

## THE SERVICE TRAP

It is common to hear business people complain that customers these days are not loyal, that they are fickle. They moan because customers take their business elsewhere at the drop of a hat (the drop of a price is more like it). Could it be that we are not doing enough to gain their loyalty? Certainly our customers believe that. The results from several research studies show that customer satisfaction with all products and services has been steadily declining over the past few years. This is particularly true for airlines, banks and hotels. In one recent American study, 80% of people surveyed said that service is important to them, yet 41% said they were not getting the service they expected. Think about your life as a consumer. Would you say you are generally less satisfied with the service you get today? The cost cutting of the 1980s and 1990s may have improved the profitability of large companies but in most cases it has caused a deterioration in service. When is the last time you rang a large company and had a real live person answer?

I see examples of this poor service every day. For example, not too long ago I gave a keynote address at a conference about creating superior customer value. The manager of the conference centre listened to my talk and afterwards he came up to talk to me. "Great speech, mate," he said. "I really enjoyed it. The things you spoke about, seeing the world through the eyes of your customers, creating superior value, well, that's how I run this place here." I thanked him for his comments and congratulated him on being so customer driven. That night we had the formal dinner. It was held in the conference centre and was presented by this manager's staff. Once we were seated and just before the entree was served, one of the staff spoke, "We have two choices of entrees tonight," she announced proudly, "Smoked salmon and a pasta dish." The staff then served the entrees: salmon, pasta, salmon, pasta - alternating the two along the tables. Sure we've got a choice of entrees all right - and we'll make it for you! Needless to say, given my keynote address there was a lot of muttering throughout the room. So another announcement was made, "If you have an entree you don't like, just find someone to trade with." This was a formal dinner and people were wandering around trying to trade entrees!

Then there was the time my son went to pick up his new cell phone. He asked the salesperson what the number of the new phone was. "I don't know," said the fellow. "Phone someone with caller ID and they'll tell you." I mean, really! Or the telephone installer who failed to show on the agreed date, came the next day, started the job, left part-way through it and returned to finish the job two days later. Or the car rental Company that told me, when I got off the plane and tried to collect the car I had booked so I could drive to see a client, "Sorry, we don't have a car for you today."

I could go on and I know you have a collection of war stories of your own. Finding examples of poor service is like shooting fish in a barrel. If you believe the service your company delivers is good, I have three Questions for you:

1. Are your front-line staff advocates for the customer who put the company straight, or advocates for the company who put the customer straight?
2. What do your front-line staff say about the quality of your service?
3. What do your customers say about your service delivery?

If you think that your company is doing a good job of looking after your existing customers phone your psychologist today! These delusions can be treated if caught early.

The problem is that we have fallen into the customer service trap. Most people today would agree that customer service is the key to commercial success. After all, nearly 80 years ago Conrad Hilton said that, as far as he was concerned, the only difference between one hotel and another was the level of service provided. This story got around and, of course, made a lot of sense. When the global marketplace started to become very competitive in the late 1970s and early 1980s Hilton's idea really took off. It was about this time that the first books on customer service were written and since then thousands of books, hundreds of videos and countless training courses and seminars have been developed - all on how to deliver excellent customer service. Companies have employed customer service representatives to work in customer service departments headed by customer service managers. They have spent hours of valuable senior management time

developing vision and mission statements proclaiming their commitment to their customers. This has gone on now for over 20 years and yet most of us would say that we have had a poor experience as a customer within the last two weeks! How can that be?

Customer service is a trap. Service is what you do for someone else and, therefore, if you aim to deliver excellent customer service you will think about what you are going to do. But what you do for your customers is not important. It is what they need you to do that matters most. By focusing on what you will do for your customers, you look at the world from inside your business out. You become like the frog who sits at the bottom of a well, looks up and sees a patch of blue sky. "Wow!" says the frog. "That's the entire universe," because his vision is limited by the sides of the well. Just like the frog, you sit inside your organisation and your vision is limited by your policies, your procedures, your traditions and the way you were taught to do things. Your customers, on the other hand, look at your business from the outside in and have no such blinkers on. They see a huge expansive horizon and sometimes the disconnect between what you see out your little window and what your customer sees is so great, they cannot even understand you. Two years ago, for instance, we built a new house. We needed a resource consent from our local council but the law said that if our neighbours agreed in writing to the work being done, then council had no discretion in the matter and approval would be granted automatically. We duly got the necessary signatures from our neighbours and submitted the application along with a cheque for \$800. A few days later we received a letter from council acknowledging receipt of our application. "We wish to point out," said the letter, "that your \$800 is only a deposit. One month after your application has been considered and you have been notified of the result, you will be invoiced for the full cost of processing your application." This did not seem right to me. I was being asked to purchase something without knowing its cost. I rang the person whose signature appeared on the letter. "Do you do business in your personal life like that?" I asked after explaining who I was and reading the letter over the phone.

"What do you mean?" she asked.

"Do you buy something without knowing its price, on the basis that one month later you will receive a bill for the full amount?" I asked. "Because if you do, I have some things I would like to sell you."

"Of course not," she said.

"Then why do you expect me to do business like that?"

"We have to because we don't know how much it will cost."

"Even though it is a non-discretionary request? Even though you have handled hundreds of these before? Even though you will have a huge pile of invoices you have sent out that will be just like this one?" I asked. "This is your business. Surely, you could be expected to know your business?"

The point is, this procedure clearly made sense to my local council but it made no sense to me. What are you doing that makes great sense to you and when you do them your customers shake their heads and say, "What planet do these guys live on? Why would they do such a thing?" Value is either created or destroyed. There is no neutral position. If you do things that make no sense to your customers, or if you require them to do things for you that make no sense to them, you will not simply have failed to create value, you will have destroyed it because they will have paid a price - be it in time, effort or some emotional cost - to get no benefit. In a crowded and competitive market place, you cannot afford to be destroying value. Your customers will avoid you like the plague.

Another good question to ask yourselves is, "Are we working for the customer, or through our policies, procedures and the way we do things are we making the customer work for us?" Again, anything you make your customers do to obtain the benefits from your products and services, they will perceive as a cost. The higher these costs are, the less value they will believe they are getting, and the greater the risk you will be seen as a value destroyer, not a value creator. For example, businesses such as banks, insurance companies and hotels often make their customers fill out the same forms every time they do business with them even though they already have this information on file. From the customer's perspective, this unnecessary and extra work increases the cost of doing business with these companies and, therefore, dilutes the value they believe they receive. Look for situations where you are inadvertently asking your customers to work for you and remove them.

In most organisations, their focus on customer service limits, and even distorts, what they see. Policies, procedures, traditions and businesses practices give them a narrow view of the world - one which prevents them from understanding what their customers are looking for; what they value; what it is they are actually buying. You must have a different view. You must aim higher than just servicing your customers if you want to sell what your customers are buying; if you want to create so much value your customers want to continue doing business with you for years.

## **A better target**

Customer satisfaction is a much better target than customer service because it forces you to enter your customer's world. Satisfaction is the emotional state we get when our needs are met. If you aim to satisfy your customers you will start by finding out what their needs are and you will measure your success, not by what you have done, but by how your customers feel after you have done it. This has been a big change for many call centres I have worked with, who typically measure such things as the number of rings to answer the call, the time customers wait in the queue, and the number of customers who abandon the call before talking to someone. Many call centres have found their numbers looked good but when they went back to customers later and asked them how they felt about their experience, an alarmingly high number of customers were dissatisfied. These results showed the company they might be processing the calls effectively but they were not producing satisfied customers at the end.

Customer satisfaction is not a warm, fuzzy, nice-to-do concept. It contributes significantly to business success. Many business leaders have discovered that customer satisfaction translates directly onto the bottom line. Some companies have discovered that simply by increasing customer satisfaction by one percentage point, they can increase their annual revenue by more than NZ\$100 million. In fact, American Airlines calculated that if they could increase customer satisfaction to the point where they could get one more passenger on each flight, each day, for one year, it would bring in an additional NZ\$250 million. What would increasing customer satisfaction do to your financial performance?

## **Make your customers successful**

Keeping your customers for a long time is, of course, what it is all about. Unfortunately, satisfying your customers is not enough to keep them because when people get what they expect they do not notice it. If you want to keep your customers coming back for more, the aim must be not to service or satisfy your customers, but to make them successful. If you make your customers successful, you will have gone beyond simply giving them what they expected or even asked for.

The other day I was listening in to the in-coming calls at a bank's call centre. "Good morning, welcome to ACME Bank. How can I help you today," said the person taking the call in a bright and happy voice.

"Good morning," said the caller. "I would like to know what your interest rates are for term deposits."

"Certainly, sir. I'll just have a look. Oh, yes. I see we are paying X% for 30 days, Y% for 90 days and Z% for one year."

"Thank you very much," said the caller. "I was just thinking of taking out a term deposit."

"Oh, you are most welcome, sir. Thank you for calling ACME Bank."

What is wrong with this picture? The bank staff gave the caller all the assistance he needed to have his question answered but not enough assistance to help him do what he wanted to do. How easy it would have been to go the extra step. What a difference it would make to the bottom line if people regularly went the extra step.

You need your customers to be successful because you want them to believe that you are an important part of their success. If your customers sit back and say to themselves, "I am pretty successful in my business (or in providing the lifestyle I want for my family) and if it wasn't for those people at Consolidated Acme, I wouldn't be nearly as successful as I am," then you will not have customers any more. You will have partners. Partners are not so easily poached. Partners are less price sensitive. Partners come back for more of that which is making them successful.

## **Know them to keep them**

To make your customers successful, you must get inside your customer's world and find out what it is they are trying to achieve and then commit yourself to helping them do that. If your customers are in business themselves, you must understand their business as well as your own. How many of us do that? The National Association of Purchasing Managers in the United States undertook a survey of their members last year and found the 75% believed their suppliers did not understand their business. Comments came back such as, "My suppliers do not understand enough about my business to have an intelligent conversation with me." If you went to visit one of your customers and you did not talk about your products and services, the weather or the latest sports result, could you hold an intelligent conversation with them? Most of us know a lot about how our customers buy and use our products and services but we know little about their own business. Learn about the industry they are in and the competitive issues your customer faces. Discover your customer's goals both for themselves and their business, understand their business plan and identify the problems and obstacles your customer will have to overcome to reach those goals. These problems, of course, are opportunities for you to do business by creating value.

Another way to learn about your customer's business - and to make your customers successful in the process - is to talk to

their customers. Understand what your customer's customers are trying to accomplish in their business, or in their lives, and understand how your customers could help them to be successful in doing that. Share this information with your customers and then show them how you can help them satisfy their customers. Anything you can do to help your customers keep their customers, they will see as adding value to their business. In fact, they will love you for it.

## **Think like your customer**

Often, the best approach to understanding the world of your customer is simply to use common sense (why is it that common sense is so rare?). It comes back to management and staff thinking like the customer not just about the customer. For example, the other day I went into a restaurant for breakfast and was pleasantly surprised at the reasonable price for a cooked breakfast. When it came it was terrible. The eggs had been broken and fried hard and the plate was covered with congealed fat. I could hardly eat it. As I stared at this offering in amazement, I thought that if the waitress had asked herself, "Would this look good to the customer?" she would never have brought it to me. If the chef had asked himself the same question, he would never have put it out to be served. Then I went to a motel to give a speech to a small management group having a conference there. The board in the lobby said they were in Conference Room 3 and an arrow on the stairs told me Conference Room 3 was upstairs. At the top of the stairs another arrow told me the room was down the hall. I walked down the hall but could see no Conference Room 3. I walked back, and again saw nothing. I went down the hallway a third time but this time when I got to the big steel fire door marked "Exit" I opened it just in case the conference room was behind it. But, no, just as I had thought, there was nothing there but a concrete stairwell.

I went downstairs and asked at the desk. "You go along the hallway and the conference room is behind the fire door," the clerk explained.

"But I opened the fire door," I said. "There was nothing there but a stairwell."

"No, no," said the clerk shaking his head. "You go into the stairwell, close the fire door behind you and you will see Conference Room 3 on your right. You cannot see it from the corridor because the door to the conference room is behind the fire door when the door is opened."

I guess they knew where Conference Room 3 was since they work there every day. But if they had asked themselves, "What would it be like for the customer trying to find Conference Room 3?" they might have put a couple of extra signs up. We all have these blind spots. It is only by putting ourselves in our customer's skin and walking around in it for a while that we can understand what our customers experience. Then we can orchestrate that experience so as to make them so successful they want to keep coming back.

## **Look through your customer's eyes**

The best way to understand your customer's world is to see things through your customer's eyes because the only person who can determine whether all your hard work and skills has produced value is your customer. Because they have choices, and therefore the power, your customers will define your business for you. They will tell you what to sell, how you should present it to the market and what changes would add even more value. Your customers will tell you whether you are different from your competitors and how. Basically, your customers will tell you everything you need to know to run a successful business. It is just a matter of listening to them and observing them. Listen to the questions they ask, the comments they make, the objections they raise, and if you are lucky enough to hear them, to the complaints they make. Observe how they use your products and services, how they run their business and how they interact with their customers. Businesses serious about keeping their customers work to see their business through the eyes of their customers. Then they integrate the voice of the customer into their business planning process.

Even local bodies are trying hard to see the world through the eyes of their customers. Local councils in New Zealand have strived to keep rates from increasing for years. Although they have been very successful in doing that, the infrastructure in most communities has suffered to the point it is now noticeable to most ratepayers. As a result, councils are focusing on creating value rather than on keeping rates low. For some councils, the first step has been to try to understand what their customers value. One such council is the council of the North Shore City, where I happen to live. One day I had a telephone call from a research company saying they had been commissioned by the North Shore City Council to survey ratepayers and would I mind answering a few questions. I said I was happy to do that. "Could you please tell me, sir," she said beginning the interview, "what you think of the quality of the North Shore's beaches?"

"How many days do we have?" I asked, relishing the thought of being able to harangue council with my views. It seemed we had lots of time so I told her what I thought of the condition of our local beaches.

"Do you think council should do something to improve the beaches?" she asked.

"Absolutely," I said.

"Would you be prepared to see your rates increase in order to do this?" she asked.

"Absolutely," I said.

"By \$50 per year?"

"No problem."

"By \$100 per year?"

"Sure thing."

"By \$150 per year?"

"Yes, I think so."

"By \$200 per year?"

"No, that's too much."

"That's fine, sir. Now what do you think of the state of the roads in this area?" and away we went again. This continued for several topics. The questioning always ended with a discussion about how much I was prepared to pay. This was very good work by the council because at the end of the exercise, they understood not just what their customers wanted, but what they were prepared to pay for. In other words, what their customers valued. They were getting to know their customers and their world.

A recent story in BusinessWeek showed that some companies are taking looking through their customers' eyes to a new level. These companies are videotaping their customers as they interact with their staff and use their products and services, all with their customers' permission of course. Focus groups have long been used to look through the customers' eyes but videotapes are helping some companies gain a more accurate picture. Focus groups told Best Western, for example, that men decide when to pull over and start looking for a motel. Videotapes showed that women make this decision. Videotapes helped 3COM Corp to uncover hidden needs that might be served by an electronic home organiser and Moen to observe how consumers really used their shower devices.

Other companies are using even more advanced technology. One supermarket chain used virtual reality to understand what its customers experienced. They used a suit that when worn simulated the experience of older people and found that where they had located the products older customers buy was not user- friendly, nor was the store lighting adequate.

Still other companies are hiring anthropologists to help them understand their customers' world (no, this does not confirm your view that customers are monkeys). Nissan, for example, redesigned its Infiniti car in the early 1990s after anthropologists helped them to understand that what Japanese consumers and American consumers wanted was very different. Marketing has moved from understanding demography to understanding ethnography as it moves towards one-to-one marketing. The anthropological approach also helps marketers to discover the subtle emotional dimensions of their product or service that might give them an edge.

## **Just ask**

Another way to look through your customer's eyes is to ask questions. I am not talking about the questions we typically ask in customer satisfaction surveys because, as we discussed in Step 1, these questions have serious shortcomings. But two very useful questions are:

1. What problems do you have retaining your customers?
2. What problems do you have doing business with us?

Anything you can do to help your customers retain their customers they will perceive as being of benefit to them and, using the equation  $\text{Value} = \text{Benefits} - \text{Costs}$ , will therefore be seen as creating value. By the same token, any problems your customers have doing business with you will be perceived by them as costs they have to pay to get those benefits. Reduce these costs and they will believe you have increased the value they receive from your products and services.

Four other useful questions are:

1. Which important things do we do well?
2. Which important things do we do poorly?
3. What do we not do that if we started doing it would help you?
4. What do we do that is of no use to you?

The first question tells you what you should keep doing. The second question tells you what you need to do to improve. Both of these questions tell you which, of all the things you do, are important to your customers. The third question tells you what you should start doing and the fourth what, because no one uses it, is an area of waste This you should stop doing, of course. Like I say, your customers will tell you everything you need to know to run a successful business.

These questions are very powerful and can be used not only with external customers but with internal customers, too. They have no use-by date and can be asked repeatedly and frequently. I have worked with a number of organisations where we have involved all staff in systematically asking these questions of our customers. We pick one question and send it to staff asking each of them to ask three to five of their customers (be they internal or external customers) that question over the next two weeks. They are asked to jot down the answers and send them in to head office. In one company, we had over 10,000 answers to each question. If you had your people ask their customers a different question each month, how much more would you know by the end of the year than you know now?

It is most important that you use the information from the questions you asked to change the way you run your business. Staff will stop asking and customers will stop answering if they see no results. In fact, you will make matters worse. A client of mine who is a senior manager in one of New Zealand's largest companies told me with utter contempt about her experience at one of the country's top hotels. She stays there frequently on business and after a few visits she had a request. Seeing a customer feedback form in the room, she filled it out saying that when she stays in the future she would like a such and such in her room. Next visit, no such and such. Again she fills out the form. Next visit, no such and such. She does not stay there any more. The rule is: If you are not prepared to act on the answer, do not ask the question!

## **Summary**

The aim in business is to have profitable customers who stay with you for a very long time. Focusing on customer service will not help you achieve that aim because service is a trap. Thinking about servicing our customers encourages us to stand inside our businesses and look out which is the wrong perspective to have. Focusing on customer satisfaction is better because it forces us to get to know our customers, but even that is not enough. Customers are satisfied when they get what they expect and customers who get what they expect do not notice their suppliers. Customers who do not notice their suppliers are not likely to be loyal customers. The aim must be to make your customers successful because if your customers believe you are an important part of their own success they will want to stay with you, perhaps even want to become your partners. To make your customers successful, you must enter their world and understand what they are trying to accomplish and what obstacles are in their way.