

THE 17 KEY DRIVERS OF SERVICE EXCELLENCE THAT WILL GIVE YOU A COMPETITIVE ADVANTAGE

Customers are not disappointed, they are outraged.

Study after study and survey after survey reveals that customers are outraged by the so-called service they receive. As one New Zealander said in a recent survey, "You can understand how people become violent!"⁽¹⁾. Indeed, in Britain violence is a very real problem as an increasing number of retail shops report "queue incidents." Overcrowded conditions, poor queue management and lack of staff are causing stress and agitation among customers.

Today's customer experience

77% in the UK had a major problem with something they purchased last year.
50% in NZ had a problem with their bank.
90% in the UK were unhappy with the way their complaint was handled.
37% said they never had their issue resolved.
58% in NZ were unhappy with the way their complaint was handled.
44% said they had not yet had their problem resolved.
95% using a contact centre had to call back repeatedly.
50% said the service was poor or very poor.
82% said they waited too long.
77% had to tell their story over and over again.
70% said they did not get their problem solved.
14% of emailed sales leads get no response.
67% in the UK say service has not improved in five years.
30% in NZ say service has got worse in petrol stations and from local authorities.
85% of consumer websites in the USA are failing to provide good service.
47% of emails sent to a website are not ever answered.
Customer satisfaction with airlines is at a 15 year low.

Poor service results in customer dissatisfaction, defections and lower profits.

Companies should worry about these results because they affect the way people shop.

In the UK and USA, 50% of customers change at least one major supplier every year because of poor service. In the New Zealand study by Rainger and Brunton, 42% of New Zealanders said they switched suppliers last year because of the way they were treated. When customers telephone a company and cannot get through, 31% hang up and try another company and 24% give up altogether. Poor experience with a contact centre caused 56% of customers to stop doing business with that company. In New Zealand, 25% of customers who had a bad service experience said they would never do business with that company again.

The experience customers receive also impacts on the bottom-line. Overseas research shows that there is a direct link between the quality of the service customers get and the prices they are prepared to pay. In New Zealand customer service expert Paul Linnell estimates that the problems Kiwis have with their banks puts 29% of banking customers at risk of defecting and thus creates a 23% drop in customer loyalty. This puts between 8% and 12% of a bank's profits at risk says Linnell.

If you want to have a large number of profitable customers who will stay with you for a long time (and who would not?) then you need to create a customer experience that will:

1. Persuade customers to buy your products and services.
2. Make them happy to pay the prices you want to charge.
3. Encourage them to stay with you.
4. Interest them in buying your other products and services.
5. Motivate them to tell others about you.

There is far more to service quality than most of us think.

Providing excellent customer service is rocket science! There is far more to being able to create a great experience for our customers than most of us think. Therefore we underestimate what has to be done.

In my view, there are 32 activities in five areas that drive an organisation's ability to deliver a great customer experience (see box). Eight of these are directly related to interacting with the customer during the purchase process; eight relate to effective staff management; four to effective leadership, six to the management of the business and six to getting to know the customer better.

The 17 key drivers that will give you a competitive advantage.

Based on research I have just completed into what New Zealand companies do well and what they do poorly ⁽²⁾, I believe that 17 of the 32 activities that drive service excellence are critical to competing effectively in today's marketplace.

5 activities you must do well simply to keep up.

Five of these activities are done well by a large proportion of the New Zealand organisations reviewed. Therefore to compete effectively you must also do these very well.

Four of the activities done well in New Zealand are part of the customer experience and fulfilment process:

1. Make your customers feel welcome and comfortable.
2. Understand your customers' needs.
3. Help them decide what to buy so they get the best value.
4. Manage the sales and purchase transaction well.

32 drivers of service quality*

Customer experience and fulfilment process

1. Telling your customers the kind of experience they will get when they do business with you.
2. Providing a friendly environment.
3. Making your customers feel welcome and comfortable.
4. Understanding your customers' needs.
5. Helping your customers decide what to buy so they get the best value.
6. Managing the sales and purchase transaction well.
7. Handling performance problems and customer complaints well.
8. Following up to check that customers are happy.

Effective staff management

1. Helping staff understand the kind of experience customers are looking for.
2. Knowing the type of person you need to hire to deliver that experience.
3. Hiring that kind of person.
4. Introducing new staff to your company, products, services and systems.
5. Ensuring all staff have the skills and tools to provide a great customer experience.
6. Understanding each employee's strengths and weaknesses.
7. Looking after your staff so they are willing and able to look after the customer.
8. Ensuring staff understand and meet the needs of their internal customers.

Managing results to drive improvement

1. Making customer retention your primary aim.
2. Understanding staff performance directly affects customer retention.
3. Monitoring the performance of your suppliers.
4. Monitoring your company's financial performance.
5. Using results to drive improvement.
6. Involving staff in improving the business.

Effective leadership

1. Having a vision, strategy and plans for your organisation.
2. Ensuring everyone in the organisation shares your vision.
3. Ensuring your policies, processes and procedures enable your vision.
4. Keeping abreast of developments in your industry and marketplace.

Entering your customers' world

1. Knowing who you want to do business with and why.
2. Entering your customers' world and learn what they value.
3. Identifying opportunities to add value.
4. Bringing the world of the customer into the workplace.
5. Using what you have learned to change the way you run your business.
6. Ensure staff put themselves in the customers' shoes.

* For more information, see Putting the Customer First, by Ian Brooks.
Published by Nahanni Publishing, Auckland, 2003

Clearly, these are important activities to get right for any company wanting to provide its customers with a great buying experience.

Interestingly, of the 50 companies studied, 71% excelled in the first three activities but only 57% excelled at understanding their customers' needs. The latter finding is

concerning given that understanding customer needs is one of the most critical and basic components of business success.

The fifth area in which NZ companies excel is related to effective staff management. This is the activity of looking after your staff so they are willing and able to look after your customers. This is a key driver of service excellence because staff who do not believe they are valued by the organisation they work for will not care about the organisation or looking after its customers. Poor morale does not produce friendly enthusiastic staff who are prepared to go the extra mile. Thus it is disappointing to see that only 59% of the companies reviewed were doing this well.

It is significant that none of the activities New Zealand companies excelled in had anything to do with getting to know their customers better.

None of the activities in which New Zealand companies excelled had anything to do with getting to know their customers better.

12 activities that will differentiate you from the pack.

It appears that 12 key drivers of service excellence are being done poorly by 40% or more of the companies studied. This is bad news for customers but great news for any organisation trying to get a competitive advantage through service excellence.

1. Tell your customers the kind of experience they can expect to receive when they do business with you. (81%)

- Very few companies tell their customers how they will be treated when they do business with the company. Could this be because they do not know how their customers want to be treated?
2. Help your staff understand the kind of experience your customers are looking for. (59%)
 - How can staff be expected to deliver a customer experience that is outstanding in the eyes of the customer if they do not know how customers want to be treated
 3. Make sure everyone in your organisation shares your company vision. (55%)
 - If staff do not know the big picture – what the company is aiming to achieve long-term - and if they do not know how customers need to be treated to retain them long-term, then all they will focus on is the current transaction.
 4. Bring the world of the customer into the workplace. (55%)
 - This is the root cause of many of the above problems. Companies know very little about their customers because they do not see that entering the customers world to learn about the customer is a priority.
 5. Ensure your policies, processes and procedures put your customers interests first and to help you to make your vision a reality. (50%)
 - In many companies, staff are prevented from delivering the kind of experience their customer is looking for by the companies policies, processes and procedures.
 6. Introduce new staff to your company, products, systems and services. (45%)
 - If staff do not know about your products or services, or how your company operates, they will not be able to give their customers a great experience.
 7. Understand that staff performance directly affects customer retention and collect information about staff performance, staff satisfaction and customer feedback and retention. (43%)

Companies say they understand that staff performance affects customer retention but they do not measure staff performance and satisfaction and relate it to customer satisfaction and retention. Therefore, they cannot give staff feedback about what they are doing well and poorly and then help them to understand how their behaviour impacts on the customer's experience and buying behaviour.
 8. Use what has been learned about your customer and their world to change the way you run your business. (43%)
 - The whole point of learning more about your customers is to be able to use those learnings to improve the way you run your business so that the customer gets a better experience tomorrow than they did yesterday.
 9. Everyone in the organisation must think like your customers instead of about your customers. (43%)

If business owners, managers and staff put themselves in the customers' shoes before they allocated resources, set policy, made decisions, took action or even opened their mouths, the customer experience would improve dramatically. So many things that companies do make sense to those working inside the company but no sense to those on the outside.
 10. Follow up after the sale to make sure the customer is happy. (41%)
 - Following up with the customer after the sale is smart business. It allows you to catch and correct any problems the customer may be having and it shows you care. It also gives you an excuse to stay in touch with your customers and strengthen the relationship you have with them.
 11. Make sure your staff understand the needs of their internal customer. (41%).
 - At the end of the day, the service paying customers get cannot be better than the service staff give each other within the company. There needs to be as structured and disciplined an approach to providing excellent customer service within the company as there is to the paying customer.
 12. Involve your staff in improving the way the business operates. (41%)

Staff have good ideas and staff who deal with the customers know what works for customers and what does not. Smart companies make use of this knowledge and involve their staff in business improvement activities. Also, if staff are involved, they will buy in to the proposed changes and be interested in seeing them work rather than trying to sabotage them.

The biggest areas of opportunity

The biggest area of weakness, and therefore the biggest area of opportunity for companies wishing to gain a competitive advantage through service excellence, is to get to know their customers better. They need to understand their customer's business and how their customers prefer to be treated (see questions in the box).

16 powerful questions to ask your customers

1. What would they consider to be excellent customer service?
2. How do they want to be treated?
3. What kind of experience are they looking for?
4. What problems do they have doing business with you?
5. What would make them think doing business with you was a real pleasure?
6. What would delight them?
7. What would you have to do to be their supplier of choice?
8. What would it take to make them happy to pay more?
9. What would it take to make them loyal?
10. How could you turn them into advocates?
11. What is their long-term business goal?
12. What is their strategy for achieving this?
13. What is their business plan for this year?
14. Which obstacles lie in their path?
15. Which problems could you help them solve?
16. What are your customer prepared to pay for?

Once you understand your customers better, you can turn your attention inwards. Are you hiring the kind of people who are willing and able to give your customers the service experience that would delight them? Are you inducting new people into the company so they have a good knowledge of your products and services; the company's policies, processes and procedures; who their colleagues are and their roles and functions; your major suppliers and how they work with you?

In conclusion

To gain a competitive advantage, you need to be good at the five activities most NZ companies excel at and then develop competencies in those 12 activities most are weak in. You can start doing the latter by allocating resources, motivating staff and building processes to learn more about your customers. Find out how they want to be treated and learn about their business. Bring the world of the customer into the workplace so front-line and back-office staff can put themselves in the customer's shoes and understand what they have to do to make the customer successful.

Your customers will tell you everything you need to know to get a competitive advantage. You just need to ask the right questions (see box), listen to the answers and then do something with what you have learned.

It is worth doing. After all, 100% of your profits come from your customers!

Footnotes

(1) From a study by Rainger and Brunton reported in the Sunday Star Times, Business Section, October 9th, 2005