

A summary of carefully selected articles on genuinely new ideas on the well - worn theme of customer service

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From: "Measuring customer satisfaction" Mike Asher. Total Quality Management February 1989.

P 93 "Standards are rising all the time. Customers are becoming more demanding".

P 94 "A good way to begin a quality improvement programme is to talk to your customers about their perceptions of you and their needs".

P 95 "It is no longer enough to be a good overall performer. You must identify the critical competences that separate you from the competition and be the best at these".

"Tomorrow's successful companies realise that as well as knowing, meeting, and exceeding today's requirements, they will have to anticipate the needs of the future".

"Companies that plan their futures with their customers make it more likely that they will be the suppliers of the service".

"Complete customer satisfaction is only possible when there is full information about customer requirements in the hands of anyone and everyone who has an influence on how they are met".

From: "Measuring customer value: Gaining the strategic advantage" Howard Butz and Leonard Goodstein. Organisational Dynamics.

P 65 "Customer bonding is not about what customers say about the provider; it is about what they do, how they behave in their relationships with the supplier".

"The development of customer bonding requires that the organisation regularly meet and exceed customer expectations, especially as compared to its competition".

P 67 "The notion of levels of customer value was introduced by Noriaka Kano. We feel that it is necessary to differentiate three levels of customer value:

1. The expected level
2. The desired level
3. The unanticipated level".

P 68 "Once an organisation establishes a desired level of customer value, failure to maintain that level can be dangerous".

P 70 "To reach the unanticipated level of customer value, we need to find new and different ways of providing established goods and services to our customers and develop products and services that fill our customers latest needs (or create such needs)".

P 71 “Nearly all businesses can immediately point to their primary customers. In our experience, however, other strategically important people in the decision-making process are often overlooked”.

“Today, decisions made by only one individual are quite rare. We all must recognise that anyone who can exert influence - positive or negative - on the decision to buy must be included as a customer”.

P 72 “By simply inquiring about how well we are serving our customer, we are implicitly raising the customers expectations about our service”.

“Developing customer understanding invariably includes actually visiting customers in their usual place of business. It is not possible to develop an adequate understanding of the customers and their needs without such visits. Careful planning must precede any visit”.

P 75 “Nothing is so crucial to organisational success as increasing the net value that we provide to the customer”.

“It is useful to think of five ever increasing levels of bonding:

- Preferential : ‘Lets try them this time.’
- Favouritism : ‘All things being equal, they get the order.’
- Commitment : ‘They are our supplier’
- Referential : ‘You ought to buy from these guys’
- Exclusive : ‘No one has a chance to get our order.’

We can look at these levels of bonding as representing increasing levels of trust and commitment”.

“Suppliers who are not prepared to enter such bonded relationships are obviously at risk”.

“We may be retaining customers over a long period but they may be spending most of their budget elsewhere. In one study of the retail industry, those customers retained the longest were the least profitable”.

“An important piece of information to obtain during this customer understanding process is how much of the total budget the customer spends with you as compared to the competition”.

“Customers will rarely give accurate information about their level of bonding to their suppliers. It is far too confrontational for most managers”.

P 76 “The customer understanding process provides critical information for segmenting markets. It typically reveals that there are customers with significantly different needs”.

**From: “Developing customer care training programmes” David Clutterbuck.
Industrial and Commercial Training November/December 1988.**

P 11 “ The purpose of a business is to create and keep customers” Theodore Levitt.

“Everyone has to be made constantly aware of how the way they do their job can help or hinder the customer in doing theirs. and the best way of achieving this is through personal contact”.

P 12 “Market research is only as good as the use to which it is put”.

“It is very difficult to make improvements if you do not know where you are starting from”.

P 14 “Customer care is initially not cheap; but the pay off beats any other investment top management is likely to make”.

**From: "The UK's Automobile Association : Empowering staff for customer retention"
Nigel Currie. Managing Service Quality, Volume 6 Number 4 1996.**

P 15 "The AA has always monitored customer satisfaction through monitoring the retention rate, analysing complaints, and research".

"Importantly we needed to be certain that we focused on what our customers want - not what we think they want - which can often be a trap you fall into when you gauge performance solely on the basis of internal measurements".

P 17 "We have always known that the speed of response is a vital factor affecting satisfaction. However, through the analysis we have undertaken, it is clear that the other key element is the attitude of staff. Most members will be satisfied with the service even if response is slow if they have been impressed by the telephone and patrol staff. The converse is also true; we could get to them quickly, and still leave them dissatisfied if the attitude of our patrol was wrong".

"People who contact us by mobile phone are also likely to be less satisfied. What we have learned is that the expectations of our members are very different".

"An organisation which concentrates on effectively handling complaints is actually in danger of closing the stable door after the horse has bolted".

"By being proactive our front-line staff can defuse a potential complaint situation".

P 18 "Ours is a service which deals first and foremost with the problems people have rather than the mechanical problems associated with their vehicles".

P 19 "Many written complaints are difficult to understand. In such situations, in our experience it is worth telephoning the member to clarify what the problem actually is".

"All staff handling complaints should understand the value of an apology and the fact that most customers want action rather than compensation".

"All our customer facing staff are empowered to commit the AA to pay the member up to one hundred pounds".

"Empowerment relies on giving a lot of individuals authority. They must have authority to make decisions without consulting a rule book and without fear of retribution".

"Our experience has been that front-line staff welcome empowerment and are capable of making the right decision most of the time".

**From: "That'll be the Daewoo : Giving the customers just what they want"
Patrick Farrell and Charles Dawson. Managing Service Quality Volume 6 Number 5 1996.**

P 27 "Daewoo was founded in 1967...turnover went from nothing to thirty seven billion dollars in 29 years, and now Daewoo is the 27th largest industrial company in the world - for example and reference, Hanson is 109th, Coca-Cola is 79th and Procter and Gamble 38th".

P 28 "Daewoo has no history to apologise for and so is perfectly placed to take the initiative and take hold of and dominate this new (UK) market".
"The biggest problem was to get an audience of cynical consumers to believe that this time the offer of customer focus is for real".

**From: "Nine lessons on service quality" Evert Gummesson.
Total Quality Management February 1989.**

P 85 "You can stupefy your front line service personnel by making them robots with discretion to handle only a limited number of standard operations".

P86 "Polishing the tip of the iceberg may help to some extent, but in order to achieve substantial results you will have to go further down and investigate the actual, reasons for bad service quality and try to remove them".

**From: "Putting the service profit chain to work" J Heskett, Thomas Jones, Gary Loveman,
W Sasser and Leonard Schlesinger. Harvard Business Review March/April 1994.**

P 164 "The life time value of a loyal customer can be astronomical, especially when referrals are added to the economics of customer retention and repeat purchases of related products".

"Profit and growth are stimulated primarily by customer loyalty. Loyalty is a direct result of customer satisfaction. Satisfaction is largely influenced by the value of services provided to customers. Value is created by satisfied, loyal, and productive employees. Employee satisfaction in turn, results primarily from high quality support services and policies that enable employees to deliver results to customers".

P 165 "To maximise profit, managers have pursued the Holy Grail of becoming number one or two in their industries for nearly two decades. Recently however, new measures of service industries suggest that customer loyalty is a more important determinant of profit".

"Reichheld and Sasser estimate that a 5% increase in customer loyalty can produce profit increases from 25% to 85%. They conclude that the *quality* of market share, measured in terms of customer loyalty, deserves as much attention as quantity".

P 167 "One recent study of an auto dealers' personnel by Abt associates concluded that the average monthly cost of replacing a sales representative who had five to eight years of experience with an employee who had less than one year of experience was as much as \$36,000 in sales".

P 168 "What we call the internal quality of a working environment contributes most to employee satisfaction. Internal quality is measured by the feelings that employees have toward their jobs, colleagues, and organisations. What do service employees value most in the job?".

"Internal quality is also characterised by the attitudes that people have toward one another and the way people serve each other inside the organisation".

"Leaders who understand the service-profit chain develop and maintain a corporate culture centred around service to customers and fellow employees. They display a willingness and ability to listen".

P 170 "Loyal customers account for an unusually high proportion of the sales and profit growth of successful service providers".

"Several companies have found that their most loyal customers - the top 20% of customers - not only provide all the profit but also cover losses incurred in dealing with less loyal customers".

P 171 "Too many companies concentrate nearly all their efforts on attracting new customers".
"It is important to find out not only where defectors go, but also why they defect".

“At some companies, high levels of reported customer satisfaction are contradicted by continuing declines in sales and profits”.

“Customers and employees must be encouraged to report rather than suppress concerns”.

“Value is a function not only of costs to the customer but also of the results achieved for the customer”.

P 172 “Some organisations are very good at delivering service so long as nothing goes wrong”.

P173 “Outstanding service competitors are replacing the typical ‘either/or’ trade of between quality and quantity with an ‘and/also’ imperative”.

P 174 “The messages sent by the successful leaders we have observed stress the importance of careful attention to the needs of customers and employees. These leaders create a culture capable of adapting to the needs of both”.

**From: “The customer is boss : Matching employee performance to customer service needs”
IRS Employment Trends June 1995.**

P 7 “It is estimated that on average it costs five times as much to attract an old customer as it does to retain an old one. In certain sectors the costs can be even higher - for example in the car market, where the value of items is high, and purchase frequency low, it can cost up to 17 times as much to attract a new customer as to retain an existing one”.

P 8 “Among organisations that formally appraise the performance of individual employees, an increasing number are including customer service measures in the appraisal process”.

P 9 “Almost 6 organisations in 10 now have formal customer care procedures in place according to an Institute of Management study”.

**From: “Why satisfied customers defect” Thomas Jones and W Earl Sasser.
Harvard Business Review November/December 1995.**

P 89 “As the steep curve for the automobile industry shows completely satisfied customers are - to a surprising degree - much more loyal than satisfied customers. To put it another way, any drop from total satisfaction, results in a major drop in loyalty”.

P 90 “Even in markets with relatively little competition, providing customers with outstanding value may be the only way to achieve sustained customer satisfaction and loyalty”.

“A variety of factors can generate false loyalty or make customers seem deeply loyal when they are not”.

“It is absolutely critical for a company to excel in both defining its target customers and delivering a product or service that completely meets their needs”.

“Very poor service or products are not the only cause - and may not even be the main cause - of high dissatisfaction. Often the company has attracted the wrong customers or has an inadequate process for turning around the right customer when they have a bad experience”.

“Customers typically fall into one of these two categories: the right customers, or target group, whom the company should be able to serve well and profitably, and the wrong customer whose needs it cannot profitably serve”.

“The company that retains difficult-to-serve chronically unhappy customers is making an expensive long term mistake.

Such customers will continually utilise a disproportionate amount of the company’s’ resources, will hurt the morale of front-line employees, and will disparage the company to other potential customers”.

“There are four elements that affect customer satisfaction:

1. The basic elements of the basic product or service which customers expect all competitors to deliver.
2. Basic support services such as customer assistance or order tracking that make the product or service incrementally more effective and easier to use.
3. A recovery process for counteracting bad experiences.
4. Extraordinary services that so excel in meeting customers personal preferences, in appealing to their values, or in solving their particular problems that they make the product or service seem customised”.

P 91 “Increased customer loyalty is the single most important driver of long term financial performance”.

“One discovery by Xerox shattered conventional wisdom: its totally satisfied customers were six times more likely to repurchase Xerox products over the next 18 months than its satisfied customers. The implications were profound: merely satisfying customers who have the freedom to make choices is not enough to keep them loyal. The only truly loyal customers are totally satisfied customers”.

P 92 “According to conventional wisdom, the link between satisfaction and loyalty where customers have a choice is a simple, linear relationship. As satisfaction goes up, so does loyalty. But we discovered that the relationship was neither linear nor simple. To a much greater extent than most managers think, completely satisfied customers are more loyal than merely satisfied customers”.

“In the automobile industry (for example) even a slight drop in satisfaction create an enormous drop in loyalty”.

P 93 “One company we studied found that it recaptured a full 35% of its defectors just by contacting them and listening to them earnestly”.

“In his study of retailing bank depositors, John Lawson, a vice-president of Opinion Research Corporation in Princeton New Jersey, found that completely satisfied customers were nearly 42% more likely to be loyal than merely satisfied customers”.

P 94 “At any time in the customer relationship, it is possible to ask customers about their future intentions to repurchase a given product or service”.

“The fact that intent to repurchase can be measured at any time in the customer relationship makes it especially valuable in industries with a long repurchase cycle”.

P 95 “Take heed. Although customers sometimes defect en masse, their departure may also occur in harder-to-spot dribs and drabs or spurts”.

“Customers are reasonable, but they want to be completely satisfied; if they are not, and they have a choice, they can be lured away easily”.

“Consequently most managers should be concerned rather than heartened if most of their customers fall into the satisfied category. Those customers have reasons for not being completely satisfied”.

P 96 “Six types of customer:

1. Apostle 2. Loyalist 3. Defector 4. Mercenary 5. Hostage 6. Terrorist.”.

“Customers behave in one of four basic ways; as loyalists, as defectors, as mercenaries, or as hostages. Turning as many customers as possible into the most valuable type of loyalist, the apostle, and eliminating the most dangerous type of defector or hostage, the terrorist, should be every company’s ultimate objective”.

“In most cases, the loyalist is a customer who is completely satisfied and keeps returning to the company. The loyalist is a company’s bedrock. The customer needs and the company’s product and service offerings fit exceptionally well, which, not surprisingly, is why loyalists often are the easiest customers to serve”.

“Within the loyalist camp are individuals who are so satisfied, whose experiences so far exceeded their expectations, that they share their strong feelings with others. They are apostles”.

“Treating customers exceptionally well does not mean merely treating them well when everything basically is going right. It also means treating them exceptionally well when something goes terribly wrong”.

“Of course, a company can also turn such customers into apostles if they come forward. For this reason alone, it more than pays to provide customers with numerous opportunities to express their dissatisfaction”.

P 97 “Not all defectors should be retained, however. The unreasonable demands of unhappy customers whose needs do not fit with the company’s capabilities can devour excessive resources and wreak havoc on employee morale”.

“The most dangerous defectors are the terrorists. These are the customers who have had a bad experience and can’t wait to tell others about their anger and frustration”.

“Unfortunately, terrorists generally are far more committed and hence more effective at telling their stories than apostles”.

“Another customer who can make a company’s life miserable is the mercenary. This individual defies the satisfaction-loyalty rule. He may be completely satisfied but exhibit almost no loyalty. These customers are often expensive to acquire and quick to defect. They chase low prices, buy on impulse, pursue fashion trends, or seek change for the sake of change. Although it often takes as much effort to please them as to please them as to please long-term loyal customers, they do not remain long enough for the relationship to turn a profit”.

“Hostages are stuck. These individuals experience the worst the company has to offer and must accept it. Many companies operating in a monopolistic environment see little reason to respond to the plight of hostages”.

“Hostages are very difficult and expensive to serve. Hostages can devastate company morale, and their negative impact on per unit costs is astounding”.

“Is the company, any company, retaining its customers through false loyalty mechanisms, or is their loyalty the result of the value that the company provides through its products or services”.

P 98 “The vast majority of companies that excel in satisfying customers rank the ability to react when something goes wrong as one of the most important factors in satisfying customers”.

From: "Customer care - making it work" John Morris. Training Officer November 1995.

P 264 "Customer care is difficult to define. It is all about customers who coming back for more. This raises the interesting question of the lifetime value of a customer. We wonder how many suppliers ever try to calculate this. We know lots who look at annual spends by customer but very few who consider it in the total sense".

"Customer care is a by-product of internal relationships and culture aligned with a clear understanding of what the customer *really* needs and wants from the supplier. The way the customer is treated is closely dependent on how the staff feel about their jobs and the situation in which they do them".

"Until senior managers treat customer care as part of business strategy, rather than a 'bolt on' benefit gained through a short training course, long term change is unlikely".

"The plethora of organisational charters with which we are bombarded on a regular basis are no substitute for customer care. Unfortunately, many companies believe that they are. They seem to operate on the basis that 'if we say it often enough' customers will believe it".

P 265 "Customer care training for senior managers needs to be about the development and implementation of customer focus. Statements about improved care are cosmetic until the business mission, plus the beliefs and values which underpin the culture, become truly customer centred".

"Genuine commitment to customer care by the managers is quickly apparent to staff".

"When policies become too rigid problems occur every time a situation is outside the rules".

P 266 "Service standards must be based on customer requirements, not the company's perception of what they might be".

From: "Customer service: what do clients really want?" Alistair Mant. Personnel Management October 1990.

P 39 "Customer service has to make a quantum leap of improvement, if only to secure a competitive advantage over all the others using the services of the same 'quality' consultants".

"The behaviour of management is the principal determinant of the morale and attitude of the services. If you treat your people right, the odds are they will treat the customers right".

P 41 "If your primary task is to create the impression of an outstanding firm, your staff have to believe this is the case in order to deliver the service with confidence and panache".

"What any firm needs, it is plain, is a corps of very flexible service deliverers, capable of adapting to many situations and to a variety of 'promises' ".

P 43 "Only people who feel inferior in some way are likely to behave in a superior fashion. The genuinely superior don't have to worry about themselves: they can afford to emphasise with others, and to enjoy doing so".

"In the general upgrading (of customer service) there has been a loss of corporate distinctiveness. This is the very opposite of what the marketing people - if they have any sense - want".

"There is plainly a need to clear out all but the truly gifted, transform the pay, and trawl for all the other gifted employees who might be prepared to endure the difficulties of a front-line job for the chance to shine on the public stage for a truly professional salary".

“The farsighted will foresee that customer service is bound to become one of those fields, like computer programming and sales, where outstanding operatives earn considerably more than their immediate bosses”.

“The people who invent markets hardly ever meet the people who serve them”.

From: “New developments in customer service training” Maya Mouwad and Brian Kleiner. Managing Service Quality Volume 6 Number 2 1996.

P 50 “An ideal customer service representative would have the following profile:

- * a genuine liking of people
- * an enjoyment of working for, and servicing others
- * a strong social need
- * an ability to feel comfortable among strangers
- * a sense of belonging to a group or place
- * an ability to control feelings
- * a sensitivity towards people and an ability to show compassion or empathy
- * a genuine sense of trusting others
- * a high level of self-esteem
- * a track record of competence

Quoted from R Gerson - ‘Beyond customer service: keeping customers for life’ 1992:

“Only 4% of customers complain, which means that a business may never hear from 96% of its customers, and 91% of customers feel that complaining will not do them any good”.

“One in five dissatisfied customers will tell 20 others about their problem”.

“Satisfied customers, or customers who have had their complaints resolved, will tell between 3 and 5 people about their positive experience”.

“It takes 12 positive incidents to amend a negative one”.

“Customer loyalty and the lifetime value of a customer can be worth ten times as much as a single purchase”.

P 51 “The lifetime value of a customer, or the amount of purchases that a customer would make over a period of ten years, is worth more than the cost of returning their purchase price of one item”.

“Sixty eight per cent of customers stop doing business with organisations because they are upset with the treatment they have received”.

“Customer service and customer retention plans are now considered as two interrelated entities in an organisation”.

“Most managers consider customer service as a complaint-handling system rather than a marketing technique”.

P 51 “Businesses are now trying to develop customer service and retention programmes which are proactive rather than reactive. Reactive customer service comes after the fact - after a customer has had a problem, filed a complaint, is dissatisfied, or has had to bring an issue to the attention of a business. Proactive service begins even before the customer walks in the door. The business is already prepared to do everything possible to satisfy and keep the customer”.

P 52 “The basic concept is: the customer is not always right, but solving the problem is often more important than who is right”.

“Companies at the forefront of the customer revolution centre everything they do on their customers. They do not see the customer as an outsider. Rather, they see each customer as an individual, and make every possible attempt to get inside his or her mind”.

From: “Zero defections: Quality comes to service” Frederick Reichheld and W Earl Sasser. Harvard Business Review September/October 1990.

P 105 “Service companies have their own kind of scrap heap: customers who do not come back. That scrap heap has a cost. As service businesses start to measure it they will see the urgent need to reduce it. They will strive for ‘zero defections’ - keeping every customer the company can profitably serve”.

“Customer defections have a surprisingly powerful impact on the bottom line. They can have more to do with a service company’s profits than scale, market share, unit costs, and many other factors usually associated with competitive advantage”.

“As a customer’s relationship with the company lengthens, profits rise. And not just a little. Companies can boost profits by almost 100% by retaining just 5% more of their customers”.

“Defection rates also direct manager’s attention to the specific things that are causing customers to leave”.

P 106 “By soliciting feedback from defecting customers, companies can ferret out the weaknesses that really matter and strengthen them before profits start to dwindle”.

“If companies knew how much it really cost to lose a customer, they would be able to make accurate evaluations of investments designed to retain customers. Unfortunately, today’s accounting systems do not capture the value of a loyal customer”.

“Across a wide range of businesses, the pattern is the same: the longer a company keeps a customer, the more money it stands to make”.

“When customers defect, they take all that profit-making potential with them”.

P 107 “Loyal customers do a lot of talking over the years and drum up a lot of business”.

“Although the shape of defection curves vary across industries, in general, profits rise as defection rates fall. Reducing defections by just 5% generated 85% more profits in one bank’s branch system; 50% more in an insurance brokerage, and 30% more in an auto-service chain”.

“Continuous improvements in service quality is not a cost but an investment in a customer who generates more profit than the margin on a one-time scale”.

P 108 “Knowing that defections are closely linked to profits also helps explain why some companies that have relatively high unit costs can still be quite profitable. Companies with loyal, long-time customers can financially out perform competitors with lower unit costs and high market share but with high customer churn”.

“It is common for a business to lose 15-20% of its customers each year. Simply cutting defections in half will more than double the average company’s growth rate”.

P 109 “One reason to find customers who are leaving is to try to win them back...but the more important motive for finding defectors is for the insight they provide”.

“And whatever caused one individual to defect may cause many others to follow”.

“Unlike conventional market research, feedback from defecting customers tends to be concrete and specific”.

“Achieving service quality doesn’t mean slavishly keeping all customers at any cost. There are some customers the company should not try to serve”.

P 110 “Everyone in the organisation must understand zero defections is the goal”.

“It is important to make all employees understand the lifetime value of a customer”.

P 111 “Beyond conveying a sense of urgency, training should teach employees the specifics of defection analysis. Like how to gather the information, whom to pass it on to, and what actions to take in response”.

“Employees will be more motivated if incentives are tied to defection rates”.

“Ultimately, defections should be a key performance measure for senior management and a fundamental component of incentive systems”.

From: “Customer service research: past, present and future” J Sterling and Douglas Lambert. UPD&MM Volume 19 Number 2.

P 7 “Customers tend to remember the times that they received poor service, rather than the routine, adequate levels of customer service which they normally receive”.

“Most managers do not understand what their customers really want in terms of customer service”.

From: “Japanese approaches to customer satisfaction: some best practices” Dominique Turpin. Long Range Planning Volume 28 Number 3 1995.

P 85 “Theodore Levitt’s famous definition of what business is all about: ‘to create and keep customers’ “.

“According to Kenji Mizuguchi, chairman of the SDI in Tokyo, five concepts are central to the Japanese understanding of customer satisfaction:

- * customer satisfaction must be the primary management objective
- * customer satisfaction strategy must heavily emphasise customer interfaces
- * customer satisfaction must be measured and assessed regularly

- * a constant effort is needed to enhance customer satisfaction

* customer satisfaction enhancement must be management-led

Although these concepts do not differ greatly from the ones developed in the west, they are being put into practice more energetically”.

“Many Japanese marketers believe that customer satisfaction is, quite simply, the primary goal of management...for example, on the very first page of its annual report, Kao, the leading manufacturer of household products and cosmetics states:

‘Consumer trust is Kao’s most valued asset. We believe Kao is unique in that our primary emphasis is neither profit nor competitive positioning. Instead, our goal is to increase consumer satisfaction through useful, innovative products that meet real market needs. A commitment to consumers will continue to guide all our corporate decisions’ “.

“When a company defines its corporate mission and its objectives in terms of sales or shareholder value, all corporate actions are likely to lead to these objectives with customer satisfaction as a secondary priority”.

P 86 “Customer satisfaction movements only work when they are managed for the long term with the uncompromising support of top management”.

P 87 “As a general rule, Japanese employers pay more attention to the personality and the behaviour of their future employees than to their academic background”.

“As customer’s expectations keep changing over time, customer satisfaction must be measured and assessed regularly”.

P 88 “Giving customers more than they expect is the surest way to build their loyalty and their service”.

“In sensitivity to customer’s expectations or a lack of understanding of the market can result in expensive costs for your company”.

“Despite the simplicity of the message that companies should listen to their customers, insensitivity to the market place results in repetitive troubles for those companies that insist on unnecessarily complicating things for their customers”.

P 89 “To increase its sensitivity to the market, Matsushita took a major step in 1992 by mobilising its whole organisation to visit 10 million Japanese households. The objective? To discover what customers in the 1990s really value”.

“Attention to detail is particularly crucial in the service industry since the customer consumes the service as it is created. Unlike in manufacturing industries, service industries have no room for a recall, no room for correcting an error. In most cases, unhappy customers will not even complain. Avoiding an argument, they will simply go away”.

“What seems to distinguish the best Japanese companies from some of their western competitors is a thirst to learn as well as well as a great deal of humility”.

P 90 “As more and more companies apply the same marketing techniques, they are forced to look for new ways to differentiate themselves, and thus attention to detail becomes an important source of competitive advantage”.

From: “Competitive customer care training” Laurie Young. Training Officer November 1995.

P 260 “It is possible to have very satisfied customers who are profitable and to invest in high quality

service which does not affect the customer's buying behaviour. It is even possible to over-invest in quality to such an extent that customers find the service unattractive. It is therefore important to find out which factors of service influence most the customer's propensity to buy and to be ahead of nearest rivals in those factors".

From: "Learning from customer defections" Frederick Reichheld. Harvard Business Review March/April 1996.

P 56 "On average, CEOs of U.S. corporations lose half their customers every five years"

...customer defection is one of the most illuminating measures in business".

"By searching for the root cause of customer departures, companies with the desire and capacity to learn can identify business practices that need fixing and, sometimes, can win the customer back and re-establish the relationship on firmer ground".

..."why don't businesses learn or even try to learn from customer defections? In ten years of studying customer loyalty, customer defections, and their effects on corporate cash flow and profits, I have uncovered seven principal reasons:

1. Many companies aren't really alarmed by customer defections - or they're alarmed too late - because they don't understand the intimate, casual relationship between customer loyalty on the one hand and cash flow and profits on the other".
2. It is unpleasant to study failure too closely, and in some companies trying to analyse failure can even be hazardous to careers.
3. Customer defection is often hard to define.
4. Sometimes *customer* itself is a hard thing to define, at least the kind of customer it is worth taking pains to hold onto.
5. It is extremely hard to uncover the real root causes of a customer defection and extract the appropriate lessons.
6. Getting the right people in your organisation to learn those lessons and then commit to acting on them is a challenge.

P 57 7. It is difficult to conceptualise and set up the mechanisms that turn the analysis of customer defections into an ongoing strategic system, closely supervised by top managers and quickly responsive to changing circumstances".

..."most CEOs gauge company performance on the basis of cash flow and profit. They rarely study the one statistic that reflects how much real value the company is creating, the one statistic with predictive power: customer retention".

"What keeps customers loyal is the value they receive. One of the reasons so many businesses fail is that too much of their measurement, analysis, and learning revolves around profit and too little around value creation".

P 58 "Whenever rewards are based on (customer survey) satisfaction scores decoupled from repurchase loyalty and profits, the result is unproductive behaviour. Employees naturally seek the easiest ways to improve scores, not necessarily the most profitable ways".

..."surveys ignore critical distinctions between customer segments. Companies should pay less attention to what customers say and make a greater effort to track lifetime purchases".

P 59 “Few (organisations) have built systems to analyse lifetime purchases and profits from different types of customers. Those that do this analysis find that the top 10% of their customers are worth 5 to 10 times as much in potential lifetime profits as the bottom 10%”.

“When customers don’t return for service, or when they buy another brand - these are uncontested signs that they are unhappy with the value. In business after business, 60-80% of lost customers reported on a survey just prior to defecting that they were satisfied or very satisfied”.

“In the words of Dave Ilingworth, the first General Manager of Lexus, ‘the only meaningful measure of satisfaction is repurchase loyalty’ “.

“Customers’ repeat-purchase loyalty must become the basic yardstick of success”.

P 60 “Some customer defections are easier to spot than others. Customers who close their accounts and shift all of their business to another supplier are clearly defecting. But what about customers who shift *some* of their purchases to another supplier, and what about those who actually buy more but whose purchases represent a smaller share of their total expenditures?”.

P 61 ...”defining core customers can be one of the most critical strategic processes a CEO ever sets in motion”.

“The most practical way to get started is by answering three overlapping questions:

First, which of your customers are the most profitable and loyal? Look for those who spend more money, pay their bills more promptly, require less service, and seem to prefer stable, long-term relationships.

Second, which customers place the greatest value on what you offer? Some customers will have found that your products, services, and special strengths are simply the best fit for their needs.

Third, which of your customers are worth more to you than to your competitors? Some customers warrant extra effort and investment. Conversely, no company can be all things to all people: Customers who are worth more to a competitor will eventually defect”.

P 64 ...”the companies that have achieved extraordinary levels of customer loyalty have discovered they must concentrate their efforts on that subset of customers to whom they can deliver consistently superior value”.

...”all the techniques of root-cause defection analysis are important not just for customer retention but also for new-customer acquisition”.

“What percentage of newly-acquired customers fits your definition of core customers?”.

P 65 “Occasionally, a single event is so powerful it leads to defection all by itself (‘your clerk swore at me’), but that is the exception. In most cases, a series of events leads slowly to a decision to seek better value elsewhere”.

P 66 ...”gather the senior management group (five or ten top executives) plus a sampling of respected front-line personnel - branch managers say, or leading salespeople. Be sure to include people whose behaviour will probably need to change. You must convince them that this diagnostic process has a top priority, and you must make it clear that they will not escape without making personal phone calls to defectors”.

“There is simply no substitute for having senior executives learn directly from defectors why the company’s value proposition is inadequate”.

P 67 “Most ex-customers will be so delighted at the prospect of a senior executive listening to their problems and complaints that they will leap at the opportunity”.

“When you’ve done all this, assign each executive 10 to 25 defectors. When you’ve interviewed a quarter to a third of your defectors, you should reconvene to discuss what everyone is hearing, resolve any problems with the process, share best practices, and most important, use these early interviews to develop a preliminary list of corrective actions the company might take. Additional interviews can then focus on the most important questions and test hypotheses”.

“The final step is the joint development of an action plan based, of course on the results of the defector interviews”.

“One word of warning: The realisation that every company has some customers it’s better off losing poses a special hazard to companies engaged in defection analysis. The danger is that on the basis of inadequate information, the company will mistakenly identify potentially valuable customers as dispensable, ignore the lessons they have to teach, and make no effort to retain them”.

P 68 “...the indispensable first step in unleashing the power of defection analysis is to make appropriate changes in measures, incentives, and career paths”.

P 68 “Often the most important barrier to learning from defections is that employees can’t see how the learning relates to their own success”.

“You also need to monitor the frequency of various root causes to make certain that problems are actually being solved and that new problems don’t arise undetected”.

P 69 “The key to customer loyalty is the creation of value. the key to value creation is organisational learning. And the key to organisational learning is grasping the value of failure. As Vilfredo Pareto said more than 70 years ago, ‘Give me a fruitful error any time, full of seeds, bursting with its own corrections’ “.

**From: “Loyalty-based management” Frederick Reichheld.
Harvard Business Review March/April 1993.**

P 64 “Despite a flurry of activities aimed at serving customers better, only a few companies have achieved meaningful, measurable improvements in customer loyalty”.

“Building a highly loyal customer base cannot be done as an add-on. It must be integral to a company’s basic business strategy”.

“The economic benefits of high customer loyalty are considerable and, in many industries, explain the differences in profitability among competitors”.

P 65 “Learning how to compete on the basis of loyalty may be complex, but it is not mysterious. It requires, first of all, understanding the relationships between customer retention and the rest of the business and being able to quantify the linkages between loyalty and profits”.

“Companies should target the ‘right’ customers - not - necessarily the easiest to attract or the most profitable in the short term but those who are likely to do business with the company over time”.

“People who buy because of a personal referral tend to be more loyal than those who buy because of an advertisement. Those who buy at the standard price are more loyal than those who buy on price promotion. Home owners, middle-aged people, and rural populations also tend to be loyal”.
“Finding loyal customers requires taking a hard look at what kinds of customers a company can deliver superior delivery to”.

“Companies typically use pricing as a blunt instrument to bring customers in indiscriminately, when instead, they should use pricing to filter out precisely the customers unlikely to be loyal”.

“Even attempts to recover customers who threaten to leave are often a waste of resources. Investments in service-quality improvements may be counterproductive when they are focused on customers the business should actually get rid of”.

- P 68 “Toyota remains the dominant player in Japan because of its strong dealer network. In Japan, dealers don’t have a lot of showrooms but instead rely on a direct sales force. Because sales-force turnover is low (less than 10% for Toyota), they get to know their customers very well. It is this enduring bond that has out muscled Honda.

In the United States, where car salespeople turn over quickly (60-100% annually) and customers have virtually no relationship with the sales force, Honda’s product advantage blasted right through to put it out ahead”.

“Yet the fact is that employee retention is the key to customer retention, and customer retention can quickly offset higher salaries and other incentives designed to keep employees from leaving”.

“Long term employees can serve customers better than newcomers can; after all, a customer’s contact with a company is through employees, not the top executives”.

“Just as it is important to select the right kinds of customers before trying to keep them, a company must find the right kinds of employees before enticing them to stay”.

- P 69 “In a loyalty-based system, skills and education are important, but not as important as how long a prospective worker is expected to stay and grow with the business”.

“Although longevity deepens familiarity, some company policies render familiarity useless. Banks for instance, are notorious for offering branch managers career paths that rotate them through a series of branch offices. Each time managers move, they take with them the knowledge learned at the branch where they put in their time”.

“Of course, employees won’t stay and apply their knowledge unless they have an incentive to do so. Loyalty leaders know this, and...they view their best employees as they do their best customers: once they’ve got them, they do everything possible to keep them”.

“Bonuses can be based on aggregate customer retention rates, and commissions can be designed to be small initially but grow the longer the customer stays with the company”.

- P 70 “Even the best loyalty-based system will deteriorate unless an effective measurement system is established”.

“Unfortunately, most accounting systems do not measure what drives customer value. They can show the benefits of the one-year magic cure but not of programmes and practices that take three to five years or longer to affect profits”.

“The first step in developing effective measures is to understand the cause-and-effect relationships in the system. The primary mission of a loyalty-based company is to deliver superior value to customers. Success or failure in this mission can be clearly measured by customer loyalty (best quantified by retention rate or share of purchases or both). Customer loyalty has three second order effects:

1. Revenue grows as a result of repeat purchases and referrals.
 2. Costs decline as a result of lower acquisition expenses and from the efficiencies of serving experienced customers.
 3. Employee retention increases because job pride and satisfaction increase, in turn creating a loop that reinforces customer loyalty and further reducing costs as hiring and training costs shrink and productivity rises”.
- P 71

“In the life insurance business, for instance, a five percentage point increase in customer retention lowers costs by 18%. However, very few companies have quantified this relationship, and as a result, they focus their cost-reduction efforts on process re-engineering and lay-offs, which appear to lower costs but in fact lower employee motivation and retention, leading to lower customer retention, which increases costs!”.

“It is only the true defection of the target customer that should be of concern because that means something may have gone wrong, and if it has, it’s worth a considerable amount of effort to find out what”.

“Between 65 and 75% of customers who defect say they were satisfied or very satisfied with their former supplier. In the auto industry, satisfaction scores average 85 to 95%, while repurchase rates average only 40%. Current satisfaction measurement systems are simply not designed to provide insight into how many customers stay loyal to the company and for how long”.

P 73 “Doing the right thing for customers does not conflict with generating substantial margins. On the contrary, it is the only way to ensure profitability beyond the short term”.

“Customer loyalty appears to be the only way to achieve sustainably superior profits”.

From: “Customer care versus customer count” David Clutterbuck and Walter Goldsmith. Managing Service Quality Volume 8 Number 5 1998 Pages 327-338.

P 327 “Is there a business anywhere that does not think it is customer-focused? Probably not. the past 15 years have ensured that most managers have been imbued with at least some of the language of customer care and quality. Asking top managers if their organisations are customer focused is akin to questioning their intelligence. We have yet to see a company of any size or longevity that readily admits ‘we really don’t care about our customers’ “.

“Although many companies aspire to achieving competitive advantage through service, very few succeed. There are several reasons for this. First, it is hard to make customers notice the difference between service providers, unless one is consistently better than its rivals in the same market, over a significant period”.

P 328 “Second, competitive advantage can only be sustained through constant evolution...it requires a company to establish sufficient lead in the service race that it can frequently climb trees and take a broad, long-term perspective on how to stay ahead”.

“Third, there is an eternal conflict between the need for achieving the required volume of customers and the need to make each customer feel uniquely served”.

“Fourth, customer expectations do not stand still. What was yesterday’s delightful surprise is today’s norm”.

“Fifth, it is more important to be aware of what your customers are thinking than what your competitors are thinking”.

High performance companies:

- * know the best customer is usually an existing customer
- * focus on the customers they really want to keep

- * build both relationships and databases
- * put competitive advantage before cost

P 330 “Says Roger Mavity, managing director of Granada’s rental division: “I don’t agree that customers only give you one chance. They’ll give you a second, but not a third. If you bend over backwards to put things right you can actually seal the relationship.”

That problem is a window of opportunity which can go either way. The mistake is to miss that chance to cement the relationship”.

Mavity continues: “We used to investigate every individual complaint with almost masochistic thoroughness. That might easily take two weeks. So by the time we got back to the customer, even though our response was technically very correct, it was so late that the sheer delay confirmed their bad impression of our service standards”.

“The pace of response is crucial if you are going to win back the customer’s confidence”.

P 331 Sir Colin Marshall (British Airways): “Even in a mass-market business, you want to attract and retain everyone. The key is first to identify and attract those who will value your service and then to retain them as customers and win the largest share of their lifetime business. We know that 35 per cent of our customers account for more than 60 per cent of our sales”.

P 333 “At Bowthorpe, CEO Nicholas Brookes expects every managing director and senior member of operational management to spend at least 40 per cent of their time directly with customers”.

“In general, the high performing companies are effective at establishing relationships early on. They are also good at seeking out small customers who have the potential to develop into big ones”.

P 334 “Theong Tjihoen Oon, director of marketing services at Singapore Airlines explains why the company spends so much time and money on customer research: “We don’t try to second guess what customers want; we ask them”. He goes on to point out that “it’s very dangerous to guess what they want”.

P 336 Clive Thompson of Rentokill: “We do not compromise on price. We don’t market price; we cost price. Price is based on a formula, which takes account of how much the service will cost us and then builds in the margins we want...Our view is that once you start negotiating on price, you end up negotiating anything and everything”.

**From: “Creating a customer-focused culture: Some practical frameworks and tools”
Steve Macaulay and Graham Clark. Managing Service Quality Volume 8 Number 3 1998
Pages 183-188.**

P 183 “Culture is a vital ingredient in the service delivery process, yet for all that people talk about it, it seems to have such an intangible, hard-to-identify property. It is often defined as the ‘way we do things’ “.

“What should you expect from a service-oriented culture?”

Everyone takes responsibility for sorting out customer issues. There isn’t any buck-passing. Processes flow smoothly from one department to another.

The environment is open: people aren’t covering-up mistakes or withholding information from each other and the customer.

Service delivery is consistent, it doesn't depend on whether you are served by a particular person. Measurement and performance management is often part of this, agreed by consent, not imposed from above.

There is a common language and shared assumptions, which rule out ghettos and 'turf wars'. In our experience this means conflicts and different assumptions are worked through, not hidden away. Personal contact is made with the customer: even in the briefest of interactions an appropriate warmth or intimacy is created.

Leaders and opinion formers are visible in personally demonstrating customer-centric behaviour.

Regular feedback is sought from the customer and the results acted upon".

P 184 "It is easier to build on the culture you have than attempt a complete demolition".

"Be prepared to 'let go' of aspects of your culture which, though valuable in the past, are no longer useful".

P 185 "Think carefully about what behaviour is rewarded in your organisation and what impact this has on customer satisfaction".

"Listen to the customer – everyone says they do but few regularly do so and take on board the messages".

"Cranfield School of Management has developed a powerful diagnostic tool to pinpoint the degree of customer focus in an organisation".

At the centre of the six surrounding interlocking factors is the service mindset, the other six elements being:

organisation; stories; power; controls; routines and rituals; symbols.

"Behind attitudes to the customer are assumptions that often go unchallenged because they often appear to have worked for us".

"Key questions: Is the real focus on satisfying customer needs – or delivering what we do (and have always done)?"

P 186 "Is there a belief that strong customer relationships are essential for long-term survival and profit, or is short-term profit the overriding goal?"

"What are the central preoccupations of the organisation? Where does the customer fit in? What is the CEO obsessed with – for example is it innovation? Profit? Status symbols?"

"Key questions: Why has your organisation structure evolved to its present form? Is it driven by functional or regional requirements or by processes which are customer focused?"

"Do your organisational structures prevent customers getting in touch with those who make decisions in the organisation?"

"If you are the customer, does the organisational structure make it easy for you to do business?"

"Key questions: Who has the power? Is customer service represented at the top?"

"How much power do front-line employees have over service delivery? Who has decision-making power?"

"In designing new services, which is most important – the voice of the customer or the influence of the empire builders?"

**From: "Empowerment – the key to quality service" John Tschohl.
Managing Service Quality Volume 8 Number 6 1998 Pages 421-425.**

P 421 "Few will argue that providing exceptional customer service gives a business an edge over its competitors. However, many employers do not realise that in order to do this, they must have an empowered workforce. Employee empowerment is the most difficult element of customer service you will try to implement".

"My definition of empowerment is any employee who can do whatever he or she has to do on the spot to take care of a customer to that customer's satisfaction – not to the company's satisfaction. If the customer does not win, the company loses".

"While many employers talk about empowerment, few actually put it into practice. Too often, they do not understand what empowerment is".

"To many managers, empowerment is giving employees the authority to make a decision to take care of the customer – as long as the action they take follows the rules, policies, and procedures of the organisation, which means there actually is no empowerment".

P 422 "An empowered workforce must be an educated, trained workforce".

"One of the problems in the quality movement is that companies do not understand it is a long-term commitment".

"You cannot have a successful organisation without providing exceptional customer service, and you cannot provide exceptional customer service without empowering your employees".

P 423 "Most businesses today operate under four myths that hinder employee empowerment.

Myth 1 Businesses operate under the myth that they should not trust the customer.

Many executives think that the customer is out to take advantage of a business in any way possible. Consequently, they develop rules, policies, and procedures to ensure that does not happen.

Myth 2 Businesses operate under the myth that they cannot trust front-line employees.

Most executives have very little confidence in their front-line employees. They think that, if they are paying someone a minimum wage, they could not possibly trust that person to make a decision without the customer taking advantage of him/her.

Myth 3 Businesses operate under the myth that empowerment will diminish or eliminate the role of middle managers.

Many middle managers present an obstacle to employee empowerment, fearing that it will lessen their control or, eventually, eliminate the need for their positions. With empowered employees, middle managers have a lot less control, but is not necessarily a negative. Time spent dealing with decisions that can effectively be made by a front-line employee can now be spent dealing with other issues.

Myth 4 To make empowered decisions means taking risks, but the greatest concern for many employees is that they will be reprimanded – or worse fired – for making what management sees as a bad decision. Employees should know they will not be fired if they make a mistake and that it is OK to make mistakes in the process of working to win customer satisfaction".

"Front-line employees must have authority to respond to the needs and problems of individual customers with speed and courtesy".

“Employers need to support and reinforce empowered action by their employees. The need to celebrate it, applaud it and reward it. They need to make heroes of their empowered employees”.

“When today’s customers demand quality they are actually demanding service”.

P 424 “When employees notice storm clouds gathering, they should head off complaints at the pass with concerned comments such as ‘thank you for waiting, I apologise for the delay’ or ‘thank you for being so patient’. A warm smile can push stormy clouds aside to reveal blue sky”.

“Handling irate customers coolly and intelligently is the real test 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”.

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