competent level in the organization.
• People are the greatest untapped resource in the organization.

• People rarely rise above the expectations set for them, but they will accomplish more than expected if empowered to do so.

Jan Carlzon, responding to executives who are afraid that employees who are empowered will “give away the store,” said, “What’s the danger of giving away too much? Are you worried about having an over-satisfied customer? You can forget about an over-satisfied customer, but an unsatisfied customer is one of the most expensive problems you can have.”

Motivating employees by giving them more responsibility is a smart business move, considering the high cost of obtaining more business from a dissatisfied customer and the similarly high cost of attracting new customers.

“To get a satisfied customer back is just about free,” says Carlzon. “On the other hand, it costs a small fortune to get dissatisfied customers back. So the danger is not that employees will give away too much. It is that they will not give away anything because they do not dare.”

At Disney World, if a supervisor sees a front-line person “giving away the store,” says James Poisant, former manager of business seminars, “he’ll usually wait and talk it over with him later. “It is okay if a guest gets away with something,” says Poisant. “The alternative is that we could be wrong, and that could cost us a fortune. An aggrieved guest would tell everyone he knows that Disney is cheap. Occasionally, we’ll take a hit, but that’s okay.”

Disney World feels sure that its outstanding training program justifies delegating authority to front-line “cast members.” If you went out to a guest relations window today at EPCOT Center and told them that you did not get value for your money and that you want your money back, the person in the window would most likely make a decision in your favor immediately.

“When you call a number at Disney World,” says Poisant, “the people at the other end can solve your problem. They don’t send you all over the company.”

“Successful service organizations empower individuals to offer the best possible service they can, within reasonable limits,” says Richard Whiteley, co-founder of The Forum Corporation, a Boston-based consulting firm that offers training, consulting, and research services in customer focus.

Decision-making skills for sales associates is getting increasing attention by retailers. Instead of putting the customer through the aggravation of going to a supervisor with a complaint or a special request, many sales associates are given authority to make decisions in certain customer relations situations.
If a problem develops over a return or a credit, or if a customer is a day late for a big sale because she could not get in the day before, sales associates are trained to handle the situations immediately.

Imagine how good a customer feels when a clerk offers an immediate exchange of a purchase instead of fighting you all the way through to store management. Imagine the good opinion that a customer develops of a store when a salesperson says, “I know just how you feel. I want to apologize for the inconvenience” instead of saying “I’m sorry, that’s our policy” or “I need to talk to my boss first.”

At Johnson & Johnson in Racine, Wisconsin, customer service reps refund up to $50 without higher approval.

**Motivation Through Responsibility**

The benefits of motivation through responsibility can be spectacular. Consider how much Federal Express has benefited from word-of-mouth reporting of this incident: a courier’s truck broke down while he was making deliveries. He called a tow truck, then persuaded the tow truck driver pulling the courier’s truck, to follow a route that just happened to coincide with his delivery route — and to stop at each delivery site! This Federal Express courier met his delivery deadline with a broken-down truck.

The policy of pushing decision-making responsibility as far down the line as possible resulted in an enlightened business decision that would not have been made had the courier felt constrained to follow the policy manual. Nowhere in the Federal Express policy manual, you see, are employees given permission to make deliveries from the end of a tow truck cable.

**Implementing Empowerment**

You might say that the first step in instituting an “employee responsibility system” is to outlaw the phrase “That’s not my job” or it’s many malevolent or obscene variants. Then give sales and service people wide latitude to act as “the company” when they are confronting a problem face to face. Turn them loose to make decisions instead of requiring them to perform by rote.

**Remove the Shackles**

Identify policy changes that will help employees serve customers better; then push for top management approval of them.
Identify Decision-Making Opportunities
Show employees the specific situations in which they can “bend the rules.” And publicize rule benders.

Support Empowerment
Top management should tell employees, emphatically, that not only do they have freedom to do whatever is needed to keep a customer’s business, but that also they are expected to exercise that freedom. Tell them that they are being given responsibility and authority to do, immediately, whatever they think is right.

Flatten the Pyramid
Any business organization seeking to motivate employees to provide immediate, on-the-spot service must flatten the corporate pyramid. This means eliminating hierarchical tiers of responsibility in order to facilitate exercise of authority by front-line employees.

“Managing” is thus shifted from the executive suite to the operational level where everyone is now a manager of his or her own situation. When problems arise, each employee has authority to determine appropriate action and to see to it that the action is carried out by himself or herself or with the help of others.

I urge you to take a close, hard look at your organization. If you can flatten your pyramid, you will be creating a far more powerful and resilient organization that not only serves customers better but also unleashes the hidden energy within your employees. The results can be astounding.

Before this can be done successfully, though, upper levels of the old pyramid must understand that their roles are greatly changed. They are now leaders making it possible for those out front to make operational decisions. It is just that some of their decision-making authority has been transferred to front-line employees.

Make sure; however, that supervisors understand that under the principle of greater responsibility for front-line employees they must come to terms with a seeming diminution of their authority.

When employees are “empowered,” the boss’s real role is to serve the employee, and the purpose of the employee becomes to serve the customer. When this happens, the bottom line takes care of itself.
Convey a Feeling of Security

Employees should know that they will not be fired if they make a mistake and that it is all right to make mistakes in the process of working to win customer satisfaction. Only then will they dare to use their new authority fully.

Having knowledge and information is not enough if employees believe that a wrong decision may attract the fury of their bosses or even result in the loss of their jobs.

Security is the result of a heightened sense of self-worth that greater responsibility bestows.

“A good customer-service person must have the right to say, without fear, ‘To heck with the company’” is the way Hawken expresses this concept.

Give Employees Justification for Making Decisions

A personal “reason” to change is needed. Unfortunately, most front line employees have been following regulations for so long that few have the courage to try anything unusual. So emphasize this step.

One airline did it by communicating management’s “vision” for the company to employees. (Company philosophy and goals are not shared with employees by very many companies. They should be.)

The company operated on the principle that anyone who is not given information about goals and philosophy cannot accept responsibility, while anyone who is given responsibility cannot avoid assuming it.

Once employees understood the company’s “vision,” they accepted responsibility with enthusiasm. The result was many beneficial developments in the company.

Provide Guidelines for Employees

Give employees clear but general guidelines so they have room to maneuver and to think creatively. Employees should operate under decision-making guidelines that say, in effect: “These are the types of things you can do for the customer.”

Rick Phillips, New Orleans business educator, recalls an incident in which an employee made an enlightened customer-satisfying decision on the basis of a general guideline. “A waitress serving the table behind me in a Washington, D.C., restaurant, said Phillips, “told her customers that there would be no charge for their meals since the restaurant did not have the wine the diner who was
hosting the group had ordered. The manager told me that the waitress made the decision on her own because the paying customer was a regular. The wine was the one he ordered at least once a month to impress his clients.

The manager said that every time a business diner leaves his restaurant disappointed, he risks losing up to $3,000 per year. ‘I am a small businessman,’ he said. ‘I can’t afford that.’”

Utilize the Knowledge and Experience of Front-Line Employees

Organizations of all kinds handcuff their employees with rules and policies instead of taking advantage of the motivational value of greater personal responsibility. They clearly tell employees “Do what you are told. Follow the rules. We are not interested in what you think about the situation.”

Instead, take the principle of greater front-line responsibility one step further by consulting the expertise of experienced employees.

For instance, ask employees for suggestions on changing rules that might be well-intended but result in more customer hassles and turnoffs than is warranted by the low costs of rule changes.

After all, who knows more about an organization’s products and customers than its front-line employees? Day after day they work right at the point where the business thrives or dies.

Summing up the values of employee empowerment, Whitely of the Forum Corporation says: “You must give people authority far out on the line where the action is... By giving them security, authority, and the right to make decisions based on current market conditions, you put yourself in the best position to gain a competitive edge.”

MOTIVATE EMPLOYEES BY TREATING THEM WELL

A good case can be made for maintaining that an organization will not have employees who treat customers well if the company does not treat employees’ well. Equitable, individual treatment of employees is motivational.

“Show me a club whose employees don’t serve people and I’ll show you a club whose employees aren’t being served,” says Michael Scudder, vice president and general manager of The Club at Montrose in Montrose, New York.

Along with emphasis on guest relations, the Ramada Renaissance Hotels
CARROTS ARE MOTIVATIONAL FOR EMPLOYEES

has set elimination of the “caste system” found in many hotels as one of its objectives.

Management promotes the view that every job is important, whether it is cleaning glassware or cleaning the floor, and that every employee’s job is guest relations. While other hotels are busy constructing buildings that look beautiful, the Ramada Renaissance is staffed by beautiful people. Management is willing to bet that beautiful people will win out every time over beautiful buildings and appointments.

It is essential that employees “feel good” about their jobs because motivation is vital. You cannot just order employees to do this or that and expect them to carry out your orders enthusiastically. That is like the drug program that suggests. “Just say ‘No.’” Without enthusiasm and commitment, just saying “No” or just saying “Have a nice day” is not enough. Lack of enthusiasm will be painfully and embarrassingly clear.

Managers have a responsibility to treat their staffs with the same respect they should be showing their customers. This respect translates into motivation to work toward objectives established by management, including customer satisfaction.

Managers should look upon employees as their customers.

A management team must honestly respect, appreciate, and value employees. But many managers believe that a person working for $6 to $10 per hour could not possibly have any real value.

If managers are not inclined by their own values to respect employees, they ought to consider the increasing difficulty of finding good employees as a reason for doing so.

Treating employees like human beings will induce good employees to stay and motivate them to perform in the best interests of the company — that is, to give service to customers and to win their satisfaction.

The People Department

Wal-Mart’s former “human resources” department now is called the People Department. The Army and Air Force Exchange Services also have People Departments now instead of personnel or human resources department.

Many companies are repudiating the anti-human attitude betrayed by reference to new employees as “new hires.”

At Disney, management style comes down to this: In any business that
depends on a frontline of employees, management must not only support it but trust and respect it as well.

“There was a time when people were ‘factors of production’ managed little differently from machines or capital. No more. “The best people will not tolerate it,” says Robert Waterman, in The Renewal Factor: “...if that way of managing ever generated productivity, it has the reverse effect today. While capital and machines... can be managed toward sameness, people are individuals. They must be managed (as individuals),” says Waterman.

A small business owner, Dale Boozer, President of Boozer Lumber Co. in Columbia, South Carolina, puts Waterman’s views into practice. He says: “We treat employees as important parts of the organization. We don’t make decisions involving them without their input. We try to structure vacations when they want to take them rather than when it’s convenient for us. We try to help them with incentive programs to earn extra money.”

The payoff comes when, as Boozer says, “People want to work here.”

There is power in a feeling of self-worth. Give employees a feeling of self-worth and you will have laid a solid foundation for your customer satisfaction program. As Elaine Grossinger-Etess, former President of the American Hotel and Motel Association said, “We need to instill self-worth in our employees. Employees need to be nurtured, trained and motivated. I think that will work wonders for morale and motivation.”

MOTIVATE THROUGH ORGANIZATIONAL COMMITMENT

When total commitment to customers becomes the culture of a company and when top managers continuously fortify the commitment with actions and words, then employees, too, become committed, motivated.

Commitment is not something that management can establish by edict. Instead, it is the result of extensive communication and management’s ability to turn grand causes into small actions so that people throughout an organization can contribute to a central purpose.

The most motivating causes focus on quality products, service to the customer — making the work people do seem worth the effort — and on people quality, helping people believe in their individual worth.

Profit, alone, is not one of the causes that inspires much loyalty among the rank and file, unless company survival is at issue. Even then the profit motive,
for the average employee, may not be enough to motivate them.

The best companies build a customer-oriented culture with a combination of cooperation, communication and commitment.

MOTIVATE WITH EMPLOYEE INVOLVEMENT

We have said repeatedly that a customer service program will achieve its full flower only if every employee is enlisted in the cause. Scott Paper Company is just one of many companies that practices this policy. Customer commitment often is developed through listening: Lee Iacocca, former Chairman of Chrysler Corporation, says that Chrysler listens to what its employees have to say about customer service.

Elaborating on “Team Spirit,” listed earlier as one of “Ten Motivators,” American Express’ Customer Service Task Force, made up of key people from each section’s customer service division, is a clearinghouse where employees meet to discuss service problems in their departments. Employees become involved with the entire company by discussing problems and creating solutions.

At CUNA Data each customer service department meets with its supervisor and training coordinator every quarter. They discuss obstacles to quicken and correct achievement of their objectives.

The result? Ideas. Ideas ranging in subject matter from changing procedures to changing forms design.

Surveying employees is a form of communication between employees and managers, so the surveying process can strengthen employee and managerial relations. By asking employees for their input on a survey, employees will feel like their feelings and ideas are being valued. This sense of value and appreciation, in turn, may boost employee morale because it lets employees know that they matter to the company.

Satisfaction Standards

Hilton Hotels Corp. spent two years developing a chain-wide quality assurance program for its 270-plus franchised properties. Out of initial research came a list of more than 300 guest satisfaction standards. The chain designed a video training program to communicate the standards to employees.

Hilton Hotel staff form quality teams that meet once a week to discuss
problems and look for solutions. Each department in a hotel, from housekeeping and engineering to management, has a team. Interdepartmental teams are made up of each unit’s manager. Usually, each team is charged with determining performance and service standards, and employees often write their own job descriptions.

At weekly meetings, grievances are aired and divisions of responsibility between departments discussed and devised. Any recommendations for change made by a team are channeled through management, which will decide whether or not to take action.

Some small hotels might put representatives from different departments, such as the front desk and housekeeping, on each team. Such interdepartmental representation has the advantage of allowing members to understand better what their co-workers’ jobs entail.

At an annual conference of the National Retail Merchants Association, Leonard Berry, retail professor and consultant from Texas A & M University in College Station, implored several hundred retail executives to motivate employees to perform at their most enthusiastic and committed levels of customer service by inviting them to help establish performance standards and goals.

Berry asked the executives to train employees and to treat them well; to pay them enough so they can “sustain themselves”; and to reward them for exemplary service. “It should help bring customers back for more,” said Prof. Berry.

**Involve Employees With Information**

When employees are “in the know” about company objectives and programs, they identify with them. They are motivated to promote company interests, if communications to them stress their value in achieving objectives.

Treat employees as if they have a need to know how the company is faring in customer satisfaction. Actually, they do have a need to know. They’re the ones who bear primary responsibility for providing service that satisfies customers.

In the forward to a publication, “Close to the Customer,” the American Management Association calls for keeping the people who actually do the customer contact work — the front-line sales people — well informed. The AMA suggests that:

- Employees should receive consumer comment/complaint reports.
- Everyone should be let in on the results of (800) number calls.
• Videotape meetings at which customer service is discussed and show the tape to everyone.

• Let everyone in on results of mail/phone questionnaire programs. Post results throughout the company for everyone — including customers — to see.

• Run focus groups on the topic: “What is it like to do business with us?”

USE MOTIVATION TO REDUCE TURNOVER

When a workforce is highly motivated, turnover and recruitment problems tend to solve themselves. If you regularly reinforce motivation, you end up with more experienced employees who deliver better service.

Once employees are delivering quality service, you will have a powerful restraint on turnover.

When employees get into the swing of giving customers the best service they can... when they find themselves dealing with friendly, smiling customers who return often... then they enjoy their work. No more do customers assume that employees are going to be incompetent and surly and treat them as if they are ignorant and rude.

Customers as Friends

When customers become friends instead of antagonists of an informed service, a job is far more pleasant for an employee than a clock-watching job that is so boring it is hard to get up in the morning. This is the kind of job that employees try to keep. When turnover rate drops as a result of quality service, so does the overall cost of labor, including the cost of hiring and training.

Positions stay filled with competent people whose quality service skills continue to maintain customer loyalty, thereby reducing the amount you spend on marketing to replace customers who skip to competitors. No more standing “Help Wanted” ads. No more continual interviewing and reference checking. Far less paperwork all around.

Reducing Turnover

The most effective means of reducing employee turnover is not “Pay them more.” It is not “Improve benefits.” It is not creating a lot of “executive” janitors, “executive” receptionists, and “executive” housekeepers. And, it isn’t sending
them cards on their birthdays or a turkey at Christmas, either.

The most effective means of reducing turnover is recognizing, appreciating and motivating employees to high quality performance from which they derive satisfaction that leads them to work hard to retain their jobs.

One of the major results of a Service Quality Institute customer service program at Kroger’s, the largest supermarket chain in America, was reduced turnover and absenteeism.

**Turnover Hints of Poor Service**

Reduced turnover is such an established result of employee motivation as a result of quality service programs that its opposite — increased turnover — should be considered a warning that a company may not be customer-focused.

This was one of the major findings in a survey of more than 700 companies throughout the world by the Forum Corporation. Turnover is directly associated with employee opinion of service quality. Some employees

This was one of the major findings in a survey of more than 700 companies throughout the world by the Forum Corporation. Turnover is directly associated with employee opinion of service quality. Some employees who leave, Forum found, do so because of dissatisfaction with their firm’s poor internal and external service quality and the pall of negative attitude that hovers about the workplace.

So if your objective is quality service to customers and reduced turnover that yields a work force more capable of delivering that service, consider the intangibles of respect for employees and value for their ideas. Consider giving them authority to make customer satisfaction decisions when customer satisfaction is their responsibility. Consider recognition, personal satisfaction, and opportunity for personal improvement. Consider keeping employees informed, and taking them into your confidence.

Organizations that do not provide sufficient and frequent training opportunities for employees are doing themselves a disservice. These organizations are missing out on employees that are dedicated to their companies and knowledgeable in their fields, and with sufficient training, have the potential to do well in higher positions.

‘The times they are a-changin’. If you really want quality service, it’s time to commit yourself to excellence in employee relations.
“Quality of service is more important than price. Price will bring shoppers but not customers... (But), give the customer something worthwhile and she or he will pay what it’s worth.”

— TOM PETERS AND NANCY AUSTIN, A Passion for Excellence

TACTICS AND STRATEGY IN QUALITY SERVICE

No business executive believes that he can build a successful career out of one-time sales, unless he sells the Brooklyn Bridge to an unsuspecting Arab oil sheik. Repeat sales are a necessity because customers always drop by the wayside if for no other reason than that they move or they die or, if the customer is a company, the employee who does the buying moves or dies.

Attrition is significant because few companies can depend on a continuing flow of new customers to replace customers who stop buying.

So, customer loyalty is very important to most companies. And what’s the best way to assure customer loyalty? Service.

Service that earns satisfaction.

Customer satisfaction is a highly cost effective strategy because it reduces the amount of new customer development that must be done. The cost of attracting new customers generally is five times greater than the cost of keeping the ones you already have, according to a rule-of-thumb standard that’s been applied in the customer service field for years.
BASIC STRATEGIES

Certain basic strategies in the customer service field are essential to success. Consider them. Adopt some and discard others. But, use them all to stimulate your creative instincts.

First, let’s consider strategies disclosed in findings of a Chief Executive magazine survey. Some 1,000 chief executives were asked for their views on how to improve customer satisfaction. The sample was slightly skewed toward larger companies and toward the manufacturing sector.

According to a report in Chief Executive magazine, “We expected some difference in what the improvers (companies that improved their customer service) would recommend to others as the place to start, or the place to devote the most resources. In fact, there is little difference in the rank ordering of priorities for recommended projects.”

Starting Points

The most important points at which to start a customer service program, in declining order of frequency with which they were mentioned, are:

1. Increase top management attention to customer satisfaction.
2. Improve product quality. This move received the highest number of votes in the “where to spend the most money” category.
3. Customer satisfaction training for employees. Second on “where to spend the most money.”

Besides asking respondents for their recommendations of the place to start a customer service program and the place to devote most resources, Chief Executive analyzed responses to determine the most important differentiations between companies that improve service and those that do not improve. They are:

1. Changes in customer handling policies and procedures by those that did improve service.
2. Formal customer surveys.
3. Formal internal reporting of performance.
5. Top management action.
6. Actual change in organizational structure. There’s further guidance
for your service program development in a consideration of strategies and tactics recommended in various other studies and reports. They employ similar language in recommending their agendas:

a. Three basic characteristics:
   (1) A written service strategy
   (2) Customer-friendly systems
   (3) Customer-oriented front-line employees

b. Tactics used most often to achieve customer satisfaction:
   (1) Quality control and product assurance
   (2) On-time delivery of product/service
   (3) Ability to expedite special customer requests

c. Successful service organizations share these characteristics:
   (1) Strong vision
   (2) They temper high-tech systems and methods with person-to-person dealings
   (3) They hire and promote on the basis of success at providing service
   (4) They communicate to customers the existence of service
   (5) They measure service and make results available to employees

d. Strong similarities:
   (1) They make outlandish efforts to hire only the right people, to train and to motivate them, and to give them the authority needed to serve customers well
   (2) They keep an especially sharp eye on the competition
   (3) They ask customers to rate quality of service they receive
   (4) They invest earlier and much more heavily than their competitors in technology to support customer service.

Sandra Tuck, when she was a principal in the management consulting firm of Booz, Allen & Hamilton Inc., reported that only 47 of 101 service-oriented companies that the firm surveyed had effectively “leveraged technology” to deal with customers. Only 47 had provided employees with the technology they needed to service customers “exceptionally well.”
“Customer service people should not just act as if they are staffing a complaint desk,” says Ms. Tuck. “Customers must know you are thinking about them and acting in their behalf.

She cited L.L. Bean Inc., the Maine clothing and outdoor equipment retailer that uses computers to determine whether items are in stock and to give telephone-order customers a quick idea of delivery dates.

Federal Express’ ability to track packages is another example, she says. “Two packages we mailed from our office recently had their mailing labels switched by mistake. I called Federal Express and it was able to track the packages and have the driver of the delivery truck change the labels.”

Ms. Tuck suggests that customer service employees should be “less reactive and more pro-active” in dealing with customers. For example, she says, sales personnel should not only listen and react to complaints about merchandise, but they should also go a step further by consulting a computer to determine whether the correct item was in stock and how soon it could be delivered, as L.L. Bean does.

A MATRIX: UNIVERSAL REALITIES

There are certain “great truths” about quality service that should overlay all action. Together they constitute a matrix of service that should guide the implementation of all service strategies.

1. Treat customers like life-long partners. Do it by listening to customers’ expressions of needs and wants. Then help them obtain the service or product that serves those needs and wants best whether they’re in your inventory or not. This is the proper procedure when you expect customers to return again and again over a long period.

2. Do not disappoint or anger customers. See Chapter 11 for guidance during occasions when you fail to achieve this objective.

3. See the business through customer eyes. Call it “empathy.” At T.G.I. Friday restaurants, a chain of bistro type restaurants, all managers are expected to sit (literally) in every chair. They see and experience the restaurant and its service of view of all customers. Southland’s Corporation familiarizes employees with customer perceptions with reports from mystery shoppers who routinely check out store image, merchandise and service from the customer point of view. Empathy is an important ingredient in the service business. How one handles a
service problem, indeed, is as important to customers as the solution of the problem itself.

4. Deliver more service than you promise or than customers expect. This is a wonderful way to build customer loyalty upon their feeling that they got a “good deal.”

Practice the “and then some” principle. Your products do all you say they will... and then some. Service is prompt, reliable and courteous... and then some. If a customer needs help once a sale is complete, help the customer... and then some.

Delivering more service than customers expect is a subtle competitive tactic that competitors usually do not notice. In the process of building volume you can confuse your competitors. They will not understand how you are doing it.

5. Try to get better. Imagine a mental fluorescent sign that flashes the questions: “How are we doing?” (Fine, but we can improve.) And: “How can we get better?” (Apply the answers as if they were an action agenda.)

COMMON CHARACTERISTICS OF QUALITY SERVICE

In selecting programs and projects that will be most effective for your organization, consider what usually works well for most companies. Here are common characteristics of successful service programs. Their order in this presentation is not an implication of their relative effectiveness.

Customer-friendly Service Systems

A customer-friendly system is one whose basic design makes things easy for the customer, not primarily for the company. Such systems are a very noticeable contrast with the common practice of subordinating convenience for customers to convenience of employees and the cost advantage and “policies” of the company.

“We used to look for ways to make the work easier for us,” said Chris Cox when he was chief of staff for the New Jersey Division of Motor Vehicles charged with improving service. “Now, when we redesign work we do it to make things as easy as possible for the customer.”

Suggesting methods used in developing an improved service system, Cox
said: “If you are going to make real, lasting change for the customer, you have to make real, lasting change in the infrastructure of the organization.”

**Require Friendliness**

Employees should be taught in no uncertain terms that friendliness is expected not just encouraged. Follow the guidance of Mike Worsfold, managing director of Partnering Designs, a Toronto management consulting firm, who says: “You don’t smile just because the sun is shining and you had a good breakfast. You smile because it’s your job to do so.”

Bob Hynes, former sales manager and manager of store development for TruServ Corporation, responsible for training, says salespeople in hardware stores sometimes are “almost curt in their role of ‘skilled advisors.’ They use housekeeping chores as an avoidance technique.” They sweep the floor or stock shelves while talking out of the sides of their mouths to customers, he says.

These are customer-friendly systems: Fast service, informational signing, convenient display, in-stock condition, check-out carts with wheels that actually turn, and employees who know what they’re doing. A customer-friendly system also means honesty, good communication, and The Golden Rule.

But, consistently high product quality is the most important feature of customer-friendly service, to some organizations. This is a very enlightened attitude.

At Nordstrom’s department stores employees are given carte blanche to fulfill the one overriding rule on the sales floor: The customer must leave satisfied.

**Quality People**

Hire people for whom it is not an unnatural act to be helpful and friendly. Then train them in additional, sophisticated service techniques and practices. And motivate them. Publicly recognize them and reward them.

Do these things and you are not likely to have employees who walk around with an expression that comedian George Carlin called DILLIGAD — “Do I look like I give a damn?” (The answer is “No.”)

Review your personnel management system regularly to make sure you are still doing your best to find quality people and then to train them effectively. Answer these questions:
• Does our recruiting and hiring attract people who can fulfill service roles effectively?

• Does new employee orientation convey the service strategy? (Does the Employee Handbook, for example, have a section on service?)

• Do training programs advance the cause of effective service? Does the appraisal system provide feedback to employees about effectiveness of their customer service efforts? It’s unlikely that employees will improve their service practices without constructive feedback. Tell them... specifically... the service performance that you expect of them.

Several years ago I introduced a very explicit four-page, 32-item customer service performance standards form. (The first page appears in the Appendix.) A performance standards scale is needed because employees must know specific behavior that you expect of them. Many performance standard forms are far too vague and general.

**Committed Management**

Management, particularly the CEO, must be committed in word AND deed to service as a basic management principle. A quality service program probably won’t get off the ground without management commitment that is genuine, continuous, and visible to every employee. Commitment leads to a corporate “culture” that favors, encourages, rewards, and, yes, admires quality service and the people who provide it.

**Availability of Service**

Staffing level should be high enough to respond to customers promptly. If customers wait 10 to 15 minutes to complete a one-minute transaction, you’d better add employees at the problem point. When a customer sees a long line at a check-out counter and returns the product to the shelf (or just drops it on the nearest shelf) rather than waiting to buy it, you might begin to have nightmares in which you see a janitor burning money.

Adequate staffing is just as important for mail order companies and for those that do much or all of their business by phone.

Sometimes adequate staffing is accomplished with a simple change in procedure. For instance, when an employee is servicing one customer and another customer calls on the phone, teach the employee to politely promise the caller that he or she will return to the phone as soon as the on-going sale has been completed.
JetBlue Airways

A good example of a firm that mastered these quality service characteristics is JetBlue Airways. The airline started in Queens, New York in February 2000 with $130 million from investors. It wanted to be a different kind of airline--younger, fresher and more innovative. It looked at ways to reduce the hassles of flying and to simplify the traveling experience. The major U.S. airline carriers had a monopoly attitude; their goal was to charge as much as possible and make flying miserable.

JetBlue decided to focus on high-quality customer service, and low price. All seats are coach with custom leather seats and 36 channels of free Direct TV. On flights of two hours or more, the airline runs movies and bonus features from FOX InFlight. To keep costs low, JetBlue decided all travel would be ticket-less. Currently about 76 percent of tickets are booked online and Saturday night stays are required. Forcing passengers to spend the weekend away from their families to save money on a ticket was the standard of the major US carriers. With JetBlue, all seats are assigned, all fares are one-way, and an overnight stay is never required and a change fee is $75.00 plus difference in fare.

During the past five years, approximately 97% of their growth has been targeted to their six focus cities, New York, Boston, Fort Lauderdale-Hollywood, Orlando, Long Beach and San Juan, Puerto Rico, and 92% has been in New York, Boston and Fort Lauderdale. During 2017, over 92% of our Customers flew on nonstop itineraries.

JetBlue’s first flight was February 11, 2000, the year of the stock market crash in the U.S. In 2001, the terrorist attacks of 9/11 destroyed the U.S. airline industry and the U.S. economy. But in just 18 years JetBlue has gone from zero to $7.6 billion in revenues, with profits in 2018 of $1.1 billion. It is now the 7th largest airline in the U.S.

In 2005, JetBlue’s impact in the market forced all the U.S. airlines into bankruptcy, except for Southwest which is in a league of its own. In just 5 years, the emergence of a new company that eliminated the hassles of flying, with very low costs and billions in revenue and millions of customers, destroyed the U.S. monopoly.

JetBlue delivered record financial results in 2016 demonstrating the power of their differentiated business model with their seventh consecutive year of profitability. Aircraft utilization (hours per day) is 11.8 and the average fare was $175.11 in 2018. JetBlue was named one of the Top 25 Places to Work in Forbes annual survey and received their eleventh consecutive J.D. Power award.
In 2018, JetBlue carried over 42 million Customers with an average of 1,000 daily flights and served 101 destinations in the United States, the Caribbean and Latin America.

JetBlue feels they have three primary competitive advantages:

1. Differentiated Product & Culture – JetBlue offers the most legroom in coach, free TV, snacks and Fly-Fi on its flights. Combined with award winning service from our dedicated employees, whom we refer to as Crewmembers, we believe we offer the most compelling product in the sky.

2. Competitive Costs – Our cost structure is lower than our larger network competitors. This enables us to offer attractive fares, grow our network, and still focus on profitability and shareholder returns.

3. High Value Geography – We operate from six focus cities in some of the largest travel markets in the United States. We plan to continue to grow our network, with most of our flights touching at least one of these focus cities.

The lesson to be learned is two fold. Anyone can start a business and crush their competition if they copy the principles we have been talking about in Achieving Excellence Through Customer Service and in this chapter. Any business can be forced into bankruptcy or put out of business if it loses its focus on superior service and does not eliminate the hassles of doing business. JetBlue is an e-Service leader. It mastered price, technology and speed built around service. Every business should always run scared and look for ways to create loyal fans.

While JetBlue’s total network currently represents only approximately five percent of the U.S. domestic market, they continue to grow profitably in very lucrative markets. The cities they serve include some of the largest high-value travel markets and most densely populated areas in the country, including New York, Boston and Florida. They have approximately 30% of their capacity in the Caribbean and Latin America. JetBlue’s distinctive culture is a key competitive advantage. Their 21,000 crewmembers are highly engaged, proud to work for JetBlue and provide outstanding customer service on a daily basis. JetBlue is New York’s Hometown Airline®, and a leading carrier in Boston, Fort Lauderdale - Hollywood, Los Angeles (Long Beach), Orlando, and San Juan.

It is the only post-deregulation airline to fly into a second decade under its own brand, without having to restructure or grow through merger and/or acquisition.
JetBlue’s focus on providing differentiated customer service at a competitive fare, with options to upgrade the inflight experience, is a key aspect of their business strategy. Their key value proposition and marketing message is that competitive fares and quality air travel need not be mutually exclusive.

Their success depends on our Crewmembers delivering a terrific Customer experience in the sky and on the ground. One of their competitive strengths is a service orientated culture grounded in their five key values: safety, caring, integrity, passion and fun. They believe a highly productive and engaged workforce enhances customer loyalty. Their goal is to hire, train and retain a diverse workforce of caring, passionate, fun and friendly people who share our mission to inspire humanity. Their culture is first introduced to new Crewmembers during the screening process and then at an extensive new hire orientation program at JetBlue University, their training center in Orlando. Orientation focuses on the JetBlue strategy and emphasizes the importance of customer service, productivity and cost control.

To learn more about the airline, go to www.JetBlue.com. If you have an opportunity to fly the airline it will provide another opportunity for you to benchmark yourself against a real service leader.
FEELINGS
Performance Standards

Performance Period:
30 days from __________ to __________   Employee: ________________________________
90 days from __________ to __________   Position: ________________________________
6 months from __________ to __________   Average hours per week: __________________
Supervisor: __________________________ Date of last review: ______________________

(New employees should be evaluated after 30 days; regular employees with frequent customer contact every 90 days; and those with less contact every 6 months.)

Instructions: In every category circle the number for the statement that best describes the behavior or attitude of this employee.

SECTION I: ATTITUDE
Perceived Attitude:
1. Uneasy, negative attitude
2. Helpful, but tends to avoid interaction
3. Positive, helpful, confident, courteous
Comments: ______________________________________

Self-Care and Overall Impression:
1. Shows little concern for himself/herself
2. Takes steps to try to improve
3. Consistently improving
Comments: ______________________________________

Sincerity:
1. Pays little attention to communication expressed
2. Shows some concern and sincerity
3. Displays caring commitment
Comments: ______________________________________

Ability to Handle Stress:
1. Falls apart under pressure
2. Requires reassurance and feedback
3. Independently able to recover and regain positive attitude
Comments: ______________________________________

Positive Feedback
1. Avoids positive feedback with others
2. Generally shows appreciation of others’ work
3. Consistently appreciative of others; generous with compliments
Comments: ______________________________________

Accountability:
1. Blames others for personal deficiencies
2. Usually takes responsibility for performance
3. Consistently accountable for the quality and delivery of all projects and tasks
Comments: ______________________________________

Subtotal: __________
FEELINGS
Performance Standards

SECTION II: CARING COMMUNICATION

Awareness of What Is Said:
1. Shows little concern
2. Somewhat unsure of significance
3. Shows pride and acts professionally

Awareness of How Things Are Said:
1. Unconcerned with body language
2. Somewhat unsure of significance
3. Consistently expresses Caring Communication nonverbally

Overcome Barriers of Caring Communication:
1. Does not work to succeed despite barriers
2. Has some success overcoming barriers
3. Consistently able to avoid barriers or completely overcome those who do get in the way

Avoids Uncaring Communication:
1. Exhibits a negative attitude
2. Communication is normally good
3. Displays consistent habits of Caring Communication

Quality Care Skills:
1. Unorganized
2. Somewhat organized, but often inefficient
3. Exhibits helpful organizational skills built on logic

Phone Skills:
1. Unaware of tone and content of what is said on the phone
2. Speaks courteously, but avoids phone conversations
3. Consistently recognized for efficiency and courtesy

Teamwork:
1. Does not contribute to team effort
2. Offers suggestions and occasional contributions
3. Team oriented

Subtotal:_________
FEELINGS
Performance Standards

SECTION III: PERFORMANCE

Quality of Performance:
1. At or below minimum requirements
2. Generally good performance; strives for improvement
3. Efficient, reliable, and effective

Comments: ____________________________

Follows Through on Promises:
1. Lacks follow-through
2. Usually remembers
3. Consistent follow-through

Comments: ____________________________

Ability to Satisfy the Demands of the Job:
1. Uncertain and hesitant in discovering needs
2. Demonstrates good questioning and listening skills
3. Takes responsibility to use Caring Communication to meet customer and co-worker needs

Comments: ____________________________

Ability to Handle Problem Situations:
1. Experiences frustration; makes no attempt to handle problems
2. Attempts to handle situations
3. Usually succeeds in solving problems

Comments: ____________________________

Empowerment:
1. Rarely makes empowered decisions
2. Makes some empowered choices
3. Consistently makes informed and empowered decisions

Comments: ____________________________

Subtotal: __________

OVERALL PERFORMANCE

Section I: Attitude

Section II: Caring Communication

Section III: Performance

Section I – III Total

FEELINGS Performance Standards

This evaluation may be used as input for your employee evaluation and may become part of your official record. If you do not agree with your supervisor’s comments, you may offer a written rebuttal.
# Suggested Performance Standard Evaluation

<table>
<thead>
<tr>
<th>Score</th>
<th>Rating</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25</td>
<td>Below Standard</td>
<td>Requires frequent supervision and direction to achieve minimum job performance. Should attend FEELINGS again.</td>
</tr>
<tr>
<td>26-33</td>
<td>Occasionally Below Standard</td>
<td>Needs more training and should review appropriate parts of the program again.</td>
</tr>
<tr>
<td>34-41</td>
<td>Standard</td>
<td>Performance expected of an experienced employee. satisfactorily performs all aspects of the job and consistently meets FEELINGS performance standards.</td>
</tr>
<tr>
<td>42-49</td>
<td>Excellent</td>
<td>Above average in utilizing Caring Communication to deliver quality customer care. Consistently exceeds job requirements with above-average quality. Consider as a candidate for promotion and advancement. Could be a good leader for future training programs.</td>
</tr>
<tr>
<td>50-54</td>
<td>Outstanding</td>
<td>Demonstrates exceptional attitude, performance, and communication skills. Outstanding performance on a level not frequently achieved by others. Prime candidate for promotion or advancement within the organization. Excellent leader for future FEELINGS sessions.</td>
</tr>
</tbody>
</table>

__________________________________________

__________________________________________

Review Date: __________
Date Reviewed: _________
Employee Signature: ____________________________________________
Renewal and Reinforcement of the Service Concept

Service programs always lose momentum six months to 12 months following their installation. The first round of training has ended several months earlier. All the easy-to-find solutions to problems have been applied. That leaves only the tougher problems, the ones that cause discouragement... and malaise. Service leaders practice reinforcement and renewal of service programs like a religion.

It’s a serious error for the management of an organization to set a service program at the top of the hill, to give it a push to the accompaniment of “The Light Cavalry Overture,” and then to turn their backs and go on to other projects. Management must drive a service program with continuous attention manifested in active, personal commitment, in on-going training, and in standards that are regularly reinforced.

Communication with Customers

You know what they want. They know what to expect of you.

The American Management Association found in a survey that “high-growth companies” stay in touch with their markets and willingly spend the money to do so. They know their customers and they keep their knowledge fresh.

Customer communication is important because from it you learn things that you cannot learn any other way.

• You learn whether they’re satisfied.
• You learn what they bought and what didn’t buy, and why.
• You learn what they came in expecting to buy and to pay.
• You learn preferences and how they are changing over time.

The missing link in service often is intense awareness of the customer’s point of view.

Managers must be taught to realize that, from the customer’s point of view, dozens of things can go wrong — from improper recording at the outset of a transaction to late delivery and denial of service at the other end. A single mistake, from many possible errors in actions and decisions made, can alienate a customer.
In the Customer’s Shoes
The best we can do is put ourselves in the customer’s shoes: Do things for a customer the way that the customer would do them for himself/herself.

Two-way communication is vital to quality service delivery. If we are going to have a chance to win customer satisfaction we need to know what the customer thinks — our customer, not the “average” customer who populates national economic statistics.

Bradley Printing Company invites representatives of client companies to watch their jobs being manufactured in the printing plant. They tell employees that clients are very interested in how their projects end up.

The company found that customer satisfaction went up dramatically. One Bradley vice president said: “Our employees were capable of relating to what their customer wanted and took pride in what they were doing.”

A fine example of two-way communication is noticeable in a company that offers drilling services to the oil and gas industry. A vice president of the company reports: “Our sales force visits the purchaser before every job. Salespeople review data and interpret it for the client’s chief engineer. Then they return to the home office and make recommendations on the basis of their interpretations of the data obtained from the client.”

Tragically (for the outlook of a company) some companies feel that talking with customers is a colossal waste of time.

Talk With Customers Slows Sales?
Mark Coborn, Retired Executive Vice President of Coborn’s, a very successful supermarket chain (www.cobornsinc.com) with over 120+ retail locations throughout the Midwest and nearly 8,000 dedicated owners, says, “Some food retailers focus their employees’ efforts totally on productivity. Talking to customers is not emphasized and so it does not happen. Some even think this is good for productivity. They forget that making customers feel good about their shopping trips increases sales, and therefore, increases productivity. This is truly a people business.” So is any business that sells to people.

Generous Return Policy
I estimate that 90 percent or more of all claims and requests for adjustments are justified, in most industries. Most retailers estimate that dishonest customers who return items that they have already used or bought elsewhere account for
fewer than 5 percent of returns. Therefore it makes no sense whatsoever to thoroughly examine the basis for every claim, thereby running up costs and reducing the profit margin on a sale or assuring a loss. Adopt a no-fault approach to claims and requests for refunds or returns unless the amount involved is very high. The result will be an overall savings in the cost of processing claims plus substantially improved customer good will.

Gwen Baum said, when she was director of customer satisfaction for the Neiman Marcus department store chain: “If you let profit protection or security rule the way you treat customers, satisfaction is bound to suffer.”

Neiman Marcus is gracious with gripers and people who return merchandise. “We’re not just looking for today’s sale,” says Baum. “We want a long-term relationship with our customers. If that means taking back a piece of Baccarat crystal that isn’t from one of our stores we’ll do it.”

Hechinger Co., a Maryland-based retailer of hardware and home and garden gear, accepts returns even when a customer obviously has abused them. The company also sends a dozen roses to any customer who becomes particularly perturbed.

Hechinger’s return policies seem to have helped profits instead of hurting them. Earnings have compounded 29 percent annually since the company went public in 1971.

**Guaranteed Service**

Quill Corporation, a mail order office supply house in Lincolnshire, Illinois, which has about 1,000 employees, offers a 90-day guarantee on every product. No questions. If you are not satisfied with an item, return it and your money will be refunded, the company tells customers. Quill has not gone broke.

Norrell Temporary Services of Atlanta promises clients that they will not have to pay if ever they are disappointed in the performance of Norrell’s temporary employees — even if the reason for dissatisfaction does not surface for weeks.

Bea Ruffin, former vice president of marketing for Norrell says that this guarantee of satisfaction is one reason that “our rate of sales growth outstripped the average rate of sales growth for the entire temporary employment industry.”

Alvin L. Burger developed a number of businesses based on a concept of service guarantees supported by these standards:
• Promises of guaranteed results cannot be a marketing tool alone. A no-holds-barred effort to achieve perfection must be built into operational structure.

• Guarantees must be self-punitive, making the cost of mistakes so high that producing promised results is the only viable option.

The successful businesses that Burger started are Hospitality Purchasing Corporation, which provides furniture, fixtures and equipment to hotels, offices, convention centers and food service companies; GSG (Guest Satisfaction Guaranteed) Hotel Management Corporation; and Guaranteed Results Inc., which accepts clients in any product or service area.

Attention to Detail
Leading customer service companies attend to the “little things” such as how long it takes their employees to answer the phone. They make sure they’re one or two notches better than competitors.

These companies use only business forms that are crisply printed and clean. Their employees are well-groomed and dressed tastefully.

Reports the American Management Association: “Successful companies have standards for response time, systems for monitoring customer complaints, and networks for moving information to people who can act upon it.”

Sensitivity to Customer Needs and Wants
Increased sensitivity has been showing up in the economy at an accelerating rate. Auto repair services such as The Mobile Wrench work on your car wherever it is, even if it just limped into a rest stop out on the Interstate. Glass companies replace your windshield while your car sits in the company parking lot. Convenience stores stay open 24 hours a day, seven days a week.

Busy Consumers
A lot of the impatience of consumers has to do with the fact that all the adults in many families are working. A wife doesn’t have as much time as she used to have. She’s committed to an 8 to 5 schedule because her income is vital to the financial survival of her family. But, she also has a lot of housework and, often, childcare to do once she gets home.

Spotting Changing Tastes
People like this want to get in and out quickly, particularly if they are on their
lunch hours. They don’t want to commit an hour to shopping any more.

Benetton Group Spa, Italian manufacturer and seller of ready-made apparel, established a system for responding rapidly to customer preferences. The system spots consumer tastes and accelerates production pace to satisfy tastes within weeks.

When a sale is rung up at a Benetton store, type, color, and size of items are recorded along with a store code. This information, from all stores is digested by a computer that announces hot products, hot colors, and where they are hot, geographically.

Computer printouts from all sales are sent to regional agents who create their own computer sheets and send them to the home office in Trevino, Italy. As soon as a pattern is clear, finishing is rushed through to shipping of fashions that are most favored by customers.

The company’s Castrette operation features modern lasers and robotics that process and move orders to destinations. All merchandise is pre-labeled for specific destinations. And it is tagged with correct price in the currency of its destination.

**Singapore Airlines**

Internationally, airlines began a period of greater sensitivity to customers after years of customer disdain. The level of service in the U.S. continues to deteriorate with only Southwest Airlines mastering the art of service.

Air carriers headquartered outside the United States generally surpass U.S. airlines in service. Among the top international service airlines is Singapore Airlines Limited (SIA) rated 2nd best in the world by Skytrax.

Singapore Airlines (SIA) has moved up the Top 50 rankings of Fortune magazine’s annual World’s Most Admired Companies to 18th spot this year.

The Singapore carrier is also the highest-ranked Asian company and the only company from South-east Asia to make the list.

SIA was ranked No. 32 last year and No. 33 in 2017.

Last October, the airline was named as one of the top 50 “Genius Companies” in an inaugural annual list compiled by Time Magazine. Companies were picked based on factors including originality, influence, success and ambition, Time said.

SIA is the current paragon of service excellence among the world’s airlines. The airline sets the quality standard for the world in customer service.
difference with SIA is they walk their talk. Singapore’s standout service makes for a famously pleasant journey during which flight attendants are trained to treat customers with extreme care and respect. Personal TV’s with plenty of entertainment options and hot towels served before take-off are just some of the economy perks.

The airline’s home base at Changi International Airport is one of the finest facilities in the world and has been named by Skytrax as the Best Airport in the World. Singapore Changi Airport connects customers to over 200 destinations worldwide, with 5000 arrivals and departures a week by 80 international airlines.

In 2017, Changi Airport celebrated a key milestone, serving 60 million passengers from close to 100 countries around the world.

Singapore has a population of about 5.7 million. The government believes that its most important asset is its people. It is a country with as service economy and virtually no manufacturing. As a shipping port, Singapore is currently the world’s second busiest port in terms of total shipping tonnage, it also transships a fifth of the world’s shipping containers, half of the world’s annual supply of crude oil, and is the world’s busiest transshipment port. because it understands the power of customer service. Thousands of ships drop anchor in the harbor, connecting the port to over 600 other ports in 123 countries and spread over six continents. Check out their website. Government drives the focus on service and quality http://www.gov.sg

People are Singapore Airlines’ greatest asset. SIA previously spent about $3,742 per employee on training, including customer service. For the most recent reported year, this is about $96 million. Very few airlines spend this amount on staff training. Most of their training budgets pay for safety training. In plane crashes rarely are there any survivors. Every day, however, millions of people fly on airlines where they experience poor service because employees are not consistently trained to deliver exceptional service. Should safety training for the flight attendants be more important than customer service training?

I suspect most of you reading this book have never been in a plane crash. From what I have seen over the last 35 years, there are seldom any survivors. Every day in the U.S. millions of people fly on airlines where the prices go up and the service goes down. Nobody seems willing to train employees to deliver exceptional service.

Singapore Airlines has proven that the return on training employees to deliver excellence is a smart investment. Malaysia Airlines, won the world’s best cabin staff award at the 2012 World Airline Awards but has had huge
problems with aircraft in the last year. About 15 years ago it used a customized program titled “Destination: Service Excellence.” Service Quality Institute licensee worked with them to design the program.

For more than 20 years Singapore Airlines’ commitment to standards of customer service that even other airlines talk about has played a key role in the airline’s strategy for staying ahead of the competition. Superb in-flight service, rooted deeply in the airline’s Asian heritage and symbolized by the gracious, efficient Singapore Girl, is the cornerstone of its reputation for customer service and hospitality.

Cabin crews are trained comprehensively in all aspects of passenger management and services, as well as the special needs of the very young, the aged and those with disabilities. On departure, ground staff is on hand to bid farewell to all passengers at the boarding gate or in the cabin.

It was in 1992 that the airline began an Outstanding Service on the Ground (OSG) program, designed to upgrade the service skills of its frontline staff members throughout the world. The theme is: “We’re With You All the Way.”

SIA’s admirable record of service is due to its unswerving commitment to its most important asset, its human resources. it is SIA’s people who are the driving force behind its success. Managers play a crucial role in all this. So, finding the right management recruits, training them, motivating them, focusing their talents and energies, and retaining their services is an SIA priority. Few U.S. airlines understand or accept this vision.

Training is viewed as a core investment at SIA, an attitude that is foreign to U.S. airlines. SIA recognizes that in a fiercely competitive airline business companies must constantly upgrade the skills and knowledge of their management and staff if they are to foster professionalism, maintain an edge over rivals, and ensure long-term growth.

Singapore Airlines has been named the world’s No. 1 airline, knocking off 2017 winner Qatar Airways, according to the annual World Airline Awards published by Skytrax. The SIA Group revenue for its March 31, 2018 fiscal year was $11.695 billion and $660 million in profit.

SIA operates 109 passenger aircrafts as of April 2018 and flies to 61 airports in 32 countries. It serves 19.03 million passengers annually.

Staff training and development is a cornerstone of SIA’s corporate philosophy and is part its unending quest to attain the highest standards of performance. SIA’s $44 million Training Center in Singapore is the hub of the airline’s training programs.
Service excellence can only be delivered by people who are highly-trained and motivated. Every SIA employee has a training plan prepared each year by his or her departmental head. Constant training and re-training has been a hallmark of SIA for many years. This imbues a readiness among SIA staff to adapt quickly to new ideas and customers’ changing needs, a definite “must” in an industry as fast-moving as commercial aviation.

SIA views training as a core investment, not an option to be sacrificed in times of austerity. Senior managers say that “training in SIA is almost next to godliness.” Everyone, no matter how senior, has a training and development plan with clear goals. New stewardesses undergo training for four months, longer than in any other airline.

The recruitment process is extensive, involving three rounds of interviews, a ‘uniform test’, a ‘water confidence’ test, psychometric tests, and finally a tea party to confirm the earlier assessments. Over 16,000 applications are received every year, and the company hires around 500 to 600 new cabin crew staff to cover voluntary and directed attrition.

SIA looks for cabin crew who have empathy with people. They look for people who are cheerful and friendly. When a firm has good people, investment in training and retraining can then yield outstanding results.

The aim of SIA’s training is to provide gracious service that reflects warmth and friendliness while maintaining an image of authority and confidence in the passengers’ minds.

According to former CEO Dr. Cheong Choong Kong, “to the company, training is forever and no one is too young to be trained, nor too old.” Yap Kim Wah, former Senior Vice President (Product and Service) adds, “We believe that there is no moment regardless of how senior a staff is, when you cannot learn something.”

The airline focuses 40 percent of its resources on training and invigorating its people, 30 percent on reviewing processes and procedures, and 30 percent on creating new product and service ideals. According to Yap Kim Wah, “as guidelines for implementing empowerment, staff should be given the authority of the people two levels up.”

SIA works at not only being the best in the airline industry but also being the best service company.

Singapore Airlines’ success has been fueled by its dedication to customer service. In-flight menus in all classes of service offer gourmet meals created by a panel of internationally renowned chefs, and all customers can enjoy the
carrier’s state-of-the-art-in-flight entertainment system, which offers a wide choice of movies, music and games. The care and attention that Singapore Airlines gives to its customers has earned the airline many industry and travel awards, including 2017 Business Traveler’s (US) “Best Overall Airline in the World”, 2017 Business Traveler China’s “Best Airline in the World”, Travel Weekly Asia 2017 Reader’s Choice Awards, “Best Airlines in Asia Pacific”, Hurun Best of the Best Awards’ “Best International Business/First Class of the Year 2018” and ranking 32nd on Fortune Magazine’s Top 50 World’s Most Admired Companies in 2018.

There is no airline in the world that has received as much recognition for superior service. SIA continues to win recognition as one of the world’s most preferred airlines, according to recent awards garnered worldwide. If you go to their web-site, www.singaporeair.com, you’ll find seven pages of awards and accolades. How many other airlines in the world could do the same? Strategically, what would be the impact on your brand, market share and sales if you could do the same?

SIA’s treatment of its customers contrasts markedly with organizations that allow managers to toy with customers just to make their own performance look better. A clever manager may decide that he’s going to save the company some money by delaying the point at which his staff tells customers what their options are. He knows that by the time employees tell customers what their rights are it’ll be too late for customers to exercise them.

Employees respond, in mock surprise: “Oh, didn’t you know that you could... “You dummy, you.” This was an incident specifically mentioned among “most common gripes” in a list compiled by the American Society for Quality Control (ASQC).

The Singapore office of Anderson Consulting was commissioned by Service Quality Centre (SQC), a company that trains thousands of people annually on customer service in Singapore. Service Quality Centre was a joint venture between SIA and the National Productivity Board. SQC is assisting organizations throughout Asia in training their work forces to become more customer service driven. The commissioning to develop a profiling program called STAR (Service Traits Attitudinal Response Profiling) which identifies the service attitudes of workers. STAR Profiling gives workers personal, consistent feedback, identifying their service attitudinal strengths and weaknesses. Employees know what to concentrate on in their personal development. Companies concerned with service quality gain valuable insights into their employees’ service attitudes and are able to develop their people in a more
focused manner for better job fit.

STAR is guided by the results of the research by Advantis Research and Consulting and Service Quality Institute. The Innovative STAR program combines state-of-the-art video technology with the findings of extensive empirical research.

I believe the research that we did for SQC is relevant everywhere in the world. The research findings define exceptional service as it’s delivered by front-line employees in any country.

**Ethiopian Airlines**

Ethiopian Airlines is the flag carrier of Ethiopia which was founded on December 21, 1945 and started operating from April 9, 1946. The airline is wholly owned by the Government of Ethiopia and operates scheduled cargo and passenger services to over 124 destinations from its hub at the Bole International Airport. The airline flies to more destinations in Africa than any other airline and is among the largest airlines on the African Continent. Ethiopian Airlines has won many awards including The African Cargo Airline of the Year, the Best Regional Airline of the Year and has been a member of the Star Alliance since 2011. They received the SKYTRAX World Airline Award for the Best Airline in Africa on June 20, 2017 at the Paris Air Show.

They have launched the Service Quality Institute 3-year Service Culture Plan and started with a seminar for their top 500 leaders. Ethiopian has become one of the continent’s leading carriers, unrivalled in Africa for efficiency and operational success. Their goal is to help the country improve its customer service and brand by working to create a service culture for 1 million civil service employees. Ethiopian Airlines takes care of their employees and focuses on their commitment to service and support.

Ethiopia’s national carrier is flying high – literally and profit-wise. Ethiopian Airlines’ annual profit is up by 10 percent compared to last year.
The core of service quality: 8 attitudes

<table>
<thead>
<tr>
<th>Professional acumen</th>
<th>Positive attitude</th>
<th>Customer first mindset</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>People orientations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Resourcefulness</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic respect</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personalized responsiveness</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Customer first mindset**
- Puts needs of customers first
- Ensures customer needs are met
- Goes out of one’s way to ensure satisfaction (to the point of being inconvenienced)

**Positive attitude**
- Demonstrates enthusiasm
- Displays a “can do” attitude
- Takes setbacks in stride

**Professional acumen**
- Strives to be as knowledgeable as possible about job-related issues in order to serve customers
- If lacking knowledge, knows who to contact and is willing to contact others to get information

**People orientation**
- Takes the initiative in establishing rapport
- Demonstrates a personal interest in someone by making eye contact, smiling, calling them by name, etc
- Strives to make customer feel comfortable

**Resourcefulness**
- Resolves problems
- Suggests alternatives
- Bends rules, when appropriate, to resolve or avoid problems

**Personalized responsiveness**
- Strives to understand customer’s preferences and expectations
- Takes into account customer’s situation when providing customer with information

**Basic respect**
- Shows common courtesy to every one, regardless of appearance or other personal characteristics
- Avoids embarrassing customers
- Respects other’s need for time and personal space

**Reliability**
- Takes the time to do the job right
- Demonstrates dependability/reliability
- Does what is best rather than what is easiest

(Reprinted courtesy of Service Quality Centre.)
The Transfer-and-Don’t-Answer Trick

Another common ASQC gripe was transferring customers, when they call, to other phones and then not answering the second phone. To counter this uncouth treatment, make sure switchboard operators monitor calls to see if the party to which a caller is transferred actually answers. Operators should not allow phones to ring into perpetuity.

Sensitive to customer needs more than ever before, American corporations such as Chrysler Corporation are writing service policies. Chrysler calls one of its policies “The Car Buyer’s Bill of Rights:”

• Every American has the right to a quality vehicle.
• Every American has the right to long-term protection.
• Every American has the right to friendly treatment, honest service, and competent repairs.
• Every American has the right to a safe vehicle.
• Every American has the right to redress grievances.

Total perfection in a vehicle is impossible, former Chairman Lee Iacocca maintained. But, an uncaring response is inexcusable, he said. Chrysler has a Customer Arbitration Board that helps customers get satisfaction.

Personal Service

In the size of large corporations lies opportunity... for a corporation. Customers probably do not really expect personal service. So, when you provide it you impress them mightily; and they will remember.

Train your people to provide, in one-on-one transactions, the same personal, individual treatment they provide when they buy a used car from a neighbor for their son or young relatives.

There is hope for personal service in large organizations because every transaction involves one customer and one business representative at a time even though many people may become involved. Promote the idea that a customer is not dealing with a multinational corporation but with one person who represents that multinational corporation.

Let’s say that a consumer walks into an appliance store and buys a washing machine. The salesperson treats her respectfully and willingly spends all the time needed to satisfy her. The customer is going to feel good about this buying experience. She will not even think about the fact that the organization behind
the salesperson employs a half million people.

The American Society for Quality Control suggests specific personal service: When equipment isn’t working, do things for customers manually instead of not doing them at all. Tell employees in no uncertain terms that they are never to refuse an order or plead inability to answer questions just because “the computer isn’t working.” When an employee claims that he/she can’t take an order because he’d have to write it, he’s saying to customers: “I don’t want to help you if it means that I have to work at it.”

When a fairly expensive product doesn’t work, pick it up, don’t put the customer to even greater inconvenience by requiring them to bring the product back themselves. Train employees to say to customers: “If it doesn’t work, give us a call and we’ll pick it up and bring you a new one.”

Employees should never say, with or without a smile: “If it doesn’t work, just bring it back.” Such behavior is another instance of arranging matters to suit the company... but the devil take the customer. Bringing back their purchases is a lot of trouble for customers, especially when a purchase is something they use every day such as a car or an appliance.

Some warranties, to the credit of business, state that the seller will pick up the product if it does not work, and repair it.

Take no customer for granted. Let them know how important they are.

Some businesses send a lot of thank you notes. Baron Hilton provided personal service by answering all complaint letters to his hotels with personal letters.

Commission selling, by the way, is a means of promoting personal service, if employees perceive the connection between friendly, informed, fast service and greater income.

**Exceptional Service**

The idea is catching on: Make your service even better than your customers expect. That way, they are sure to notice it, to react to it with commendations of it to friends and relatives, and to want more of it.

Colby Chandler, when he was Chairman of Eastman Kodak, expressed the concept when he addressed the National Quality Forum. He called for a new service strategy that reaches beyond “customer satisfaction” to “customer delight”. Daniel A. Carp is Chairman and CEO of Eastman Kodak now.
**Delightful Experiences**

New customers of Eastham’s service station on Wisconsin Avenue in Bethesda, Maryland, including new members of Congress and employees in the Wisconsin Avenue embassies, are astounded by the exceptional service that they receive.

Here’s an example of Eastham employees in action: It is already 90 degrees during morning rush hour, another day in a summer heat wave. A driver steers out of dense traffic and noses into Eastham’s. Two attendants run toward the car. “Good morning!” they yell out to the driver who is barely cracking his window so his air-conditioned air won’t escape.

The two attendants scurry about swiftly pumping gas, cleaning every inch of glass, and shouting for the driver to unlatch his hood. Hands fly among the hoses and belts checking oil and water levels.

A drop of sweat falls from one employee’s forehead and lands on the front bumper. Quickly he bends over and wipes it off with a clean cloth.

The entire service process lasts about three minutes. The happy driver eases his car back into a crowded lane of traffic, wearing a smile. When was the last time this happened to you?

Eastham’s, by the way, “does about twice as much business as the average service station in America,” says Jerry Antosh, former Washington DC district manager for Exxon. Eastham’s, to be sure, is an exception among service stations. Business is good because customers get product and service, unlike the situation in most full-service stations. The result of inferior service at “full-service” stations is that consumers buy their gas at self service stations. I think that consumers do not want to pay a big premium price for attendants to not smile, to not remember their names, to not check under the hood, not check the tire pressure, and not clean the windshield.

Even low-price self-service stations, however, leave a person dissatisfied. It would cost these stations no more for clerks to smile and to address consumers by name, recalling it from the last gas purchase — or, at least, noting names from credit cards or driver’s licenses and using them.

**Reliable Service**

Promise what you can deliver, and then deliver what you promise. But, remember that the higher you raise expectations the harder it is to meet them routinely.

In recognizing this fact some service experts suggest that if you think that you can meet a service expectation in three days, promise it in five days. If you
must provide an estimated bill, err on the high side so that you can surprise the customer.

But, other service authorities warn about risking customer displeasure with a high time or price estimate. I agree. I think it is unwise to disappoint a customer initially by leading him/her to believe that your performance time is slower or your prices higher than your competitors.

**GRAEBEL®**

Graebel manages talent and workplace mobility programs for Fortune 500 and Global 500 clients in 165 countries. With offices on three continents and vetted service partners in every corner of the globe, Graebel manages all elements of these corporate programs as well as every aspect of employee relocations – anywhere in the world – throughout the lifecycle of the assignment or relocation.

Founded in 1950, Graebel now has over 800 employees worldwide and is the fifth largest global relocation provider.

Customer satisfaction grounds every activity and program in the company, including extensive use of client-specific service level agreements; metrics and measurement tools to evaluate service at the program and employee levels; robust, user-friendly technology; high-quality, empowered employees; and a well-trained, carefully vetted open network of global service providers.

**A System of Customized, Quantified Service Measures**

Graebel uses an array of metrics and measurement tools to ensure quality customer service at the corporate (“client”) and individual assignee (“employee”) levels. At the client level, Graebel identifies unique goals the organization deems “critical to quality.” The company incorporates these into client-specific Service Level Agreements (SLAs) and then measures performance. Some examples of the metrics Graebel uses to evaluate and guide customer performance include:

- Satisfaction ratings from employee and client surveys
- Days on market from list to contract / days on market from list to close for home sales
- Invoice timing and accuracy
- Total relocation cost by quarter and year-to-date compared to prior year
- Audit timing
- Exception reporting, reductions of exceptions and associated costs
• Claims frequency and severity
• Claims settlement processing
• On-time performance
• Valuation

**Powerful, User-Friendly Technology**

Graebel ensures consistent, high quality service levels through a well-defined business process built into its online workflow management platform, globalCONNECTSM. Graebel customizes this platform for each client to incorporate their unique internal approval processes, workflows, reporting needs and other factors. The tool manages all mobility activity and tracks the related data to present a global view of the client’s program and up-to-the-minute details about its current employee assignments.

GlobalCONNECT serves as the client’s “single source of truth” for its mobility program—from policies to budgets to destination information for assignees. It has client portals as well as employee portals—providing each party the level and type of information and reporting they need.

**Empowering High-Quality Employees for Responsive Client Service**

Graebel recruits and hires the best people in the relocation industry. Their move consultants average five to eight years of industry service and many hold real estate licenses along with Worldwide ERC® Certified Relocation Professional (CRP®) and/or Global Mobility Specialist (GMS®) designations. Similarly, the company’s Account Managers average 10-12 years of experience and hold one or both of those same designations.

These representatives serve as primary points of contact for their clients and their relocating employees. Graebel trusts these professionals to know policies and procedures inside and out…and exercise good judgment when those policies and procedures are needlessly causing problems for a client. At Graebel, rule-bound client service is not true customer-service.

**Ensuring High-Quality Supplier Services**

Complete relocation support can entail dozens of services, and Graebel has established partnerships and alliances with service suppliers in over 165 countries to provide a full scope of services. These suppliers specialize
in standard services such as real estate, shipping and travel, as well as very personalized services like language training and visa and immigration support.

Graebel’s 16-member supplier management team ensures this “open network” of more than 2,400 companies delivers high-quality service to Graebel clients and their employees. The suppliers are an extension of the Graebel team with the same focus on customer service.

Graebel vets its suppliers by verifying critical factors including the company’s structure, experience, service offering, IT security, finances, environmental practices, minority and women business ownership status, hiring practices, business continuity, cost competitiveness and reporting capabilities.

Graebel engages with suppliers using a partnership approach featuring monthly and quarterly meetings. In addition, Graebel uses a supplier scorecard to monitor volume, performance metrics, survey results and escalations.

Since in many cases, these suppliers are on the front lines with Graebel’s clients and their relocating employees, Graebel goes to great lengths to maintain an ongoing flow of information with this partner community. Graebel holds supplier-only Alliance sessions around the globe each year as well as Town Hall meetings to:

1. Reinforce standards for customer service
2. Review policies and systems
3. Discuss concerns of the supplier community
4. Facilitate the exchange of best practices
5. Discuss industry trends
6. Demonstrate the company’s appreciation for and partnership with the suppliers

**Customer Satisfaction Validation**

Over the past decade, Graebel has been recognized by numerous groups for innovation, organizational excellence and individual leadership. Specifically, in the area of customer service excellence, they’ve recently been honored by:

- HRO Today – “2018 Relocation Baker’s Dozen” (Graebel has received top-tier placement in this category every year since 2009)
- ColoradoBiz Magazine – “Colorado’s Top-Rated Service Company”
- Stevie® Business Awards – “Customer Service Team of the Year, Global Business Services” (Silver)
Bill Graebel, Chief Executive Officer, sums up the principles that guide the customer-service focus at his company. “In serving a client’s mobility team, customer service means we must have solutions for all the talent and workplace mobility challenges they have. When serving a client’s transferees, customer service means they’re never alone during a relocation experience anywhere in the world. My daily mission is to make sure everything we do is tied to those imperatives.”

**Amazon.com**

Amazon, the world’s largest online company has built a company built around awesome customer service. In my book, e-Service: Service, Technology, and Price Built Around Service, it is the perfect role model. I believe it is the most customer driven firm in the world. It has everything critical to being a Service Leader. Speed, price, convenience, empowerment, service recovery. They use technology to improve the customer experience. Most organizations use technology to push the customer away and make the customer experience more negative.

Jeff Bezos came across a startling statistic with the Internet: usage of the new medium in 1994 was growing at 2300 percent a year. Bezos decided to build an on-line store that was customer friendly and easy to navigate.

So, the immediate priority was to identify and remove the hassles of book buying, including getting to the store; looking for the book; waiting to be served; standing in-line to pay; waiting weeks for out-of-stock books; lack of feedback and follow-up when these books did not arrive; and last, but not least, paying inflated prices for physical and personnel infrastructures.

Bezos was determined to show that being on-line did not mean less service – it meant more. “If you make customers unhappy in the physical world, they might each tell six friends. If you make customers unhappy on the Internet, they can each tell 6,000 friends with one message to a newsgroup. If you make them really happy, they can tell 6,000 people about you. You want every customer to become an evangelist for you.”

Amazon sought to get to know individual customers better. Employees were trained to spend as much time, money and energy on service and building relationships as they did on selling and shipping books. They were encouraged to go to greater lengths to exceed expected standards when a customer needed
assistance on, say, a queried title, a mistaken address and so on.

Jeff Bezos, founder and CEO, launched Amazon in July 1995. Sales were $511,000 in 1995. Sales reached $15.7 million in 1996. In 1997, with 614 employees Amazon had moved to 17,000 square feet office and sales were $147 million. This was a 814 percent growth from the year before. In 1997, Amazon was growing at a rate of 3000 percent a year.

Jeff Bezos took the company public in 1997 and stock skyrocketed from $18 per share to $100 a share a year later. A year after that the price doubled again. It now has split three times. He owns more than $150 billion in Amazon stock. In 2007 Amazon reprinted their 1997 letter to shareholders on their website on amazon.com under corporate governance. It was again reprinted in the 2016 annual report. This shows their long term strategic vision. “As we stated in our 1997 Letter to Shareholders, ‘A fundamental measure of our success will be the shareholder value we create over the long term.’” From the very beginning, our emphasis has been on the long term and as a result, we may make decisions and weigh tradeoffs differently than some other companies. Accordingly, it is important for you, our shareholders, to understand our fundamental management and decision-making approach so that you may ensure that it is consistent with your own investment philosophy. We will continue to:

• Focus relentlessly on our customers.

• Make bold investment decisions in light of long-term leadership considerations rather than short-term profitability considerations. There is more innovation ahead of us than behind us, and to that end, we are committed to extending our leadership in e-commerce in a way that benefits customers and therefore, inherently, investors -- you can’t do one without the other. Some of these bold investments will pay off, others will not, but we will have learned a valuable lesson in either case.

• Focus on cash. When forced to choose between optimizing the appearance of our GAAP accounting and maximizing the present value of future cash flows, we’ll take the cash flows.

• Work hard to spend wisely and maintain our lean culture. We understand the importance of continually reinforcing a cost-conscious culture.

• Focus on hiring and retaining versatile and talented employees, and weight their compensation to significant stock ownership rather than cash. We know our success will be largely affected by our ability to attract and retain a motivated employee base, each of whom must think like, and therefore must actually be, an owner.
We are firm believers that the long-term interests of shareholders are tightly linked to the interests of our customers. If we do our jobs right, today’s customers will buy more tomorrow, we’ll add more customers in the process, and it will all add up to more cash flow and more long-term value for our shareholders.

As Amazonians, we thank you, our owners, for your support, your encouragement, and for joining us on this adventure. If you’re a customer, we thank you again.”

Jeff Bezos said, “Our number one goal is to be the most customer centric company on the planet.”

You can tarnish your on-line reputation with bad service. The Internet is unforgiving for companies who do not fulfill customer expectations.”

Amazon understands speed. You get confirmation of an order within seconds. The item is shipped in one or two days. In every country in the world, Amazon is now the largest bookstore even though it is headquartered in Seattle, Washington.

Technology is very critical to Amazon’s success. Anyone in the world, 24 hours a day, 7 days a week can order a product from Amazon. Your local retailer has limited hours, limited inventory, and often poor service. In the US Amazon is destroying the large retailers like Sears, Macy’s and Herzberger’s who has lousy service, no employees, and hours convenient to the owner and high prices. Customers show with their wallet and value speed, convenience, low prices and great customer service. It is easy to understand why Amazon has such remarkable growth to go from zero in 1995 to $232.9 billion in 24 years. A 31% increase of $55 billion in 2018. Net sales for 2018 were $232.9 billion up from $177.9 billion in 2017. Net income increased to $10.1 billion compared with net income of $3.0 billion in 2017. Jeff Bezos net worth is over $150 billion. He is now the World’s Richest Person.

“Alexa was very busy during the holiday season. Echo Dot was the best-selling item across all products on Amazon globally, and customers purchased millions more devices from the Echo family compared to last year,” said Jeff Bezos, Amazon founder and CEO. “The number of research scientists working on Alexa has more than doubled in the past year, and the results of the team’s hard work are clear. In 2018, we improved Alexa’s ability to understand requests and answer questions by more than 20% through advances in machine learning, we added billions of facts making Alexa more knowledgeable than ever, developers doubled the number of Alexa skills to over 80,000, and customers spoke to Alexa tens of billions more times in 2018 compared to 2017. We’re energized
by and grateful for the response, and you can count on us to keep working hard to bring even more invention to customers.”

For the second year in a row, Amazon was ranked the company Americans love most on Morning Consult’s Brands that Defined 2018, and it was named America’s Most JUST Company in Retail on JUST Capital’s Just 100 list. The Just 100 award recognizes companies for the areas that matter most to customers, including jobs created, treatment of workers and customers, environmental and community engagement efforts, and more.

I have NO idea why so few firms are willing to copy Jeff Bezos and Amazon. Maybe it’s because they are not prepared for a $55 billion increase in sales in just one year. Maybe increasing your net worth over $26 billion in the last 12 months is too much money. I suggest you sign up under Investor Relations for the daily financial reports Amazon sends out. Study everything Amazon does and copy everything they do. Jeff Bezos is relentless. He has a better grasp of the customer experience than any CEO in the world. Bezos is relentless. He understood the power of word of mouth in 1995 and has never lost this focus.

Firms like GE, Dell, TD Bank, JetBlue and Walmart all lost their focus and dropped their passion for exceptional service. It is easy to say great service makes sense. In the Time Magazine Cover story on customer service where they called me a “Customer Service Guru” I said the only thing that motivates a CEO is show me hard numbers. In May 2003 I invested $1,000 each in 9 service leaders. I wanted to track financially the impact of service leaders.

As of January 31, 2019. 15 years later the $9,000 is worth $82,534. Amazon has grown to $52,415. GE has dropped to $603, Dell $465, TD Bank $4,428 (They bought Commerce Bank which used to outperform Amazon before the 2007 acquisition), JetBlue $1,295 and Walmart the largest retailer in the world is only $2,384. Costco is $8,378. Amazon was relentless. The passion for great customer service at these other firms was reduced by leadership who has no real grasp of the financial impact of great customer service.

Price is critical to service

Price is critical to service leaders. It is the secret of their success. In order to have low prices, all firms need to be frugal, eliminate costs and pass the savings on to the customer.

Just over 10 years ago, Amazon Web Services started in the U.S. with its
first major service, a simple storage service. Today, AWS offers more than 70 services for compute, storage, databases, analytics, mobile, Internet of Things, and enterprise applications.

Proactively delighting customers earns trust, which earns more business from those customers, even in new business arenas. Take a long term view, and the interests of customers and shareholders will align.”

Because Amazon had effectively done away with activities and expenses that were not adding value to the customer experience, it was initially able to take 30 percent off the price of selected hardbacks, and 20 percent off paperbacks.

Jeff Bezos still uses the same desk he started with: A door with four-by-fours for legs, a symbol of frugality and corporate culture. Bezos said, “The wood and the brackets are about $70, and the labor is about $60. I built the first four myself, and hired carpenters to come in and build them — 60, 70, 80 at a time. But they’re great desks. The other thing is that they’re big. In the late 20th Century, you need a big desk. And this desk is earthquake-proof. In an earthquake, you want to be right there,” (Bezos points under the desk).

Amazon has over 310 million active accounts worldwide. North America represents 57% of their revenue.

Since its debut on the World Wide Web in July 1995, Amazon.com has become the model to watch — and to envy.

In June 16, 2017 Amazon acquired grocer Whole Foods for $13.7 billion. And all the while it racked up big sales: the e-commerce giant last year was responsible for an estimated 44% of all U.S. e-commerce sales and 4% of total U.S. retail sales, or some $200B. Amazon paid $13.7 billion for Whole Foods with 450 stores. The stocks of food retailers immediately dropped 20%. Kroger the largest supermarket chain in the US lost $7 billion in market value. Its stock dropped 36%. Amazon 1999 “Products that have a higher-than perceived quality, and a lower-than expected price drive customer loyalty.” according to Eric Heller, CEO of Marketplace Ignition.

Amazon expanded free grocery delivery and pickup from Whole Foods Market through Prime Now, allowing customers to place their order via the Prime Now app and choose delivery in as fast as an hour or pickup in as little as 30 minutes. Grocery delivery is available in more than 60 U.S. metros and pickup service is available in more than 20 U.S. metros with plans for continued expansion.

The company employs 613,300 people worldwide in full and part-time jobs as of 2018.
“One advantage—perhaps a somewhat subtly one—of a customer–driven focus is that it aids a certain type of proactivity said Bezos. When we’re at our best, we don’t wait for external pressures. We are internally driven to improve our services, adding benefits and features, before we have to. We lower prices and increase value for customers before we have to.”

“If you do a good job with customers, they tell their friends,” he said. “The reason we have gotten so many customers is that we have concentrated on the customer experience.”

When you pre-order something from Amazon, they guarantee you the lowest price offered by us between your order time and the end of the day of the release date.

Everything is built around service. Jeff Bezos built Amazon on service and today it is a world class role model. Their vision is to be earth’s most customer centric company; to build a place where people can come to find and discover anything they might want to buy online.

Amazon continues to innovate across all six dimensions of corporate reputation—becoming the largest corporate purchaser of renewable energy in 2016, pioneering programs for employees like Career Choice, offering egalitarian benefits so employees in Fulfillment Centers receive the same benefits as top execs, creating hundreds of thousands of direct jobs and hundreds of thousands more at small businesses through Marketplace and FBA, and inventing for customers with products and services like Kindle and Alexa.

Some of the biggest highlights of Amazon’s Annual Report were company insights shared for the very first time—like information around membership and revenue around Amazon Prime, the company’s subscription service.

• Amazon Prime has over 100 million users.
• Amazon Prime generated $9.7 billion in subscription revenue.
• More than 5 billion items shipped worldwide with Amazon Prime.

It was also revealed that Amazon Prime has more members (and a higher retention rate, at nearly 90% retention) than retail giant Costco.

In January 2013 I had a gift basket of coffee sent to a couple who did not want it and returned it to me. I contacted Amazon and their web site said it was a grocery product so they could not accept a return. I then went on to their web site. The Amazon employee said the same thing but quickly added, “We will just give you a credit for the $39.99 purchase”. She then added that I could just keep it or donate it to someone else. Incredible customer service. Millions of people across the world have heard about this. It’s called word of mouth advertising.
Some organizations seem to think that service is easy. They make a few pronouncements from Mt. Olympus, run a few stories in the employee newsletter, retain a motivational speaker to ‘wow’ a middle management meeting... then they go on to other work, confident that now they have “got” service.

These are the kinds of companies that fall into the trap of thinking that service is no more than positive thinking, so they emphasize motivational programs no telephone or courtesy skills. So, they circulate a booklet, no Problem-handling and listening. So, they put up signs that says “Customer first. Listen. Assist.”

These programs play a role in service but its a small role.

**Positive Thinking**

Motivational programs that promote positive thinking are particularly popular for non-exempt customer contact people. They learn to speak as if they are enthusiastic, eager to help, and very, very friendly. Often run by outside consultants, short motivational sessions are not designed to improve skills or knowledge but just to change behavior and short-term attitude.

Motivational sessions make employees feel good; but the good feeling dissipates quickly in the cauldron of daily give-and-take. After a few rounds of motivation, employees become cynical about the effectiveness of all training.

Motivational programs can have a positive effect. They must be supported, however, by skills training that equip employees to perpetuate that effect by repeating the basis for it. Employees must learn to take productive initiative that achieves positive outcome that, in itself, motivates.

**Telephone and Courtesy Skills**

Skills for handling telephone transactions, ranging from listening and probing to handling complaints, are combined in training programs with courtesy skills. Programs are designed to increase customer service representatives’ efficiency and to present a positive, upbeat image to customers.

A courteous employee does tend to produce greater customer satisfaction, but employees must also take responsibility for resolving issues and assuring action. If the entire organization is not prepared to be responsive, then employees will have to deliver service in spite of the company. This creates stress and frustration.
In the telephone courtesy category, it hardly needs saying, we hope, that answering machines ought to be “verboten” in any business that depends upon customers for economic survival.

Bernard Goldberg, CBS-TV correspondent, posed a question about business’ apparent unresponsiveness to consumers on the Evening News: “How many times have you tried the customer service department and received the recorded massage ‘At this time all of our representatives are busy’?”

After long experience with recorded messages like this customers might conclude that customer service departments consist entirely of answering machines grinding away in solitary obstinacy.

**Problem Handling**

Unfortunately, business’s attitude too often is that the customer is the problem. Employees learn to handle “problem customers” instead of “customers’ problems.” Problem-handling programs focus on irate customers. They consist of skill-based training for customer contact workers; and they deal with managing personalities and identifying problems before they flare up.

Problem-handling and listening skills are useful, to be sure. Used properly they are part of everyday external and internal interactions. However, never should they be viewed as the total substance of a customer service-training program.

**Internal Problems**

When a customer has a problem, an employee may need to resolve the problem by requesting help, by clearly communicating the problem to others, by figuring out ways to prevent similar situations, and also by keeping her or his boss informed.

Internal communications improved as a result of the annual National Hyatt In Touch Day, referred to earlier. The corporate headquarters closed for a day so company executives could work alongside line employees in 67 hotels. The corporate President worked at the Hyatt Regency Chicago as doorman, front desk clerk and bartender.

Karen Rugen said, when she was assistant vice president for public relations, that there were two goals for National Hyatt In Touch Day:

- To bring corporate and hotel staffs together so greater rapport will develop and so that they will work together to support each other in improving customer service.
• To give headquarters staff a better understanding of and appreciation for hotel employees “who really keep our company running.”

Some employees, said Ms. Rugen, asked for a “reverse” Hyatt In Touch Day so they could work in the corporate offices.

External Problems

To resolve external customer problems, employees need skills to handle complex internal transactions. To maximize effectiveness of external customer problem-solving, these skills should be the same ones taught for handling internal customer problems. External customers are no less human than co-workers and internal demands no less legitimate than the end users’ needs.

Selling Skills: No Substitute for Service Skills

Sales and service definitely are blood brothers; but management should never demand an immediate and obvious financial pay-back for service. The benefits of service are substantial and long lasting, but they do not occur immediately.

Selling skills occasionally are taught to customer-contact employees to increase the amount of each sale — by plus-selling and by cross-selling. But, customer satisfaction requires more than sales skills.

If a company calls selling skills “customer service,” it is fooling itself.

Real quality service programs achieve increased customer satisfaction through awareness of all customer needs beyond successful completion of the current sale.

If the desired result of improved service quality is merely short-term business improvement from existing customers, sales skill training is appropriate. However, this kind of training is unlikely to address long-term customer satisfaction.

Selling in Sheep’s Clothing

Sometimes “customer service” that’s really selling in sheep’s clothing is enhanced with incentives. It is true that without incentives, salaried and hourly workers are less likely to take initiative and cross sell. With incentives, however, care must be taken that sales do not take precedence over other critical job responsibilities such as sincerely friendly and helpful service.

Cross selling is particularly popular among banks as a job responsibility for tellers.
Research by Barry Leeds & Associates found that 55 to 65 percent of banks pay incentives to “platform people” in an effort to spur them to cross sell. The percentage has been rising.

**The Wrong Training**

These are some of the shortcomings of customer service training:

*For Front-line Only*

Every employee should be tuned into the service program and turned on by it. If “support troops” do not recognize the need for service and its value to their organization, then customer contact people will have trouble consistently obtaining the help that they need from elsewhere in the company to service customers.

*Too Short, No Follow-up*

Training commonly occurs in a classroom and it lasts less than two hours, sometimes less than an hour. Often, the trainer introduces segments of the training, turns on the projector, lowers the light level, and leaves. Customer service training is treated like vaccination. Give’em a shot and forget it.

Unfortunately, this kind of training is preferred by most companies. When employee skills show little or no improvement, management blames employees for not paying attention to training.

In Chapter 13 we explain why this kind of training is a waste of time and money.

*Significance of Service Is Overlooked*

Training isn’t integrated with performance management systems, with management support or with anything else. Training is an island unto itself, floating in a large lake. Instead, training and the many elements of organizational success should all jump in the lake together.

*External - Only Focus*

Virtually all service quality-training programs focus on resolving issues external to an organization. Very, very few of them deal with internal service issues or the relation between internal service quality and external customer satisfaction,
as they should. When they do, they are held up as models and they are given awards.

SERVICE AND SALES: MARRIAGE OF CONVENIENCE

Customer service enhances the effectiveness of marketing strategies and wins greater sales and continuous business. Marketing gets the customers and service keeps them.

What’s more, after-sale service is essential in an organization that intends to stay in business. What you do for a customer after he is signed on the dotted line is just as important as what you did to earn the sale, as far as customer retention goes. Neiman Marcus department stores send Mailgrams to mail order customers, during peak seasons, to inform them of order status.

Service also sells. Consider order upgrading. Customer service employees working on phones can do it. Any customer contact sales employee can do it. After taking an order for, say, 10,000 gallons of acetone, they might say: “If you buy 15,000 gallons, you know, you get a 10 percent discount” or, “If you buy 100 more computers I can give you 10 percent on the entire purchase.”

Federal Express is convinced that improved customer service skills made employees in its Business Service Centers more effective as salespeople. Says Kenneth R. Newell, retired vice president of sales and operations, said, “Customer service has given the ‘reorder’ concept a new meaning in our Service Centers.”

Easy to Buy
Customer service makes it much easier for prospects and customers to buy! Service assures positive attitudes toward the company, its products and services, and its employees. Service also is a slippery Teflon coating over the occasional problems and shortcomings that bedevil any organization’s operations.

Sales and service, however, must work in tandem, in full knowledge of what the other function is doing.

Coordination of Sales and Service
When he was Director of SLC Consultants Inc. in Chicago, Jeremy A. Brown expressed the opinion that sales and service representatives must convey the same “messages and images” or customers become confused. For instance, if a
service rep tells a customer that a certain model has been discontinued but the
sales rep still tries to sell it, the buyer wonders whom to trust.

When service-minded employees provide service with the following
characteristics they stimulate the buying motive:

**Fast Service**
In many families all the adults are working. None of them have as much time
to shop as they used to. In addition, women, whose income often is vital to the
financial survival of their families, usually have housework to do when they
get home and child care too. They love stores that get them in and out quickly.

With emphasis on efficiency and productivity in human resources
management today, most employees seem to have more to do than ever. Any
company’s employee doing business with you appreciates your efficiency.

**Reliable Service**
Unless your customers can depend on you, they may opt for self-service, when
they can find it. When they do it themselves, they reason, they are more likely to
be satisfied. It is a strategy that is being taken up with greater frequency.

Consumers may not be quite as turned off by service as John O’Shaughnessy,
professor at Columbia Business School, but he has a point: “People want the
personal element removed from their transactions in almost the same way that
they would like to see cancer removed from cigarettes.”

Said John Deighton when he was assistant professor of marketing at the
University of Chicago: “There is a lot of unbundling of service and product
going on as consumers become willing conspirators in the assumption of more
responsibilities.” Deighton now is Associate Professor, Graduate School of
Business.

So it is that we see these things happening:

1. At transportation terminals, luggage carts are chosen over porters by
   people who want faster service, “less hassle,” and no tip.
2. Buyers at appliance centers, shoe stores, and fast-food outlets have
   willingly turned into their own salespeople.
3. Robots are appearing in retail stores where, in response to keys
   punched by customers, they go get the merchandise and present it
   for check-out as in a video store in Minneapolis’ Crystal Court. Is
   this “No Service Service” a legitimate way to circumvent bad service
instead of training employees to provide quality service and, at the same time, a way to increase sales? Consumers seem to be saying “Yes.”

4. At ARCO service stations customers pump their gas at high-speed pumps. Then, if they’re hungry, they walk over to the adjacent AM/PM convenience store to make themselves a hamburger that’s been kept on a warmer since it was made. They may extract a quart of milk from a cooler on the way to the check-out-line where they meet their first service person. In 1974 only nine percent of gas sold in this country came from self-service pumps. Today, 80 percent of gas is pumped by customers. Seventy-five percent of drivers buy self-service gas. We suspect that a major reason that customers avoid full-service stations is that they pay $2 to $5 more per tank of gas and still receive no service for their money. (Try to find a service station attendant who wipes your windshield and checks your oil.) Retail Banking Research predicts that the number of deposit-taking ATMs, which are being placed in branches as well as retail locations is likely to rise. There are 2.6 million ATMs deployed around the world today – this figure is forecast to increase by 1.1 million by 2018 as detailed in RBR’s latest ATM Study. Customer charges for the privilege of doing business with a real, live teller, and fear of getting lost in velvet-rope labyrinths are not the only reason that bank customers prefer machines to tellers.

5. For an increasing number of people, even trips to the teller machine are too tedious. Unless they need cash in hand, they are transferring funds between accounts and checking their balances via touch-pad telephone or home computer. Sears’ and IBM’s “Prodigy” service to home computer users had a fast start in 1989 providing check balance service and many other services that eliminate services dispensed by live employees in the past.

6. Continental and Eastern airlines supplemented ticketing agents with ticketing machines on some routes.

7. Hotel guests increasingly review bills via closed-circuit TV, then pay with an automatic charge to their credit card. Rental car customers, armed with computer-generated rental agreements, move straight from airport terminal to waiting cars without so much as a “Hello” to counter personnel.
Technology may increase the desire for self-service and, thereby, increase sales, too, because Americans are more comfortable with the technology of self service than ever before.

Keep in mind the possibility that consumers might become disabused of the self service concept, though, if it moves too far toward “high tech” on the high touch- high tech continuum. That people begin to miss the personal touch of personal service as more and more work is assumed by machines is a point made by John Naisbitt whose Naisbitt Group Inc. of Washington, DC, publishes a newsletter entitled The Trend Letter.

So, when a business offers self service and cuts down on staffing, high quality of personal service by remaining employees and professional training is even more important than service is for full-service firms.

Nevertheless, I have seen many self-service firms abandon the service concept, reasoning that customers aren’t paying for service so they shouldn’t expect to receive it.

However, service is here to stay, even if it is involved only in helping people serve themselves as a way to achieve the greatest reliability.

Service does not require huge outlays of money, but it does require long-term commitment, a fact understood by incomparable service firms such as Federal Express and the Disney organization.

Benefits of service make the effort to provide it worthwhile. Achieve Global, the Tampa, Florida, research and consulting firm, surveyed hundreds of companies, then drew conclusions about what it found. “Whenever we encountered head-to-head competition between companies on the basis of service quality, there seemed to be a recurring theme,” the company reported. “The customer-focused organization was challenging or surpassing the transaction — focused company.”
Chapter 9

LITTLE THINGS MAKE A BIG DIFFERENCE

It’s the same old story, everywhere I go.
I get slandered, libeled, I hear words I never heard in the Bible...
But I’m trying to keep the customer... Satisfied!

— LYRICS FROM “Keep the Customer Satisfied”
a song by Paul Simon and Art Garfunkel

CULTURE AND CONSENSUS IN CUSTOMER SERVICE

Management commitment yields a nurturing corporate service culture as surely as a bulb planted in the fall yields a flower in the spring.

This corporate culture, this flower of management commitment, adorns and enhances service environment. In such an environment great service is routine. It is assumed. It is traditional.

A corporate culture that favors and rewards service is fundamental.

Once a company reaches a happy state of flourishing service supported by a consensus and yielding a legacy of commitment, it has realized the full flower of quality service. Greater sales and profit are its reward.

Achieving a state of affairs in which quality service becomes an integral element in the organizational culture must be the objective of every organization that truly considers service to be an essential management strategy.

A service culture is the result of careful planning and strategizing as specified in Chapters 3 and 4. It is the result of sequential development of all elements in a service strategy, from a service philosophy to service specifications for every function and every job. A culture of service is first among the basics of quality service.
HOW TO KEEP CUSTOMERS ONCE YOU HAVE THEM

The basic function, the purpose of customer service is to retain customers and to keep them buying.

You want to develop customers for whom loyalty is a natural instinct instead of customers like this fellow:

• “I’m the fellow who goes into a restaurant, sits down and patiently waits while the waitresses finish their visiting before taking my order.”

• “I’m the fellow who goes into a department store and stands quietly while the clerks finish their chit-chat.”

• “I’m the fellow who drives into a service station and never blows his horn, but lets the attendant take his time.”

• “You might say I’m a nice guy. But, do you know who else I am?“ “I’m the customer who never returns.”

• “It confuses me to see business spending so much money every year to get me back, when I was there in the first place.”

I still see businesses spending millions of dollars on advertising and store renovation and then working very hard to make sure customers don’t come back.

Car dealerships are a good example of this reverse logic. I see salespeople eating cookies and drinking coffee while customers walk through the dealership’s showroom. Or, five salespeople jostle each other to reach the customer first. It is either feast or famine for customers.

As for maintenance service, I recently took my car back to a dealership for the third time with the same complaint: It wouldn’t start. They charged me $25 to tell me that it was necessary to replace the battery. Two months earlier they had “fixed” the same problem for $200 without mentioning the battery!

When I complained to the service manager he said: “You’re wrong, but we want to keep you happy so we’ll credit your account $25 toward the cost of future work.”

That didn’t make me happy at all. The service manager clearly didn’t understand how to handle dissatisfied customers. Nor did he realize that I had no intention of ever returning to claim my $25 credit. Now I patronize dealerships that do not have this dealership’s name on them.
The offensive dealership exemplified poor service and poor training. This is a firm that has spent millions of dollars claiming outstanding customer service. Apparently it thinks its employees will see the ads and be inspired to provide service.

Wrap your corporate arms around current customers in a benevolent bear hug. Few would disagree that customers are hard to find. So, keep them. Make them want to stay.

Friendliness

The corporate slogan of Hy-Vee Food Stores is: “A helpful smile in every aisle.” It may be corny; but the principal is right on the mark. (My 102-year-old mother would not shop at any other store when she lived in Mankato, Minnesota.)

What is friendliness? What customers interpret as friendliness is summed up by this list of friendly employee behavior:

1. Make eye contact.
2. Smile. Greet the customer. When selling in a services setting, meet every customer with a smile and a friendly greeting such as “Hello” or a sincere “How are you?”
3. Use the customer’s name, if it’s known. If it isn’t known, take the name from a credit card or check... or ask for it.
4. Answer questions or obtain answers quickly.
5. Hurry.
6. Talk, act in an enthusiastic, sincere and personal way, not in a routine, bored manner.
7. Give the customer total attention. Employees should never act impatiently, as if they want to finish with the customer as soon as possible.
9. Listen. Ask questions to obtain all information needed to resolve any complaint they might have.
10. Offer unsolicited help now and then. If a customer looks and acts confused, offer to answer any question he/she may have.
11. Make positive parting comments such as “We appreciate your business,” and, “Come see us again.”
You can remember many of these friendly strategies if you remember the name of the umbrella under which most of them fit: “Treat customers as friends.” It is essential for anyone in a service position to have a friendly greeting for each customer, to show sincere interest in the customer as an individual, to thank the customer for any purchases and invite him or her to return.

One customer service-training program in the hospitality industry (food, lodging, entertainment, and recreation) conveys the friendliness principle by teaching employees to:

- Speak cordially.
- Smile.
- Look people in the eye.
- Know guests’ names and learn to remember them.
- Develop systems for transmitting a guest’s name to other staff members.
- Go about your job professionally and cordially.
- Use friendly comments at every opportunity.

How-to-do-it information can be imprinted on employees’ memories with creative “training” techniques that attract and hold attention like the board game used by Sonesta Hotels.

“The idea was to create a training tool that would grab workers’ attention,” says Jacqueline Sonnabend, the corporation’s director of human resources and daughter of chairman Roger Sonnabend. She concedes some workers greet the game with cynicism, but adds that the challenge, prizes and inherent amusement quickly take over.

The game is played on a conventional folding game board. It is laid out like the children’s game “Chutes & Ladders” and like a simple version of “Life.” Four or five teams of two players each move their tokens with a toss of dice.

Teams that land on a “service” space must answer questions printed on cards like those in “Trivial Pursuit.” The questions present situations that test the players’ familiarity with Sonesta standards, and occasionally their resourcefulness.

Typically, three answers are printed on each card - a good answer, a better one, and the best one. But, the players’ answers don’t have to be exactly the same. Their opponents rate their answers and award the appropriate amount of game money. There’s a referee to settle disputes.
“We expect arguments,” says Sonnabend. “It’s part of the training aspect. Players have to defend what they’re saying and that gets them thinking.”

Players vie for their department title, worth $100, then for division title (each hotel usually has three divisions), worth another $200. Winners of each hotel’s title receive $500 and a trip to Boston in September for the chain’s overall championship.

Overall champions win another $1,000 and a week’s stay at any Sonesta resort, plus airfare.

Sonesta supervisors suggest situation questions to Sonnabend, based on their experiences. One in Amsterdam posed this puzzler: A male rock star enters the hotel coffee shop and monopolizes everyone’s attention. You’re a waiter, and you notice a female patron in the corner is alone and sulking. What do you do?

“One good answer,” says Sonnabend, “is to ask a male waiter to go over and talk politely with her. Just show her some attention.”

The friendliness of people who are not friends or acquaintances still is so rare that it wins gratitude and a measurable increment of new business.

Nance Reb, manager of a Perkins restaurant outlet, believes that it’s important to treat customers like house guests or as good friends. “Customer service is taking care of customers, making sure things are right,” she says.

**Personal Treatment**

“I went to Sears over Christmas,” said Bill Murray when he was with Wilson Learning Corporation in Minneapolis. “The clerk took my driver’s license, gave it back, wished me a Merry Christmas... then said, ‘And have a happy birthday tomorrow.’”

“It was a nice surprise,” said Murray. The employee checked Murray’s birth date on his driver’s license.

**Use the Customer’s Name**

We’ve mentioned one way to learn a customer’s name — by glancing at the customer’s driver’s license. Credit cards may be the most frequent source of customer names for use by friendly employees.

Of course, an employee can always introduce himself or herself with “Hello. My name is Jane Smith. What’s yours?”

Speak a customer’s name repeatedly during a transaction. If you do you
might remember it the next time the customer comes in. It’s a wonderful way to win customer loyalty.

Peter Burwash, president of Peter Burwash International, management and consulting firm in Woodlands, Texas, recalls a gas station in Honolulu that asked him his name the first time he stopped there as a tourist in 1970.

“To this day,” says Burwash, “no one else has ever asked me my name at a gas station. I came back two days later and they remembered it. Today, I live on the island six weeks a year and I’ve spent $19,000 there. I’ve never been to any other station in Hawaii.

“Customer loyalty,” observes Burwash, “is an incredibly powerful thing. All it took was for those people to give me, a stranger, a sense of identity by calling me by my name.”

People love to hear their names. Be sure that you pronounce them correctly, however. Addressing Ms. Smythe as “Ms. Smith” is worse than not addressing her at all.

Using a person’s name is one type of “positive message.” Positive communication of any kind gives people good feelings about their buying experience, thereby making it more likely that they will return to buy again.

Each new employee of any of the more than 200 clubs operated by Dallas-based Club Corporation of America receives a copy of the company’s “Standards of Operation,” a list of 25 standards CCA uses to control service quality and consistency and corporate image. The first of these standards is that every member should be called by name at least four times while he or she is in the club. The second standard is that a staff member should approach any member entering a club within 15 seconds. This is professional customer service at its best.

Every employee, from maids to desk clerks, uses customers’ names repeatedly. They are taught to hurry to serve guests and to express appreciation for their business with a warm, friendly smile.

Several years ago we introduced customer service performance standards in a four-page, 32-item form. It is important to judge employees’ customer service performance by fixed standards. They must know what is expected of them if they are to be evaluated fairly.

**Positive Interaction**

Employees should make every customer feel like a king or queen, surely not as
a serf — and certainly not as a villain sent to make their lives miserable or to waste their time.

Managers should do their best to keep employees in good moods and to make sure that they enjoy their work. When this condition exists, employees are motivated to greet customers, to offer help, to express friendly, complimentary comments, and to bid them good-bye when they leave.

Employees should find out what a customer’s needs are, then react to them by making suggestions, offering information, and so on.

The Friedman Group, a retail training and development company headquartered in Los Angeles, teaches that contact with a customer is a social event.

Salespeople should never approach a customer with the hackneyed “Can I help you?” approach, says Marlene Cordry of The Friedman Group. Instead use a “special, creative ‘opener’ that is social in nature. Refer to an article in the morning newspaper, a personalized T-shirt the customer is wearing, or a sporting event.” These references are springboards to rapport with a customer.

“If a customer comes in and says that she saw ‘the cutest little girls’ outfit’ while she was vacationing in Hawaii,” Cordry says, “don’t immediately ask color, size and shape, but talk about Hawaii for a minute and about what the customer likes in children’s fashions.” She calls this “schmoozing with customers.”

Cordry tells trainees: “If everyone is going to be spending eight hours on the floor, why don’t we have some fun.”

Compliments

One customer service program emphasizes complimenting, which it calls positive feedback, and discourages negative feedback and “plastic” (phony) language. The program teaches employees to make friends of customers by complementing, praising, and reinforcing feelings of self-worth.

Certainly it is true that millions of dollars, innovative product order entry systems, stunning and spectacular packaging, and dramatic price-cutting... all of these attempts to capture patronage can be cancelled out by a lack of recognition and attention.

“Is that a new suit you’re wearing?” you might ask. Or, say, “I’ve been noticing how well-behaved your children are.”
Compliment a customer’s speaking voice, hair style, an article of clothing or taste demonstrated by a purchase. By doing so, an employee reinforces the customer’s feelings of self-worth.

Applying techniques such as these helped Riesbeck Food Markets maintain sales and profits despite massive layoffs at coal mines that are the major employers in its region and despite population decline.

Richard Riesbeck proved his personal belief that in the food retailing business success or failure is determined by how customers are treated.

Here are more examples of positive statements:

- “Ms. Osborne, we appreciate your business. Please call again.”
- “Sorry for the delay, Mr. Stevens. Nobody likes to be kept waiting.”
- “Mr. Good! Great to hear from you again. How was your trip to Bora Bora?”
- “That’s a sizeable order. We appreciate your business.”

**Negative Communication**

Here are examples of negative statements:

- “I’ll come back when you’re ready.”
- “Are those your kids?”
- “I have no idea. Ask someone else.”
- “We’re busy now, can you call later?”
- “Whatever possessed you to pick that one?”
- “What do you expect?”
- “Didn’t you listen?”
- “What you see is what you get.”
- “Wait a minute. I’ve got another call.”
- “Didn’t I take care of that already?”
- “That guy was a creep, wasn’t he?”
- “What do you want?” “Speak up, please!” “Don’t ask me.”
- “Can’t you just wait a minute?” “Can’t you read the sign?”
- “That’s not how we do it here.” “I have to go on break now. Sorry.” “Are you sick?”
Plastic Communication

Some employees become so numbed by daily routine, especially in high-traffic situations, that they lapse into a masquerade of superficial remarks, actions and facial expressions. Customers perceive them as plastic, false and insincere.

Employees may think that such comments are witty or cute. They usually backfire.

‘What customers perceive as a crooked or “plastic” statement is a crooked or plastic statement. We may not mean to be phony, but if a customer thinks we are, we’ve failed at our efforts to win customer satisfaction.

Learn to commend consistently and to do it consciously. Make customer recognition — and also praising of fellow workers — genuine, specific, and sincere.

Positive verbal and non-verbal communication give customers “good feelings” about their shopping experiences, making them feel important and valued by the business. The direct result is that they most likely will continue to buy.

Hustle

Clearly, you send a strong message to a customer when you hurry to complete a transaction instead of doing your imitation of the South American sloth. It is a compliment to the customer when you hurry. You declare your respect.

Be Appreciative

Take no customer for granted. Let customers know how important they are by thanking them for their purchases, in a spirited voice. Some business people send a lot of thank you notes.

Recognize That the Customer Is Always Right

Of course, do not take the statement literally. Many members of the younger working generation do not take it at all. They seem to believe that the customer is always wrong. (See Chapter 6.)

The phrase, “The customer is always right,” has been widely disobeyed and dishonored since it was originated as the motto of the American merchant class by John Wannamaker, founder of Philadelphia’s Wannamaker’s Department Stores.
You do not have to blindly believe that all customers are always right in order to act as if you believe it and to make customers think that you think they are right. Certainly, customers often are wrong: They are overbearing. They actually intend to use merchandise such as a new spring dress for a weekend and then to return it on Monday with an unimaginative excuse. They treat clerks and salespeople as servants required to respond to their every whim. They insist that they are right when you learned two years ago in a technical school run by your industry that they are wrong.

But, your objective is to satisfy the customer, not yourself. Does anyone not know about the 6,000-pound piece of granite in front of Stew Leonard’s, the “world’s largest dairy store” in Norwalk, Connecticut, and the phrase chiseled into it? That phrase is: “The Customer Is Always Right” Below it is a second inscription: “If the Customer Is Ever Wrong, Reread Rule No. 1.”

Stew Leonard’s does many things to develop whole-company culture dedicated to producing satisfied customers. One of them is to give refunds to customers even on goods purchased in other stores (www.stewleonards.com).

Stew Leonard’s is headquartered in Norwalk, Connecticut and operates five stores: in Norwalk, Danbury and Newington, Connecticut and Farmington and Yonkers, New York. More than 10 million customers are served by 2,000 employees. The company has a 6 percent employee turnover. Sales are estimated at $500 million for all stores. The stores sell more of every item it carries than any other store in the world and is listed in The Guinness Book of World Records for having “the greatest sales per unit area of any single food store in the United States.”

Stew Jr said, “Customer Service is still a top priority and we find that storytelling by our management team is essential. Great customer service is all about breaking policies. We give a customer a free ice cream cone or coffee, if they spend over $100. What does the young person do at the ice cream window if the customer asks for free sprinkles too? How about a cappuccino instead of a coffee? Big price difference. We tell them to access the person themselves and make the call. IE, break the rule.”

Each year, over 20 million shoppers visit the Norwalk, Connecticut store and have earned it the honor of being called Connecticut’s #1 tourist attraction.

In 1988, the family business baton passed on to Stew Jr. who is the current CEO and President. Stew Jr. is a hands-on leader who spends his day not in his office, but by choice, on the store floor with managers and employees who are respectfully always referred to as “team members.”
The company’s culture is built around an acronym for S.T.E.W.: Satisfy the customer; Team work gets it done; Excellence makes it better; WOW makes it fun.

Stew shared two stories with me.

1. One of our butchers was on his way home after a busy day over the Christmas holiday. He was 10 minutes from the store and a customer is waiting to get their filet mignon trimmed by a butcher but, the butcher shoppe closed at 9 pm. He was just off of I95, EXIT 12 and returned to the store and made the customer happy. I’m at a speech a month later listening to Bob Lord, the Chief Digital Officer at IBM. Afterward, I thanked him for his speech but, he said, I WANT TO THANK YOU FOR THE BUTCHER WHO TRIMMED MY FILET MIGNON LATE ONE NIGHT! I love your store!

2. Never shop in a pickup truck. A first time customer bought $100 of Stew Leonard’s meat, fish produce and put it in the back of her pickup truck. Then, ran out of gas on the way home. Walked to a nearby gas station and returned to find all her groceries missing. Guess what we did at Stew’s. Replaced all her groceries! Don’t tell anyone!

Truly service-driven companies with service-driven managers do not argue with the facts or try to persuade a customer that the buyer is wrong and the seller right. They listen and they respond. They hold hands. They seek out customer comments and take them to heart. And they do not consider doing so a burden or an avoidable expense. They constantly keep in mind how it feels to be a customer.

** Dependability  
In service-driven companies, dependable service is a way of life. Management and employees work at it every day.

Leon Gorman, the late Chairman of the Board of L.L. Bean, highly rated for its quality service, says that service is “a day-in, day-out, on-going, never-ending, unremitting, persevering, and compassionate type of activity.” He said, “A lot of people have fancy things to say about Customer Service, but it’s just a day-in, day-out, ongoing, never-ending, preserving, compassionate kind of activity.”

L.L.Bean is a privately held, family owned company headquartered in Freeport, Maine. Its Customer Satisfaction Department operates out of two customer contact centers in Maine, 24 hours a day, 365 days a year. Call 800-
441-5713 or if international, call: 207-552-6879. It has 600 employees in the call centers and this increases to 2,000 during the peak season. L.L. Bean spends approximately 85 hours a year training its staff. With over a century in business, a satisfied customer is still their most important goal.

Manufacturing facilities are located in Brunswick and Lewiston, Maine. In 2016 customer demand for the L.L.Bean Boot was over 630,000 pair. Every L.L.Bean product is designed for a reason, with style, function, innovation and thoughtful Craftsmanship.

L.L.Bean named Stephen Smith the fourth president and CEO of L.L.Bean upon Chris McCormick’s retirement. They remain firm in their commitment to providing superior service and excellent products. Each product is still guaranteed to provide 100% satisfaction. In Chris McCormick’s words: “Superior customer service has always been and always will be the cornerstone of our brand and heritage and an attribute that differentiates us from the rest of the pack. It goes back to L.L.’s Golden Rule of treating customers like human beings.” In an increasingly competitive industry, L.L.Bean still stands out as the benchmark for customer service.

L.L.Bean re-introduced everyday free shipping to the US and Canada with orders above $50. Orders under $50 come with a flat $6 charge. This continues the tradition that Leon Leonwood started in 1912 by offering all L.L.Bean products in his catalog “postpaid

Leon Leonwood Bean started the company in 1912. L.L. never missed an opportunity to improve service. While the bulk of sales were generated by the catalog, hunters and visitors frequently dropped by Freeport. A night bell allowed the late-night visitor to call a watchman or even L.L. himself. In 1951, L.L. opened the store 365 days a year, 24 hours a day proclaiming, “We have thrown away the keys to the place.” To this day, there are no locks on the doors of the Flagship Store in Freeport Maine.

L.L.Bean’s sales numbers in 2016 were $1.6 billion. In 2016, L.L.Bean mailed catalogs to all 50 US states and over 150 countries. In 2015, over 9.3 million customer contacts were received, with over 117,000 contacts received on a single day

L.L.Bean has 37 retail stores outside Maine. It has 10 outlets in locations throughout New England and the Mid-Atlantic region of the US.

The website is www.LLBean.com. It has 6,000 people year-round and over 11,000 during the busiest shopping periods.

L.L.Bean opened its first international retail store in Tokyo, Japan, in 1992
and now operates 37 retail stores and outlets in several cities in Japan. L.L.Bean global website serves over 200 countries and territories. Product prices are converted into over 60 currencies.

The company Web site, llbean.com, launched in 1995, is among the top-rated e-commerce sites in the industry. Customers can purchase thousands of products online, including sporting goods, home furnishings and casual and active clothing. In addition, customers can search for information on state, national and international parks, contact customer service, watch product videos, find out about Outdoor Discovery Schools® programs, get directions to the stores and share personal comments related to products through Ratings and Reviews and the newly launched Share Your Story feature on both llbean.com and L.L.Bean’s Facebook page.

Their fulfillment centers have the capacity to store over 10 million units of merchandise and to process an average of 50,000 customer orders a day, represent a familiar L.L.Bean goal: the best in customer service.

Awards received in 2017 include:

- Forbes magazine: rated #9 on America’s Best Mid-Size Employers list
- Forbes magazine: ranked #16 on America’s Most Reputable Companies list
- Harris Poll: rated #15 overall for best corporate reputation
- Foresee: received the highest score among apparel and accessories retailers and ranked 32 among all U.S. retailers for consumer experience
- Reputation Institute: ranked #16 among the 100 most reputable companies
- Prosper Insights and Analytics: ranked #1 as a Customer Service Champion
- Brand Keys: ranked #25 among the most patriotic brands
- Stella Service: achieved Elite status, ranking in the top five of only 23 retailers who received Elite status

**Return Policy**

If you are not 100% satisfied with one of our products, you may return it within one year of purchase for a refund. (Please note that products purchased before February 9, 2018, are not subject to this one-year time limit.) After one year, we will consider any items for return that are defective due to materials or craftsmanship.

We require proof of purchase to honor a refund or exchange. If you provide us your information when you check out, we will typically have a record of your
purchase. Otherwise, we require a physical receipt.

Please include your proof of purchase with the products you wish to return or exchange and bring it with you to any of our stores, or include it in your package of returned item(s). We will reimburse the original purchase price to either your original method of payment or as a merchandise credit.

L.L.Bean said that some customers had been abusing the policy by returning items that had been purchased from yard sales and third parties or used the policy as a lifetime replacement program items with normal wear and tear so in 2018 the return policy was changed.

Leon Leonwood Bean’s Golden Rule is, “Sell good merchandise at a reasonable profit, treat your customers like human beings, and they will always come back for more.”

Deliver. Perform. Be quick and efficient in meeting customer needs. It’s obvious that if you do not perform by fulfilling customer expectations, then complimentary language and the most attentive listening in the world will not be enough to retain a customer’s loyalty.

**Deliver: keep your promises.**

Deliver: be dependable and trustworthy. Do this by:

- Telling the whole truth about the performance of your products and the effectiveness of your services.

- Making only promises that you are sure that you can keep.

- Telling customers immediately about any developments that will disappoint any of their expectations. For instance, when you cannot meet a deadline that your delivery people promised to meet, have those delivery people call and change the time. That is the least you can do since you are causing people a great deal of trouble even when you keep your delivery appointment.

- Warning customers of impending service problems. Often they are allowed to discover late shipments for themselves, and also substitutions and back orders. This can be infuriating. Warn customers of service problems as soon as you become aware of them so that they can take action to minimize inconvenience or loss. In fact, go so far as to suggest alternatives and solutions to the problem that untimely delivery causes. Do not try to hide a problem hoping that customers will not notice.

- Sharing economies and cost savings with customers. Tell managers that the company is committed to fair play in this way. Do not allow “clever” managers
to decide that they’re going to save the company money or realize a windfall by delaying the point at which they tell customers about their options. By the time their options are revealed, of course, it is too late to exercise them. Only then do such managers say, with mock surprise: “Oh, didn’t you know that you could... Fair play requires that you tell customers that: They can buy a little more and get something free. They will get a better price if they wait a few days to buy. They can buy last year’s model, identical to this year’s model, for 25 percent less.

A business determined to improve service standards must begin with a firm commitment not only to achieve a higher level of customer satisfaction but also to consistently deliver this level of satisfaction even if it means lower profits in the short run.

100 Most Valuable Companies to Work for in America

Shares of public companies rose 37 percent, annualized over the past three years, compared with 25 percent for S&P 500. A century ago the most valuable U.S. Corporation was US Steel, whose primary assets were smokestack factories. Today’s most valuable corporations are Apple, Amazon, Walt Disney, Google Wal-Mart, Starbucks, Costco and Southwest Airlines, whose most valuable assets go home every night. Companies that want those assets to return every morning must pay attention to the workplace. These same firms are spending over 43 hours on training each employee.

Starbucks

Starbucks total net revenues increased 10% to $22.4 billion in fiscal 2018. Starbucks is the most successful coffee company in the world, with more than 27,000 stores in 75 countries. In 2019 Starbucks will open 2,100 stores. The average customer comes in 18 times a month, making it the most frequented retailer in the world. It has 40 million customers a week. Howard Schultz, Chairman Emeritus and founder, remembers what his mother said. “You are the company you keep. Show me your friends and I will show you who you are. There are choices people make.”

Starbucks built a business around superior service. It is viewed as one of the best places to work in America. All employees receive free healthcare coverage.

Howard would say to a young person who wants to be the next Howard Schultz. “Everyone who grows up, no matter where you are in life you had
dreams, and the question is, have the people convinced you that your dreams cannot come true. As a result of that maybe you would have given up too early. Define what your dream is: Dream bigger than that and don’t let anyone tell you you are not good enough, not smart enough, that your dream can’t come true. And don’t settle, because you are going to find yourself at 30, 40 or 50 years old saying, I could have done that. And you probably could have.”

When asked what he fears, Schultz said, “Failure. That’s what motivates and drives me.” More than 350,000 people and their families rely on him.

Starbucks has over 90 million Facebook fans, 3.5 million Twitter followers, 15.3 million loyalty program members and over 7 million people are active.

Starbucks Canada and the True Patriot Love Foundation announced a new collaboration in 2016 that will help support veterans’ reintegration to civilian life. Each year, 5,000 men and women exit the Canadian Armed Forces looking for the next chapter in their lives. Entering the civilian workforce for the first time is a significant challenge and many require support to translate military skills into civilian jobs. Through the Coffee with a Vet program, Starbucks will provide much-needed meeting places for one-on-one networking and mentoring meetings with veterans who have successfully reintegrated into civilian life, along with larger scale events, all aimed at leading to employment and support services. As of the end of 2017, Starbucks is well ahead of its commitment to hire 10,000 veterans and military spouses by the end of 2018.

“Starbucks record Q4 performance reflected meaningful improvement in virtually every critical operating metric compared to Q3,” said Kevin Johnson, CEO. “As we enter fiscal 2019, we are executing against a clear growth agenda, with a focus on our long-term growth markets of the U.S. and China. We are also excited about the long-term growth potential of our new Global Coffee Alliance with Nestlé. I’m incredibly proud of our 350,000 Starbucks partners around the world and pleased with the continued progress in our growth agenda.” “In Q4, Starbucks delivered improved sequential results in both our Americas and China/Asia Pacific segments. We also further set the stage for increased benefits from our ongoing efforts to streamline the company,” said Scott Maw, CFO. “Each of these factors contributed to the record Q4 results we reported today and position us well for fiscal 2019 and beyond.
Chapter 10
TURNING YOUR BUSINESS INTO A SHOPPING SERVICE

“Satisfaction is your right. We intend to see that you get it.”
- LEE A. IACOCCA, former Chairman, Chrysler Corporation

“The customer is always right.”
- FRANK WANNA MAKER, founder of Wannamaker’s Department Store, Philadelphia

BAN BANKER’S HOURS!

“The whole store is a shopping service,” says Luke Mansour, vice president of marketing for Mansour’s of Columbus and LaGrange, Georgia, a family owned department and fine specialty store. Now, that’s the spirit of a customer service operation that helps out the marketing and advertising departments by delivering what advertising leads customers to expect.

For a business to provide service that imitates up-close and personal service today, it must offer service that is fast and convenient because the American lifestyle is fast, and convenient service saves time, thereby accelerating the pace of personal achievement.

Fast service
NBC Evening News interviewed consumers for a report on customer service. The consumers complained: “They make you wait. Clerks don’t know what they’re doing.” A California bank offers customers $5 if they are kept waiting in line for more than five minutes. A bank officer said: “If they stand in line
we’re going to pay. If we make mistakes on their statements we’re going to pay. If we don’t call them back in 24 hours, we’re going to pay.” To save time for customers, Nordstrom’s department stores provide such services as fetching items from other departments and wrapping merchandise at the counter where it is bought instead of at a distant counter on another floor.

So, instruct your employees to hurry to get merchandise, to demonstrate it, to write up sales slips, to settle claims. “Hustle” compliments customers.

Example: Passenger claims are settled at the departure gate as passengers leave American Airlines flights. That is an improvement in pace of service over the past when a passenger needed to wade through months of paperwork before being reimbursed for a cleaning bill necessitated by spaghetti sauce and salad dressing spilled on clothing by a flight attendant.

After the inconvenience of a soiled suit that required a change into a new suit of clothes and the unexpected delays that accompanied the need to change, passengers faced the additional time-consuming inconvenience of obtaining, filling out, and filing claim forms. It was as if the airline was consciously attempting to discourage complaints.

Other airlines maintain that company policy and procedures prevent swift response. All American did, though, was shift its mental attitude in regard to employee qualifications to handle claims immediately. They “empowered” employees.

Time Is Valuable

Today, people do not want to commit an hour to shopping any more. One reason that time is so highly valued is that both adults in many families work. When they reach home they have chores to do; they are intent on scratching out a little time for hobbies or special interests.

They become quickly “annoyed,” to use a gentle word, at long lines, employees who do not seem to know what they are doing and who take a long time doing it, incomprehensible merchandise presentation and organization, and products that stop working and that require frequent service.

Long waits for service are high on any consumer’s list of inconvenient and definitely unwelcome shopping situations.

Long waits are bad enough in themselves; but sometimes this happens: A customer patiently shuffles forward in line until — oh, wonderfulness, she or he reaches the head of the line and has just spoken two words to the clerk when, guess what? The phone rings. Instantaneously, the employee snatches up the
phone, as if it were a cup of water and she’d been in the desert without drink for a week.

The customer is not so enthusiastic about the phone call.

Certainly, in this situation employees should ask the person on the phone to wait while they finish the transaction with the person in line. Then they should ask permission from the next person in line to answer the phone call and finish the call quickly.

**Bankers Hours**

Here is unexpected improvement in pace of service: In deference to the high percentage of customers who are too busy during the week to do all their banking then, we are seeing the decline of the custom of “banker’s hours.” In the past, bankers’ hours were a state of affairs to which many people aspired. Now, banks are staying open on Saturdays, evenings, and during all weekday working hours.

It seems amazing, from the vantage point of the early 1990s, that banks did not get into the swing of Saturday and all-day weekday openings until the late 1980s. A few banks, though, had begun to stay open on Saturdays as early as the late 1970s.

**Commerce Bank – America’s Most Convenient Bank**

Everyone reading this book has a bank. Almost all banks suffer from poor customer service. Follow the story of Vernon Hill at Commerce Bank and then Metro Bank London. Most executives do not understand the power of the service strategy. Vernon Hill has a better grasp of the financial impact of superior service than any banker in the world and I would consider among the top 10 most customer driven leaders in the world.

Commerce Bank in Cherry Hill, New Jersey, was a bank with a difference. It was the most customer-driven bank in the US. Its branches it calls stores, are open from 7:30 a.m. until 8 p.m. Monday – Friday, as well as on weekends — 7:30 a.m. until 6 p.m. on Saturdays and 11 a.m. until 4 p.m. on Sundays — all with live friendly tellers. They also open 10 minutes early and close 10 minutes late! How many organizations in the world understand the power of this strategy of opening early and closing late. Commerce Bank was light years ahead of its competition when Vernon Hill was CEO. In March of 2008, Commerce Bank was sold to TD Bank Financial Group of Canada (TDBFG). Commerce Bank was sold for $8.5 billion and had no sub-prime mortgage problems. Since then
the level of customer service has declined significantly.

Vernon Hill founded the bank in 1973 at the age of 27. It wants to be known as the most convenient bank with services whenever, wherever, and in whatever way its customers may want them. He said they are a retailer who just happens to be banking.

You might be cost structure wondering how Commerce Bank could be so profitable with this. A key is that it pays lower interest on deposits than its competition does. In my service strategy seminars throughout the world, when I ask people what the interest rate is on money they have in their account, virtually no one knows. It uses this huge savings to fund the best service customers will ever experience in their lifetimes. Customers do not seem to mind the lower interest rates. They would rather pay a one-time “fee” in the form of lower interest than face the nickel-and-diming of service charges for everything they do. And the bad service of its competitors. People prefer awesome service and convenience. Commerce provided service and convenience which was rare in the banking business. The average deposit life at Commerce was 13 years.

The ABA Banking Journal shows customers prefer convenience by 62 percent vs. a good rate of return of 3 percent. The research shows 29 percent prefer convenience, 16 percent checking account, 9 percent personnel friendly/nice, treated well, and 8 percent good services.

In a JD Powers national retail banking satisfaction study Commerce Bank rated number one nationally and in the New York area. It ranked highest in convenience, accuracy, products, transactions (all channels) and fees. This was before it was sold to TD Bank.

Commerce Bank was a Power Retailer. Vernon Hill does not want to think like a bank or act like a bank. He thinks most bankers are stupid. Hill is maybe the most visionary person I have ever met. He defines a Power Retailer as someone who redefines delivery, changes the customer experience, constantly crushes the competition, produces predictable financial results, and has reproducibility. Hill is by far the most customer driven banker in the world.

They built a powerful brand with a model that differentiates itself from the competition, has a unique culture, and fanatical execution which creates fans not customers.

A web penetration that is higher than any other bank in the United States. It seems that people like to do their virtual banking with a firm that also provides great service in the physical world.

With the thousands of banks in the United States, it is great to see one of
them focus on a service strategy. When I started to design customer service training programs in 1979, banks were the leading service offenders. Over the last 39 years little has changed. Banks still spend millions on capital renovations and advertising and fail to internalize the service strategy.

Commerce Bank proved that a focus on a service strategy generates significant results.

A 2006 JD Power satisfaction study on the percentage of existing customers who are loyal to the company showed:

- Commerce Bank 41%
- Wachovia 25%
- JetBlue 23%
- Verizon 21%
- Bank of America 20%
- Chase 19%
- PNC 17%
- HSBC 16%
- Citibank 15%
- Southwest 15%

In a Consumer Reports Personal Banking survey Commerce Bank was number one in overall customer satisfaction. Its key strengths were communication, telephone service, convenience, and online banking.

It grows by building its own branches. It opened four branches in Manhattan in 2001 after 9/11 and interviewed 3,600 people to get 42 employees. Hill says of prospects, we can teach people to be tellers or to open accounts. You cannot change a person’s personality. There is a saying that Hill uses, “Hire for attitude, train for skills.” Here is a hint: If you wanted to apply at Commerce, smile during the interview. If you do not, forget about the job.

Commerce Bank had 98 stores in New York State by 2006. Pre-tax profits per store were $38.2 million. Its annualized growth rate in New York City was $39 million per store in 2006. It took Commerce’s 55th and 6th Street branch four months to reach profitability and only eight months to exceed $100 million in deposits. The goal was to open a total of 450 stores in Metro New York. Total deposits as of December 2006 were $10.275 billion. Hill has said, “In 2001 J.P. Morgan/Chase and Citibank, with 60 percent market share, will be easy targets, I think it is the most under-served banking market in the country. New York City is the city that never sleeps — except for the banks, which close at 3 p.m.” The
New York Post rated Commerce Bank as New York City’s only 5 Star Bank.

As for its vaunted service: Commerce Bank’s strategy is to hire outgoing people pleasers. “Then we train, train, train,” Hill said. Commerce had 14,000 employees in 2007. TD Bank is the 11th largest bank in the United States with more than $218.9 billion in assets.

I opened my first account at Commerce in 2005. It is more than 1,000 miles from Minneapolis, where I live. They gave me $10 to open the account. I had my new account, blank checks, debit Visa card, and online Internet access with my own password in 10 minutes. A few days later I received a hand written note from my personal banker. Can your bank move with this speed, technology and service?

Commerce Bank was listed on the New York Stock Exchange under the symbol CBH. As part of TD Bank Financial Group the new symbol is: TD. As of April 25, 2013, its stock was $79.84 a share vs. $4.03 (split-adjusted) on August 1996. Results are awesome. Deposits had been growing at annual increase of 30 percent. Assets have been growing at the rate of 36 percent. I invested $1,000 each in nine service leaders in May 2003. Year after year, Commerce Bank significantly out-performs the other service leaders. As of January, 2018 my $1000 was worth $4,471

Commerce’s (TD Bank’s) goal was to have 575 branches by 2008 with $63.4 billion in assets, and 712 branches. Commerce (TD) Bank was one of the 18 largest commercial banks in the United States when sold to TD Bank. The growth was internally funded, it does not believe in growth by acquisitions. Commerce Bank had been growing deposits at an annual rate of 30 percent over the previous five years.

Vernon Hill is the most customer driven CEO I know. He walks the talk and knows the financial results of awesome service. “Hill is probably the most influential banker of the last two decades, say Thomas Brown of Second Curve Capital. A hedge fund specializing in financial services.

<table>
<thead>
<tr>
<th>Commerce Bank</th>
<th>1973</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>$8 million</td>
<td>$49.3 billion</td>
</tr>
<tr>
<td>Branches</td>
<td>1</td>
<td>470</td>
</tr>
<tr>
<td>Employees</td>
<td>9</td>
<td>14,000</td>
</tr>
<tr>
<td>CBH Stock Value</td>
<td>$.17</td>
<td>$38.14</td>
</tr>
</tbody>
</table>
The financial results are because of its focus on service. A subject competition excels at talking about and rarely knows how to implement.

In the Metro Philadelphia area, deposit growth went from 1.6 percent in 1994 to 9.6 percent in 2006. In looking at its two major competitors Wachovia dropped market share from 25.5 percent in 1994 to 14.2 percent in 2006 and PNC started with 10.8 percent market share in 1994 and fell to 7.3 percent by 2006.

Few executives particularly in banking understand the financial impact of implementing a service strategy. Vernon Hill’s annual return as of December 31, 2006 was as follows:

<table>
<thead>
<tr>
<th>CBH</th>
<th>S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>One year</td>
<td>4%</td>
</tr>
<tr>
<td>Five years</td>
<td>14%</td>
</tr>
<tr>
<td>Ten years</td>
<td>23%</td>
</tr>
</tbody>
</table>

The key to Commerce’s business strategy is its branches, which Vernon Hill refers to as “stores.” Other banks try to steer customers away from their branch offices by offering incentives to use ATMs or by limiting the number of teller visits allowed per month. Commerce did just the opposite. While it still gives customers the option of banking through its ATMs and its award-winning website, Hill and his staff were trying to lure more customers into the store. He said, “Commerce distinguishes itself with its commitment to friendly and attentive service. That’s where customer relationships are built — relationships that start with checking accounts and eventually lead to mortgages.”
### TOTAL RETURN

**December 31, 1996 - December 31, 2006**

<table>
<thead>
<tr>
<th></th>
<th>10 Year Total Return</th>
<th>10 Year Compounded Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commerce Bank:</td>
<td>672%</td>
<td>23%</td>
</tr>
<tr>
<td>Microsoft:</td>
<td>235%</td>
<td>13%</td>
</tr>
<tr>
<td>GE:</td>
<td>177%</td>
<td>11%</td>
</tr>
<tr>
<td>Berkshire:</td>
<td>223%</td>
<td>12%</td>
</tr>
<tr>
<td>S &amp; P:</td>
<td>124%</td>
<td>8%</td>
</tr>
</tbody>
</table>

(Source: Bloomberg)

At some branches tellers take turns greeting customers inside the front door, just as Wal-Mart greeters do. “People will always choose to bank in person,” says Hill. “But banks keep pushing them to use ATM’s and online banking because those are lower-cost transactions. Everyone else has given up on branches.”

### Year Annual Return

**December 31, 2006**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Commerce Bank</td>
<td>23%</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>16%</td>
</tr>
<tr>
<td>Home Depot</td>
<td>14%</td>
</tr>
</tbody>
</table>

As an industry, commercial and savings banks saw deposits increase 4 percent in 2006. Commerce’s deposits grew 9 percent to $49.3 billion. For the past 40 years, banks have said, “Let’s focus on growing loans,” says Hill. “But what we’ve learned to do is grow low-cost deposits Commerce offers free checking accounts in exchange for little or no interest, a trade-off that customers seem to accept.”

When Hill learned that other banks had started refusing to accept large numbers of coins or were charging customers to do so, he saw an opportunity. Commerce spent $10 million initially to take their coins. The penny arcade was free. Hand your receipt to the teller, and you get back the full amount in cash.
The investment per store is $30,000.

The real appeal — and the payoff — is that it is fun. Kids want to use it. Pack rats need to use it. The Penny Arcade transforms the bank into a more interesting and appealing place and that says Hill, is how you create traffic. How many banks have kids going to the bank every week just to use the free coin counting Penny Arcade? At Commerce Bank it happens every day. In 2005 the late Andy Rooney on 60 Minutes, the most watched TV show in America, featured a segment on Commerce Bank’s coin counting.

Every new employee attended a one-day course at Commerce University called Traditions. It is part game show, part training session and part common sense. Banks do all sorts of stupid things to customers. The WOW Department Manager, has a “kill a stupid rule” program. If you identify a rule that prevents you from wowing customers, we will pay you fifty dollars.”

The Commerce had another incentive. If a competitor closes a branch, the staff at the nearby Commerce branch was awarded $5,000.

Most large firms in the world use voice activated systems to prevent a live person from having to talk to the customer. Many U.S. firms have outsourced their call centers to India and the Philippines. Quality and keeping customers don’t seem to be a high priority. Commerce Bank’s call centers were open 24 hours a day, 7 days a week in the U.S. Commerce had only one phone number in the U.S. It is toll free 888-751-9000 (Outside the US you can call 856-751-9000. The phone used to be answered by a live, friendly person in 1-3 rings. Today it will probably take 25 minutes. Their branches are open 50% longer than the competition in both Canada and the U.S.

Vernon Hill left the bank in the summer of 2007 after providing 34 years of entrepreneurial leadership and vision. Shortly thereafter on October 2, 2007, Commerce’s Board of Directors agreed to the sale of the Company of Toronto Dominion Bank of Canada (TD). Commerce’s shareholders approved the sale on February 6, 2008 and subsequently all regulatory approvals were obtained. The merger closed on March 31, 2008. Although TD is recognized as a very successful bank, the focus on customer service has slowly been chipped away. This is what he accomplished.

**British Revolution Starts with Vernon Hill - Metro Bank UK**

You have read about the success of Commerce Bank. Vernon Hill launched a new bank on July 29, 2010 in London, United Kingdom. He copied the formula he used in the U.S. with even greater success in the UK. It will go from zero
to $38.34 billion in deposits in 10 years. By 2023 it expects deposits to grow to $69.7 to 76.7 billion. Within several months of opening the bank it had 80% brand awareness in London. As of 2018 brand awareness has increased to 89% in London with NO advertising.

Their web site is http://www.metrobankonline.co.uk

- Metro Bank granted a banking license by the Financial Services Authority (FSA) on March 5, 2010
- First bank to open on the UK High Street for more than 163 years
- Open seven days a week and twice as long as other banks
- Retail concept to change the face of UK banking
- Serving consumers and business customers
- The first four Metro Bank stores opened in 2010 at Holborn, Earl’s Court, Fulham and Borehamwood. Metro Bank intends to build a network of more than 100 stores in Greater London over the next 10 years. By 2023 they expect to have 140-160 stores.
- Metro Bank’s co-founders are Anthony Thomson and Vernon Hill.
- It now has 55 stores (not ‘branches’) across London and surrounding commuter areas, with 1,217,000 customer accounts as of December 31, 2017
- Each store opens 10 minutes early and closes 10 minutes late. Every organization in the world could implement this immediately.

Metro Bank is a retailer of financial services. It doesn’t have branches: it has “stores”, considering itself a retailer rather than a bank. Their main focus will always be on customers, both retail and business, and making sure we do the right thing by them. They believe that by providing unparalleled service and convenience, Metro Bank will stand out from other High Street banks. They know that UK banking customers are looking for a new, convenient way of banking.

Metro has also banned what is calls “stupid” rules and barred staff from saying “no” to customers without asking a colleague for a second opinion first. When asked what to do about robberies, Vernon said, “do you build a bank for the one in 10,000 people who are going to rob you or are you going to give a better experience to the 9,999 who come in every day?”

Metro Bank promises to ‘surprise and delight’ every customer every time by offering superior service and convenience. Based on the model of the world’s great retailers, Metro Bank believes that customer satisfaction lies at the
heart of every successful banking relationship. They are open 79 hours a week because they are in the account opening business, which means taking business away from the competition.

The Metro Bank customer promise is:

• Surprise & delight every customer
• Deliver unlimited convenience
  - 7 day store banking
  - Great online banking
• No ‘stupid’ bank rules
• Satisfaction guaranteed

Metro Bank offers its customers:

• Extended opening hours: stores are open 7 days a week, 363 days a year (8am-8pm Monday to Friday, 8am-6pm Saturday, 11am-5pm Sunday), every day of the year apart from Easter Sunday, Christmas Day and New Year’s Day
• The best online banking and 24/7 customer call center located in London (Call anytime to test them 44-20-3402-8312)
• The ultimate in account opening convenience, with a rapid opening procedure and instant issuance of permanent debit and credit cards within 15 minutes
• Free coin counting at every store, for customers and non-customers alike, with the Metro Bank Magic Money Machine™
• A friendly welcome to dogs and their owners, with water bowls and dog biscuits on hand for man’s best friend- dogs rule at Metro Bank!

Metro Bank is the vision of US entrepreneur Vernon Hill. Hill’s philosophy centers around the premise that Metro Bank is a high growth retailer which exists to provide extraordinary customer service.

A new customer can enter a store, open an account, be given a debit card and check book all within 15 minutes. Mr. Hill said, “The level of service to the small business community by British banks is shockingly bad.” In America, he says, there are some 8,000 banks. “Generally speaking the bigger the bank, the poorer the service to the consumer and the small business community. Americans don’t like banks but Brits actively hate theirs.”

Each week Metro Bank gets major coverage on TV, newspapers,
magazines, Internet, Twitter, Facebook and blogs. They have over an 80% Net Promoter score. The bank’s strategy is to open in high-density areas, to get as many people as possible to pass the bright blue and red lights of its logo shining through the glass frontage. Everything a customer sees at a Metro Bank site is deliberate from the size and positioning of each store (4,000 – 5,000 sq. ft. on a corner site), to the exact height of the glass 16ft high, all the way around the store front). On the inside, smiling staff greet customer from behind a glassless counter, on top of which sits a box of biscuits for pets. Highly unusual for a bank.

Vernon Hill, Metro Bank Founder and Chairman said: “Metro Bank is an investment in the future of Britain. At Metro Bank the customer is king and our goal is to reinvent British banking by building fans not customers.” He found that what truly excites people, what turns them into loyal fans, is superb, lavish, even outrageous customer service. “That’s the exact opposite of the approach of the big banks in both the U.S. and Britain,” says Hill.

Metro Bank spends no money on advertising. New brand recognition numbers in January 2018 showed 89 percent awareness in London. They are in the media almost every day. All free publicity. Customer accounts increased 302,000 in 2017. Total accounts by the end of 2017 were 1,217,000

The average bank in the U.S adds about 20 new accounts a month per location. Commerce Bank added 300 a month. Metro Bank is consistently opening over 750 new accounts a month for each store. Loans to commercial customers represent 53% of total lending as of December 31, 2017.

Metro Bank started with 60 employees and in eight years has increased this to 3,900 employees. Lending is up 48% in 2018 to $18.69 billion. Customer deposits increased 34% in 2018 to $20.67 billion as of December 2018. Total assets as of 2018 are $28.57 billion a 32% increase. All in a little over 8 years. In 2017 it reached its first year of profitability of $29 million and $65.8 million in 2018. They now have 66 stores and in 2019 will add 11 more. It costs $2.92 million to open a new store.

Safe deposit boxes, an area they believe to have been previously underserved by the market, remains a key part of their business model. Income from safe deposit boxes covers 80% of net rent on their stores. 92% of the store’s safe deposit boxes are currently occupied and cover all of the store’s rental costs.

Annual increases in deposits are $93 million per store per year. This is $7.77 million per month. The average American bank branch grows deposits at a rate of $1-2 million per branch per year. Metro bank is growing 50-100 faster.
In March 2016 Metro Bank was listed on the London Stock Exchange. Their stock code is MTRO. It raised $500 million in capital. It was listed at £20. I expect it to go up in value over the next 5-10 years 20 - 40 times its listed price.

Dogs Rule. You can bring your dog to the bank and they will provide water and dog treats. Vernon Hill said, “Customers think that if we take care of their dogs we will also take care of them.”

+ Kids rock at Metro Bank, which in simple terms means they value their younger customers and believe that banking should be made fun. Aside from the friendly and welcoming experience you’ll get from visiting their local stores, there’s an array of fun stuff to enjoy; win prizes using their Magic Money Machine, enjoy free lollipops and save your coins to their M Banks. During 2017 27,000 schoolchildren were trained through Money Zone, bringing the total since 2010 to over 100,000

Metro Bank’s Model is built on:

. A differentiated, value-added MODEL A persuasive and reinforcing CULTURE

.FANATICAL EXECUTION which eliminates stupid bank rules, AMAZES our customers and EXCEEDS their expectations.

Their model is focusing on creating FANS who:

. Join our brand
. Remain loyal
. Bring their friends

Metro Bank is the revolution in British banking. It is celebrated for its exceptional customer experience and its trusted products, and was awarded ‘Best All Round Personal Finance Provider’ at the Moneynet Finance Awards 2019, ‘Most Trusted Financial Provider’ at the Moneywise Customer Service Awards in 2016 and 2017, as well as ‘Best Financial Provider’ at the Evening Standard Business 2017. It is also recognized by Glassdoor in its ‘Best Place to Work UK 2019” top 50 list.

Fan Touch Points – It’s the Experience They believe in offering customers a choice of how they bank with Metro Bank.

Online 78% of customer registered for online learning. In 2017 they had over 7 million online transactions

On the App. Their award winning mobile app was launched in December 2016. Won several awards including Best Mobile Banking app (Moneywise

In Store. Stores open early until late, seven days a week. 362 days a year with friendly colleagues ready to help. Every store has a Magic Money Machine to count coins. Over 65 million coins counted and over 2.7 million store transactions in 2017.

Over the Phone Call centers are London- based and their colleagues are available day or night. They do not believe in annoying automated telephone menus to navigate, so they put customers through to a human. Over 1.5 million calls in 2017.

There are so many reasons Metro Bank is successful. Any bank in the world could copy this same model. The results would be the same. The Service Strategy is the only competitive weapon any business can use to crush the competition. To have record growth. All based on word-of-mouth advertising. I asked Vernon Hill why no banks in the world copy Metro Bank. His response was “puzzle.”

Metro Bank has fanatical physical execution, integrated technology, fans, diversified, sticky low cost deposits, a unique culture with AMAZING values and a trusted franchise and brand.

If you ever get to London stop in and visit Metro Bank. If you have capital to invest this will be the best investment of your lifetime. If you live in London experience heaven at least once in your lifetime and open an account at Metro Bank.

Vernon Hill released in 2016 the revised book, Fans Not Customers that is a must read. It will show you how to create a growth company in a No growth world.

**Latin America Bank Focuses on a Service Strategy**

Banco Promerica (of Grupo Promerica) is a regional commercial bank throughout Central America, Panama, Ecuador, Florida, USA, Cayman Islands and the Dominican Republic, with over 500 branches and over ten thousand five hundred employees whom are trained regularly with the one single focus: Empower the staff and give the customer exceptional service, a unique experience and more than they expect.

Oscar Orozco, Executive Director said, “There is no secret to our outstanding success. Well, at least not for us there isn’t but the competition thinks we’ve got one. For us the customer is first... period. That’s the secret! Well, that’s one of them. Creating a culture around that premise has been our
tireless effort for the last 17 years and it is the one thing our competitors seem
to never get it right --- while they continue to compete in the market pushing
out new products, we continue to improve the customer service by constantly
training our staff.”

When I asked Oscar what it takes to be a service leader he said:
1. Attitude
2. Top Management is more interested in advertising than investing in
   training & developing their people
3. Top Management must be consistently and totally involved in the
   process
4. Top companies have one thing in common. They are focused on, and
   first sell customer service. The product is secondary

These are the financial highlights as of June 2018
- TOTAL ASSETS:  US$ 14 billion
- NET INCOME:   US$ 63.9 million
- ROAA:          0.9%
- ROEE:          10%
- Branches       840
- Headcount      12,500
- Depositors     1.9 million
- Borrowers      375 million
- Credit Cards   1.9 million

“Our other secret has been finding John Tschohl, President, CEO and founder
of The Service Quality Institute and utilizing all of their wonderful and creative,
customer service training products. Add to that, the personal coaching John
has provided us over the years. Through his guidance, we broke mold to the
traditional Monday through Friday banking and started an extended hours
programs throughout our branch system by staying open until 7:00 p.m. daily,
and until 9:00 p.m. in strategic locations. We are and have been the one and only
bank in the history of banking in El Salvador, to open its branches on Sundays.
After more than ten years since that wonderful decision to Sunday banking, no
other bank has followed --- they continue to push product.
“Our newest innovation this year, and keeping ahead of the competition, is a guarantee of a maximum 20 minute waiting time to be served at the teller line. Now, that may still sound slow by U.S.A. standards, however; the competition here is known to have a waiting time of 60 to 90 minutes!!! That’s bad service. Our fame has grown to being that young, innovative, independent bank with extended hours of service; opens Sundays, and has great customer service.”

Convenience
In the customer service game the company’s convenience is superfluous. If the customer loses, even if the company wins big, then the most progressive customer service organization must understand that in the long run the company will lose.

Keep customer needs in mind. Then do nothing that impedes customers in satisfying those needs. “Convenience” refers to a lessening of time and trouble for customers.

Packaging
Take a look at your product packaging some day. Is it so impenetrable that it is difficult for a customer to open it? How about an elderly customer with arthritis? How about a customer who does not have a knife (or a pick ax) handy? If your packaging is designed to protect the product from marauding hordes until the year 2050 a. d., design new packaging. Make it easy to get at the product and to use it. It is in your interests to do so. Make the packaging secure but simple to open.

Long Lead Times
A customer inconvenience that goes unidentified by many businesses is long lead times for delivery of orders.

When you have long lead times that extend beyond a customer’s ability to forecast his needs, customers experience planning problems. So, they sometimes take matters into their own hands and place “phantom” orders — orders for products or merchandise that they think they might need but are not committed to. This happens most often with infrequently bought products such as capital equipment.

The trouble that a business causes itself with long lead times is that phantom orders often are cancelled. And cancellation disrupts a company’s production schedule and increases cost.
Is Self Service Inconvenient?
Action to reduce inconvenience for customers often is a very low priority. Consider the movement among major oil companies during the past several years to slash their networks of dealer-operated service stations and to replace them with a smaller number of company-operated convenience stores with gas pumps that offer no repairs.

The trend is being fueled by a number of complex factors including customer-buying patterns, quests for profits, undervalued land, fuel contamination and environmental regulations, and a need for judicious allocations of assets.

Where is the consideration for customers in this trend? The distance between garages is becoming a chasm for customers. Long waits for auto repairs are more and more common.

The reason self service gas stations have become more popular is not just because you can save up to $.10 a gallon but because service when gas is pumped for you is non-existent. Rarely will someone recognize you, call you by your name, clean the windows, check the oil and pump the gas. This was common practice 20 years ago.

REPAIR AND MAINTENANCE SERVICES:
CUSTOMER RECRUITMENT TOOLS

Some companies such as IBM are renowned for repair and maintenance and service in general. You can name other outstanding companies.

Managers in these companies feel that service is as much of a competitive advantage as a product that gives them a technological edge. Repair and maintenance is their secret weapon in the customer service wars. It is “secret” because competitors never seem to catch on to the fact that they are being clobbered by their competitor’s customer service.

Many companies still cannot figure out why IBM is a consistent high performer, even though the company freely attributes much of its success to quality service.

Sales as Service
When the sales force applies service techniques they gain an advantage over salespeople for competitors who act as if their concern with their clients’ welfare ends with a name on the dotted line.
The vice president of a company offering drilling services to the oil and gas industry reports, “Our sales force visits the purchaser before every job begins. The sales engineer reviews the data and interprets it for the client’s chief engineer. The sales engineer then gets back to the home office and makes recommendations on the basis of these interpretations.” That’s service.

Monitor service performance of field sales and service personnel to make sure they are making a good impression besides doing good work.

**Contemporary service**

The home appliance repair industry has adapted to current realities such as absence of both husband and wife during the day in many homes.

Dick Jones, one-time Director of Service Operations for Maycor, Maytag’s service organization, said that Maycor offered “First Call In the Morning” and “Last Call of the Day” service.

That is, service people arrived at 8 a.m. and often finished before a homeowner’s usual morning departure time for work. Or, they arrived between 4 and 5 p.m. Customers find that it is easier to leave work early than it is to go home during the day to let the service technician in the house and then to return to work.

Home appliance repair services have rarely made appointments for specific times. Appointments, however, are becoming more common, said Joy Schrage of Whirlpool Corporation. Customers lose less time from work when a technician arrives at a scheduled time than they do when the technician comes whenever he or she finishes earlier jobs.

In May 2002, Sears installed our new home furnace. The installers typically came several hours late or did not show. My family was very upset. Their call center employees hung up on you or transferred you to phones that were never answered. Some firms like Sears still do not get it. They outsource installation to other firms using the Sears brand, but seem to not care about quality or service.

Business must monitor changes in customer needs and wants and be aware of social and economic changes that influence needs and wants.

**“Troglodytes”**

“Indeterminate” arrival times caused much customer exasperation in the past.

Dick Youngblood, outspoken business pages columnist for the Star Tribune newspaper of Minneapolis, brought up the subject in a column. He lambasted
“those troglodytes of the service sector who insist on keeping 9-to-5 weekday hours despite the fact that more and more adults are working and thus are unable to avail themselves of such limited schedules.

“Worse yet,” he wrote, “are the cretins who hold you hostage all day when you finally are forced to stay home from work to have the plumbing fixed or the stove repaired.”

“Invariably, the service worker arrives late in the day — often too late to do the job, which means another weekday appointment some time later — or doesn’t show up at all.”

**Savvy Service**

Besides promptness, there are other tricks of the trade in achieving customer satisfaction by means of service.

Instruct employees never to say cheerfully, “If it doesn’t work, just bring it back.” Instead they should say: “If it doesn’t work, give us a call and we will bring it back for you and leave you a new one.” The best warranties include promises similar to this.

My wife had a Whirlpool microwave she purchased from Sears installed above the stove in our kitchen. Within a month she received a defect notice telling her not to use the microwave because it could start a fire. Sears said to bring it in. After having spent $150 on the installation and significant time to get it installed, she was mad. She was so mad at Sears that she had the Maytag microwave taken out, returned it to Sears and purchased a microwave from another manufacturer and another firm.

When a customer hauls his washing machine to your shop that is fine for you. It means a lot of trouble for your customer, though. Here are other instances of savvy service: When a distributor sends out a serviceman, the serviceman brings along the right part so he does not have to interrupt the job to run back to the shop to get the part. He works without disrupting the customer’s business. And he cleans up before he leaves.

**Customer Relations In Service**

Quality service may involve “customer relations” ability. For instance, a customer may need repair work on a product, expect service immediately and be angry because he can’t get it. The service employee must be able to practice the placating techniques described in Chapter 12.
In the case of a big ticket item, the employee may have to deal with an irate customer who really believes that because the item was so expensive, regular maintenance and repairs should be free — regardless of whether the product is under warranty.

IN PRAISE OF OUTGOING TOLL FREE CALLS________

In 1988, the Technical Assistance Research Program (TARP), the leading customer service research firm in the United States, updated a 1983 study of 800 number systems in cooperation with the Society of Customer Affairs Professionals (SOCAP). The 1988 study confirmed findings of the 1983 study: In many industries between 60 and 80 percent of customers who have questions but do not request assistance would do so if a readily accessible 800 number existed.

Customers whose needs are not satisfied (whose questions are not answered) are time bombs under a company’s bottom line.

Most emails are not answered for 4-5 days. Of the 250 automotive, business, financial, health, music, package goods, retail, and travel web sites Jupiter surveyed between November 23 and December 10, 2001, only 30 percent responded to and resolved customer inquiries within the six hour window in which a majority of shoppers say they expect a reply.

**Breaking Down Barriers**

So, use an 800-phone number to break down barriers that customers perceive, to request assistance, or to answer questions. It is in an organization’s best interests to know what customers want and need. When the company knows, the knowledge neutralizes the illusory and erroneous impression among executives in many companies that customers are satisfied and will continue to patronize their company indefinitely. Naturally, when the CEO and other senior executives see no reports of a major customer complaint problem, they assume customer satisfaction.

Of course, it happens that the result of installing and publicizing an 800 number sometimes is the same as opening the floodgates in a dam. Isn’t this the way it should be? It is very difficult to manage successfully with your head in a sack.
A web site is critical to every company’s success. Inquires and responses should be handled the same day. Unfortunately many firms prefer to use automated response equipment that rarely answers.

**Loyalty**
Customers who know that they have easy access to a company are more satisfied. And more loyal.

Industry specific research by shows that an 800 number is more effective than a correspondence-based system in maximizing customer loyalty. Significantly more customers who contact an 800 number are satisfied with results of the contact-handling process. Customers value the timely response that is the distinctive characteristic of 800-number systems.

**Early Warning Device**
An 800 number often tips you off early to problems such as product deficiencies, policy mistakes, and customer difficulties. Once a problem begins to appear, customers who call an 800 number can be questioned at once and in depth to obtain detail needed to identify root causes of problems.

Consumer reps answering 800 line calls often can pick up nuances of customer attitudes that do not emerge in formal studies. This is valuable information because most companies do little of the kind of research that reveals what drives consumer satisfaction.

So, develop a reporting and review system that locates these problems among the calls received on the 800 line.

**Self - Confidence**
The self-confidence principle comes into play in the hiring practices of Maurice Maio, San Diego plumbing tycoon and President of Maio Plumbing. He hires self-confident people for his phone work. There are mirrors along the walls of the telephone area so they can see the image they are projecting.

Maio believes that people that can see themselves while they are on the telephone will notice whether or not they are smiling.

According to Maio’s theories, an individual’s voice is naturally more pleasant when they are smiling.

Toyota, a company that puts extraordinary emphasis on customer courtesy, ranks phone reps daily on productivity.
Cost
The cost of incoming 800 calls often is offset by an increase in employee productivity. Studies show that customer contact personnel require less time to respond by phone than by letter.

John Goodman, Vice Chairman of TARP Worldwide, says of 800 numbers: “They are very low risk. If you don’t get many calls, then you don’t incur very much cost.

“We find that each minute you spend on one of these calls probably is going to more than pay for itself in terms of enhanced profits and sales.”

The American Management Association reports that the average 800-line service costs a half million dollars a year, for the largest users.

Average expenditure for 800-number operations is well over $250,000. Oscar Meyer spends an average of $6 per call. More than half of all companies with more than $10 million in sales use 800 numbers to handle complaints, inquiries and orders, according to the AIVIA.

Case Histories: 800 Systems
Companies fashion their 800 systems to suit their needs, in working toward customer satisfaction and loyalty.

The GE Answer Center is a sophisticated customer service marketing tool that offers GE consumers a wide variety of pre-purchase and post-purchase services. Customers can contact the Answer Center by phone, email, or by visiting the geappliance.com web site. Answer Center specialists answer $1.7 million phone calls a year and handle over 90,000 email inquiries and the web site receives 1.3 million visits annually.

Wendy Brown, the Manager of consumer digital and social media of GE Appliances, says, “At GE Appliances, we believe the customer should have the option of contacting us using the communication vehicle that best suits their needs. They can talk to a live agent, contact us by email, use our IVR, or visit the web site which includes a comprehensive set of self-help diagnostic tools.”

The GE Answer Center team takes great pride in satisfying their customers and increasing brand loyalty. The Center is open 24 hours a day, 365 days of the year so customers can contact them at their own convenience.

Coca-Cola installed its 1-800-GET-COKE lines to promote feedback. Roger Nunley, Manager of Industry and Consumer Affairs at Coca-Cola USA, says some studies indicated that only one unhappy person in 50 takes time to
complain. “The other 49 switch brands; so it just makes good business sense to seek them out,” he says.

Without toll-free lines, Coca-Cola might never have understood the depths of its error in trying to replace old Coke with new Coke. Immediately after the company launched its reformulated New Coke in 1985, calls on the phone system skyrocketed from an average of 400 a day too more than 12,000 per day. Nine out of 10 were from customers who said they preferred the old cola to the new drink.

On the day after old Coke’s return as Coca-Cola Classic, 18,000 people called.

**An ‘800’ Number for Each Rep**

The 800-phone system at the Textile Fibers Department of E.I. du Pont de Nemours and Co. Inc. is the ultimate in accessibility. Each Customer Service Representative has a different number.

Efficiency is the watchword at Bio-Lab. Call activity is monitored and the numbers of lines are increased when business warrants it. This way customers do not get busy signals.

Bio-Lab’s Customer Service department has “universal call director” and recorder equipment that prevents incoming calls from ringing at representatives’ desks while they are already busy talking to customers. This equipment also prevents incoming calls from being randomly answered.

A billion-dollar chain of convenience stores spent $200,000 on an 800 line to field customer queries and complaints, according to an American Management Association (AMA) Research Report. “Close to The Customer.” Sales revenues increased for the company in one year by 19 percent, the report stated. This company installed its 800 system even though it does all its selling over the counter of local stores.

A mid-sized chemical processor spent $350,000 to leap over its retailers and put sales people directly in touch with consumers by phone. This method increased sales by 20 percent.

**After-Hours ‘800’ Number**

The company that manufactures Humming Bird fish locators has an 800 number listed on its products for Saturdays and Sundays — times that are convenient for its customers. This is an organization that understands the power of customer
service characterized by customer-friendly hours and knowledgeable, helpful employees on the phone.

Some companies tailor systems and procedures that make it convenient for the companies but inconvenient for customers.

Robert Pastorini, former Quality Director and Customer Marketing for Allstate, says that the future of the insurance industry belongs to companies that are accessible and ready to take action 24 hours a day, that do not just take messages and provide help when convenient but instead when it is needed.

Standard Rate & Data Service, Inc., that publishes directories listing advertising rates and specifications for periodicals, prints a direct line phone number for each of its top officers, including the president, near the front of its directories.

In the old days, trying to phone the Post Office was comparable to using the phone system in a third world country. It was difficult to get the right number. When you did find the right number, the line seemed to be busy all the time. If you were lucky enough to get through, the person answering often seemed unable or unwilling to deliver a straight answer.

The Canada Post Corporation (CPC), Canadian equivalent of the U.S. Postal Service, uses a computerized phone system that gives employees who answer the phones instant access to information on postal codes, rates, products and services and other subjects customers often ask about.

800 Service Training
At Procter & Gamble, new customer service representatives spend four to five weeks in classrooms learning to diffuse anger as well as to solve problems.

One telephone trainer teaches basic telephone techniques that may seem routine to some people but that are unknown to many employees:

• Use the hold button, when you put the phone down for any reason, to silence background conversations. Talk overheard by a customer may be embarrassing or may even reveal confidential information.

• Ask customers if you can put them on hold before doing so. Some employees ask but slam down the phone before hearing the answer. This practice enrages some people, according to surveys. In a similar situation, say that an employee has been taught to pick up a phone before the third ring. In cases where the employee must, however, finish with a transaction before conversing with the caller, that employee is likely to say, in mock courtesy, “Would you mind holding, please?” Cut-off! The caller is left with her or his mouth open, about
to respond. That is how to make a customer mad.

• Never eat or drink while on the phone.

• Remember that your speaking voice is affected by your attitude. If you roll your eyes toward the heavens or grimace while talking, the customer may “hear” it.

• Speak with a smile on your face to project confidence and enthusiasm through your voice. It is a trick used every day on the job by radio disc jockeys.

LITTLE THINGS THAT MAKE BIG IMPRESSIONS

Million-dollar automated answering systems play an important part in a company’s overall service program, but so do “little things.” Remember: Dumping tea into Boston Harbor might seem like a little thing from the distance of a couple hundred years, but it played a major role in the American Revolution.

Here are some “little things:”

1. Helpfulness. When a customer has a question, patience and a courteous response are essential. This is a chance to help, and to win a customer’s commitment. Learn the needs of regular customers well. Anticipate them, if you can.

2. Honesty. Example: A waitress coming right out and telling restaurant guests about a backlog in the kitchen and that their meals will be delayed, instead of telling them little white lies calculated to keep them happy.


4. Extending yourself. Do more than customers expect. A customer who needed his order on Saturday so he could be up and running early Monday probably would remember for years that you got the order out of the warehouse for him on Saturday. It is being reliable when employees still fill out an order when a computer that ordinarily handles the job is not functioning. When employees claim that they cannot take an order because they would have to write it they are saying to a customer: “I don’t want to help you if it means I have to work at it.”
5. Taking personal responsibility: No “hand offs” allowed. At the Norfolk (Virginia) Airport Hilton hotel, anyone collared by a guest complaining that he or she does not have enough towels will go to Housekeeping and get the towels and deliver them to the guest themselves, immediately. Even if the employee that the guest approaches is the sales manager.

The general managers of Garlin Hotels Corporation have outlawed the phrase “It’s not my job.” Anyone caught with those words on his lips is likely to receive an ultimatum similar to the U.S. Navy saying, “Shape up or ship out.”

Management would much rather hear employees say: “I’m sorry, sir, but I don’t have the facts on this situation. But I’ll get the facts; and I’ll take care of this for you myself, right away.”

When Jack Kimball was general manager at the Rivers Club in Pittsburgh, Pennsylvania, he said, “We handle complaints with overkill. For example, if a member is unhappy with his meal the table eats free.”

Day-to-day actions of support employees, unnoticed internally, can create a sense of silent antagonism by the customer toward the company. Service reps, billing clerks, and other internal staff members have the most frequent dealings with customers, yet these employees — even people whose assigned job is “service” — often unwittingly sabotage the corporate image.

Lower and mid-level employees, operating out of sight of both management and the customer, undermine the effect of millions of dollars spent on marketing and advertising.

Insulting collection notices, unfriendly phone operators and bills that sound like accusations make enemies out of customers every day. The “little things” loom large in a customer’s memory.

They help make a store, manufacturer, supplier, or service organization seem like “a shopping service” to customers.
Chapter 11
MY CUSTOMER, MY FRIEND

“Customers have the memory of elephants when it comes to disappoints and unmet expectations. Positive memories may fade, but resentments can last a life time.”
- GALLUP MANAGEMENT JOURNAL 2001

HOW TO KEEP YOUR FRIENDS

Service demands constant attention. It is something good that managers must think about every day. New customer service programs inevitably stall after about a year to a year-and-a-half without renewal. No matter how much energy and organization go into a program, managers and employees are unlikely to work as hard on service months or years after the bells-and-whistles kick-off as they did during the first bloom of excitement and enthusiasm.

Award programs grow stale. Team leaders lose interest. The easy problems have been solved. The first round of training has ended. So, the program declines to a slow shuffle after a year or so. It is at this point that many companies lose their zest for service.

Service: A Dynamic Strategy
To prevent the decline and demise of service culture and practice in your organization, view customer service as a dynamic strategy. The needs and wants of your customers are sure to be dynamic. Your service program should be dynamic too. It should be dynamic because trends come and go. Social and economic standards shift. The population undergoes major demographic changes, so new needs develop.

The Gallup organization research shows many companies underestimate the degree to which customer loyalty is a significant driver of sales and other important outcomes.
Employees who deal with customers not only represent the brand but, in the perceptions of customers, becomes a brand, according to Gallup.

Their research shows AT&T and MCI customers who have experienced poor service reliability and service quality in the past are only 1.9 and 2.4 times more likely to say that they will not consider this carrier in the future.

Fliers who feel that United’s employees stand out are over 18 times more likely to select United again. By contrast, customers who think United’s ads stand out are only six times more likely. Customers who like United’s schedules are almost three times more likely to say they will return.

Customers who feel that a fast-food chain’s people stand out are roughly five times more likely to return to that source.

The moral is clear: A dollar spent improving the people factor is probably a better investment than a dollar spent improving technical quality.

The following standards are part of the essential foundation for a continuously effective customer service program:

• Vigilance for changes in needs and in effectiveness of current programs.
• Creativity in developing new customer service responses.
• Persistence through periods of declining interest or unyielding difficulties.
• A mechanism for constantly renewing the spirit of commitment.

Instead of letting their service programs waste away, managers should grit their teeth and dream up new ideas that pump life into them.

Managers and employees must come up with new ways to provide service.

Products, services and entire markets should be “recalculated” as demographics and social and economic standards change.

Remember that a customer service strategy should be a moving, changing strategy. Expect to change programs and the people who administer them. The best programs change continuously.

CUSTOMER RELATIONSHIP MANAGEMENT

Customer Relationship Management, CRM, is changing the fabric of customer service. CRM can be defined as a philosophy of any business whose goal is to learn more about customers and service them better every time it communicates
with them. We can define eCRM which stands for electronic customer relationship management, as a company’s philosophy of serving customers better every time it assists them by phone and on-line. People do not trust email because they do not know when it will be responded to.

The eternal vigilance that is the price of consistently superior service still may not be enough to prevent service declines unless you know exactly what you are supposed to see in all your vigilance.

The following common pressures to reduce your commitment to service are some of the storm flags that you should notice when they fly from the mast of the corporate ship.

1. The finance department recommends cost reduction measures. If they are adopted, the result is sure to be a reduction in service delivery capability.

2. The business becomes a monopoly or reaches a point where all competitors in a marketplace offer mediocre, poor or inconsistent service.

3. The business offers a product for which there is heavy demand or for which there is undersupply.

4. Management or ownership changes or the number of staff members or their experience or training decline.

5. Business grows so quickly, requiring investment of large amounts to expand facilities and production, that resources needed to pursue exceptional customer service are depleted or diverted to “more important” uses.

6. Profits increase. Business becomes self-congratulatory. Executives lose touch with the service system and with the reality that service has declined in direct proportion to company profitability.

These developments must be recognized as the warning signs of declining service that they are, so that deterrent action against their effect can be launched.

MONITORING SERVICE LEVELS

Every business that is serious about maintaining a high level of service forever must put in place a system that will sound a loud J. Arthur Rank Productions going sound when service declines for any reason.

If a company is to maintain a high level of service it is elemental, my dear
Watson, as Sherlock Holmes used to say, to stay abreast of customer reactions to products and services for the purpose of detecting customer dissatisfaction quickly. Stay up to date with changes in your customers’ opinions and attitudes and in their values, their needs and their wants.

Monitoring the quality status of customer service should be one of the ongoing projects in any service program.

There are four general methods of gauging customer opinion and service status:

**Surveys of employees**

Listen to what employees say about customer mood. “My first message is: Listen, listen, listen to the people who do the work,” says Ross Perot, chairman of Perot Systems Inc. Conduct open-meeting key-account reviews with all employees attending.

Convene employee focus groups in which a leader asks questions and stimulates responses. Focus groups must include all functions and all levels of seniority.

Ask standard, quantifiable questions such as “How many complaints did you get in the first 90 days after the product went on sale?” Also, put energy into devising ways to quantify answers to qualitative questions such as “What is the reaction to the product that you hear most often from customers?”

Report to employees’ findings from employee surveys and also from any customer surveys. Good news and bad news both motivate most employees. In a forward to its Research Report, “Close to The Customer,” the American Management Association (AMA) suggests keeping the people who actually do the customer contact work—front-line sales people—well informed. Employees, for instance, should receive a consumer comment/complaint report, the AMA recommends. Everyone should be let in on the results of 800 number survey calls.

You might consider running focus groups of employees on the topic: “What is it like to do business with us?” They know the answer to that question well. Video record meetings of the group and show the videos to everyone.

**Surveys of customers**

Measure customer satisfaction in customer terms such as time spent waiting.
Emphasize intangibles such as willingness of employees to answer questions. These intangibles seem to have the greatest effect upon emotional reaction of customers.

A Bain & Company study found a huge gap between the perception of executives—80 percent of whom think they are doing an excellent job of serving customers – and the perceptions of customers themselves. Only 8 percent agree. Every four years, according to Bain, the average company loses more than half its customers.

Measure satisfaction regularly for all customers in the distribution channel. Do not be satisfied with a single measure or survey instrument, though. Coordination and cross-checking among many survey formats is necessary.

The chief roadblock to success in customer surveys is the natural human inclination to do easy surveys. So, force yourself to move beyond obvious measurements to use difficult-to-articulate, controversial variables that determine long-term customer satisfaction and business growth. The distance that customers must walk to reach a service counter, the prevailing temperature level, decor and similar things all impact long-term customer attitude.

Conduct formal surveys of customers every 60 to 90 days. Less than 90-day frequency is risky. Customer preferences often change even faster than that.

Do informal surveys monthly, at least telephone surveys, for instance, or samples of customers as they are buying. Domino’s Pizza surveys every week.

A major annual image survey should be the backbone of the customer survey program. It should be done by a third party.

Other formal customer survey programs consist of:

1. Customer focus groups. Informal focus groups of a few customers should be convened not only in marketing but in manufacturing, distribution, and accounting departments, too.

2. “Debriefings” of key accounts. Employ “open-end” discussions. Just asking customers what they are satisfied with and what they are dissatisfied with usually yields valuable information. Annual or semi-annual debriefings should include formal survey questions and open-ended discussions with all levels and functions.

3. Customer attitude surveys with random samples of customers similar to a program conducted by Puget Sound Power & Light Co.

The firm analyzes media coverage and listens to customer feedback from field personnel. In analyzing the media, the company looks for awards to the company
and other civic recognition as means of assessing whether the community thinks the company is doing a good job.

“Creative” methods of obtaining information on customer opinion and attitude:

1. Visit your best customers when your customers are businesses. No better way exists for obtaining insight into customer needs and means of satisfying them than observing the work that goes on.

2. Prepare summaries of customer complaint correspondence, too.

3. Post key customer satisfaction standards in every part of the organization. Update them. Change them.

Follow up on lost customers or lost sales. Find out exactly why you lost the customers or the sales. More often than you might think you’ll find that an “intangible” such as emotional reaction to service or incompatibility with an employee was involved.

Systematic “lost sale” follow-up programs are a must. Once you know why you lost a sale, action needed to prevent further losses for the same reasons usually becomes clear.

Satisfaction – J. D. Power and Associates

Chris Denove and James D. Power IV of J. D. Power and Associates wrote a great book everyone should read. The title is Satisfaction. These are some comments from that book.

“One of the profound lessons I’ve learned is that customer satisfaction is a moving target. You can never declare victory. Standing still is not an option. A company must improve or be passed. Despite their rhetoric, most organizations have not made a significant and sustained commitment to customer satisfaction.”

“A customer once scorned can be like an elephant that never forgets. The research they did for Toyota is that 15 percent of Toyota shoppers decided to buy something else because they didn’t like the way they were treated by the dealer or its salespeople. Toyota loses more customers due to dealer treatment than to its competitors.”

“Research shows that the root cause of most broken promises is telling a customer what they want to hear and then hoping to find a way to make it come true.”

J.D. Powers and Associates has been synonymous with measuring customer satisfaction and helping business understand what customers really want.
Results Measurement

Measurable results that contribute to the bottom line figure are very important to most executives. Executives of companies that I work with throughout the world always ask what results they can expect from a customer service program.

One of the foremost reasons that service measurement is important is that without it management tends to lose interest in a customer service program within three-to-four-months. On the other hand, hard, quantifiable results win and hold their support. That which gets measured gets done, said one anonymous sage.

The attitude of management changes quickly when they are expected to judge the worth of a customer service program on the basis of a manager’s embarrassingly subjective report that “People seem to like it” or “I have had some positive feedback.”

If management is to commit resources to customer service training and to a quality service program itself, they will require regular, updated result reports. The most important yardsticks are sales, amount of average sale, customer count, number of repeat sales, employee turnover rate, and so on.

A recent study by Bain & Company found that only 22 percent of the world’s major firms achieved real, sustainable growth of even 5 percent a year during the last 10-year period from 1994 to 2004.

If statistics prove that the number of new employees required within a quarter was 80 instead of 100 and the cost of replacing employees declined from $100,000 to $80,000, then the financial benefit of a service program that improves employee morale is $20,000. If, then, the cost of the quality service training and the program itself was $5,000, let’s say, the net result of a customer service focus is $15,000 a quarter.

Usually companies want to do their own measurement. When they do, however, measurements still usually has not begun after six months. If a company does measure results, the information is shared only with top executives.

The complications and obstacles in obtaining the cooperation of clients in measuring the results of customer service programs is one of my most frustrating experiences since I began my quality service training program in 1980. The most perplexing part of the problem is that whenever scientific measurement is done, results show great benefit to a company.

Yet, the only way to achieve consistent measurement is to do it ourselves at no cost, we found. The first two clients whose service program results we measured were Nutrition World and St. Paul Book and Stationery Co.
When companies actually do measure service results, they often measure the wrong things such as employee satisfaction with training. A sophisticated measurement program would find sales rising, turnover dropping, and complaints disappearing. Without measurement by the customer service function marketing or advertising department will take credit for the benefits of customer service.

What ought to be done is to measure results of a customer service program monthly and to distribute the findings to the entire management team. If this is not done, the “warning signs” listed earlier may advance to real breakdown.

But, if this is done, the department responsible for customer service would find itself with a larger budget and greater authority and influence.

Northwestern Bell Telephone Co. (now Century Link) put thousands of employees through our customer service training and measured results monthly. Every month service levels measurably improved.

Two retailing firms in Dallas measured results of our program, “Quest For the Best: A Professional’s Guide to Selling and Service,” developed with the late Stanley Marcus, retailing guru. Stanley Korshak, high-fashion retailer, increased sales 54 percent from June to November over sales during the same period the previous year. The Gazebo high-fashion retail stores, found in measuring results of their customer service program that sales increased in successive months 18 percent, 13 percent, 12 percent, 10 percent, 9 percent, and (during the Christmas shopping season) 28 percent. If training departments and human resources departments would more diligently measure results of customer service training, they might be able to greatly expand their budgets and their influence upon the corporate decision-making. Results conveyed to executives help maintain commitment to a customer service program.

The most important measurements are customer census and sales volume.

You might want to measure the impact of a professional customer service program upon employee turnover. Withhold all other influences upon turnover during the training period. Then record training cost, cost of employment advertising, and cost of interviewing, testing, and training. You will usually find that the cost of replacing employees occupying the lowest positions approaches $1,000.

Impress management with a report that interprets the benefits of reduced turnover. For instance: “The customer service training program reduced turnover by 20 percent. That means that we reduced annual hiring quota from 100 to 80 and that we saved $1,000 per position. That’s an annual saving of $20,000. Our investment in customer service training and implementation was $5,000. That
means that we saved $15,000, a 300 percent return on our investment, the first year.”

In evaluating the effect of a service program on customer complaints, assign a money benefit to each customer retained as a result of complaint resolution. For example, if you know that the average customer spends about $100 per month and shops once a month... and if you know, too, that the average customer stays with you for seven years, each customer saved would be worth about $8,400 over seven years ($1,200 per year x 7 years).

You can also do this calculation for customers that you save by fast complaint resolution that satisfied the customers. You know that a customer is worth $8,400 in income over seven years. If you save customers you have made $840,000 in increased income.

It is this type of hard, measurable results that excite executives. To them employee motivation, reduction in turnover, a service-driven staff — all this is meaningless unless results can be measured in more dollars.

It is my conclusion that superior customer service is the most profitable business strategy that an organization can adopt.

The Ultimate Question
Fred Reichheld in his book, The Ultimate Question, said there is one key question that works best for most industries. That questions is, “How likely is it that you would recommend Company X to a friend or colleague?” He has a web site www.theultimatequestion.com that goes into more detail with a firm he is involved in called NPS www.netpromoter.com

A Bain team found that, on average, a 12-point increase in Net Promoter Score (NPS) leads to a doubling in a company’s rate of growth. Reichheld is Director Emeritus and Fellow at Bain & Company. His research on customer defections is highlighted in Chapter Two of this book.

Reichheld feels most satisfaction surveys fail. Listed below are the top 10 reasons he cites in his book.

#10: Too many surveys, too many questions
# 9: The wrong customers respond
# 8: Employees don’t know how to take corrective action
# 7: Too many surveys are marketing campaigns in disguise
# 6: Survey scores don’t link to economics
# 5: Plain-vanilla solutions can’t meet companies unique needs
# 4: There are no generally accepted standards
# 3: Surveys confuse transactions with relationships
# 2: Satisfaction surveys dissatisfy customers
# 1: Gaming and manipulation wreck their credibility

During the last 26 years of focusing on customer service I have found that most firms spend all their money on customer satisfaction research and rarely spend any money solving the problem by training their staff to deliver awesome service. Research should be done after you have spent time and money training your entire staff on the skills of customer service.

**EVALUATE EMPLOYEES ON SERVICE PERFORMANCE**

Managers of departments with the highest levels of customer satisfaction should be paid more than managers of departments to which customers give low scores. That is, tie compensation and performance scores for managers and supervisors to customer satisfaction.

Every performance evaluation also should include an assessment of the executive’s degree of “customer orientation.”

Every job description should incorporate a qualitative description of the executive’s connection to customers. For instance, satisfaction levels on surveys should be consistently high or they should rise. For product managers, one job standard might be obtaining feedback from focus groups and 800 lines.

Jere Stead, former president of Square D Company of Milwaukee, said that the company “changed the mentality by which most people had consistently been rewarded and promoted.”

“We changed our measurement program,” he said. He gave as an example the fact that beginning in 1987 “our managers have been measured on customer service and quality.”

**Profit at the Expense of Customers**

Stead said that when he took over as president some managers justified certain anti-customer practices by saying: “You’re rewarding me to make a profit.”

Square D doesn’t pursue profit at the expense of customers anymore.

In the past, says Stead, all functions of the company reported individually
to him. “The only time sales, marketing, manufacturing, and engineering came
together was in my office.” It was up to him to see any connections, trends, and
implications in the information shoveled into his “In” basket.

“I’m certainly not as smart or as quick as I need to be to pull all that
together,” said Stead. So, Square D reorganized into businesses handling the
industrial, international and construction sectors “to better concentrate on
meeting our customers’ needs,” said Stead.

Rank-and-file employees also should be evaluated. Develop a quantitative
scoring system for:

1. Individuals such as salespeople and service persons.
2. Groups (a dispatch or reservation center team, for instance).
3. Facilities (factory or operations office or store).
4. Divisions.

Tell every employee involved what you find out.

An example of a personal evaluation standard for people who repair or
service merchandise would be elapse time between customer call and arrival of
service, and also quality of repair: Did the repaired device stay fixed?

FINE-TUNING AND UPDATING
SERVICE PROGRAMS

Creative Ideas

Call Three Customers Each Week
All senior managers in all functions should call at least three customers a week.
Then they should share data generated by the calls.

Summarize Complaint Correspondence
Make statistical reports, letters and phone call transcripts available to all senior
managers.

Conduct Exit Interviews for Employees
Maurice Maio, President of Maio Plumbing, a large San Diego company,
routinely conducts exit interviews of employees who are leaving to get the
employees’ opinions of the operation, including service aspects. These sessions are valuable, Maio believes, because workers tend to be very candid when they are leaving a company.

HERE’S HOW SOME COMPANIES KEEP THEIR SERVICE LEVEL HIGH

Robert Pastorini, former Quality Director and Customer Marketing for Allstate Insurance Companies, says that the future of the insurance industry belongs to companies committed to doing things right “the first time, every time, and on time.”

Pastorini recognizes that any company’s good service reputation is only as good as the latest good service.

L.L. Bean Inc., the marketer of outdoor clothing and equipment, was determined to stay abreast of customer opinions and reactions by surveying customers, revising catalogs so that they depict items more accurately, and retraining employees in finding out what customers want.

The company upgraded computers so that the company could offer more detailed descriptions of its merchandise and suggest sizes according to weight, height and other variations.

Armstrong Tire Co’s. Bill Gamgort, former Director of Quality Assurance & Customer Affairs, says that the Field Intelligence Project that is part of the customer service program is used to determine whether Armstrong is satisfying needs and requirements of the customer base.

Field Intelligence Project combines these fact-gathering methods:

• Review of product returns under warranty. Information is compiled by product line.

• (800) Phone lines available to both wholesale and retail customers, that is, for dealers and ultimate consumers. About 70-to-75 percent of calls request technical information. About 25 percent express clear product problems. Armstrong strongly encourages questions.

• Phone solicitation of the comments of major customers. People in the Quality Assurance & Customer Affairs group solicit randomly selected major customers (dealers) monthly, asking for their comments. They are given opportunity to report the good things and the bad things about products.
Information acquired this way is presented formally at monthly executive staff meetings that include the company President. Then the information is issued in report form to key appropriate management — vice presidents of marketing and sales, vice president of manufacturing and finance, and the director of employee relations.

REINFORCEMENT OF TRAINING

There is no such thing as having “arrived” in one’s commitment to quality service or in one’s knowledge about how to deliver it.

Once a person feels that he or she has “arrived” the world will begin tipping and they will begin sliding on a Teflon surface toward disillusionment.

This can be done by offering new customer service training programs. A program that employees have never seen before will appeal to some employees who were not “turned on” by earlier programs. Different emotional appeals and factual arrays will comprise a communications approach that will attract attention and induce retention of some employees who got virtually nothing from earlier programs.

Compare customer service seminars and training programs to movies. Some people will “love” a movie that their friends “hate.” So, a variety of programs spaced over a period of months will have a greater cumulative effect on employee service behavior than the same program repeated.

The Value of Variety in Training

Some quality service programs incorporate “Follow-Up and Review” sections. They can be used to maintain employee awareness of service practice at a high level.

After initial presentation of a quality service program, periodically remind employees how customers should be treated. Review main customer service points in employee newsletter articles, in bulletin board or poster messages, with oral communication from supervisors, and in any other ways that you normally communicate with employees.

At Hershey Foods Corporation, Quality Through Excellence workshops stress the importance of making everyone responsible for quality by teaching employees what quality means, why it matters and how to attain it. These workshops, along with other programs, help maintain a customer orientation in
all facets of work, encourage continuous improvement, reward initiative, and facilitate problem solving by individuals as well as by employee teams at all levels.

In their daily relations with employees, supervisors and managers can do a great deal to maintain commitment to service. They can do it by congratulating employees on good service and by offering suggestions.

Managers as Day-to-Day Role Models

Above all, they should be role models for good service. They must practice the service tactics that they expect their employees to practice.

If, on the other hand, they treat customers like unwelcome guests, employees are unlikely to treat them like friends.

Furthermore, managers must remember to show employees that they (the managers) care about the well being of the employees. Managers should maintain good relationships with their employees, if they expect employees to work at winning customer satisfaction.

Service Renewal Ideas

Certified Collateral Corporation of Chicago, which provides 3,000 insurance company claims centers with mates of the repair and replacement costs of damaged vehicles, reports to employees daily on how they are doing in their service performance. But, first, the firm makes sure that new employees know precisely what is expected of them, service-wise.

Hyatt Hotels Corporation buys on-going service quality with a forum of Hyatt executives from hotels recognized for quality service. They convened regularly to exchange ideas and concerns over service issues in the 1990s. The forum is part of Hyatt’s much applauded “In Touch For the ‘90s” program.

At Albertson’s, Inc., a supermarket chain headquartered in Boise, Idaho, employee meetings are held every three months to discuss problems and to provide solutions. Albertson’s customer service training program is called “Fast, Friendly Service:” Employees wear blue ribbons that say, “I promise fast, friendly service.”

For more ideas on how to keep the quality service program going, see Chapter 7 and Chapter 13. Information in these chapters will help maintain a level of service delivery that prevents customer dissatisfaction.
Chapter 12

WIN BY LOSING:
A COMPLAINT IS AN OPPORTUNITY

“Those who buy support me. Those who come to flatter please me. Those who complain teach me how I may please others so that they will buy. Only those hurt me who are displeased but do not complain. They refuse me permission to correct my errors and thus improve my service.”

— MARSHALL FIELD, pioneering merchant

SO, SOLICIT COMPLAINTS

If your organization receives virtually no complaints this is not a sign that you are blessed with the most efficient, committed, and intelligent employee force on the face of the earth. It is far more likely that the few complaints that you receive are the tip of a submerged iceberg of complaints.

That’s the picture revealed by an A.C. Nielsen Co. study. The firm found that only 1 in 50 dissatisfied consumers takes the time to complain.

So, to find out how many customers out there are dissatisfied, multiply the number of complaints received by 50. The result is more likely to represent the true picture in your organization.

Another way of looking at the significance of the number of complaints actually heard is to consider the fact that the ratio of complaints heard at headquarters to the instances of complaining in the marketplace (articulated or not) yields a number called the “Multiplier.” It ranges from 6:1 for serious problems, when there is no field or retail contact organization available, to 2,000:1 for less serious problems when an extensive field service organization is active to receive and to absorb problems. So, if you have a well-established, professional complaint system in place, and you received only two complaints last month, you should understand that it is likely that 4,000 customers felt like complaining but did not.
The existence of a multiplier is the reason that you should solicit complaints, smooth the way for complainers, and even reward customers for complaining. This is what you would do if your objective were total customer satisfaction and its bottom-line benefits.

It is far better for an organization to yank its head out of the sand and to open its eyes to face complaints and complainers than it is to pull a cloak of smugness around its shoulders. Dissatisfied customers are going to strike back, eventually. The company that is aware of complaints will be equipped to take action to prevent the consequences of the complaints.

Employees at all levels need to understand why it is important to solicit, to accept, and to effectively handle and satisfy complaints. They should be assisted in understanding the relation between productive complaint handling and your strategic thinking.

Shycon Associates, Inc., found in a customer service study that almost 70 percent of corporate purchasing agents would take immediate punitive action against a company without complaining to either a salesperson or to a sales manager first. They said that it was just easier to switch vendors than to complain. This is a very good reason for soliciting complaints.

The Technical Assistance Research Program (TARP) found that for major problems where there would have been an average loss of $142, about 31 percent of individuals who encountered the problem did not complain.

Nielsen found that for small problems that resulted in loss of a few dollars or a minor inconvenience, only three percent of consumers complained. Thirty percent returned the product. Furthermore, 70 percent of consumers encountering this type of problem either would do nothing or would discard the product.

Results of a survey of 1,000 businesses conducted by indicated that 42 percent of companies that encountered problems with a car rental company didn’t complain to anyone — even to the counter clerk. You can see the flaw in measuring effectiveness of service by the few number of complaints received.

By the way, the Council of Better Business Bureaus says that complaints about auto repairs top the list of the nation’s service problems, followed by gripes about home improvement contractors, mail-order companies, and landlords.

Ask Customers For Complaints

“High-growth companies stay in touch with their markets—and willingly spend the money to do so. They know their customers and they keep their knowledge fresh,” says the American Management Association (AMA) in its “Research
Report on Consumer Affairs”.

Ron Kaufmann, from Singapore, in his book, Up Your Service, asked, “Who actually picks up the phone, takes up a pen or gathers the courage to complain? You might think it’s the troublemaker, the difficult customer, and the one who enjoys being angry. You’d be wrong.”

Research shows that complaining customers are overwhelmingly loyal and sincere. They are complaining to you because they care about your business and about the service they receive. They intend doing business with you again in the future, and they want you to set things right.

Customers who call, write or show up in person have been perturbed beyond their threshold. Go beyond their threshold of pleasure and you may receive a compliment.

Do not lose your head when problems arise! Work with your customers to set things right.

The final result should be loyal customers who freely proclaim: ‘Wow! We got more than we expected. This organization is responsible. They really do care. We’ll come back again. And we’ll tell others to come here, too.’”

The following incidents indicate how frequently customers refrain from complaining and how serious a problem must be before they complain:

• After inadvertent production of a $20 bra that tore during its first use, only one in 2,000 were returned by either the customer or the retailer.

• Fewer than half of residential customers who experienced a billing problem with a telecommunications supplier told the company about it. What’s more, corporate clients have been found to complain to service technicians rather than to account execs because of perceptions that marketing staff is powerless to solve technical problems.

• A business customer of a major computer company complained to the company about system failures. But, the computer company’s headquarters was flabbergasted when the dissatisfied customer placed an ad in the Wall Street Journal and was joined by 300 other companies in legal action. The dissatisfied customer took this drastic action because he got no response to his complaints: The computer company’s regional sales reps and management had decided that the problem was “customer incompetence” and not a system failure — because they had actually heard only one or two complaints.

• The average customer who complained to the headquarters of a major credit card company had tried to use routine channels an average of six times.
Break Down Barriers to Complaining

Anybody who has been treated as if he has halitosis, body odor or ringworm when he had the temerity to express a complaint knows about barriers to complaining.

By breaking down consumers’ perceived complaint barriers, “unarticulated” dissatisfaction and its resultant negative word of mouth references are lessened.

Make Complaining Easy

Instead of maintaining barriers to complaining, make it easy for customers to complain. Make it as easy as a bad habit. Then the company might discover a flaw in corporate policy or performance that otherwise would be left to alienate large numbers of customers or clients for months... or years. The function of a complaint service is to find wounds in the body corporate and to dress them before gangrene sets in and causes loss of a limb or an organ — a product line, an entire market... or an entire company.

The most nearly effortless complaint procedure in the country may well be the one maintained by the Quill Corporation, a family business that began at the back of a chicken store. Now, this mail order office supply house is one of the largest companies of its kind in the nation, employing more than 1,100 and occupying 442,000 square feet of office, manufacturing and warehouse space in Lincolnshire, Illinois.

Quill’s complaint procedures are:

1. When Quill sends out an order, the package contains a “Pre-Authorized Return Form.” This form, which lists the products that the package contains, allows the customer to complain by simply checking one or more boxes — “Damaged Merchandise,” for example, or “Not as Advertised” or “Needed Merchandise Sooner.”

2. The “Pre-Authorized Return Form” includes a section in which the customer can indicate action expected of the company — replacing an item, giving credit, or sending a refund, for instance.

3. Complaint instructions are posted in the place of business printed materials to instruct customers in complaint methods.

So, a Quill customer needn’t call to complain. The complaint form, within each package, is already in the customer’s hand. It completely does away with the need for customers to write down order number, account number or other bothersome data because all of that already is printed on the “Pre-Authorized Return Form.”
Any company could add such a pre-printed complaint form to invoices as a tear-off, as a copy in a multi-part form, as an extra ticket, or as a loose sheet packed inside packages and boxes.

Quill reports that employees often receive compliments on the Pre-Authorized Return Forms, not complaints.

HOW TO EARN BACK THE COST OF COMPLAINT HANDLING

Bemiss Rolfs, former President of National Car Rental, attested to the value of positive resolution of complaints. Said Rolfs: “For every $1 spent in courtesy adjustments, we receive $5 in business.”

Companies profit from complaint resolution because they earn customer loyalty that way. As a result, customers continue to buy instead of deserting to competitors.

Profit is a result, too, of sales made in the wake of satisfaction. For instance, Marva McArthur of Waddell and Reed Services in Kansas City says, “When we’ve turned unhappy customers around, they’ve said something like, ‘Say, what about this other mutual fund that I hear you’re coming out with?’ We make more sales.”

Here are formulas for figuring bottom-line differences between resolving and ignoring customer complaints:

• Resolving a complaint: Profit from resolving customer complaints equals profits from future purchases plus profits from referral purchases.

• Ignoring a complaint: Total loss from failing to resolve a complaint equals loss from future purchases plus loss from word of mouth comments minus savings from not resolving one-time complaints.

I’ve found that effective complaint handling policies can virtually reverse these figures to the point where positive word-of-mouth comment can gain three customers for every two lost as the result of negative word-of-mouth.

On the other hand, in one-study, customers who felt that their complaints weren’t satisfactorily resolved told a median of 9 to 10 other people about their negative experiences. More than 12 percent of complainants told more than 20 other people about the response they received.
Complaint Resolution Pays Off

Long-term financial benefit from customer loyalty means so much to leading customer service companies such as L.L. Bean, Inc. that they are willing to endure large short-term loss in the interests of customer satisfaction.

Bean’s management knows very well that the company probably was not at fault for a large proportion of those returns. They feel this way because of the conventional wisdom in the mail order industry that a significant proportion of shoppers “bracket” their orders. That is, they order the same item in three sizes or colors and return two of them after trying them all on and saving the one that is the best fit and color.

Actually, only a small percentage of merchandise is returned because of defects, Bean reports.

Tom Peters, one of the leading authors and speakers on customer service calculates lifetime value this way:

“Let’s say I make a purchase worth $100. You may regard me as a $100 customer and treat me appropriately. But if I am a regular customer, I could purchase from you once a month. That means $1,200 per year. If I become a loyal customer, I might buy from you for ten years. Now we’re up to $12,000.

“If my loyalty is very high, I may well recommend you to my friends. If five of them trust my recommendation, then they could also become your loyal customers, each worth $12,000. That’s $60,000. Add my $12,000 back in and you will see me as a customer with a lifetime value of $72,000.

“If you see me as worth $100, what kind of treatment will you give me? How generous will you be if something goes wrong?

“But if you see me as worth $72,000, how will you treat me? How far will you go to be sure you set things right?

“When things go wrong don’t let your customers leak away.”

TURNING COMPLAINTS INTO OPPORTUNITIES TO KEEP CUSTOMERS

If service level falters now and then, as it is sure to do because human beings are fallible, all is not lost. Complaints that often result from bad service can be opportunities — opportunities to retain a dissatisfied customer despite a complaint.
Complaints Expressed Equals Sales

Here is proof that complaints are opportunities. A landmark study for the U.S. Office of Consumer Affairs, entitled “Consumer Complaint Handling In America,” found that people given the opportunity to express complaints are more likely than non-complainers to do business again with the offending company, even if a problem is not satisfactorily resolved.

If a complaint is resolved, the study found, between 54 and 70 percent of customers who register complaints will do business with an organization again.

That figure rises to 95 percent of customers who will buy again if they feel that their complaints were resolved quickly.

The new research found that in very effective service systems loyalty is actually 8 percent higher than if there had been no problem at all. Their research also shows that customers have more dissatisfaction with price as problems increase.

What we’ve said here is this: A customer who has never had a complaint or who has never been involved in a customer service complaint situation with a company is not as loyal as a customer who has had such an experience and has been satisfied with a company’s handling of it.

Hawthorne Effect Reborn

This seems to be a manifestation of the Hawthorne Effect, so named for pioneering research in employee motivation at Western Electric’s Hawthorne Works near Chicago. The Hawthorne Effect is the benefit of “paying attention” to people. Paying attention by servicing a complaint produces customer satisfaction because people love to be noticed. It is similar to a celebrity saying, “I don’t care what you say about me. Just get my name right”

The U.S. Office of Consumer Affairs study found that 70 percent of complainants will buy again from the same source if merchandise involved in a complaint costs $5 or less and if the complaint is resolved in a manner satisfactory to the customer. But, if an item or service costs $100 or more, only half the complainants will buy again. Still, repeat business from half the disgruntled is better than none.

Use Complaints

Sometimes, companies pour millions of dollars into making sure that their customers have a chance to complain, but then they forget the value of
communicating the number of customers who have complained and what they have complained about. They let dearly won and valuable complaint information lie in a computer file when they should be rushing a plan into action to make strategic use of the insights conveyed by the complaints - that is, by taking action to prevent them.

The same negligent companies often fail to provide complainers with satisfactory responses. They either are not convinced of the financial impact of constructive complaint handling or they do not know how to handle them. So, they ignore them. These are the same companies that spend many thousands of dollars on advertising and price-cutting to get new customers that improper complaint handling lost.

Customer service is less expensive than customer replacement. Companies rush in to handle complaints with 800 numbers, service representatives, and consulting firms that measure complaint numbers and impact, but these measures only handle a small percentage of the problem since few dissatisfied customers complain.

That is why the very foundation of quality service is complaint prevention through quality — quality in design and engineering, in manufacturing, in sales practices, in accounting and in other activities fundamental to a business operation.

When complaints are prevented by doing work right the first time, a company saves the money that doing the same work over again costs.

Getting it right the first time is far more important to customer satisfaction and repeat business than making good on a product or service that does not live up to expectations or to its warranty. The U.S. Air Force and the U.S. Navy Medical Commands, Federal Express, and thousands of other organizations have substantially reduced complaints by training all employees in customer service.

HOW TO PREVENT COMPLAINTS

Drain the swamp instead of constantly fighting the alligators.

Firnstahl’s First Rule is: “Always deal with complaints before they’re made.” Firnstahl is Timothy W. Firnstahl, founder and CEO of Satisfaction Guaranteed Eateries Inc. of Seattle.

The fact that dissatisfied customers relate experiences to twice as many
friends as satisfied customers do is certain proof of the value of preventive customer service.

There is even more preventive value in eliminating the reasons for complaints than there is in providing customers with unlimited opportunity to complain so that the discontent of customers does not fester and swell. This is the rationale behind strategies aimed at consistently meeting and exceeding customer expectations.

**Do It Right the First Time**

The substance of a study by the United States Office of Consumer Affairs completed by is the finding that doing the job right the first time and thereby preventing complaints, together with effective complaint handling, yield increased customer satisfaction and brand loyalty.

Well-managed companies see customer complaints as a way to learn: “What lesson can we derive from this complaint that will improve our service in the future?” executives ask.

They also see complaints as opportunities to impress customers by going to any lengths necessary to resolve a situation to a customer’s satisfaction. In other words, successful companies pay attention to complaints, but they dedicate most of their efforts to preventing whatever caused the complaints.

**Celebrate Success**

Categorize, summarize, and distribute complaint data to the people who have the responsibility to change the things customers complain about. They make sure there is a comparable method for collecting, analyzing, and publicizing positive feedback from customers’ “bouquets” or complimentary letters, comments and data. They celebrate success.

In the reasons for most complaints lies the knowledge needed to prevent them. The most knowledgeable experts seem to agree on the leading causes of customer complaints from a manufacturer’s point of view: design problems, marketing or delivery problems, problems caused by customers, and production defects. The first three are said to cause two-thirds of customer complaints. These causes arise because manufacturers have not analyzed or made allowances for reasonable customer behavior.

In preventing complaints, American Express’s Office of Public Responsibility deals with issues such as:
1. What are customers’ key expectations?

2. How well is American Express meeting customer expectations? What are the bottom line implications of not meeting them?

3. What policy or procedural improvements are needed to assure that service meets customer expectations?

John McCormack and his wife, Maryanne, who own 16 Visible Changes hair salons based in Houston, had a total gross of $32 million at end of 2001. Quality service is the secret of their success, says McCormack.

The McCormacks work to prevent complaints by recording them and assigning individual salon managers to review them with the employees who are the subjects of the complaints. An employee named in three or more complaints within two weeks must meet with John McCormack at corporate headquarters in Houston. “Usually it’s a personal problem,” he says. “I give them time off to work things out.” He does not “discipline” them.

Northern Telecom, Inc., is a paragon of effective complaint prevention activity. The company’s Customer Satisfaction Program encompasses all contact between the company and its customers, from presale to on-going maintenance and repair service.

The Polaroid Corporation maintains a “complaint database” as part of a program to correct the root causes of customer problems. Progress of the corrective action program is reported to senior corporate management regularly. What’s more, a Technical Hotline Unit solicits complaints.

Timothy Firnstahl’s first complaint system did not work: His restaurants would give a free dessert to any customer who complained about slow service, pick up the cleaning bill when an employee spilled the soup on the customer, and send certificates for complimentary meals to customers who wrote in to complain about reservation mix-ups or rude service.

Customers, however, were further inconvenienced in the process of obtaining satisfaction. Usually they had to wait for satisfaction: Giving out the free dessert required approval from a manager, for instance. Getting a suit cleaned meant filling out a form and getting a manager to sign it. Some people felt that they had to write in with their complaints to get satisfaction.

Firnstahl asks: “What good is a guarantee that makes complaining an ordeal for the customer?”

But, most of all, responses to complaints didn’t appear to effect the number or the type of complaints received. “We were on a treadmill, going nowhere.”
Identity System Failures
A complaint system, says Firnstahl, should accent areas of system failure that must be corrected to prevent complaints.

He says: “Every dollar paid out to offset customer complaint dissatisfaction is a signal that the company must change in some decisive way. A guarantee of good service (that Satisfaction Guaranteed Eateries offer) brings out a true, hard-dollars picture of company failures and forces us to assume full responsibility for our output.

“Every dollar you give away (in a complaint satisfaction program) is a plus. It puts your finger on a problem you can fix.

“Only the huge cost of a new (complaint satisfaction) strategy revealed that customer problems were gutting profits,” says Firnstahl. “Suddenly, we had a real incentive to fix the systems that weren’t working, since the alternatives — sacrificing profits permanently or restricting the power to enforce our guarantee — were both unacceptable.

“The trick is to reject Band Aid solutions, to insist on finding the ultimate cause of each problem and then to demand and to expect decisive change.

Firnstahl describes with anecdotes how his new system works: “Our search for the culprit in a string of complaints about slow food service in one restaurant led first to the kitchen and then to one cook. But pushing the search one step further revealed several complex dishes that no one could have prepared swiftly.

“In another case, our kitchens were turning out wrong orders at a rate that was costing us thousands of dollars a month in wasted food. The cooks insisted that the food servers were punching incorrect orders into the kitchen printout computer. In times past, we might have ended our search right there, accused the food servers of sloppiness, and asked everyone to be more careful.

“But now, adhering to the principle of system failure not people failure, we looked beyond the symptoms and found a flaw in our training.

“We had simply never taught food servers to double-check their orders on the computer screen, and the system offered no reward for doing so. Mistakes plummeted as soon as we trained people properly and handed out awards each month for the fewest ordering errors and posting lists of the worst offenders.”

Profits Will Improve
As for cost of a guarantee system such as his for handling complaints, Firnstahl says: “As you find and correct the ultimate cause of your system failures, you
can reasonably expect your profits to improve.

“But,” he says, “You can begin to tell if you’re succeeding even before you see it on the bottom line. Remember, costs will go up before they come down, so high system-failure costs and low phone-survey complaint rates probably mean you’re on the right track.

“Our own system failure costs rose to a high of $40,000 a month two years ago and then fell to $10,000 a month. Meanwhile, sales rose 25 percent, profits doubled, and the cash in the bank grew two-and-a-half times.”

LONG-TERM VALUE OF FAST, FAIR COMPLAINT HANDLING

Procter & Gamble, the nation’s largest producer of consumer products, prints an 800-543-0485 number on all of its products. During a recent year, P & G answered about a million telephone calls and letters from customers, according to Dorothy Pucini, Manager of Consumer Services. (Pucini has retired.) Only a third of these replies dealt with complaints. (Among complaints were those about product ads and the plots of soap operas sponsored by the company.)

The long-term value of competent complaint handling is revealed in the projection that if only half of the P & G complaints were about products with 30-cent margins, and if only 85 percent were handled to the customer’s satisfaction, the annual benefit to the company would have exceeded half a million dollars.

Financial Benefit

This result is reached with a formula for calculating financial benefit of complaint resolution activity that was developed by. The formula projects that when customers are completely satisfied, 9.9 percent of them buy more and 84 percent of them buy at the same rate. That is, they are retained as customers.

When customers find service merely “acceptable,” 2.7 percent still buy more; but, 31.5 percent buy less, compared with only 5.2 percent who buy less when they are completely satisfied. When service is only “acceptable,” 59.6 percent of these customers buy at the same rate.

Predictably, when a customer is not satisfied with service, 75.3 percent (3 out of 4) either stop buying or buy less.

What’s more, they tell at least nine others about their bad experience, according to a study by the White House Office of Consumer Affairs.
It shows on average, across all industries, 50 percent of consumers will complain about a problem to a front-line person. In business-to-business environments, 75 percent of customers will complain to a front-line person. If this front-line person is an employee of a distributor or retailer, there is a good chance that the problem will never reach the manufacturer or corporate office. Only 1 to 5 percent of customers will escalate their complaints to a local manager or corporate headquarters.

Here is a reason for maintaining good service.

An 800 number or any other well-established means of responding to consumers provides a friendly human contact and, often, a quick solution — remedies to consumers’ unhappiness with faceless corporate monoliths.

What’s more, consumer response setups increase the speed with which information reaches and the speed with which a repair is completed or a product is delivered — all of which contributes strongly to customer satisfaction.

NINE TECHNIQUES FOR COOLING DOWN AN IRATE CUSTOMER

“Irate.” It means infuriated, enraged, indignant, angry, and mad. Retail salespeople everywhere, and their supervisors, know these meanings well. They have seen them acted out many times by customers who were displeased with service or merchandise.

They may sell ladies fashions in an exclusive department store or groceries and gas in a neighborhood convenience store. They may sell face to face or over the phone.

No matter what or how they sell, they have been confronted by people who were merely displeased or mildly disappointed, by people who were spluttering and turning purple, and by people who were speechless and embarrassed by their anger.

No matter what their own emotional reactions, salespeople should stay in control of themselves.

When employees notice storm clouds gathering, they should head off complaints at the pass with concerned comments such as: “Thank you very much for waiting. I apologize for the delay.” Or: “Thank you for being so patient”

A warm smile can push storm clouds aside to reveal blue sky.
Handling irate customers coolly and intelligently is the real test — the final exam — in the College of Customer Relations.

Take the offensive with kindness and tact when faced with the ticking time bomb that is an irate customer.

When customers have a specific complaint, follow these steps:

1. Listen actively. That means make responses that show that you are listening. Responses such as “I see” and “I can appreciate your problem.” Make certain a customer receives either an apology, if deserved, or an explanation at once.

2. Empathize. Be courteous and helpful. Sprinkle genuine, sincere, friendly comments through your conversation. “Sir, I can appreciate your concern.” Or: “I don’t blame you for being upset.” Once customers feel that they are talking to a real human being that understands and empathizes with their problem, the door opens to rational discussion.

3. Ask questions that require logical thinking by the customer to try and pull the person out of the irate state. Keep asking questions and listening to the response until the customer has cooled down.

4. Don’t become emotionally involved. Learn to understand that you, personally, are not the target.

5. Identify the problem as quickly as possible. For instance, obtain facts about a situation from the sales rep or from the person who told a customer that a job would be finished on time, though it was destined to be late from the beginning. Also ascertain current status of the job.

6. If you are at fault, take the blame immediately. Apologize. Say: “I’m sorry for making you wait so long. I’m new in this position.” “Unfortunately, I haven’t mastered this cash register yet.” “Thanks for being so patient.”

7. Make a sincere, positive statement such as: “Mrs. Jones, you have been doing business with our firm for four years and we are going to take care of you.” This way you make the person feel important.

8. Find ways to minimize the problem like farming out a job that might be delivered late so that it can be delivered on time.

9. Solve the problem. Get help from a supervisor, if necessary. And let the customer know what you plan to do. It is very important that the customer walks away thinking that she or he came out on top of the deal, even if it costs you money.
A pocket card lists “Four Methods for Defusing a Difficult Situation” and “Six Keys to Cooling Down an Irate Customer.”
(Reprinted courtesy of the Service Quality Institute.)
Stephen Brobeck, executive director of the Consumer Federation of America, says: “In my experience, almost every consumer who is upset has some justification and is complaining rationally. Very few consumers get angry unless they’re ignored or turned away when they try to explain their complaint.

“A smart business person says calmly, ‘We will try to resolve your complaint.’ Then they lead the customer into his or her office, sit down and ask the person to explain the problem. They don’t argue.”

Jan Charles Gray, senior vice president of Ralphs Grocery Co. in Los Angeles, says: “One of the main things is to try and not take complaints personally. Understand that there is a lot going on in the customer’s mind. People get most irate when they aren’t greeted with a smile or with concern about their problems.”

Here’s an alternative complaint handling “matrix”:

1. Accept responsibility. The last thing a customer wants to hear is, “That’s not my department.” If you are the person the customer has chosen, you are the one, at that point, who is the organization’s representative. It is up to you to listen to and to understand the problem and then to take the customer to the person who can ultimately solve the problem. At that point, you are the customer’s advocate. Stay with her or him until you are sure that the problem will be taken care of.

2. Show your concern. The primary way to accomplish this is to listen, with empathy. Ask yourself how you would like to be treated if you were in the same situation. Never interrupt or assume that you know what the problem is before the customer explains it. You may have heard the same complaint a hundred times before, but this is probably the first time the customer has voiced it. He or she may have even rehearsed his/her story and will sorely resent an uninterested attitude by you.

3. Stay calm. Sometimes a person with a complaint gets excited or even angry. Occasionally, he or she will take out their frustrations on you. Try to understand the situation from his/her point of view. Do not get pulled into a shouting match. Reassure the customer that you are concerned and will try to resolve the problem.

Be sure you understand the complaint. One of the keys to successfully handling a complaint is to be sure that you know exactly what the problem is. Put it in your own words, and ask the customer if you
are understanding it correctly. If the customer does not spell out the resolution he/she is looking for, ask what she/he wants. This will assure the customer that you care enough to see the problem solved.

4. Solve the problem. Either take the problem to whoever can solve it or solve it yourself. In either case, it is up to you to stay with the customer until the problem is resolved.

Remember: You are the one the customer has chosen to help him.

Employees must learn to separate their job roles from their personal identities. Through effective listening, reflection, asking effective questions, avoiding impossible promises, negotiating, and handling complaints, they must develop the ability to assess their personal levels of tolerance, to understand their feelings, and to match their behavior to the needs of the situation.

Here are more tips for dealing with irate customers.

• Do not respond to attempts by a customer with a complaint to “bait” you even if the customer is making preposterous and outrageous statements.

• Even if an irate customer is wrong and you are right, do not go overboard trying to prove it. Concentrate instead on gathering enough information to solve the problem.

• Get the person to focus on the specific complaint that is at the root of any general complaints.

• Never blame another employee or another department.

• Avoid use of the pronoun “you” or language implying that the customer caused the problem. The most common example — “You failed to enclose payment” — leaves no room for the possibility that the check was lost, misposted, or stolen and places unnecessary blame on the customer. The object is to get the check, not to assign responsibility.

You can “neutralize” such a statement. Say: “The check appears to have been omitted. Has it turned up there?” This no-fault approach suggests that an abstract third party (not “you”) simply may have forgotten to enclose the check.

Another useful neutral approach is to call an error to the customer’s attention through rephrasing and paraphrasing: “Let me see if I have this right...” Often, the customer will immediately see the error without prompting, by virtue of having heard it phrased differently by another person without using any judgmental language.

Market-driven companies do not argue with the facts or try to persuade a customer that the buyer is wrong and the seller is right. They listen and they
respond. They seek out customer comments and take them to heart and they do not consider doing so a burden or an avoidable expense.

ORGANIZING THE
COMPLAINT-HANDLING FUNCTION

A complaint-handling department should consist of two coordinated functions: Operations, to respond to complaints on a day-to-day basis, and Support, to assist in identifying and eliminating causes, to ensure that consumers know where and how to complain, and to see that complaints are handled according to established procedures.

Operations Functions: Input
1. Screening: Sorting complaints, directing to appropriate offices for resolution.
2. Logging: Recording information on each complaint.
3. Classification: Coding complaints according to preselected categories thereby defining problem areas.

Operations Functions: Response
1. Investigation: Examining in-house records, telephone research, written correspondence, field research.
2. Response formulation: (The most important step in complaint handling.) Formulating responses according to legal responsibility, expectations of complainants, compromise, marketing benefits, concepts of equity, and when necessary third-party arbitration.
3. Response production: Preparing text of final response and transmitting it. Includes decision and rationale. If response goes against expectations of the complainant, delineate appeal procedures. When responses are verbal, notes should be made on conversations.

Operations Functions: Output
1. Distribution: Sending out final response to complainant. Do it promptly.
2. Storage and retrieval: Maintaining files of complaints.
Support Functions: Control

1. Internal follow-up: Setting and monitoring standards for response time and quality. Correcting deviations from standards.

2. Referral follow-up: Applying time and quality criteria to responses of other departments, the field, and other organizations or agencies. Do it by requesting copies of final responses. Ask for all responses or for samples.

Support Functions: Management


2. Policy analysis: Interpreting data to uncover root causes of complainants’ problems, key issues, trends. Costs associated with not eliminating problems can be quantified and solutions proposed.

3. Evaluations: Determining whether performance objectives set for the complaint-handling department are being met, identifying performance problems that need attention, and addressing these problems whenever an outside firm should do possible evaluation. If this isn’t possible, in-house evaluators from other departments are acceptable.

4. Planning: Setting priorities for the complaint-handling department. Planning should cover setting goals for complaint satisfaction and assuring that new problems are identified and integrated into the system. Tools for achieving goals can include staff training, consumer education, and so on.

5. Accountability: Assigning complaint-handling and prevention responsibility to specific people and offices.

6. Creating a reward and/or punishment system to encourage proper handling of complaints and prevention of future problems. Rewards can be economic or non-economic (plaques, praise).

7. Staff selection, empowerment, and training: Choosing people who have the appropriate personal skills, giving them authority to make immediate problem-solving decisions, and training them in the technical skills needed to perform their jobs adequately.

Employees should be trained so well that they apply the appropriate service instinctively. It helps if they possess personal characteristics that equip them for
this work — pleasant voice, optimism, ability to listen, flexibility, and patience.

Sometimes, really listening and reacting to customers can trigger massive changes. BellSouth Corporation was reacting to customer input when it decided to recombine its business services and its equipment sales and maintenance operations. They had been scattered into separate subsidiaries as part of the original Bell System divestiture plan. It restored “one-stop shopping” for business customers. It became the first of the Bell companies to recombine its services and equipment sales and its maintenance staff under new FCC rules.

“We took this step because customers told us time and again that this is what they wanted,” said Jere Drummond, Vice Chairman of BellSouth.

COMPLAINT-HANDLING CASE
HISTORIES

Conrad Hilton of Hilton Hotels always sent apology letters under his own name. The letters included enough detail to make the recipient feel that Hilton knew about his complaint. For instance: “Please accept my apology for November 13. The fact that you were kept waiting and then obliged to use another hotel is distressing to us.”

In some of the best customer-service-driven companies, an executive personally resolves a service quality problem. A complainer receives prompt, personal attention and often special gifts that demonstrate earnest concern for the customer’s situation.

In this way an organization can convert a complainer into a loyal, lifelong customer.

Electra Sound Inc (formerly C.C. Bell Electronics in St. Louis), established a Zero Defects Customer Complaint Policy. It consists of:

• Employee attitude.
• Use of the customer’s name.
• Fast service.
• Quality service.
• Fair price.

When a consumer arrives for service, the consumer already is unhappy because the product no longer works. He or she resents spending money to restore the appliance to its promised performance level.
It is important, at this point, to assure the consumer that the problem is understood. It is also necessary that store employees provide whatever help is needed to resolve the problem.

The service person at the counter must project a sincerely friendly attitude and conduct the transaction positively. 

Management emphasizes the importance of using the customer’s name repeatedly. In most cases the last name should be used with the Mr. or Mrs. prefix, unless the service person knows the customer on a first name basis.

**Service Delay? Communicate**

When a customer delivers a product to the service center, she or he is most interested in getting it back quickly. She advises that it is the duty of a service manager to monitor progress on the repair. When completion will be delayed, the service manager should call the customer before he or she comes in to pick up the appliance.

Jerry Stead, former CEO of Square D Company of Milwaukee, says that the company began using role model examples. “Originally we had ‘corporate officer of the day.’ It really meant the junior citizen in town got all the complaints. Instead, we put in a complaint phone under my desk and I answer it.”

But, said Stead, “I hope that as our other systems get better, I won’t have to.”

TARP did a study for Coca-Cola that found that a complainer denied a request over the phone is 30 percent more likely to remain brand loyal than a buyer who receives the same message in a letter. That is because a phone conversation is more personal and gives the service rep a chance to explain the company’s position and to woo the customer back.

Not only is an answering complaint by phone faster, it also usually saves money. American Express spends five to ten times as much replying to a letter as it does answering a complaint over its toll-free lines. The company often ends up calling a letter writer anyway to get more information about a problem.

**TELLING MANAGEMENT**

**THE WHOLE TRUTH**

Employees often have a stake in not reporting complaints to management. That’s another reason why some managers have a rosy picture of their complaint.
situation.

For example, if customers complain that they cannot reach the company after 5 P.M., an employee who does not want to work after 5 o’clock might not tell his superior about the complaints.

Both medical products and insurance companies have found that field sales reps tend to pass on complaints only when doing so ingratiates them with an important customer — or when a product is of such low margin that the sales staff would rather see it discontinued. Complaints, of course, provide a good rationale for discontinuing a product.

**Only 1 in 50 Complain**

Retail outlets and field offices of manufacturers filter out and discourage complaints. Complaints that reach headquarters definitely are no measure of the degree of customer satisfaction. The NC. Nielsen Co. survey referred to earlier found that, for package goods companies, only 1 person in 50 who encountered a problem wrote a letter to the manufacturer. So, a package goods manufacturer hears only about 1 out of 50 problem experiences at headquarters, the same proportion referred to at the beginning of this chapter.

TARP’s studies found that less than half of those who complained at the retail level were satisfied by the company’s response. However, less than half of those who were dissatisfied bothered to escalate to the retailer’s headquarters or to the manufacturer.

A retailer or field service may stop a complaint from going further, whether they handle or mishandle a complaint. So, to get a true picture of the extent of complaints, you must extrapolate the actual number of complaints, using a multiplier such as the 50:1 multiplier dictated by the Nielsen finding that about one of 50 customers dissatisfied with a package goods manufacturer complain to headquarters.

Managers need to generate enthusiasm about getting feedback from customers and passing it on to management so that action can be taken to prevent problems.

**Beware of Trained Hopelessness**

TARP Worldwide has observed a decline in reported complaint rates, even regarding the most serious problems that consumers encounter. They attribute this decline to “trained hopelessness,” a state in which a customer feels his/her
complaint will do no good. The most common reason for not complaining was, “It wouldn’t do any good.”

Customers who perceive a problem with company policies and practices but do not complain, are usually 20 to 30 percent less loyal and spread only ambivalent word of mouth according to TARP. They found that if an organization receives 20 complaints about a policy/operational issue at headquarters, it is reasonable to assume that at least 600, and possibly 1,000, customers are fairly unhappy about it.

TARP has observed situations in which complaints to headquarters, or to executives, were outnumbered by instances of complaints in the marketplace at ratios as high as 2,000 to 1. Such ratios imply that 20 complaints could mean 40,000 customers had a bad experience and 8,000 customers are seriously at risk (20 x 2,000 x 20% reduction in loyalty).

If each of these customers relates the experience to just four others (a reasonably conservative number), it would imply 160,000 negative referrals per month.

Training
A vital part of all training programs for employees (the subject of the next chapter) is training in handling complaints. If you want burn-out one hour into employees’ shifts do not train them. You cannot tell employees that they ought to encourage customers to complain without training them to handle complaint situations and to defuse them. If you toss employees to the customer wolves without training, you will demoralize the work force and accelerate turnover rate.

When employees do not know how to handle complainers, they avoid customers who complain. Or they deflect complaints by saying something like: “My supervisor should handle this problem and he/she isn’t in now.”

An effective service system is able to satisfy many consumers who experience problems and who would otherwise have been dissatisfied. First, however, it is necessary to reach them, which, means that first they must complain.

That is the point of service setups: They are designed to reach dissatisfied customers so they can be satisfied. Most of all, service systems should prevent dissatisfaction.
Chapter 13

CUSTOMER SERVICE PROS
ARE MADE, NOT BORN

“Business in general spends too little time training and motivating front-line employees whom they treat as the lowest workers on the ladder.”

-TIME MAGAZINE

“You train dogs and bears. You educate employees.”

- late STANLEY MARCUS, Chairman Emeritus, Neiman Marcus

TRAIN FRONT-LINERS AND EXECUTIVES ALIKE

What are the basic, bottom-line benefits of quality service training? One of them is added effectiveness of marketing activities including advertising, sales promotion, and all the other things that are done to coax customers to buy.

Training equips sales and support people who are untrained in service to earn customer satisfaction and loyalty — future purchases. Without customer service skills, employees can cause customer defection — and waste millions of dollars spent on marketing. Marketing efforts bring people in, but poor service immediately turns them away, encouraging them to buy from a competitor.

Trained people with specific customer service skills and customer service orientation are more productive in terms of both time and results of transactions, too.

Tiger Woods Practiced Intensively and Michael Phelps was a Phenomenon. Tiger Woods was introduced to golf at an extremely early age –18 months—and encouraged to practice intensively. Woods had racked up 15 years of practice by the time he became the youngest-ever winner of the U.S. Amateur
Championship, at age 18. At his peak, Tiger made about $80 million dollars a year. No golfer practiced the fundamentals more than he did. He constantly worked on the basics.

For Michael Phelps, it took more than a few laps in the pool to achieve his level of greatness. Phelps’ journey from a child learning to swim to the most dominant Olympic athlete ever began at the age of 15. At the 2016 Olympic Games, he won one silver and five gold medals, becoming the oldest individual gold medalist in Olympic swimming history.

He and his coach Bob Bowman had a strict and disciplined routine. He trained in the pool six days per week and circuit trained with weights three times per week. Even though he seems to be genetically engineered for the water, Phelps matched his genetics with an incredible work ethic and training regimen.

Michael Phelps is the most decorated Olympian of all time. Nobody has participated in more Olympic events. In addition to his successful swim career, Phelps has written two books, Beneath the Surface: My Story (2008) and No Limits: The Will to Succeed (2009). Phelps also cofounded the nonprofit organization Swim with the Stars, which holds camps for swimmers of all ages.

**Training Reduces Employment Cost**

The late Warren Blanding who was a leading service consultant and President of the Customer Service Institute in Silver Spring, Maryland, performed these calculations: Under conditions of typical productivity in customer service operations, an employee earning $6 to $7 an hour has an actual fully distributed cost of as much as $20 to $25 an hour. Making that employee 10 percent more productive through training reduces the cost to $17 to $22, a savings of about $20 per employee per day and $100 weekly.

That’s roughly $5,000 annually per employee. For a company with 20 phone employees, a one-second reduction in all customer service inquiry and complaint calls, a result of training that makes employees more efficient, produces annual savings of more than $3,500 per employee.

**Service Is a Marketing Tool**

Employee retention aspects of service training, alone, give training a value at least five times its cost. The basis for this calculation is the generally accepted fact that attracting new customers costs five times as much as keeping customers you already have by practicing customer satisfaction techniques.

A service mentality, conveyed by employee training, adds credibility
to the marketing mix. If customers develop a disapproving attitude toward a company because of the way they are treated... or not treated... the company loses credibility. Customers are unlikely to react to marketing messages in the ways intended.

I saw a TV ad for a New York hotel with front desk people singing in the street and a bellman greeting customers warmly and toting luggage. When I stayed at the hotel, however, there was no bellman to pick up my luggage or to greet me. The commercial bore no relation to reality.

How important is credibility? If you do not have it, you have nothing. No matter how good your product, people still will not buy it if they are treated like consumers obligated to buy unquestioningly.

On the other hand, if people smile when they hear the name of your company or your brand name or your service because they are recalling your friendly, helpful, knowledgeable employees and how fast and uncomplicated it is to buy from you, then they will react well to your marketing messages. Your marketing budget will be spent efficiently.

The positive impact of quality service on the effectiveness of your marketing program is one of the primary reasons you need service training for your employees.

**Actions Speak Louder Than Words**

The best way to illustrate the close connection between quality service and marketing effectiveness is to ask an admittedly farfetched question: Is a customer who has learned by experience that your employees are indolent, insolent, ignorant, insincere, indifferent, and aloof going to rush in and buy just because your advertising claims that you treat each customer as an individual... as a potential friend? The answer is “No.” The customer will flee from you. Sometimes they will go to outrageous lengths to avoid buying from you, even if it means doing without a service or product that they cannot get anywhere else.

Prospects react in generally the same way to claims about product value when they have been treated repeatedly with the same personal care given store mannequins.

When your actions contradict your words, your marketing messages not only become unbelievable but also subjects of ridicule.

Furthermore, future marketing messages, in ads and commercials, for instance, are questioned. An atmosphere of distrust and of discounting of ad claims can persist for years.
To attain a valuable symbiotic relationship between service and product, in-store training programs and on-the-job training are indispensable.

**Values of Training On Site**

Managers and supervisors can be trained to conduct customer relations training for employees. Some companies prefer to have managers and supervisors train the employees who report to them.

When they train their own employees, managers and supervisors can convey to them their personal commitment to service and present themselves as role models.

Supervisors and managers must model, coach, and reinforce the attitudes and behaviors they expect of subordinates. Without active support, education in customer service is a risky investment.

**Low-Cost Education**

Using your own managers and supervisors to convey education at the job site makes it unnecessary for employees at distant, scattered locations to assemble at a central point that might be thousands of miles from their jobs. Transportation cost and time are saved, too.

The resulting low cost education makes it practical to present a review of customer service education every few months when turnover is high.

Travel costs have become excessive. So, use technology to educate employees. Labor cost is the most expensive component of workforce education.

For the past 40 years we have defined “good training” and “bad training” in terms of number of training days. Clearly, five days of training were better than four — and four days better than three.

There may be validity to this view if executives or salespeople are being trained. However, if an entire dynamic workforce is being trained, then five days of training is costly and difficult logistically without disrupting business.

I believe strongly that user-friendly course leader material is necessary. It equips virtually any committed person with peer respect and enthusiasm to conduct a program of employee education in customer service. However, most learning programs have been designed for implementation by their authors or by highly skilled facilitators. They need to be flown to various locations, at great expense, to conduct the training.

With employee turnover rates typically at 50 to 100 percent, the facilitator must be sent on his or her costly way every three-to-six months.
Note: The information in the boxes must be conveyed to the participants. You may read it or you may convey the information in your own words. Additional instructions to you are printed outside the boxes.

In welcoming the participants to this program, you may want to tell a bit about yourself and your job responsibilities. Whichever way you proceed as Group Leader, please remember that the objective is to generate discussion among the participants.

Welcome to Session One of the AT YOUR SERVICE Customer Service System. For those of you who don’t know me, I’m (give your name), and I’ll be acting as Group Leader during the training sessions. As Group Leader, I’ll be providing some framework for our discussions, but each of you will be helping one another as we go along. Now that you know me, how about introducing yourselves. Please share with us your name and job function.

(Allow time for each participant to introduce themselves.)

Thank you. For the next few seconds, I’d like each of you to think about something you’ve done, either in your work or personal life, that gave you satisfaction – some accomplishment that really stands out in your mind, that you really enjoyed. Okay, close your eyes and think about it for a second.

(Please wait five or ten seconds until you start seeing some smiles.)

A successful leader guide is user friendly — easy for course leaders to follow. It contains all the information a leader needs to conduct a class while permitting any additions a leader wishes to make. This sample is from the leader’s guide employed by Service Quality Institute.

That felt good, didn’t it? That warm feeling is what AT YOUR SERVICE is all about: feeling good more of the time, and just as important, making others feel good, too. There’s more to AT YOUR SERVICE than making people smile more often. Our moving company has decided to use this system for a very simple reason: to improve the quality of service we deliver to our customers.
As an Allied Agent, our company’s success depends on the personal success of each of us. So it stands to reason that anything that helps us will help the company. We all benefit. During these sessions, you’ll be hearing some statistics about the positive and negative impact of customer service, or lack of it, on businesses.

The success of any business today depends on the quality service it provides. It’s no different for us. The feelings that our customers have about Allied, (name of your moving agency), other agents, and about each of us, directly impacts the bottom line. Like any other business, we need customers. Think about it for a moment. What does being a customer mean?

(Participants will likely say that being a customer means spending money to buy something.)

In the moving business, we generally refer to our customers as shippers. Throughout these sessions you will hear terms, customer and shipper, used interchangeably. From a customer stand point we need to think about how the word “shipper” affects our customers. It doesn’t sound as personal as the word “customer” does it?

One goal of the AT YOUR SERVICE System is to bring continuity to the Allied system. We, as part of that Allied Family, have the power to change attitudes and increase the level of service we give our customers. Let’s begin our commitment to excellence by making a conscious effort to use the word “customer”, especially when dealing personally with those very people who choose to use our moving services.

Let’s think about our customers for a moment. What kind of customers do we have?

(Our customers are varied. They come from all walks of life and expect us to provide them with a professional move of their household belongings, business equipment, or storage of their possessions. Hopefully, some participants will say that fellow employees, families, and friends are customers in many senses. If this point comes up, allow it to continue. If not, don’t worry — it will be covered.)
So, I think we’ve established that being a customer covers a lot of ground, but as we’ll see, the word “customer” has a very broad definition. Let’s think about the customers that we meet every day. How about sharing with our group some positive or negative customer experiences you’ve had.

(Ask a couple of people to share positive experiences they’ve had as customers; then, ask a couple of people to share negative experiences they’ve had as customers.)

Analyzing experiences like these is the basis of the AT YOUR SERVICE System. Much of what we’re going to talk about in these sessions won’t be anything new to you. The system is based on some very simple ideas. Most of us know these ideas, but statistics and surveys show that many people often don’t put them into practice, especially in a work environment. With your help AT YOUR SERVICE will teach us the skills we need to deliver quality customer service. The system will give us a real workout, in much the same way that athletes are trained to improve their skills. AT YOUR SERVICE will help us understand why we do what we do and give the tools to help us to do our jobs better.

(Distribute copies of the participant book as you speak.)

That’s why we’re here. The copies of the AT YOUR SERVICE Participant Book you are receiving now is yours to keep. We’d like you to read the book as we go through the sessions. The material in it will help stimulate discussion and start us thinking about the concept of customer service.

These sessions will be structured around our group discussions and the videotaped scenarios we’ll see. The skits in the videos were structured to get us to think about the issues presented. There will be questions based on the situations shown and on your own experiences. There are no right or wrong answers to these questions, so don’t be concerned. Our goal is to look at what we’re doing now, and find better ways to deliver quality service to our customers. We’re going to learn skills that will help us in our personal lives as much as they will help us on the job.

Let’s start the video.

(Please turn on the video; Session One, Section A.)
Too often, facilitator material is designed to protect training jobs instead of to make them user friendly and capable of on-site implementation.

The sample leader guide format printed here was developed by Service Quality Institute for Allied Van Lines. It was formatted so that virtually anyone in any of the 750-Allied agent offices can implement a customized customer service system called “At Your Service.”

Cost of implementing a customer service program in terms of facilitator salaries and travel costs become so high that many organizations never get around to committing to service education.

Service education should teach employees that actions speak louder than words. Service representatives, billing office employees and others have frequent dealings with customers, yet they often unwittingly sabotage the messages conveyed through advertising, display, and public communications. Insulting collection notices, unfriendly phone operators, and bills that sound like accusations all create a sense of silent antagonism by the customer toward a company. Surprisingly, the company often is unaware of what is going on.

Despite havoc wrought by uneducated employees, on-site and on-the-job service education is not common. A survey of 20 major organizations found that they devote less than one day of education to people in service positions. Most of this education is misdirected. It is aimed at teaching people how to run equipment and how to smile when handling angry customers.

EDUCATE EVERYBODY

The most effective quality customer service training reflects an understanding that service quality is produced by an entire organization. That is why customer service training must include all employees, no exceptions. The person you feel is the most insignificant will usually be the person who makes you look like an idiot or a hero. This, I must say, is revolutionary thinking. Everyone has a customer. Some are internal and some external. Billing, delivery, production, marketing information, sales, maintenance, security, and the operator are all critical to the customer experience.

Everyone Contributes to Service Quality

The common practice of making service quality the sole obligation of front-line people is similar to making the loading dock-worker responsible for product
quality. Long-term consequences of this practice for both effectiveness and morale are predictably low service quality.

When customer-oriented values are taught only at the front line, then a company runs the considerable risk of creating employee frustration because the rest of the organization is not operating with service quality in mind. “Companies spend a lot of money teaching their salespeople ‘the message,’ including standard answers to sensitive questions. But, they may forget to teach those same answers to technical reps, field service people and customer reps who deal with the same customers as the sales reps do,” observes Brenda J. Weimer, North American customer service manager for Polystar Ltd., of Leominster, Massachusetts.

Certainly, the salesman makes the only contact with the customer during the selling process. After the sale, however, then a customer comes in contact with receptionist, secretary, billing clerks, and others.

The process of providing service quality begins far behind the front line of an organization. So, improvement in service should not be the sole responsibility of front-line employees.

If an organization is going to be service-driven, then everybody - whether they work part-time, full-time, or temporary and whether they have been on for a week or for five years-must be trained. And they must be trained with new material every 4 –6 months.

This has been a difficult message to convey to management.

Managers Only
Sometimes companies feel that employees below management level are not worthy of education.

To imply from the significance of management in the service scheme that only management needs education constitutes a significantly counter-productive oversight, no matter how elegant the rationalization supporting it.

The reason is that 95 percent of the factors that determine reputation of a company among customers and prospects, I estimate, are in the hands of front-line service employees.

Unfortunately, Time magazine was right: “Business in general spends too little time educating and motivating front-line employees whom they treat as the lowest workers on the ladder.”

Even to management that harbors low esteem for the personal qualities
of front-line workers, the fact remains that they deliver service. They create impressions. And impressions form an organization’s reputation.

**Getting Started**

If you are responsible for service education and you must deal with less-than-enthusiastic support by top management, the pilot course/demonstration course idea is a good way to sell the benefit of education.

Find out what skills and behaviors your customer contact people and supervisors need. Pick one deficiency and develop a pilot course that applies good learning principles. Put a cross-section of new hires through it. Compare performance of the employees who were trained with a sample of employees who were not trained. You can expect that results will demonstrate the effectiveness of education.

**Motivate Employees**

It has been noted earlier that highly visible management commitment to quality service is more effective than anything else in motivating employees to provide service (see Chapter 7). Management commitment to service includes commitment to educate employees.

Employees should see management participating in education: In some organizations managers teach the quality service education course or, at least, they deliver an opening message. It is a way to strengthen relationships between managers and their employees.

To prepare managers and supervisors to teach service education classes, conduct special sessions for them in which top management lays out the organization’s strategies and objectives for service. Doing so helps managers and supervisors who teach the service education course to develop objectives.

Any service education that you design should include these additional motivational elements:

**Personal Growth**

Choose a customer service concept that is successful largely because employees see opportunity for personal growth in it and, therefore, are motivated to learn and to practice good service. Employees cannot be taught anything unless they want to learn and unless they feel good about themselves.
They become motivated when they discover that they benefit from service education and from application of service techniques. The reason that they benefit is that the same friendly, considerate, and helpful behavior that they are taught to use in customer service also wins and keeps friends.

Personal growth as a result of quality service can be the key to success for service programs that otherwise would founder on the rocky shoals of employee disinterest.

A personal growth segment of an education course should teach employees to value themselves and the work they do. One result is that their self-concept improves and they derive more satisfaction from their work.

The rationale for teaching employees to feel good about themselves is that once they are at peace with themselves, then they are far more likely to value their customers and to treat them with greater respect.

Accumulated impact of the self-interest aspects of customer service education usually results in class sessions that reverberate with enthusiasm and lively discussion.

The Quality Service Institute is a joint effort of Texas Air Corp. and Scandinavian Airlines System, the Swedish carrier that is now a marketing ally of Continental, Texas Air’s main carrier. SAS is renowned for its service. The goal of the Institute is to teach all Continental employees the secrets of the SAS approach.

The Institute offers a smorgasbord of pop psychology, pep talks, and game-playing to put workers in touch with themselves.

“We want people to attend not because it’s good for Continental but because it’s good for them,” says Jan Lapidoth, the Swedish president of the Institute.

If people feel good about themselves, the theory goes, they will provide better service.

**Education as a Means of Achieving “Internal Customer Satisfaction”**

Many employees will be more interested in education when they see it as a means of helping their peers, employees in other departments. By doing so they improve the quality of service to the end customer, of course. The principle of “internal customer” satisfaction is seen as having the greatest chance of capturing employees’ attention and commitment.
Timing: When to Train/Educate

A Citicorp study found that education is most effective during an employee’s early job experience with an organization. Attitudes and practices are most easily conveyed when employees are in a learning mode as they are when they are beginning a new job. When customer service standards and skills are taught at the beginning, quality results from employees are achieved from the start.

Many organizations feel they ought to wait 90 days to train employees after they are hired to increase the likelihood that they will stay a while. (If they have stayed 90 days chances are better that they will become long-term employees than when they started.) Only after a “waiting period” will they consider investing in a new employee.

However, if a new employee works five days a week and offends only one customer a day because of poor attitudes or skills, they can lose 65 customers in 90 days. If each of those customers could be expected to spend an average of $5,000 during the next five years, that one, “lowly,” new hire could deflect $325,000 worth of business.

Untrained or poorly trained employees are expensive. They tend to leave more frequently, too, a significant fact in a day of labor shortages.

STRUCTURE AND CHARACTERISTICS OF EDUCATION

An effective education process starts with performance analysis. Analyze what must be done to service the customer well in your organization. Then spell out the knowledge, attitudes, and skills required of the people who deliver the service.

In designing an education program, plan to employ emotional appeals. Include the pleasures of dealing with satisfied people as opposed to the repugnant job of soothing angry, distrustful or sarcastic customers. Discuss the self-satisfaction of doing a good job. Promise rewards such as bonuses and gifts or gift certificates for outstanding service.

In customer relations education, it is important to reach employees emotionally before conveying information. Get their commitment first. Convince them that the most important part of their jobs is taking good care of customers.
Tell Employees What You Expect

Clearly describe exactly what you want trainees to be able to do when they have finished the education program. Establish objectives for them. It is not only unfair but also absurd to conduct exacting evaluations of employees who have never been told explicitly what the bases for evaluations will be.

Choose either the “team” or the “cross-section” approach to the make-up of education classes.

In the team concept, all employees in one department go through education together. Team education boosts team spirit. Enthusiasm and commitment to service improves.

Companies that practice the team approach believe that they get a much greater “bang for their buck” as a result of participation and interaction of employees who work together.

On the other hand, there is value in a cross-section concept, too. When representatives of several departments participate in the same class, a consensus often develops. The departments represented in the class begin working harmoniously toward the same goals.

Decide between cross-section and team make-up of classes based on corporate culture, nature of your business and service delivery system, and personal preferences of managers.

ATTRIBUTES OF EFFECTIVE EDUCATION SYSTEMS

Effective education is characterized by attractive packaging, technology, simplicity, and entertainment value.

Technology

Technology reduces education time, the biggest expense in education. With the appropriate technology you can reduce training hours while retaining high impact. As a result, technology also helps keep down labor costs.

For instance, in some industries such as the insurance industry it has become common to train employees with computer-based interactive video education systems. With equipment such as this it is possible for your own managers and supervisors to conduct education for any number of employees at many different locations simultaneously.
Good technology such as the latest audio and video equipment and attractive “packaging” of learning materials equip managers with little experience in education to run classes themselves.

What is not meant by reference to advanced technology is a VCR and a monitor on which employees view education films by themselves in a dimly lit room. This may be a reasonably effective way to convey information. However, it is not going to change attitudes. To change attitudes, groups of people must be thrown together in a class and they must interact emotionally.

**Accelerated Learning**

Steven Covey, author of the “Seven Habits of Highly Effective People” and co-chairman of Franklin Covey Co., said in Incentive magazine, “The single most important thing I have learned in the field of training and development is to teach what you learn to others. You simply learn more when you teach to others.”

I see four advantages to teaching what you learn:

1. Yourself as a teacher, you take a far more responsible attitude toward learning. You are more motivated to learn when you know you are responsible to teach because the paradigm has shifted.
2. When you teach something you feel good about, you increase the likelihood of living it. Teaching creates a kind of social support system, a social expectation, or an implied social contract that you try to live.
3. When you teach what you learn, you promote bonding in the relationship. Every time you have an authentic teaching experience with another person and good comes from it, that new learning experience causes teacher and student to become bonded. People who have been influenced by great teachers tend to feel very close to them.
4. When you teach something that you are learning, it hones the change and growth process for yourself. It makes change legitimate. You see yourself, (and others see you) in a new light; and when you begin to see yourself in a new light, you experience more and faster growth.”

**Packaging: Video and Print**

Packaging is communication. It can be sound and music. It can be video based on DVD or Flash Drive. It should emphasize visual presentation, case histories,
role-playing, group discussion, and review.

Create value in the participants’ eyes. Use material that is professionally laid out and printed. Use participant material covers that are professionally designed with at least two or three colors, but preferably four colors.

If your favorite magazine was as poorly designed and laid out as most in-house training programs, the magazine would fold in the first 60 days.

During 46 years of evaluating in-house training programs, I find that this is an area where many firms fail. I am amazed to see how far some companies will go to save 50 cents to $2 per person on production. The result is small type, cramped layout, and poor design — a printed piece that nobody but the sponsor would read.

General Mills and Kellogg offer breakfast cereals that outsell generic cereal products though the products cost 30 to 40 percent more. A major reason is attractive packaging, the companies say.

Good packaging strengthens acceptance of education materials.

One of the values of packaging is that it can be standardized so that education can be implemented and sustained in widely separated job sites.

It is fundamental, if you want good packaging to hang an “Off Limits” sign on the copy machine, though. Well-designed, original printed materials done in two or more colors are required.

**Sophisticated Simplicity**

In service industries, available transaction time often is no more than 15 to 30 seconds — maybe as much as a minute. What employees in these real-time situations need are skills, ideas, techniques, and tools that they can use in that brief time. You are talking fundamentals here.

The late Carl Pohlad, of Minneapolis, a billionaire who owned the Minnesota Twins American League baseball franchise, a chain of banks, and one of the wealthiest men in the United States said, “In athletics, why do you think that coaches stress fundamentals over and over again? Why does the Army have drills every day, reviewing and practicing fundamentals? Why do lawyers and CPAs and medical personnel and most other professional people attend refresher courses?” Answer: To stay up to date on developments in their fields and to regain lapsed knowledge of the fundamentals.

“If you forget the fundamentals, thinking that you do not need them, that is when you get into trouble,” Pohlad adds.
Customer service education programs should be written for front-line employees who want to learn what they can do to get better results tomorrow without being bored to death by detail and complexity in the learning process today.

Some managers object when an education program is not complex and highly literate. When a course throws around terms such as “psycho-social behavior change in customers” to describe what happens when customer relations techniques are practiced, these managers love it.
Think about the last time you went shopping. Was it enjoyable? Chances are you vividly remember the way you were treated by someone in a store. Whether the encounter was positive or negative, you remember that personal contact.

As customers, we expect fairness, courtesy, openness, and pleasant, friendly service. We feel good when we receive Caring Communication.

On the other hand, we also react strongly to Uncaring Communication when we are ignored, pressured, or processed like a number. This holds true for all of our interpersonal interactions. If we provide poor customer care to those we deal with in a business environment, they can simply go elsewhere.

Losing one customer doesn’t make or break most businesses, but if it happens repeatedly, a business will fail. Even if we don’t have direct contact with customers, our failure to interact positively with co-workers will ultimately have the same result; it damages everyone.

An organization that puts customers first empowers everyone who comes in contact with them. Empowerment is a crucial concept in business. Empowerment means giving employees the authority to make fast decisions on the spot in favor of the customer.
Empowerment means putting the customer first. It means bending and breaking rules to take care of a customer to the customer’s satisfaction, not the organization’s.

We will talk often about empowerment. It is the first step in providing quality care.

**Success Keys:**
**Courtesy, Honesty, Fair Play**

The most successful human enterprises build their success on a foundation of courtesy, honesty, openness, and fair treatment of customers and employees. In such an environment, everyone takes pride in their caring interactions with customers and each other.

Today, companies often overlook the traditional values of courtesy, honesty, openness, and fairness. By participating in this program, you know that your organization believes in those values.

Good values make good business sense. Customers still appreciate employees who do a good job, who show they care, and go out of their way to do a little bit extra. We can all do the minimum. We can also do more than the minimum.

**Quality Care:**
**A Winning Attitude**

You know your job better than anyone. You should easily be able to think of a number of ways to improve the quality of care you provide to customers and co-workers. With this attitude, you’ll be successful wherever you work and in whatever you do.
When you adopt the attitude of exceeding expectations, you’ll increase your value to yourself and everyone else.

When you apply yourself and do more than just get by, you will be performing well beyond the minimum. You will gain more satisfaction from doing your job well, you will feel good about yourself, and you will see more advancement within your organization. Feeling good about yourself helps you make empowered decisions.

You understand how your department operates in delivering day-to-day customer care. You know what works and what doesn’t. Your suggestions are very valuable.

Complete the following form. Then, cut on the dotted line and give this page to your supervisor. By taking this important step you can begin to feel like a partner in quality care improvement.

Dear

I have an idea that I think will help to improve our department by:

- [ ] increasing customer and co-worker satisfaction;
- [ ] removing obstacles from our work environment;
- [ ] cutting costs;
- [ ] improving interaction with other departments.

Idea: I think

Name:
Chapter Five Review

Points to Remember

- People value courtesy, honesty, openness, and fairness.

- Doing more than the minimum required by our jobs leads to job satisfaction, pride, and advancement.

- Each of us can and must improve what we do and how we do it.

- Every day we need to improve what we do and the way we do it.

Despite this, few employees remember complicated concepts. Virtually none of them apply such concepts.

Complexity Is Unnecessary

Education materials, however, do not need be complicated to be effective. In fact, the opposite is true: The more complicated they are the less effective they are.

Simple, uncomplicated materials are sophisticated. They are sophisticated in their effectiveness at teaching new behavior. Sophistication is simplicity. We can go so far as to say that if education material is not simple, then it is not sophisticated.

Anyone can create a presentation that no one can understand. However, it takes talent and its sophisticated application to couch complicated concepts in simple terms.

Entertainment Value

The education that you develop should be fun for participants. It should rank,
in appeal beside HDTV, Dolby Digital, Surround Sound and hot tubs if you are
to have any chance whatsoever of influencing employees to willingly, perhaps
even enthusiastically, pursue customer satisfaction.

Unfortunately, a too-high proportion of managers still feel that an education
program should be conservative in content and presentation, informative, and
always in “good taste.” (Practically speaking, “good taste” turns out to be “dull,”
which is not to say that all education with entertainment value is in bad taste.)

Managers forget about those two words, all-important to children of the
video and slick entertainment age — “perception” and “communication.” Before
a message can be communicated it must be perceived. That means, for most of
the young working generation, that it must be entertaining. Design materials for
communication with participants not to please management

Guidelines: How to Conduct an Education Session

Invite participants to education sessions with a personal letter. Invite line, office,
and support employees, supervisors and managers, and part-time, seasonal and
full-time employees.

Education, best led by an immediate supervisor, should be relaxed and
informal. The “facilitator,” as we shall call the group leader, should be a
supervisor. Relations between supervisor and supervised are improved by the
kind of frank and open discussion that often goes on in these customer service
education sessions. What is more, employees are motivated by the interest and
enthusiasm of their supervisors.

All employees, new and experienced, should be invited to participate in
the first education sessions of a customer service program.

Education Setup

Conduct education sessions in a comfortable, well-ventilated room. Make
arrangements to prevent interruptions. Provide all participants with paper and
pen or pencil.

Allow room for audio-visual equipment Test equipment before the first
session begins. Avoid inferior loudspeakers and faded visual images.

If the facilitator does not know all participants by their first names, list
participants’ names on a sheet of paper that can be referred to easily. To help
identify participants for the convenience of the facilitator, provide nametags. It
is a way to promote communication among participants, too.
The facilitator should speak clearly and distinctly and with sufficient volume to be heard by everyone in the room.

The facilitator (group leader) should function as a coach, not as an expert. At the beginning of each session, the “coach” should encourage everyone to share good and bad personal experiences in customer relations with the group to get the sessions moving.

The facilitator should actively encourage participation by every class member. Ask questions of individuals. Establish eye contact with each member of the class. When discussion begins, guide it into the right channels.

Team Atmosphere

It is important to work to build a team atmosphere. A team will be more successful than individuals in implementing customer service principles.

Use “open-ended” questions, the kind that require anecdotal responses and opinions and that require more of an answer than “Yes” or “No.” A class on customer service is not effective if it is merely a lecture session.

If a facilitator receives no response to a question he or she should just continue to ask open-ended questions. Eventually someone will speak up.

Emotional Involvement

Learning occurs most readily when participants’ feelings are involved. So, both facilitator and “students” should enjoy the class. Promote enjoyment by presenting the customer service education as a way to improve personal skills. And encourage everyone to speak freely and candidly.

Here are ways to promote an enjoyable atmosphere, thereby improving the learning process:

- Ask each participant to introduce himself/herself, referring to job accomplishments, the feature of the person’s job that is enjoyed most, family, and so on.
- After the first sessions, ask participants to share their job successes. For the customer service education to be most effective, class members must feel good about themselves.
- Call on students to name jobs in the company that they would like to know more about.
Do not worry about objections and disagreements. It is more important to maintain an open, sharing atmosphere than to achieve full agreement. Allow the group to comment on and to answer objections.

Keep the sessions moving. By maintaining an efficient pace, participants will remain alert and active.

Questions should relate to problems and job situations that class members are familiar with. However, throw in references to service that employees are likely to experience off the job, too.

Prevent domination of a class by a single person. Domination such as this threatens others, particularly subordinates or employees with little experience, so they will avoid participation.

When a participant strays from the topic, nudge her or him back to the subject being discussed by asking the person a question related to the topic.

Total agreement among participants is not necessary, but avoid and discourage shouting matches. To defuse such confrontations, stand between the debaters so they cannot see each other.

Then, involve other people in discussing the topic by rephrasing it and asking the group for opinions.

When some people do not participate, ask them questions, using their names. Get them to talk about their personal experiences and opinions.

To promote participation, ask for suggested solutions to a problem, for an analyses of a situation, or for a reason that something is important or unimportant. Ask for a story to illustrate a point. Ask individuals to explain how they feel about a topic or a point of view.

How to Handle Questions

The best way to handle questions is to answer with another question. The objective is to induce group participation as a way to enhance learning.

• Reword a question and ask for details.
• Pass a question to another participant for answering.
• If a participant responds with an answer that is out of line or counter to the service strategy, do not disagree with it. Ask still another participant (who you are quite sure will answer more productively) to respond.
How to Ask Questions

1. Avoid questions that can be answered with a simple “Yes” or “No.” Instead, ask questions that require respondents to compare, contrast, list, organize ideas, and so on.

2. Use open-ended questions that require participants to apply responses to their experiences.

3. Employ probing questions, inducing participants to do the “lecturing.”

4. Apply questions and phrases such as these to encourage group interaction:
   • “Why?”
   • “Analyze.”
   • “Give us your own story.”
   • “How would you have done it better?”
   • “Solve this problem.”
   • “Would you explain to us how you feel?”

Heighten Awareness

Adapt program flow and pacing to fit the needs of your group for the purpose of maintaining a high level of attentiveness.

Vary media — audio-visual, flip chart, participant literature, and role-playing — and alternate pace. Speed up and slow down.

Even moving from one location in the room to another can vary the mood and interactiveness of a group. The facilitator can walk from the front of the room to the sides, to the back, and then walk among participants.

PREPACKAGED PROGRAMS

Often an organization will need to supplement internally developed education with a pre-packaged program produced by a leading customer service consulting organization.

If you are concerned that employees will not identify with an “off-the-shelf” program, that it might lack influence and credibility because the video or film presenter is unknown to employees, consider customization.
When we customize our service programs for an organization, the result looks very much as if it has been produced by the organization’s own staff.

**Customization**

Workbook covers are printed with the company’s logo and a typical photograph of company operations or people on the front.

A statement from the chief executive appears on the back cover with his/her photo.

The first portion of the first DVD is introduced with taped statements by corporate and facility executives.

Course completion certificates bear the company logo... and so on.

This off-the-shelf package includes a leader’s guide that explains how to run group discussions, that describes material needed, and that includes transcribed copy from three audiocassettes that accompany the material.

Also included are professionally recorded DVDs that employ dramatic case history capsules and music, blended with the narrative.

To prepare, leaders read a leader’s guide and the participant’s workbook twice to become familiar with material.

Education is conducted every 30 to 90 days, though the period is determined by turnover levels. Even if no new employees are hired, this education program is presented for review every 6 to 12 months to current employees.

Packaged customer relations programs work well for some companies. They are an especially good resource for owner-managers who lack the time or the motivation skills and the knowledge needed to develop their own programs.

**EDUCATION CONTENT**

Too many companies limit their service-improvement programs to the kind of education that ensues after an executive suggests: “Let’s round up the employees and give them a little training.”

Other organizations work on developing commitment in employees, thinking that committed employees will learn how-to techniques on their own.

**Skill Training**

Skill training is important. It can significantly enhance the quality of service.
Conduct an educational program for employees that is very specific about actions that employees must take in order to win customer satisfaction every time.

Telling employees to be “nice to customers” is meaningless unless you define exactly what “nice” means in the context of your type of organization.

**Employee Viewpoint**

As important as they are, specific customer service skills should not be the total content of education, either. Also teach fundamental viewpoints that become the framework and the foundation for practical skills. One of these fundamental viewpoints is that the customer is all-important to employees themselves.

I believe that the secret of successful customer service education is teaching employees:

- To derive satisfaction from winning friends for the company.
- To derive satisfaction from meeting the challenges of complaints and other pressures.
- To identify with the company and with co-workers.
- To understand and to appreciate importance of customers to the livelihoods of the employees.
- To understand and to appreciate the importance of their jobs, no matter what they are.

Teach employees to respect themselves, the work they do, and their employers. When they believe in themselves and what they are selling, then they find it much easier to treat customers with respect.

The result, then, is friendly, constructive reaction from customers. This gives employees more satisfaction from their jobs and motivates them to continue to practice professional customer relations techniques.

Employees also need to understand the standards against which their performances will be measured as well as their accountability for meeting those standards.

The customer service program of The Pacific Institute (PI) of Seattle, Washington, is called “Investment In Excellence.” Its goal is to teach employees to understand how they and their peers think, how self-image is formed, and how self-image affects performance. The program teaches the realization that each of us has the ability to change inappropriate beliefs and attitudes.
Pacific Institute’s program is built around 15 to 20 taped segments on topics such as comfort zones, self-image, goal setting, and possibility thinking. The PI program is about two-and-a-half days long. It uses one of the retailer’s own managers to lead sessions. During sessions, employees answer five reflective questions in a workbook after each video segment in order to “inventory themselves,” says PI. They teach motivation as an input.

Friendliness

This is a basic concept in education.

A customer-friendly system is one that by its basic design makes things easy for the customer.

Smiling is important for a sales clerk. It establishes a positive mind-set that will be displayed throughout a transaction. It gets a transaction under way positively.

Unless she or he is smiling, a sales clerk’s body language may say, “I’d much rather be doing something else.” These “vibes” are noticed by customers. And resented. That is why the first five seconds of a sales transaction are extremely important.

As time passes, employees may be sure that they will meet some of the same people. It is more pleasant to meet an old friend than an old enemy made when they treated a customer as an antagonist.

Employees should be taught to put aside concern that a customer might scowl in response to a smile. Friendliness by people who have not yet become friends is so rare that it will be noticed and it will win gratitude and, often, more business.

Salespeople should treat customers as human beings instead of as tedious interruptions of other activity. Employees should be taught to become friends of customers, to make them feel important, and to perfect the store’s reputation, so customers will return to shop again.

American Bank, of Corpus Christi, Texas, developed this checklist of friendly actions used in its education:

1. Acknowledge the customer’s presence with a smile.
2. If you know the customer’s name, use it in your greeting. If you do not know it, obtain it from a check or credit card, or ask the customer what it is. Do not overuse it, though: You could risk sounding phony.
3. Listen carefully without interrupting or allowing yourself to be
distracted. Ask questions to obtain all information needed to resolve any complaint.
4. Identify the customer’s need by restating the facts as the customer tells them.
5. Do not lecture.
6. Offer solutions. Do not tell the customer to do anything.
7. Provide referral for additional service.
8. Close with a smile and use the customer’s name again.
9. Invite the customer to return.

Here’s a different list of basic skills to practice in face-to-face customer service:
1. Make eye contact.
2. Answer questions or obtain answers quickly.
3. Hurry.
4. Talk and act in an enthusiastic, sincere and personal way, not in a routine, bored manner.
5. Give the customer your total attention. Never act impatient, as if you just want to finish the transaction as quickly as possible.
7. Offer unsolicited help now and then.
8. Make positive parting comments such as “We appreciate your business.” And: “Come see us again.”

**Internal Service**

Show employees how to use and to contribute to good service internally. Show them how to mobilize service within the company and to render service to those who deal directly with customers. Front-line employees must be given the skills not just to deliver quality service but to obtain it from their internal suppliers, their fellow employees upstream.

Richard Riesbeck, President of Riesbeck Food Markets in Ohio, believes that employee relations are the foundation of his customer relations success. “We need to realize that good relationships within the store have a lot to do with how successful we are in treating customers well.”

Yet, internal service might as well be a theorem in nuclear physics for the amount of awareness of it that many managers display.
Importance of “The Little Things”

Many customers are lost to competitors because of little human oversights—not returning a phone call, being late for an appointment, failing to say ‘Thank you’ or in other ways indicating that an account or a retail customer is taken for granted.

“Little things” can be the difference between a very big success and failure for a company. The reason is that people react emotionally to small insults. Despite this, they hesitate to complain about them for fear of being seen as unreasonable.

Customize Service Style To Customer Personality

Convey to employees in education that it makes no sense to treat everyone alike. Some people might react well to the bartender’s personality, a slap on the back and a hearty laugh. Others would be appalled by such treatment.

Learning to read body language and developing listening skills are part of “Fast Forward,” a Sears Roebuck and Co. service education program for new employees.

Fit your type of service to the personality of the customer. Learn to pick up on subtle cues and to react to your experience-based instincts.

“...observe the customer’s ‘social style’ to determine the way he or she would prefer being treated,” says Bill Murray, a vice president of corporate learning at Wilson Learning Corp.


Telephone Tactics

Employees convey their feelings, their attitudes, and an impression of their probable off-telephone behavior with vocal nuances during phone conversations. In other words, the things that they say and the way that they say them create either a positive or a negative impression.

So, education should include tips on talking with customers on the phone.

The American Management Association’s self-education study course on telephone communication includes these directions:

“Listen carefully... take notes... get the caller’s name and phone number
before hitting the hold button... avoid transferring calls...”

Employees should become aware of exactly how they sound to others on the phone and how to communicate a more positive impression. Specifically, they should learn to convey positive feelings to customers on the phone. After all, customers buy, stop buying or switch their buying to competitors as a result of their perceptions of a business’ service level based on employees’ telephone manners.

Whether or not an employee “means” to give a customer the impression that the company is run by rude, unfriendly people is not the point. If the customer derives that impression, that is all that counts in the world of competitive business.

There is no such thing as creating NO impression on the phone.

**Be Sincere**

Employees should be taught to engage customers in sincere conversation by saying something like: “Were you able to find what you were looking for?”

The key word is “sincere.” Watch out for ritualistic, sing-song expressions recited by rote such as the knee-jerk, “Have a nice day.” They do more harm than good because customers are as quick as cats to catch on to insincerity.

A sincere attitude demonstrates to customers that employees do not care only about ‘number one.’ It indicates that they want to provide good service, that they care about their work, and that they are determined to do their work in a professional manner.

**Personality Skills**

Spend a little time during education in discussing personality skills. Emphasize importance of maintaining good relations with peers and supervisors. This is important groundwork for friendly relations with customers. When an employee gets along well with his or her supervisor and co-workers, then that employee is more likely to be in the kind of mood that enables him/her to deliver good service.

**The Customer Viewpoint**

A fine general rule that could be taught to employees, as an umbrella concept, was expressed by Tom Peters writing in Thriving on Chaos: “Every action, no matter how small, and no matter how far from the firing line a department
may be, must be processed (by employees as if they were seeing it) through the customer’s eyes. (Employees should ask): ‘Will this make it easier for the customer?’ ‘Faster?’ ‘Better?’ ‘Less expensive’ ‘Will the customer be more profitable because of it?’”

If employees learn nothing else in education but how to process information as if they are customers, they will learn to react in ways that win customer satisfaction.

DURATION OF EDUCATION, FOLLOW-UP

How long is long enough in education time? Most service education programs last less than eight hours. Often they last only a couple hours. And there is no follow-up, no integration with performance management systems, and no management support.

Service education for front-line people must be at least six solid hours long with a follow-up session a month or two later if you are to expect a reasonable amount of behavior change and commitment to service standards.

At L.L.Bean Inc. intensive education goes on for three weeks. Performance of employees who have been trained is monitored periodically.

At Procter & Gamble the customer service education course is four to six weeks long and 40 hours per week for each “clan” (as they are called) of new employees.

CASE HISTORIES:
SUCCESSFUL QUALITY

Dow Chemical USA

The education focus for Dow Chemical USA is individual, particularly in two areas:

Problem Resolution Education

Dow operates in a “continuous quality improvement” mode that requires all departments to find ways to solve problems that prevent them from achieving perfection in their responsibilities. “I have a manager of quality improvement,” said Mitchell J. Kern when he was Manager of Customer Service Resources
for Dow Chemical USA in Midland, Michigan. “He worked with our people to
develop standards, policies, and procedures for customer service and to analyze
how we do in these areas. We ‘instrumented’ the customer service process;
much like a car’s dashboard is ‘instrumented,’ allowing everyone to see how
they’re doing.”

Once gaps are found between actual service levels and expected service
levels, investigations take place to determine causes of the problems. If one
cause turns out to be lack of education, individualized education is introduced
to bring an employee up to speed.

**Advancement Opportunity Education**

Supervisors and their employees regularly discuss career advancement
opportunities for employees and identify additional education required for
each employee to advance to the next appropriate level. Employees can take
advantage of Dow’s internal education courses as well as external courses.

Dow’s customer service organization developed a “college catalog” of
courses that employees can use in choosing education programs that will be of
most benefit to them in advancing to the next levels in the organization.

**Miller Brewing Co.**

Miller has won for itself a bank full of good will among its distributors, and
the management and employees of the distributors’ customers (bars, restaurants,
clubs), with inexpensive customer service education programs.

In trade magazine ads, Miller pictured a “Grump,” an unfriendly,
inconsiderate service employee in the form of a seedy-looking waitress with
hair flying, chewing on a toothpick, with a bottle opener dangling from her left
ear lobe.

The Grump program taught service employees in restaurants and bars (the
wait staff) how to win customer satisfaction. Waiters, waitresses, bartenders and
other front-line employees were motivated to learn customer service principles
with the assertion that satisfied customers tip better than dissatisfied ones.

“When satisfied customers tip better and react more positively to waiters
and waitresses,” says Don Beaver, who developed the program, “then employees
are happier with their work and they change jobs less often.”

The primary focus of the “Grumpbuster” education program was to reduce
employee turnover, one of the major problems of restaurants, where much
Miller beer is sold.

The Miller program was named “Suggest Your Best.” Retaining the quality service aspects of Grumpbuster, the program encourages staff to promote impulse purchases and helps them sell more specials, desserts, and related items.

Singapore

Singapore has a population of 5,773,278 million within 692.759 km. The government believes that its most important asset is its people. It is a country with a service economy and virtually no manufacturing. As a shipping port, Singapore has now moved to the number one position in the world because it understands the power of customer service.

Singapore ranks 5th on the UN Human Development Index and the 3rd highest GDP per capita. It is ranked highly in education, healthcare, life expectancy, quality of life, personal safety and housing. Although income inequality is high, 90% of homes are owner-occupied. 38% of Singapore’s 5.6 million residents are permanent residents and other foreign nationals. There are four official languages: English (common and first language), Malay, Mandarin and Tamil; almost all Singaporeans are bilingual.

Three leading international research agencies have given top ratings to Singapore’s legal system and judiciary, praising their efficiency and quality. The research agencies are Hong Kong based Political and Economic Risk Consultancy (Perc), Swiss based International Institute of Management Development, and Washington-based Business Environment Risk.

Perc has ranked Singapore’s legal System top among 12 Asian states again in 2018.

Another survey, by International Institute for Management Development, placed the legal system on the top of a list of 59 Countries, ahead of England and the U.S., while Beri, which evaluates the workforce in 49 countries every year, ranked the legal framework at the top.

The framework, which includes labor rules and regulations, is an indication of how attractive a Country’s labor market environment is to investors.

Beri gave the legal system a score of 77 out of 100 in its report. In 2002 Singapore scored 76.

Covering 137 economies, the Global Competitiveness Index 2017–2018 measures national competitiveness—defined as the set of institutions, policies and factors that determine the level of productivity. Singapore is 3rd.
Singapore is the US’s 13th largest trading partner with $29.8 billion or 1.9% of total US exports.

HOW MUCH SHOULD EDUCATION COST?”

Citicorp conducted a study of 17 “role model” companies recognized for superior customer service and found that each made major investments of up to 2 percent of gross sales in formal, on-going service education programs.

Education is paid in current dollars, but it offsets selling costs that will be paid in tomorrow’s more expensive dollars.

Major investments in learning result in 57 percent higher net sales per employee, 37 percent higher gross profits per employee, and 20 percent higher value on Wall Street.
Index

800 number 121
after-hours service 284
Amazon.com 24, 40, 164, 232, 234, 235, 236, 237
American Management Association (AMA) 5, 27, 73, 95, 101, 115, 135, 198, 215, 218, 282, 284, 293, 361
American Society for Quality Control (ASQC) 223, 225
automated response systems 281
brand loyalty 12, 27, 28, 40, 109, 283, 314, 327
Carlzon, Jan 26, 106, 110, 182, 188
Commerce Bank 21, 40, 44, 55, 265, 266, 267, 268, 269, 270, 271, 272, 333
communication tools 58
complaints…
  … barriers to complaints 308
  … prevention of complaints 313
  … complaint handling 314, 317, 321, 323
cost…
  … cost reduction 104, 105, 291
  … cost of lost customers 26, 48
  … cost of training 45, 145, 151, 154, 297, 332
  … employment costs 332
comment cards 63, 64, 118, 125
communication tools 58
customer…
  (see also customer service)
  … cost of lost customers 26, 48
  … customer comment cards 63, 64, 118, 125
  … customer conscious(ness) 102, 103, 106
  … customer defection 41, 44, 45, 48
  … customer evaluation 124
  … customer friendly / friendliness 13, 42, 206, 222, 232, 236, 249, 250, 284, 358, 359
  … customer-friendly service system 206, 207
  … customer loyalty 3, 4, 7, 12, 19, 22, 24, 26, 27, 28, 35, 40, 43, 51, 74, 82, 97, 134, 165, 169, 199, 201, 205, 252, 258, 281, 282, 283, 290, 309, 310, 331
  … customer needs 3, 60, 62, 75, 101, 111, 122, 129, 135, 205, 218, 224, 234, 240, 258, 276, 278, 294, 309
… customer perception 7, 26, 103, 117, 150, 205, 293, 361
… customer retention, 10, 26, 44, 92, 152, 241
… irate customer 151, 238, 280, 318, 319, 321, 322
Customer Service
… benefits of customer service 22, 23, 24, 25, 42, 48, 58, 239, 245, 296
… customer service standards 55, 66, 69, 97, 116, 157, 197, 343, 363
… customer service structure 110
… definition of customer service 12, 13, 18
… warning signs of customer service decline 52, 199, 292, 296
Defection management 44, 48
Delta Dental Plan of Massachusetts 8, 9, 44, 68, 88, 90, 91, 92, 93
employee…
… employee motivation 1, 2, 4, 52, 86, 157, 167, 176, 177, 181, 188, 195, 198, 237, 298, 312
… employee involvement 7, 96, 104, 105, 154, 159, 196
… employee equitable treatment 179, 193
… employee incentive 81, 120, 156, 157, 158, 159, 174, 240, 269, 271, 316
… employee recognition 10, 14, 48, 55, 105, 127, 154, 155, 156, 157, 172, 174, 182, 200, 257, 294
… employee turnover 14, 25, 52, 80, 133, 151, 152, 153, 155, 158, 159, 160, 170, 186, 198, 199, 200, 256, 296, 297, 298, 329, 334, 356
… employee surveys 119, 155, 292
… handicapped employees 142, 143
… employee interpersonal skills 147, 148
… employee interview 41, 45, 46, 64, 79, 141, 142, 145, 146, 222, 268, 297, 300, 301
… employee screening process 147, 323
… employee retention 153, 155, 156, 160, 332
… empowering employees 14, 20, 36, 38, 68, 97, 98, 99, 184, 185, 187, 188, 189, 190, 191, 193, 222, 264, 325
… profit sharing to employees 184

… high performance employees 10
focus group 45, 88, 90, 94, 101, 118, 119, 120, 121, 129, 135, 292, 293, 294, 299
Gateway 38, 39

GE, see also General Electric
3, 29, 30, 31, 32, 36, 56, 86, 121, 123, 140, 271, 282, 283
General Electric, see also GE
29, 30, 32, 44, 56, 86, 121, 123, 137, 139
guaranteed service 217
guidelines
… guidelines for education 352
... guidelines for employees 193, 222, 231
… guidelines for service plan 60
… guidelines for service strategy 111
high tech service 19, 245
Home Depot 3, 35, 36, 37, 38, 40, 44, 55, 97, 270
incentive program 156, 159, 195
K-Mart, 56, 166, 162, 163, 164
L.L. Bean 26, 185, 186, 204, 257, 258, 310, 363
management commitment 6, 27, 69, 71, 72, 74, 76, 77, 84, 168, 169, 208, 247, 341
matrix of service 204
Metro Bank 272, 273, 274, 275
Moments of reality (MOR) 93, 94
Enrique Ramirez Villalon, 14
organizational plan 85
performance 10, 18, 20, 57, 58, 62, 66, 74, 88, 95, 105, 118, 133, 147, 156, 157, 158, 164, 174, 176, 179, 185, 197, 199, 202, 280, 221, 228, 241, 257, 259, 308, 324, 326, 358, 363
… financial performance 60
… employee performance 61, 75, 96, 157, 169, 178, 217, 223, 341, 358, 363
...pay-for-performance incentive systems 157
... performance analysis 344
... performance standards 182, 197, 208, 252
Peters, Tom 39, 66, 76, 107, 182, 201, 310, 362
policy(ies) 37, 38, 69, 78, 87, 88, 91, 94, 96, 171, 177, 186, 189, 190, 196, 209, 232, 264, 281, 308, 314, 324, 326, 328
... refund policy 92
... return policy 69, 217
procedure(s) 38, 67, 68, 73, 82, 88, 135, 145, 196, 197, 202, 205, 208, 222, 264, 274, 284, 308, 323, 324, 363
... profit sharing to employees 184
... implementation of quality service 43, 90, 204
... characteristics of quality service 132, 149, 203, 206, 208
questionnaires 63, 123, 124, 135
return on investment 22, 51, 109
return [policy] 69, 217
... sales support 18, 86, 108
... service support 107, 230
... financial support 52
... support function(s) 108, 111, 324
... satisfaction index 56, 110, 136, 152
self-service 69, 90, 227, 243, 245, 244
service… (see also customer service)
… attributes of service 61, 62
… availability of service, 13, 62, 208
… contribution of service to profit, 38
… exceptional service, 5, 15, 21, 86, 96, 165, 170, 204, 210, 220, 223, 226, 227, 231, 275, 291
…monitoring service level 87, 107, 108, 109, 278, 292
… service plan 54, 55, 59, 60, 61, 62, 64, 65, 66, 70, 72, 77, 79, 84, 86, 87, 88, 89, 95, 96, 100
… service renewal 215, 289, 303
… service strategy 1, 2, 4, 5, 6, 22, 39, 54, 56, 57, 59, 60, 62, 73, 74, 77, 87, 90, 92, 93, 107, 111, 162, 163, 203, 204, 207, 226, 231, 247, 266, 267, 269, 275, 291, 355

service … (cont)
… service style 361
… service value 109, 149
Service Quality Centre 223
Singapore Airlines 68, 120, 219, 220, 221
… communication skills 137, 147
… courtesy skills 237, 238
… employee interpersonal skills 147, 148
… listening skills 238, 361
… service skills, 33, 133, 151, 153, 199, 221, 239, 331, 343, 357
… telephone skills 238
Stew Leonard 63, 85, 121, 157, 256, 257
strategy 1, 6, 27, 42, 43, 58, 59, 62, 64, 65, 73, 76, 77, 80, 82, 87, 90, 165, 201, 210, 220, 243, 247, 265, 268, 269, 274, 289, 298, 316
… advertising strategy 163
… long-term strategy 73, 74, 75, 84
… marketing strategy 5
… merchandising strategy 171
… service strategy 1, 2, 4, 5, 6, 22, 39, 54, 56, 57, 59, 60, 62, 73, 74, 77, 87, 90, 92, 93, 107, 111, 162, 163, 203, 204, 207, 226, 231, 247, 266, 267, 269, 275, 291, 355
… turnover reduction strategy 158
survey 3, 46, 49, 51, 52, 63, 64, 67, 79, 80, 97, 109, 110, 118, 119, 120, 124, 125, 131, 132, 133, 134, 135, 136, 152, 200, 202, 215, 258
… survey… (cont)
… employee surveys 119, 155, 292
… formal survey 56, 119
… informal surveys, 118
team…
… team concept, 344
… team spirit 153, 154, 170, 175, 178, 196, 344
… teamwork 142, 151, 165, 180
Technical Assistance Research Corporation (TARP) 12, 108, 280, 306
‘thank you’… 172, 360
… ‘thank you’ calls 122
… ‘thank you’ notes 226, 255
training…
… benefits of training 342, 364
… training case histories 363
… company-wide training 103
… low-budget training 150
… prepackaged training programs 356

voice mail 20, 21, 230, 272
Wal-Mart 35, 39, 40, 55, 60, 69, 80, 162, 163, 164, 165, 166, 170, 171, 172, 194, 270
If you have thoughts, comments, or ideas about this book, I’d love to hear from you. Feel free to write or call.

John Tschohl  
Service Quality Institute  
9201 East Bloomington Freeway  
Minneapolis, Minnesota 55420-3497 USA  
952-884-3311    fax 952-884-8901  
email: quality@servicequality.com  
web-site: www.customer-service.com  
Facebook®: www.facebook.com/johntschohl  
Twitter®: twitter.com/johntschohl  
Linkedin®: www.linkedin.com/in/johntschohl

Service Quality Institute provides a variety of quality service and recognition training programs that cover the entire work force. If you are interested in learning more about Service Quality Institute’s training programs or about John Tschohl’s seminars and speeches, please contact Service Quality Institute at the above address.
ALSO BY JOHN TSCHOHL

MOVING UP

EMPOWERMENT:: A WAY OF LIFE

LOYAL FOR LIFE

E-SERVICE

CASHING IN

THE CUSTOMER IS BOSS

These books and additional copies of Achieving Excellence Through Customer Service are available in local bookstores. For volume orders, contact Best Sellers Publishing at 1-952-888-7672 or e-mail to quality@servicequality.com.