



Dave Manning

A prime mover in getting a division of Rolls Royce to Class 'A' in the 1980s, he has huge experience as an inspirational educator to many companies across many continents in how to bring change through implementing Integrated Business Leadership. Recently he has spent 18 years in Oliver Wight.



Richard Watkins

Richard Watkins is Managing Director of Delos Partnership Limited. He has 20 years' experience of working with the management teams of manufacturing companies helping them achieve a competitive edge.

The Lost Art of Customer Service

We see customer service as being a key factor that differentiates one company from another, and which helps gain and retain customers. Many companies claim to offer exceptional customer service, or say "Customers are at the heart of what we do". But most companies, in the relentless pursuit of profit or cost reduction, fail to be genuine in their actions.

In particular, we see, from the seminal work by Treacy and Wiersema, that companies that succeed are clear about their strategic focus. An organisation will only succeed if it pursues a focus of either Customer Service, Operational Excellence or Product Leadership. If you pursue Operational Excellence, then the other two 'disciplines' must be a support. If Customer Service is your focus, then the other two disciplines are a support.

The other key part of this approach is that there is a limit to using operational excellence as a strategic weapon – cost leadership leads to a race to the bottom. Product leadership is also limited. In today's fast moving world a technological advantage in the best technical product is short lived. It is customer loyalty that really makes the difference.

Many companies, particularly those that are implementing 'Integrated Business Leadership' (IBL) sometimes limit the concept to product availability and delivery on time in full. This is often because they are coming at the problem from a Supply Chain viewpoint. In this article, we illustrate what we see as good examples of customer service in its widest sense, and suggest that this should be a key part of integrating customers into your leadership programme.

Contents

The Lost Art of Customer Service	1
Integrated Business Leadership (IBL) and Strategy	3
Customer Intimacy in Action.....	4
Create the Strategy, and then Execute It.....	5

Integrated Business Leadership (IBL) and Strategy

The Delos integrated business model starts with the idea that a company must have a vision, which states why a company is in business, where it will be in 10- 20 years' time, and the key operating statistics it will see change over that time.

A standard example is the Wal-Mart statement in 1990 – “to double the number of stores by 2000 and to become a \$125-billion company by the year 2000” combined with the simple one-liner "To give ordinary folk the chance to buy the same thing as rich people."

That vision should be supported by a clear strategy, and strategic principles. Reams has been written about strategy, and many companies spend a lot of time looking at Strengths, Weaknesses, Opportunities and Threats and trying to ensure that it develops a position that maximises its opportunities. We also see that many clients do all of this, but do not get clear their 'Value Discipline'. Treacy and Wiersema in their 1997 book “The Disciplines of Market Leaders” laid out the proposition that successful companies are clear about the focus of their strategy. There are three clear choices:

Customer Intimacy Here successful organisations put the customer at the heart of all they do, and are successful because they have a reputation for doing whatever they can for the customer. The key driver for the company is flexibility at whatever the cost. Keeping the customer is better than losing him/her.

Operational Excellence Companies that pursue the strategy of operational excellence ensure that they appeal to their customers from being the low cost providers of goods and services. They are characterised from an operational point of view as having a limited range, maximising utilisation of equipment, and pursuing traditional lean methods.

Product Leadership Technological superiority is at the heart of the success of these organisations, as they thrive on developing the latest in new 'gizmos' with customers queuing up to buy the latest version. Hence you will hear “we are waiting for version 7” as being the key reason for buying the product.

Companies that try to be all three to customers end up being confused, and even worse confusing customers, and lose their market leadership position.

The Lost Art of Customer Service

When we first went to the Americas in the 1980's, we returned home amazed by the standard of customer focus and service that we experienced. We had heard about the legendary American service but it completely exceeded our expectations. Clearly, customer focus/service was the secret to business success.

However within the business world, with some notable exceptions, it now seems that the majority of businesses including 'USA Inc' have completely lost the art of embracing customer service.

Customers today are subjected to endless automatic telephone responses with option after option, overseas call service centres and the dreaded 'muzak'. Sometimes it is easy to believe that there are no human beings left in the world!

Most recently a call to a mobile phone call centre to report a fault took 32 minutes to get a response. At the end of the wait, Richard got the fatuous apology that "we are terribly busy". The truth is that the management have failed to put in place a sufficient level of resources to be able to answer calls within a reasonable amount of time. Standard queuing theory can predict the size of queues, and the amount of resource required to meet the number of calls at different times of the day. It is a management decision on whether to meet the required level of service. Tesco's in the UK have a phrase for their checkout operation which is along the lines of "one is a queue, two is a crowd". Hence, when the queue extends to two, they switch resources from back of the store to front of store. Customers have noticed!

It is a fundamental building-block of 'Integrated Business Leadership' to determine how long customers should wait for their product. The operational strategy should then be built around how quickly customers are prepared to wait in a customer driven organisation.

We frequently get the feeling that customers have become a necessary evil rather than the central focus of success.

The airline industry is a classic case of confusion. It appears to us, that most Asian airlines like Singapore Airlines, and one or two European airlines, such as Virgin have a unique understanding of customer expectations, and have got an enviable reputation in that area.

However most other airlines and the majority of 'American' airlines have completely lost the meaning of customer service or are totally confused by the value proposition that they are attempting to offer the customer. They are driven by the low-cost model of Ryanair, EasyJet and others, who are notorious for leveraging the low-cost model and pushing 'plane' utilisation to its limit. Richard recently had the pleasure of being charged £45.00 at the last minute by a certain low-cost airline because the bag – according to their rules and template – would not fit the overhead lockers (although the same bag had fitted into 20 other similar Airbus 320 type planes in the previous 4 weeks!).

Customer Intimacy in Action

As we said in the introduction, the 'customer value proposition' is a critical strategic issue for which companies need to have absolute clarity and buy in within their own organisation.

The basic principal is that an organisation can't offer one of these to the exclusion of the others, therefore by definition an organisation has to offer all three, but it can only major on one at a time; however the one it majors upon may change over time.

Customer service is critical to all three propositions, in other words it is essential clearly to define customer expectations and then deliver those expectations consistently every time.

Obviously if customer intimacy is the chosen value proposition, then the role of 'customer service' is central to the success of the proposition in the market. Here are a couple of personal experiences that relate.

The first relates to Lexus cars. They are the 'luxury' end of Toyota, who is leader in the thinking behind Lean manufacturing methods. It is fascinating that they can operate both an operational excellence model, and a customer intimate model within the same organisation.

Richard was travelling to Paris from Southampton for a meeting, and left his Lexus GS 300 in the garage in Southampton for a service. However, on the following day snow fell heavily, and there was no way of flying back to Southampton. The only way back was to get a train back to London. The only time we could get back to Southampton was 6:30 pm, which was 30 minutes after the garage was due to close. He phoned the garage and the receptionist immediately said "Don't worry, we will pick you up from the station, and someone will be here to make sure that you can pick up your car". They knew Richard needed the car for the following day. Richard was amazed. In fact the general manager picked him up from the station. On the way back he explained that everyone had been on a customer service course, because it was felt essential that anyone who interacted with the customer leaves a lasting impression on the customer. Lexus appreciate that they can only gain and retain customers through exceptional service.

Another interesting example of two extremes of customer service happened within minutes (60 minutes) of each other. Dave was in Waterloo in Belgium and had eaten at one of his favourite restaurants. Towards the end of the meal he telephoned the taxi firm that he had used previously to order a car back to the hotel. The dispatcher said that the car would be there in 15 minutes, which was fine. So he finished his drink, paid the check and went outside to wait.

After 30 minutes, no taxi had arrived, so he called again to be told "10 minutes Sir!" He waited, waited and waited. After 60 minutes he went back inside the restaurant to find a different telephone number for a taxi company. The owner of the restaurant said with some surprise "Are you still here?" Dave told him what had happened and he immediately said "Don't worry I'll take you in my own car." He took him back to the hotel and wouldn't hear of him offering to pay him. This is a very simple example, but again vividly displays that companies who have it and those that don't! You can guess where Dave will be eating next time, yes you've got it "The Snug Pub" in Waterloo. Of course he has now also told thousands of people this story.

And that is the point. Where we get exceptional services us – as customers – remember it and tell people about it. When we don't, we always tell people about poor service. Where we get good service we are more likely to buy again. Where we don't we – and many others – won't. That's the lost art of customer service.

Create the strategy, and then execute it

Hence, simply being clear about your value proposition is important but without a mechanism to execute that strategy through every aspect and action within the business then the strategy is worthless.

We at the Delos Partnership believe that the orientation of the Integrated Business Management (S&OP) Process needs to be structured around a company's defined value proposition. This has been one of the critical ways that the old S&OP process has evolved into a strategic weapon, and become 'Integrated Business Leadership'. But the key is that everyone needs to understand – as in the Toyota/Lexus example – that value proposition and act in line with it.

The concept of customer intimacy basically has a focus of providing solutions which 'take the customers problem away'. Clearly people like Virgin Airlines, who provide a range of outstanding services which are aimed at 'taking away the travel problem' understand this concept completely. They will pick you up from the door and take you to the plane, for instance.

Customer service is, of course, nothing new, but with the convergence of products and the globalisation of business it will become the real differentiator in the future. Because of that globalisation, it seems many companies seem to have chosen to forget the value of the customer. Those companies who 'get it' will, in our opinion, be the winners, and those that don't will lose. In fact our generic view is that many European companies have chased the operation excellence model to China, Vietnam, Taiwan etc. where it is impossible for European organisations to compete. There is a steady move towards factories coming back to Europe, because companies recognise that consumers want speed of response and not necessarily lowest cost. Satisfying the principles behind customer intimacy could be a strong driver in the regeneration of European industry.

Thus, we feel that if customer focus and service is not high on the management agenda of all companies, it needs to be. But more importantly it needs to be backed up by tangible actions and behaviours, not just good words and vision statements. Customers need to experience customer focus not just be told about it.

Here are some familiar excuses of the 'customer unfocussed' organisation.

"It's more than my 'jobs worth' to do that"

"It's not my problem, I just work here"

"I don't work for the XYZ company, we are subcontractors (as said at Airline Check In).

"Sorry we have an unusual volume of calls, you are in a queue" from automatic answerphones, with endless options and music

“If you want to complain then go on the website.” – and then you can’t find where to complain.

Even worse, consumers get conditioned to this level of service and believe that “it is pointless to complain”. It is seen as almost a virtue of the British culture not to complain – “just put up with it.”

We know that it is perfectly possible to find the email address of the CEO of most organisations. A reasonably written complaint should elicit – and often does – a reasonable response. How else can a company get to improve if it does not hear of customer complaints?

Richard listened to the CEO of Toyota on Radio 4 being interviewed. When asked what did he do every day, he said he spent time with his employees to find out what they suggested could be done to improve customer service. If our businesses are to succeed, they must similarly listen to their customers.

To do this they need to have a vision, supported by a strategy that supports customer intimacy. Then everyone in the company should be educated as to what that means and genuinely ‘walk the talk’. That is a major part of what Integrated Business Leadership is about.