

That's Customer Focus!

By **F. Ray Miller & Laura E. Miller**



The Overworked and Underappreciated Manager's Guide to Creating a Customer-Focused Organization

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Table of Contents

	Page #
Foreword	1
Chapter 1: Customer Focus 101	
Introduction and Objectives	3
What Service Is and Is Not	4
Why Service is Important	6
Why Service is Important: The Business Case	7
Understanding Customer Expectations and Perceptions	11
What Do Customers Expect?	12
Customer Expectations versus Customer Needs	13
Perception is the Customer's Reality	16
Chapter 2: What is a Customer Focused Organization?	
Introduction and Objectives	17
A Customer-Focused Organization	19
Common Characteristics of Customer Focused Organizations	27
Exercise 1.1: How Customer-Focused Are You?	28
Chapter 3: Creating a Shared Vision and Service Values	
Introduction and Objectives	33
A Shared Vision Defined	34
Characteristics of a Shared Vision	35
Service Values	38
Exercise 2.1: Acting on Your Service Values	41
Chapter 4: Service Comes from Within	
Introduction and Objectives	42
Service Partnerships ...Internal Cooperation	43
Characteristics of Successful Internal Partnerships	46
How to Build and Strengthen Internal Partnerships	47
Exercise 4.1: Who Are Your Internal Partners?	49
Exercise 4.2: Maintaining Internal Partnerships	51
Exercise 4.3: Strengthening Internal Partnerships	53
Chapter 5: Customer-Focused Leadership	
Introduction and Objectives	57
Service is a Leadership Issue	58
Best Practices in Customer-Focused Leadership	59
Chapter 6: Know Your Customer	
Introduction and Objectives	67
Be the Customer	69
Service SatisFactors	70
Exercise 6.1: Be the Customer	71
Listening to the Voice of the Customer	73
Conducting Formal Surveys and Interviews	75
Designing a Survey / Interview Process	80
Exercise 6.2: Gathering Customer Feedback	90
Chapter 7: Know your Competition	
Introduction and Objectives	94
Gathering Competitive Information	95
Exercise 7.1: Know your Competition	98
Your Competitive Report Card	101
Exercise 7.2: Your Competition Report Card	103

Table of Contents

	Page #
Chapter 8: Learning from the Customer	
Introduction and Objectives	106
Moments of Truth	107
Using Moments of Truth to Enhance Service Delivery	108
Exercise 8.1: Identifying Your Moments of Truth	109
What are Critical Customer Incidents?	110
A Tail of Customer Service	111
Exercise 8.2: Learning from the Customer	112
Investigating a Critical Customer Incident	113
Learning from Critical Customer Incidents	115
Continuous Improvement: Hitting a Home Run	116
Chapter 9: Training and Selection	
Introduction and Objectives	118
What Are the Attributes of an Exceptional Service Provider?	119
Assessing Current Employee Customer-Focused Attributes	121
Training	124
Selection	125
Chapter 10: Service Standards	
Introduction and Objectives	131
The Need for Service Standards	132
Maintenance Standards	133
Developing Maintenance Standards	135
Voice Mail, Phone Messages and Email	139
Opportunity Standards	143
Chapter 11: Pro-Active and Effective Recovery	
Introduction and Objectives	145
The Strategic Importance of Recovery	146
Personal Recovery Strategies	148
What to Say... What Not to Say	150
What to Do... What Not to Do	150
Exercise 11.1: How Effective are Your Recovery Efforts?	151
Dealing with an Angry Customer	153
Employee Assessment Forms	156
Chapter 12: Reward and Recognition	
Introduction and Objectives	161
Critical Considerations	162
A Model for Reward Programs	163
The Law of Unintended Effects	168
Chapter 13: Measuring Operational and Service Quality	
Introduction and Objectives	170
Identifying Operational Measures	171
Examples of Operational Measures	175
Exercise 13.1: Your Operational and Service Quality Measures	176
Exercise 13.2: Improvement Readiness Assessment	177
Summary	184
Conclusion	185
Critical Actions Checklist	186
About the Authors and CanTrain	189

Customer Focus 101

Chapter 1

It's pretty safe to assume that you intrinsically know that creating a customer focus is important. The fact that you bought this book is a good sign. We could jump right into step-by-step instructions, a recipe if you will, for getting the job done. But here's the thing: you could try baking a cake by following the recipe, but without understanding the basics of cooking there's a really good chance it won't turn out like in the picture. You could try building a car, but without a fundamental understanding of mechanical engineering, would you want to drive it down the highway at 60 miles an hour? Would you build a house without a fundamental understanding of construction, legal issues and financing? Probably not.



So, before you can take on the task of creating a customer-focused culture, there are a number of fundamentals you need to be crystal clear about regarding service quality, the financial consequences of a customer-focused strategy, and the impact customer expectations and perceptions have on your business. Let's take a few minutes to review these.

This chapter:

- defines what service is and is NOT
- discusses why service is important and presents a business case for creating a Customer-Focused Organization
- provides you with tools to create a business case for your specific organization
- explores customer expectations and customer perceptions when it comes to service

Why is this important?

If our introduction to this chapter hasn't convinced you, consider this:

An alarmingly high number of service improvement or customer-focus initiatives fail miserably, despite the best intentions of all those involved.

There are many reasons for this failure, most of which can be traced back to management. Some organizations try to copy what another organization has done, yet it doesn't work. It's easy to copy steps and procedures; but without understanding the mind-set and thinking of those who originated the processes, you will never achieve the same outcomes. Successful customer-focused organizations all share a similar mind-set regarding what service is and is not.

Let's explore this further.

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What Service Is and Is Not

It has been our experience that stories and parables are the best teachers. They help us to personally identify with someone else's pain, frustration, surprise and delight. We use stories frequently in our training programs and we hear many stories from our participants. The following two stories help illustrate what service is Not.

Like many of you, I have become a slave to technology. While I am developing a certain degree of comfort with most types of technology such as computers, pda's, vcr's, cd/dvd players and lcd's I almost always have a sense of trepidation whenever I encounter a problem with anything commonly identified by three initials. I was having a problem with a new "pda" and went back to the store that sold it to me, hoping for some "expert" help.

There appeared to be only one sales representative available so I had to wait for what seemed like an eternity. Finally it was my turn for help. The attendant was very approachable and friendly. I recognized him as the person that had served me a week earlier. He smiled and asked how he could help me. The first thing out of my mouth was "I bought this pda here a week ago and as a matter of fact you served me." I continued to outline my problem in my own clear but non-techno-speak way. As I spoke, the attendant continued to smile and seemed to be listening, that is until he asked me his first question which was, "Did you buy that item here?" Again, he continued to smile and asked more ridiculous questions like did I have my receipt? And did I follow the set-up instructions properly? The harder he smiled the angrier I got. In the end, the solution to my problem was that I would have to visit the manufacturer's web site and if I couldn't find the information there, I would need to contact their support desk. But that's a story for another time. I actually left the store extremely angry because I had come to the conclusion that my smiling attendant was really enjoying ticking me off. Why else would he be smiling so hard yet be so unhelpful?

Service is not merely someone who smiles and says, "Thank you."

In my job I get to travel quite a bit. Finding a good meal in some places can be a bit of a challenge. But sometimes when you are hungry you can't be too picky. On one particular occasion I was very hungry and happened across a fast food steak house. The building looked like a big green barn. Upon entering the restaurant you see huge photographs of sumptuous meals each assigned their own unique identifying number. It amazes me how what one gets on one's plate never looks as good as the photos but when one is hungry, sacrifices are made.

This particular restaurant was set up cafeteria style. You would pick up a tray, put it on the rail, place your order with a cashier, pay for your meal, get the meal handed to you and then you would find a seat. The cashier serving me was required to repeat my order into a microphone attached to the cash register station so now the entire world knew what I was having for dinner.

I placed the following order: "I will have a number 4, well done, baked potato with sour cream, salad bar, a diet coke and no dessert please." I knew the cashier got my order correctly because she repeated it word for word into the microphone. The first thing the cashier asked me was, "Would you like dessert with your meal?" I said "I know you know I don't want dessert because you said so when you placed my order. Right?" She said "Yes sir." So I asked, "Why did you ask me if I wanted dessert?" She said "I have to sir." I asked her why. She said "It's step 7." I inquired "Step 7?" She said "Yes sir. Step 7. We pride ourselves on following all the steps to customer service here sir. Asking the customer if they want dessert is step 7."

She reached down and grabbed a clipboard which had in red bold words, **The 10 Steps to Customer Service**. And indeed it was true that Step 7 was "Ask customer if they want dessert with their meal." So I said to her, "Since you knew I didn't want dessert, why did you ask me?" She said, "I have to sir." I asked "What would happen if you didn't ask?" She said "I'd get in trouble sir." So I asked "Does that make sense to you?" She said "No sir, but they do lots of things here that don't make any sense, but I need this job." She then went on to tell me about some of the other things that she and her colleagues had to do in the name of service that would astound you.

Service is not a series of steps that are required to be performed with every customer.

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Service is adding People to your Product.

There is a huge difference between the **Service** you provide and the **Services** you offer...don't confuse them!

Too often, people confuse the services a company offers with the quality of service that it provides. There is a difference between service and services. Valet parking at a hotel, financial transactions at a bank, delivery of goods by a retailer and safety inspections by utilities are examples of services provided. Simply put, services are the "stuff" that organizations offer their customers. If your car is not brought to you quickly and in the same condition as you left it, if the ATM machine isn't working or eats your card, if your goods are not delivered when promised, this stuff is sub-par and customers react in the same way as they would if the product they purchased did not function as it was supposed to. Great services without great service from customer-contact staff will leave a bad memory.

Service is the quality measure of how an organization delivers the "stuff." Service is a people dimension.

Service is an attitude and belief shared by every employee that the customer is most important.

Below are some firsthand experiences from participants in our *Customers Forever* workshop.

**Katrina,
Chemical Engineer**

"One of my worst experiences was at a hair salon. I asked for a permanent and a new coloring and the hair dresser did a terrible job. It was obvious she was trying to handle too many customers at once. The cut was too short, the coloring uneven and the perm was too tight. When I complained to the salon manager she said, "Well, we're very busy. Besides, it doesn't look that bad." There was absolutely no attempt to even hear my complaint much less do something about it!"

**John,
Landscape Design**

"My experience was actually kind of funny. My buddy and I went to one of those mega home improvement centers. I needed some fasteners to fix a cabinet. It was just a few small items to fix a broken latch. When the cashier tried to ring it up, the scanner on the cash register wouldn't scan the bar code.

"I can't ring this up. There's no SKU number," he said. His tone sounded like he was accusing me of doing something wrong.

"I don't know the SKU number," I said, half laughingly.

"Well, what am I suppose to do?" he asked. His attitude was incredible.

"How about calling a manager for help?" I said (half shocked now).

"Can't you just get a different one?" he suggested.

"No, but I can go to a different store." I said. Then I left.

Good service comes from actions which make the customer experience with your company one which exceeds his or her expectations. It is the...

- Attitude
- Care
- Helpfulness
- Responsiveness
- Courtesy
- Knowledge
- Reliability
- Concern
- Enthusiasm
- Expertise

...that people bring to their jobs in the delivery of "the stuff" for which they are responsible.

Service quality requires the **enthusiastic participation of every employee** in every aspect of the service effort. Relying on the product, technology, professional services or "stuff" to impress the customer, leaves too much to chance.

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Why Service is Important

Research from a litany of reliable sources tells us that the primary reason that customers switch their loyalty from one company to another, in the range of 40% to 68%, is because of a perceived attitude of indifference on the part of the service provider. Sure, some leave because of price, or product quality, or other personal reasons; but the vast majority leave because of Poor Service.

These days, customers are really in the driver's seat. The options and choices of similar products at similar prices at similar quality levels are greater than ever. Advances in technology, reductions in production time and access to global distribution mean that products and services can be duplicated and customized faster than ever before. And your customers know this!

Consumers have more choices than ever before. This creates an interesting challenge. How do you create value when customers today are not seeing much difference in the choices they are offered?

Customers tend to look at value from four perspectives. The **Price** of the product or service, the **Quality** of the product or service, the degree of **Innovation** offered by the product and the **Service** provided to customers.

The quality of products continues to improve universally and competitors have developed the ability to duplicate even the most complex of those products. Innovation attracts younger consumers but no sooner do we see one innovation, than someone else comes along and clones it plus adds a few more bells and whistles. Consider the evolution of the flat screen LCD TV. A couple of years ago, few could afford such a luxury item. Now there are LCD TVs to fit a wide range of budgets. And in addition to the traditional manufacturers of televisions, it seems that any one who manufactures computers also has their own LCD TV. Developing a competitive advantage based solely on product quality and/or innovation is very difficult. And sustaining it is very expensive. You will also find that there is more price parity today than ever before. Very few companies can compete for long using price as a differentiating factor. By shifting your emphasis to service quality, you will find the greatest room for differentiation.

For most companies, customer loyalty is the key to future profitability and growth. Corporate newsletters, national periodicals, and most executive speeches are peppered with a litany of examples demonstrating the relationship between customer loyalty and profitability. In almost every market we've learned that retained customers:

- Are less expensive to serve because they know their role in the process.
- Tend to lower marketing costs.
- Often purchase more over time.
- Are open to purchasing new and different products as they are offered.

Clearly, customers value service and whether they get good service or not, they expect it. If they don't receive service at a level that meets their expectations, they will go elsewhere until they find it. Whether the economy is on the down swing or the upswing, no one can afford to lose customers.

Many companies still deliver lousy, inept, shoddy service and even more deliver only average service.

Simply stated: Companies who differentiate themselves through their service have a competitive advantage.

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Why Service is Important: The Business Case

If what has been said so far doesn't convince you, let's consider building a business case for service. Let's face it, people pay more attention to something with a financial value attached to it than they do if no value or an obscure valuation is applied to it. We can understand and can account for the monetary value of items such as service charges, salaries, and stationary supplies. These numbers are easily accessible from budgets and control sheets. When we deal with a customer, we know how much of our time it will take and how much it will cost in terms of the tangible items. You may know the price of what you are selling, and you may know the actual value each transaction represents to your company. But what about the intangibles? What are your customers really worth to your organization? And what is the pay-off to creating a Customer-Focused Organization in dollars and cents?

One of your goals in creating a customer-focused culture is to ensure that everyone understands the financial impact, good or bad, of their actions. This adds a monetary importance to each customer interaction.

Each customer represents a potential stream of income to your organization and each missed opportunity to exceed their expectations represents a reduction in potential profit.

Here's a simple way to determine what your customers are worth. It's not totally scientific, but it sure gets the point across. We've borrowed this from a trusted colleague and mentor, Rick Tate, who borrowed it from Stu Leonard.

In the early 1990's Stu Leonard, the owner of a highly successful chain of grocery stores, came up with an interesting and simple formula for making certain every one of his employees understood the value of each customer.

He started by determining how much the average customer spent on groceries in a given week. Allowing a couple of weeks away every year for vacation, he then determined the amount an average customer spent in the course of a year. In the example shown here, he determined

Dollars spent on groceries each week	\$100.00
	<u> x 50</u>
Per Year	\$5,000.00
Years spent in geographic area	<u> x 10</u>
Customer lifetime value	\$50,000.00

that the annual expenditure was \$5,000.00. He was able to determine that an average customer remained in his market area for about 10 years. He multiplied these two numbers to determine the life time value of an average customer. In his case it worked out to \$50,000.00.

He then made sure that all his employees understood that if they did something that caused their customers to FROWN, the financial consequences could be significant to the company that issued them their weekly paycheck. The result was profound.

A FROWN = \$50,000

His employees now recognized the financial risk involved every time they interacted with a customer and acted in a way that ensured they were not knowingly responsible for losing \$50,000.00.

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It is important that your employees determine what your customers are worth so that they can recognize the financial value of their actions during every customer interaction.

Here is an exercise which you can use to help you calculate what your customers are worth.

Exercise



1.1

What Are Customers Really Worth?

Please print this page and then complete the exercise.

How much is one customer worth? Take any customer segment of your business - an end user, a distributor, a private contractor. What is the annual revenue of an average customer in a particular segment?

- A. Average annual revenue \$_____
- B. Revenue if they remained your customer for 5 years \$_____
- C. Revenue if they remained your customer for 10 years \$_____

If you lost this typical customer's business next year... what is your guess as to what percentage of that revenue loss would be profit? (*keep in mind fixed costs of the business and the fact that this business loss was not anticipated*)

_____%

Imagine if you lost only one customer every day for just one year. That's 365 customers... each representing the figure above. What are the results?

- 365 customers X item A. = _____ revenue loss for the year
- 365 customers X item B. = _____ revenue loss over 5 years
- 365 customers X item C. = _____ revenue loss over 10 years

Now Ask Yourself:

When our people are dealing with one of our customers, do they understand that they have this amount of monetary value in their hands?