

PROFITING FROM GREAT SERVICE

*People often talk about adopting a client or service focus,
but what does that really involve?*

*This report outlines how effective managers bridge the gap between culture,
training and practical action to deliver consistent customer service
excellence for a sustained competitive advantage.*

Introduction

The founder of Wal-Mart, Sam Walton, famously stated that

“There’s only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.”

Walton’s statement is more self-evident today than ever. The explosion of internet-based sales models and the high Australian dollar has led to many businesses adopting pricing strategies in a bid to maintain and expand client base and competitive advantage. The actions of many businesses in this time would seem to imply that the best strategy is to try and be all things to all people or that competing on price is the only option available to us.

While pricing strategies can help a business attract and retain customers, a pure pricing strategy is not sustainable in every business model. The best strategies differentiate the customer value proposition. Though price obviously impacts the buying decision, customer satisfaction is never just about competing on price.

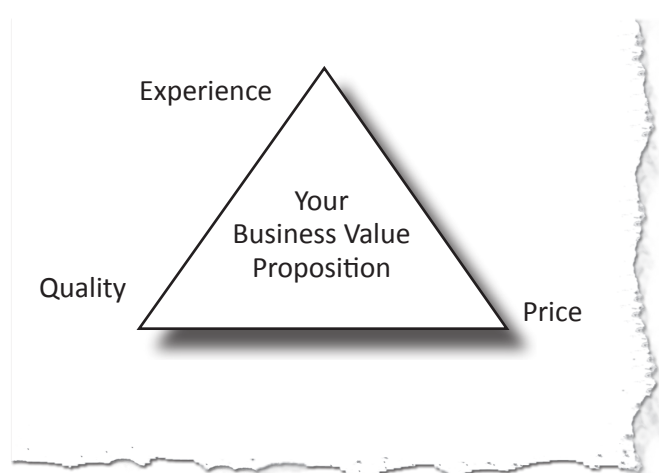


Figure 1: Key Elements of Your Business Value Proposition.

There are three elements that make up your business value proposition (*Figure 1*). Your business value proposition is about differentiating your organisation

from the competition through sustainable value creation. This is achieved by specialising in two of the three key proposition factors: quality, price, and service. Service is not a fringe issue – it is the driver of the customer experience. And companies that are focused on the customer’s experience have been found to outperform competitors by 2 to 1 in revenue growth and, on average, report 5 to 10 per cent higher profit margins¹, making service both necessary and profitable in today’s economy.

The debates associated with adopting a customer service strategy hinge on the fact that service training benefits are not fully realised in many cases. A truly experience and quality centric organisation does not expect service focus to result from merely implementing a service training program for its client facing staff. The organisation that leverages great customer experience is concerned with developing a top down culture based on service. This is incorporated throughout the entire organisation as part of the strategic competitive advantage.

Effective service training goes beyond fixed procedures and process to a holistic and cultural transformation for the entire organisation. In fact, in the Harvard Business Review Service-Profit Chain (*see Figure 2*), service, customer satisfaction and loyalty are a function of many different interlinking elements in the organisation. It functions as a part of the strategic approach of the whole organisation.

i perform has a number of clearly defined and specific strategies for making any service-driven initiative really count. These are the proven key strategies that can be applied to any business keen on building competitive advantage based on quality and service. These six steps are outlined as follows:

Step 1: Total Commitment

Many customer service training programs fail because training operates in a vacuum. The Service Profit Chain (*Figure 2*) demonstrates the concept of external service value. Specifically, this means the commitment to service happens internally before it reaches the client facing staff.

¹Booz Allen Hamilton, “Smart Customization: Profitable Growth Through Tailored Business Streams,” November 2003

Operating Strategy and Service Delivery System

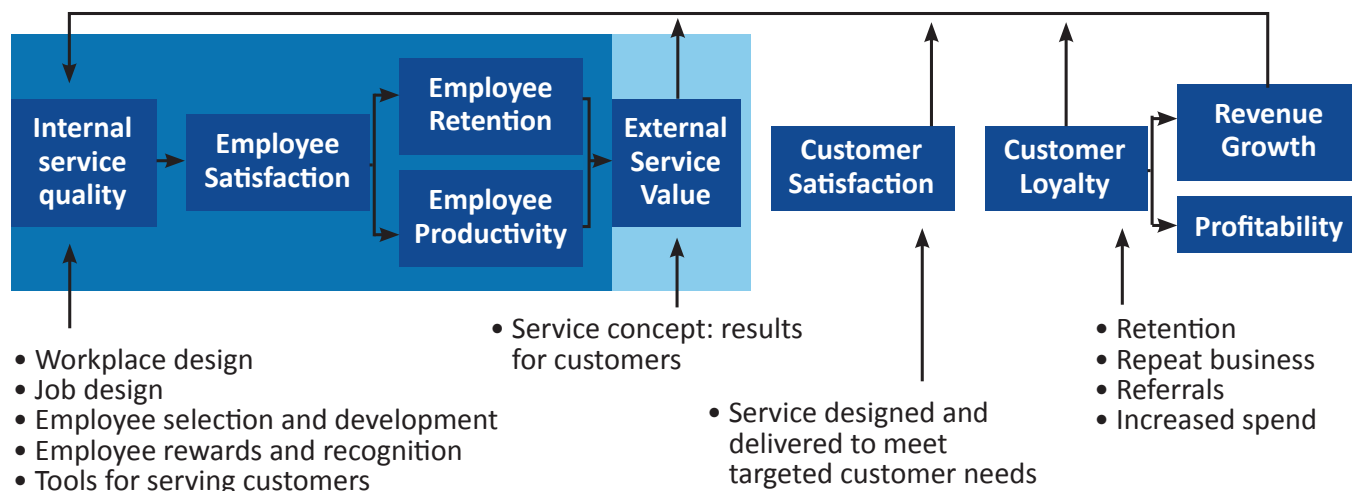


Figure 2: Harvard Business Review Service Profit Chain, 1994 .

There is therefore a real need for leadership to make a deliberate choice to focus on service and service quality, and not simply to administer training programs in isolation. Service is not just a mechanical act, task, or skill to be learnt; it's an attitude, a philosophy and an outlook that should inform the actions of every single manager and employee in different contexts.

Commitment from the highest levels in your organisation begins with your brand and what it stands for. What should your customers' experience when interacting with your brand? As the drivers of this vision, how involved are your leaders in the implementation of service initiatives? Do they exemplify and uphold the brand experience to customers and their teams?

Step 2: Sharing the Vision

Leaders need to address cultural change if they want to build high-performing organisations². Ashkenas defines culture as "collective norms and behaviours"³. For an organisation differentiating on service and quality, these norms and behaviours are guided by the brand. While cultural change can sometimes be difficult since culture is a 'soft' concept without clear, definitive measurements, leaders can initiate the process and provide a framework for cultural change. They can achieve this by both communicating their vision regularly and communicating with a view to receiving input on realising the vision from those closest to the action.

All leaders should ask themselves these questions:

- Is the focus on service part of day-to-day communications in your workplace?
- Do you have a specific strategy for getting staff involved in your vision? If not, how will your staff, who are key players in the achievement of this, know what you are trying to achieve?
- How do you share your company vision with employees and inspire them to make a difference in their roles?
- Are you open to receiving feedback from your staff members about their experience? Do you have a process for receiving and implementing valuable employee suggestions?

Achieving sustained and continuous improvement in customer service requires the involvement of client facing staff: whether in contact centres, in stores, banks or any sales staff with first-hand contact with customers. Research has shown that organisational change needs genuine consultation and two-way communication to be effective.⁴ Leaders that are open to input from their client facing staff and lead in an open rather than directive manner will invite co-operation. They will also be better placed to create effective cultural change as staff will be actively involved rather than passively fulfilling instructions.

²Ashkenas, R., 'Let's Talk About Cultural Change', 22/03/2011, Harvard Business Review Blog Network, viewed 24 /062011, <http://blogs.hbr.org/ashkenas/2011/03/lets-talk-about-culture-change.html>.

³Ibid.

⁴N. Ryan, T. Williams, M. Charles, J. Waterhouse, (2008) "Top-down organizational change in an Australian Government agency", Inter-national Journal of Public Sector Management, Vol. 21 Iss: 1, pp.26-44

Remember, no-one else talks more about your brand than your staff members. They are the most important recipients of your brand, and through them your customers will receive messages about your brand and what it represents.

It needs to be recognised that customer service is crucial to brand experience. It is an integral part of the quality and experience proposition of your overall competitive advantage. In the customer's mind, experiential branding is inseparable from service delivery. The sum of your brand will be the emotions and behavioural responses, sensations and feelings resulting from their service experience.

Most organisations recognise that inconsistent service delivery is a prominent issue – this is characteristic of organisations whose staff do not have a vision or 'branded norm' guiding the way staff interact with customers. Figure 3 shows the difference between a random experience and a branded experience. Providing consistency, differentiation, value and intentional brand experience leads to customer satisfaction and loyalty.

The stronger your brand experience – as defined to a significant extent by the quality of your customer service – the more emotive your customer's experience will be. The more powerful and positive your brand experience, the greater the customer satisfaction and loyalty. And it is these emotional experiences that will both create and drive customer loyalty and revenues

– your ROE (Return On Emotion). Are you delivering a branded service experience? If not, have you started by looking after your first customers, i.e., your staff and their brand experience?

In developing an excellent service culture, it is often not a lack of knowing what and how, but WHY? Sharing vision articulately, thoroughly and consistently with client facing staff will address this and see benefits reaped at the frontline. Advertising may briefly capture attention, but it is branding or brand equity, effectively built through branded experiences, which will create sustained customer loyalty and interest for your organisation and product.

Step 3: Leading From The Front

Turning the vision of a client service culture into concrete improvements requires the creation of a supportive leadership that directs and enhances existing training programs. Investing in managers and leaders who are skilled in developing others, who are models for desirable behaviour and brand values and who celebrate wins, is a key step in forming an effective service culture.

Though information and data come from the bottom up, effective service strategies are leader-led. Communication of the branded vision can break down without key players championing the values and behaviours that the

Characteristics of a branded customer experience

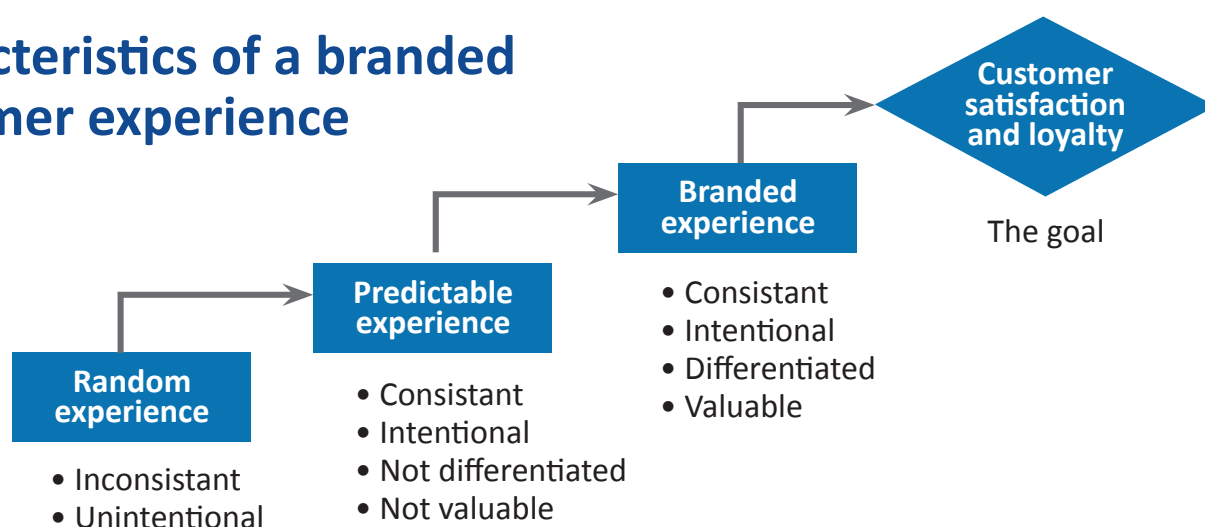


Figure 3. Source: "Managing the Customer Experience – Turning Customers into Advocates," Shaun Smith and Joe Wheeler, 2002 .

organisation wishes to promote in its employees. If middle management is uninvolved, they can act like an hourglass in the organisation, impeding effective communication by squeezing the channels as messages pass through the organisation, or sending mixed messages to staff, especially those in a customer contact capacity. Middle or line managers need to be involved and brought on board to make sure commitment is uniform throughout the entire organisation.

Good line managers need to be aware of operational expectations. In addition, they also need to focus on behavioural expectations which are more difficult to define as they are context specific and often neglected. And this is the next test of a service culture: what do your operational leaders see as their accountability in developing brand and service norms? Leaders need to be empowered to give corrective and positive feedback on service behaviours, and not just outcomes, in order to help staff define the expected scope of improvement, feel acknowledged when praise is due and understand that service counts.

Leaders who celebrate wins facilitate the coherence of company goals and enhance motivation levels in staff members. Establishing expectations, particularly behavioural expectations that create an emotional experience, is a part of ensuring that staff understand their role and their place in the organisation's goals. Staff members will also be able to clearly see how they may align their behaviour to meet the company vision.

Step 4: Creating Spheres of Activity

Once you have communicated the vision, the key is to create 'spheres of activity' at all levels of your organisation to make your brand values come to life. Staff should be encouraged and empowered to come up with creative solutions for customers at their level, the best of which will be very specific interpretations of service excellence.

Examples include:

Employee	Work Function	Service Promise Example
Receptionist	Manage the switch and greet visitors to the office	"I am the first impression people get of the company, so I need to balance professionalism with a sense of hospitality"
Retail assistant	Provide purchase assistance and render transactions	"I provide intelligent, informed recommendations that empower our customers to make educated decisions they won't regret."
Corporate lawyer	Advise clients of the legal ramifications of active and proposed contracts	"The matters I deal with are often highly stressful for my clients. I can minimise their stress by promoting transparency in my role and ensuring the client is always kept up to speed."

Ultimately, it depends on who your team identify as their clients or customers. Here we can see why it is so important to involve staff at all levels in a commitment to service quality and why providing training on skills is not enough to create a return on investing in service. Context specific responses are necessary at different levels to make sure clients both internal and external get the best service. For example, in an electronic outlet the managers or even line managers will not necessarily be the experts on specific product information. It is up to client facing staff in different sections or departments of the store, with their context specific knowledge about products and awareness of the organisation's brand values and immediate access to customer feedback, to come up with actions, advice and delivery modes appropriate to the context. A leader's role in the service driven environment is not necessarily to be the ultimate product or service expert, but to facilitate and encourage the talent that can provide the right service experience. This kind of leadership naturally leads to the development of your team too.

To support this, leaders can do three things.

- Involve and encourage staff in all operational levels and areas to create their own spheres of activity.
- Encourage ownership and support staff to make a difference at their particular level.
- Develop service credos within their own spheres that allow room for movement and permit staff members to be creative and respond innovatively depending on the situation.

Again, the goal for managers and staff members alike is not just to provide predictable experience, but a branded experience that's differentiated from those offered by competitors, and proves its value because of the staff's context-specific input.

Step 5: Measurement and Accountability

Measurement and accountability are crucial to making expectations clear and for giving appropriate feedback and recognition. Without a goal, activity is meaningless - staff need something to aim for. The age old adage says, "What gets measured gets done". Setting highly specific objectives that are tailored to the particular individual and their role increases the effectiveness of any performance measurement framework and makes feedback much more relevant.

Goals need to have meaning for the individual to excite them into action. Staff need to know what is in it for them and should have a say in the creation of what they need to achieve to meet their own and the organisations expectations.

Some common KPIs include customer satisfaction surveys, complaints, VOC surveys, Net Promoter Scores, employee learning and service contracts. However, attention must also be paid to the emotive aspects of service standards. These can be rather intangible and their subtleties lost in generic surveys. A great service experience does not always result simply because staff fulfil all the procedural and technical aspects of the service task – great service goes beyond just doing what is 'right'. How many customers give you their undying loyalty just because you did what you said you would?

Great service is about going from basic to better, and then to best. And for those who seek to achieve the

highest standards of service excellence, it is about going beyond the best.

Technology has created higher expectations from the customer in term of effectiveness, efficiency and connectivity. Therefore a good measure of the customer experience needs to:

1. Clearly indicate if the sum of interactions with your business were good or bad
2. Isolate customer touch points so specific aspects of service can be identified for improvement. Knowledge, on its own, is not power. Knowledge becomes power when it is translated into planned action
3. Be an unbiased representation of your customer base
4. Be measured on other dimensions, including time, effort, and emotion (*please see attached experiential audit for your reference*)
5. Incorporate your branded behaviours, so service is actively measured on its ability to differentiate

Delivering great service that inspires loyalty is never a matter of simply following procedure. Good service will result when staff have measures that reward the creation of intelligent and considered suggestions that enhance the service experience. Therefore measuring service has to be as much about the carrot as the stick. The right recognition is a great form of measurement as well. Performance indicators need to take these subjective elements into account, measure them accurately and inspire change.

Step 6: Don't be Insane!

Albert Einstein defined insanity as

"Doing the same thing over and over again and expecting a different result."

Each organisation is different. Goals, resources, staff, know-how, culture, managerial styles, and many other factors come together to influence the way your business works. If you want to see sustained improvements from a new customer focused culture, you will need to keep reviewing and changing until you meet your goals. Many of us are guilty at one point or

another of saying “but we’ve always done it that way”. The business litmus test of that thought is: Is your organisation performing at its optimal level? Do your customers relate to your business the way you need them to, to sustain profitability? If not, don’t be insane!

The business environment is constantly changing and conditions are different from one week to the next. Working to stay ahead of the game means you will be open to and prepared for changing course when necessary. In ‘The 7 Habits of Highly Effective People’ Steven Covey lays out relevant principles for the individual and the organisation in search for a service oriented culture. Particular to Step 6, the principle of self-renewal by ‘sharpening the saw’ means rejuvenating the connection your teams have with the organisation’s mission, so they can continue to operate at optimal efficiency⁵. At an organisational level, it means a commitment to implementing continuous improvements for every key process and relationship. Undertaking organisational learning, training and skilling is very important. A level of life-balance and self-renewal at the individual level applies, too. There’s a real need for companies to wake up and realise that the perceptions, definitions, and expectations of service, of employees and of customers have changed.

Businesses must evolve with this by moving towards the adoption of a strong customer service focus as part of their business value proposition.

The Kaizen principle of continuous improvement actively applies ‘sharpening the saw’ to achieve total quality management. At a **macro level**, Kaizen tells us to plan, do, and then review. These three steps are applied over and over again in a cycle of continuous improvement. At the **micro level**, staff can function with an autonomy that encourages them to participate in continuous improvement. Employees can spot weaknesses or points of waste in any work task or process and apply small improvements to address these. To effect real change in your organisation, leaders must have a customer service commitment that operates at the macro and micro levels too, reaching past boundaries to encourage the flow of ideas, resources and talents. A strong brand is the result of many different functions or departments, all working around the same agenda – that of the customer experience. What does your total service quality management system look like?

One example of an organisation successfully rebranding through customer focus is Sofitel Luxury Hotels.

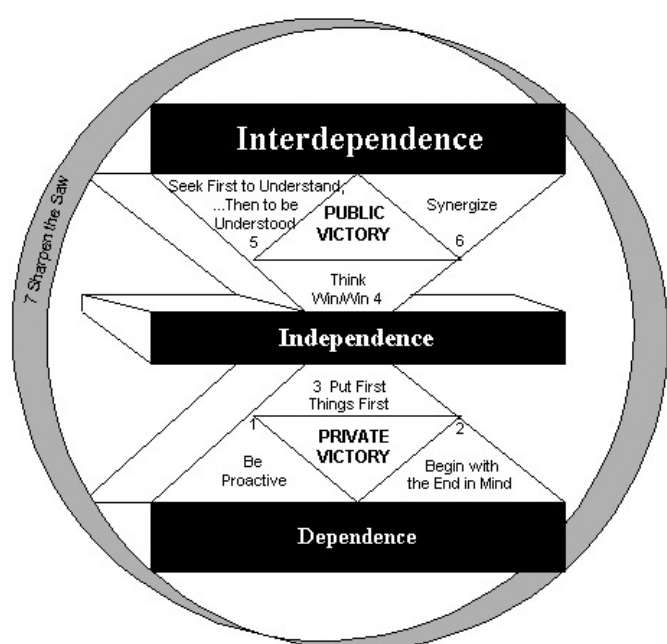


Figure 4. The 7 Habits of Highly Effective People

⁵Covey, S., 1990, The Seven Habits of Highly Effective People, Free Press.

CASE STUDY

One of the goals of the Accor Group when it relaunched Sofitel as a luxury brand was to align sales and service skills to the luxury rebranding of the hotel.

To help implement the training and the transition, the Sofitel head office in Paris asked **i perform** to define training requirements within the brand's vision of the Sofitel experience, which is encapsulated in its credo; Life is Magnifique. With a clear vision of what was needed, **i perform** was chosen because of its outstanding service culture, extensive experience with premium brands and the hotel industry.

i perform approached the task by developing a transparent sales training and performance measurement loop that would allow Sofitel properties grow into the brand's new luxury image. Pilots were initially conducted to obtain feedback from sales and marketing managers from four locations – Bangkok, Cairo, Sydney and Macau. The program was subsequently refined, then implemented across the Asia-Pacific region.

A bespoke program, which combined luxury sales and service skills and brand awareness training, was developed for the benefit of sales staff at all levels. This would ensure that the vision and expectations for client service were consistent. It also sent the message that the importance of the luxury sales and service experience permeated all layers of management from top down. Leaders were given an additional training layer to support them in leading the transition and to champion changes to sales and service behaviour. This training dealt specifically with topics such as culture creation, communication of expectations, goal setting and situational leadership and managing feedback. These training modules allowed leaders to effectively share the new organisational vision with staff and for the change to be led from in front, by management.

To embed behaviour that enhanced brand experience, **i perform** advised on quality audits during and beyond the training period to oversee the creation of spheres of activity. Specific criteria appropriate for Sofitel's luxury brand were developed for the audit. The audit was designed to introduce transparency, accurate measurement, and accountability in the delivery of luxury service in sales, and also facilitated a loop of continuous improvement beyond the training.

The **i perform** training and audit programs have evolved with the brand, and continue to play a crucial role for Sofitel's sales training and continuous improvement strategy. Sofitel's successful rebranding and transition to a luxury brand can be observed in the recent recognition given for its outstanding customer service and brand experience:

- 'Best Hotel Brand 2010' Hotel Management Magazine
- TripAdvisor Traveller's Choice Award, Top 25 Hotels in Asia, 2010
- Condé Nast Traveller 'Top 20 Australia/Pacific Hotels' 2009, and 'Top 100 Asia Hotels' 2009

In Summary

The role of service in today's business cannot be overstated. Very few companies can sustain a strategy that competes on price, and in reality customers are willing to pay extra for personalised and specific service. The evidence shows that service sells and that it plays a significant role in generating brand loyalty. Although it is harder to manage, organisations leveraging product quality and brand experience must learn to master service in the context of their business. Although it is harder to manage, mastering the delivery of customer experience creates a Return On Emotion for customers and a sustained Return On Investment for businesses by encouraging a reluctance to switch brands, increased average spend per customer, and positive referral marketing⁶ to underline the value of a specific brand.

Profiting from great service requires an organisation to look beyond training targeted simply at the organisation's surface, and to look at its own culture to inspire great service delivery from front-line teams.

In summary, **i perform's** six step of successful service strategy are:

- **Step 1: Total Commitment.**
To incite true commitment and effect thorough change, start with managers and involve staff from all levels.
- **Step 2: Sharing the Vision.**
Involve your staff and sell them on your brand values and vision.
- **Step 3: Leading From the Front.**
Make your leaders the champions of your service strategy, so they can lead by example and guide by experience.
- **Step 4: Creating Spheres of Activity.**
Encourage spheres of activity at all levels by implementing quality input on values and practices to improve and change.
- **Step 5: Measurement and Accountability.**
Empower people with specific goals and measure all aspects of the customer service experience, both the operational and experiential.
- **Step 6: Don't be Insane.**
Commit to continuous improvement, and understand the long term payoff of getting service experience right.

About i perform

i perform is a specialist training company that drives performance by creating effective service cultures.

The company represents a long term passion for the design and delivery of powerful training programs and business coaching. Their training modules are proven and adaptable to ensure they will positively impact the performance of individuals and organisations alike.

i perform's ethos has always been to work in collaboration with their clients, bringing more than 30 years experience in service driven industries to the table. **i perform** is a leader in the customer service and experience arena and has received widespread coverage in national media such as ABC Radio, Human Capital Magazine, Dynamic Business and various other local publications.

To discuss your business needs, contact **i perform** on **+61 2 9025 3513** or via info@iperform.com.au.

⁶Forrester's 2008 Customer Experience Index

i perform service experience audit - Retail Counter

SALON / COUNTER LOCATION:		DATE:		COMMENT
SEQUENCE	CATEGORY	YES	N/A	
PRE-APPOINTMENT				
1 Pre-Appointment	Closing	x		I rang and left message about making an appointment and received a call back within the hour
2 Pre-Appointment	Brand Loyalty		x	The only questions asked were: preferred time of appointment, name and phone number
3 Pre-Appointment	Brand Loyalty		x	The only questions asked were: preferred time of appointment, name and phone number
4 Pre-Appointment	Brand Loyalty		x	As this was a phone call it was obvious I had specifically chosen this counter.
5 Pre-Appointment	Brand Loyalty		x	The only questions asked were: preferred time of appointment, name and phone number
6 Pre-Appointment	Brand Loyalty		x	The only questions asked were: preferred time of appointment, name and phone number
7 Pre-Appointment	Brand Loyalty	x		Phone number was requested but not email details
8 Pre-Appointment	Brand Loyalty		x	The only questions asked were: preferred time of appointment, name and phone number
ARRIVAL				
9 Arrival	Presentation			The counter was difficult to find amongst all the other counters. Signage was indistinct, so it was necessary to look at shelf products to determine the counter. However, when standing at their counter the products and display were easily identified
10 Arrival	Presentation	x		
11 Arrival	Presentation	x		
12 Arrival	Presentation		x	There was one tester missing
13 Arrival	Presentation		x	The therapist was wearing a cardigan which concealed the logo on shirt
14 Arrival	Presentation		x	Although well groomed the therapist's suitability as a skincare ambassador was marred by her wearing a lot of make-up which made it hard to see her skin, and also uneven and blotchy self-tanning product which was evident on hands and wrists
15 Arrival	Presentation			
16 Arrival	Presentation	x		
17 Arrival	Presentation	x		
18 Arrival	Presentation	x		An appointment had been made
CONSULTATION				
19 Consultation	Personalisation	x		
20 Consultation	Personalisation	x		
21 Consultation	Personalisation		x	No information was requested when booking appointment.
22 Consultation	Brand Loyalty	x		
23 Consultation	Brand Loyalty		x	As I said I was not familiar with Ella Bache products, the answer to this was most likely assumed
24 Consultation	Brand Loyalty		x	At no time was I asked why I specifically chose the Ella Bache counter. However, as I rang to make an appointment they may have assumed I was an existing customer which is an incorrect assumption
25 Consultation	Diagnosis	x		
26 Consultation	Diagnosis		x	An appointment was made for this was