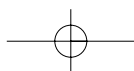
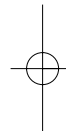
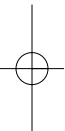




## **PART I** .....



**CHAPTER 1**  
.....**EVALUATING A  
CUSTOMER-CENTRIC  
APPROACH**

**'O**ur customers are loyal and keep coming back, therefore we must be customer-focused, right?' Wrong.

Customer focus is, at best, only one element of the relationship between a company and its customers. At worst it is a boardroom buzzword, which makes every board member feel a little more secure. Not unlike the phrase 'working towards equal opportunities', it is showing an awareness of a need but it is not addressing the issues. Customer focus must lead to something meaningful, will probably require sacrifices and is just one of the steps necessary to become truly customer-centric.

A customer focus puts your customers high on your list of priorities. When you put your customers into the heart of your business, make customers part of the culture, then you start to become customer-centric.

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### GENERIC OVERVIEW

One department within an organisation cannot function in isolation. You cannot departmentalise a customer-centric approach. It must emanate from the very heart of the organisation. All departments need to work in harmony, if not complete synchronicity, in all communications with customers. Somebody high up in the organisation has to take complete control of the total customer experience for a true customer-centric approach to work. This person should assume the role of communicator, champion and relationship developer. Not all organisations are ready to do this. Some companies rely on individuals 'who are good with customers' to assume this role. It has limited effect.

To evaluate an organisation's readiness to become customer-centric is simple. To become customer-centric is a far more arduous task. Having addressed all the points in the 'readiness checklist' in this and every chapter, it is time to see where the shortfalls lie, and identify how to overcome them. Identifying the shortfalls is relatively easy; overcoming them is far more difficult. If you need to undertake cultural change in order to adhere to the readiness checklist then the task ahead takes on magnificent proportions. Educating an entire workforce to change in a way that is generally customer-centric is time-consuming and can cost the company an awful lot more than merely the financial costs.

One of the most established customer-centric approaches in the retail sector must be Marks & Spencer's policy of exchanging goods regardless of reason. This was, at the original time of implementation, quite phenomenal. Although it was later to prove open to abuse, it was mimicked by many other retailers and, before long, the differentiation value diminished with it. This is a factor to try to avoid when implementing a customer-centric approach. If it is possible to avoid your service offering being mimicked or copied, then do so, even if it pushes your costs a little higher. The value of differentiation through service is featured in further detail later in this book but it is, needless to say, a very, very valuable, powerful and cost-effective business process.

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On the plus side, there will be many elements implemented within your current business processes commensurate with adopting a customer-centric approach. It is important that having embarked upon the journey, which is customer service, organisations look inward and establish all those elements that are positive. If the positive elements within current business processes only require an almost imperceptible change of emphasis, then look to utilising them within your customer-centric approach. If certain departments are more customer-orientated – either during customer facing situations or in handling customer complaints – then build on and utilise that expertise. In some organisations, ownership of the customer can be a clouded issue. Some sales people would like to say they own the customer, some accounts people would also say that they service and own the customer; for a customer-centric approach to be effective, the reality is that ownership of the customer should not be the domain of any one department and all departments should shift in unison.

The customer has to be central to most of the decisions made by the company. The payback will be high, but the cost can be high also. Will you ever be in a position to credit yourself as a customer-centric organisation? The answer to that is doubtful. The reality is, it becomes a way of doing business rather than a goal that you achieve.

### ARE YOU PRICE-, PRODUCT- OR CUSTOMER-DRIVEN?

Most commercial relationships can be broken down to three distinct categories: price-driven, product-driven or customer-driven. Price-driven organisations, not surprisingly, compete on price, look at price as a differentiator and are forever concentrating on margins. That does not mean to say that organisations in the other categories do not look at margins but it is an ethos within an organisation that makes everything surround the product price.

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This will require those organisations to cross out the value of their customers. They find themselves in a precarious position in terms of customer service because when somebody else comes along with a lower price the customer feels justified in switching because no loyalty has been built.

Product-driven companies differentiate on their particular products; sometimes this can be an ideal solution especially if the product is unique. However, unique products can be either franchised – as in the case of Wimpy – or copied, creating unexpected competition. Product-driven companies rely upon the product to keep the customer. If the product is particularly good, efficient, cost-effective and economic to run, then customers will acknowledge these facts and remain loyal. However, sometimes competitors can mimic goods and customers can be tempted to buy your competitor's stock.

Customer-driven organisations do not necessarily need to compete on price or product – although it is important that the price and product are of an acceptable standard. It is not an imperative always to be cheaper or for the product to be unique. The customer-driven organisation will look at its customers as part of the overall business process. A true customer-driven organisation will want to go that extra mile (a cliché, but a valid one) to please the customer and to ensure that they enjoy the experience of being a customer of that organisation.

It is well documented that the top 10 per cent of your customers can represent as much as 120 per cent of your profit. Therefore, it becomes vital to be able to see who your valuable customers are. It is an on-going dilemma whether you should deal with the 10 per cent in a way that is different from how you deal with the remainder of your customers. Obviously you want to retain the top 10 per cent because of the value that they add to your organisation, but you will not always necessarily want to lose any of the other 90 per cent because of economy of scale. It is important to evaluate exactly how much you are prepared to invest for the retention of the 90 per cent of the customers in relationship to how much you are willing to invest in the top 10 percent.

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How you communicate with your most valuable customers is a dilemma. If you treat them in a favourable way, offer them inducements that are not offered to the rest of your client base, you risk being 'found out'. If you are 'found out' by some or many of the rest of your customers they may feel alienated and defect; your economy of scale will diminish and therefore the true value of your top 10 per cent will diminish with it. Communication is an important tool but it can also be a minefield.

A customer-driven organisation will have data supporting its customer relationship. This data will be analysed, either by transaction, by value, by location or geography. The data will have been collected, maybe by the sales or the marketing departments, but it will be shared. Shared data is valuable data. Data that is not used is of no use. Data that is out of date is also of no value, so the information that is held on the customer must be shared throughout the organisation and must be able to be updated from various sources.

Loyalty marketing is a way of making sure that the customers who are repeating business on a regular basis benefit from their loyalty – thus engendering further loyalty. Collecting data and number-crunching are vital for the process to be successful. The explosion of loyalty cards in the retail grocery business from the early 1990s was nothing short of phenomenal. Differentiation was quick to diminish. Each of the big five supermarket chains were employing the same tactics. Two things occurred: massive data collection on a scale unknown before about the customer, and none of the supermarkets maximising the collected data to its full extent. Therefore, 'customer loyalty' became a total misnomer. Shoppers (customers) had 'loyalty cards' from all of these companies. The lessons learnt took a veritable age to filter through. Loyalty marketing needed to 'become of age' and only customer-driven organisations are able to employ today's sophisticated loyalty marketing processes.

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### TRANSITION TOWARDS CUSTOMER FOCUS

Adopting the points set out here will set you on your way towards achieving a customer-centric approach. However, order needs to be maintained. The primary process that has to be undertaken is management buy-in. Have the board appoint someone as customer director or at least appoint someone to be responsible for the total customer experience (TCE).

It will be necessary to establish to which of the three 'driven' organisations you belong – product, price or customer. The necessity then is to become, if you are not already, customer-driven, which will involve looking at the entire business to enable you to evaluate how easy or hard the task is going to be to make a full transition. If the entire culture needs to change then be prepared to implement over an extended timeframe to allow for full adoption. Training and communication are all-important with regards to your existing staff. Often a customer-centric approach can be driven from within an organisation, by its staff. The staff must be truly empowered, though.

Look at your internal procedures: Is your organisation employee-centric? Do you take account all of those people around you and their individual problems, concerns, fears or worries? If so, you are well on the way to being able to commute that to your customer service offering. If, however, your management approach has been somewhat different, then set yourself a timetable and look at how to change processes; get feedback from those people who are on the front line; be prepared to empower staff and trust them. Promote buy-in from the staff through a process of training, communication and a top-down involvement from senior management.

Access, update and utilise all the data that you have on the customers. Assess your existing customers, evaluate and specify what your customer values are. Ascertain what your customers' lifetime values – how much money a customer will spend over the lifetime of the relationship – are, and how valuable each customer segment is to the organisation. Estimate the average



**EVALUATING A CUSTOMER-CENTRIC APPROACH 17**

existing lifetime of the relationship with your customers, how much loyalty you are achieving now and set yourself targets for the future. The essence of transition to customer focus is to encompass all departments within the organisation, whether customer facing or not. If you can achieve maximum amount of buy-in from all departments, the transition will be smoother.

**DIFFERENTIATION THROUGH SERVICE**

Today's economic climate ensures that all commercial organisations are striving for differentiation. No one wants to merely replicate what someone else is doing. Customers are spoilt for choice, with a plethora of alternatives open to them. Choice exists everywhere today – whether it is where to buy groceries, which airlines to use, which rail company – the list is endless. Therefore, differentiation ultimately filters down to service levels, and service levels alone. Consumers can go into any one of the big five supermarkets and purchase an identical shopping basket. One or two of the brand names may differ but the reality is that the products are the same. Likewise, a traveller can make a journey from London to New York on any number of airlines; the flight times will be similar and the destination the same. The only differentials will be the price and service. So achieving differentiation through service is becoming more and more important.

Differentiation through service is a win-win situation for all involved. The customer benefits because the service levels are higher than would otherwise exist. The organisation benefits because the customer is made to feel special and is more likely to return and use the service or buy the products again. The organisation further benefits through retaining customers and not having to invest in attracting new ones. A customer who feels they have been treated particularly well by an organisation will talk about it. That word-of-mouth recommendation, referral or written letter of reference can benefit an organisation both in financial terms and through the kudos that is attached to offering great service.

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As you look around the commercial world today you will see many forms of differentiation, many different services; and many of them represent good practice. The good practice, however, must remain unique. This is when differentiation becomes difficult because you cannot copyright an idea or a level of service. Therefore, you must always achieve and look to achieve the extraordinary. True differentiation is when the 'wow' factor comes into play.

The 'wow' factor is a mechanism that has crept into British and European commerce and is now recognised as a bona fide service measurement. A customer will always recognise the 'wow' factor. Most customers experiencing it will probably remain loyal for a considerable amount of time; such is the effect of the 'wow' factor. To achieve it is not so difficult; quite often a simple request can, when carried out effectively and efficiently, present the customer with the 'wow' factor. Going the extra mile, surprising the customer with a level of service greater than that expected, will also create the 'wow' factor. Perhaps one of the most common 'wow' factors to hit the majority of consumers is when the maitre'd of your favourite restaurant remembers your name; this gives an instant feeling of warmth tinged with tendencies toward loyalty. It is a simple task and can be something that pays massive dividends.

It can be taken to the extreme though, as in the case of the hotel in the USA where the bell-boy at the front of the house was noticing the luggage labels and on a discreet radio microphone relaying the information to reception. When clients arrived at reception they were greeted by name. Innovative perhaps, but also very insincere and open to error. This type of customer service is not generally seen as being of great value; however, for those who knew no different and were exposed to the 'wow' factor the value was probably extremely high. Was it cheating? I suggest the jury is still out on that one.

If you can achieve the 'wow' factor in a genuine, meaningful way then your customer loyalty levels will increase accordingly. Many of the case studies featured in this book have the 'wow' factor as an inherent ingredient. You will see that it is not

## EVALUATING A CUSTOMER-CENTRIC APPROACH 19

necessarily major achievements that create the ‘wow’ factor but quite often it is the simple, easy-to-achieve tasks that are just not necessarily the company’s normal procedure.

### WHAT CUSTOMER SERVICE EXCELLENCE MEANS TO AN ORGANISATION

To a truly customer-centric organisation, customer service excellence means simply doing business the right way. To companies striving to improve their service levels to what is something of Holy Grail level, it is an imperative. To those organisations, many of whom are featured in this book, who have been recognised and won awards for customer service excellence, it is the highest accolade that a customer-centric organisation can have bestowed upon it.

### READINESS CHECKLIST

- 1 Is the customer at the centre of your business?  
*Make every major decision that is made in the boardroom impact on your customers.*
- 2 Do you have the necessary systems in place to afford the customer the best possible service?  
*Be certain that you can deliver on your promises; make sure that your customers are served by well-informed, knowledgeable, interested staff; have your delivery infrastructure best suited to your customer, not your company.*
- 3 Are your customers valuable enough to communicate with on a regular basis?  
*A detailed analysis is required to ensure that your customers are valuable enough to invest in. This process will also ensure that the level of investment is set early on and does not spiral out of control.*
- 4 Are your customers an inadvertent part of your sales force?  
*Customers who give word-of-mouth recommendations assume the*

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*role of sales professionals for your organisation. If this is already prevalent in your organisation, harness it and exploit it. If it is not evident, it needs to be created.*

- 5 Do you have a board willing to achieve these goals?  
*A customer-centric approach to commerce cannot occur without buy-in at board level. It is necessary for the organisation as a whole to embrace the ideals inherent in achieving customer service excellence.*

### Unipath

*Type of Company:* Limited

*Nature of Business:* Manufacturer of diagnostic products

*No. of Employees:* 470

*Specific Challenge:* Maintaining service levels and creating relationships to improve existing products and to aid development of new products.

*Overview of Action:* Unipath recognises that building relationships with customers is a worthwhile course of action because of the customers' potential input into the design process for product development. The customer service department has forged relationships with customers, medical professionals and distributors. All communications are closely monitored, and data gathered as a consequence is fed into a knowledge pool, which is used as a reference for product development and training needs. The in-depth knowledge that the service team has makes it easier for them to empathise with customers in times of dissatisfaction. This intimate knowledge of the products and customers also puts the front-line staff in a position to make reasoned judgement calls. One such instance was the day before the Christmas shutdown when

**EVALUATING A CUSTOMER-CENTRIC APPROACH 21****CONTINUED... Unipath**

a customer from Ireland called because her goods were faulty. The local pharmacy had no supplies and the local distributor had recently been disengaged and not replaced. The seriousness of the customer's plight was instantly recognised and a replacement item was sent by courier to arrive next day and in time for Christmas. Key actions that aided success were:

- A sound product knowledge;
- Empowerment enabling unilateral action and decision-making;
- Proactive relationship-building.

*Outcome:* After identifying some distribution shortfalls, a remedy was put in place. Interdepartmental communication meant a pooling of resources and knowledge-sharing. Regular and meaningful communication with customers and stockists gave the opportunity to collect data relating to products and service levels. This helped in identifying geographical pockets where the company was under represented.

*Key points:*

- ☐ Using communication as a two-way process;
- ☐ Using customers as part of product development process;
- ☐ Identifying customer as 'king';
- ☐ Empowerment can accelerate the 'wow' factor.

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### London Borough of Newham

*Type of Company:* Public sector

*Nature of Business:* Local authority

*No. of Employees:* 7000

*Specific Challenge:* To equip staff with the key skills they will need to succeed in the new millennium, and allow Newham to achieve its vision.

*Overview of Action:* A programme was designed, titled 'The New Century Managers Programme' in order to meet the specific challenge. The programme relates not only to staff on the front line who have a direct interface with the local community, but essentially with all other members of staff with internal customers, as well as working in partnership with external agencies and other stakeholders. One of the challenges faced was with people being uncomfortable when pushed beyond their usual 'comfort zone'. Also, some of the varied and unconventional learning techniques often caused some anguish. Many participants were startled to find that they could have productive 'fun' at work. A more balanced understanding was evident by the end of the training. The complex and intricate design of the programme meant that the team number swelled to around 100, with a mix of academics, facilitators, mentors and coaches. Key actions that aided success were:

- One-to-one briefings at induction;
- Existing learning materials were utilised but with a verbal explanation to assist staff inclusion;
- Support given by departmental mentor;
- Support from peer colleagues within project group.

**EVALUATING A CUSTOMER-CENTRIC APPROACH 23**  
.....**CONTINUED . . . London Borough of Newham**

*Outcome:* The New Century Manager Programme has been a success. It has had a significant impact on all council services. The project team monitors and evaluates each event very carefully to ensure that they can build on the success of previous events and to ensure that each module achieves its original aims and objectives.

*Key points:*

- ☐ Large-scale training and implementation can promote a service ethic.
- ☐ Communication and training across managerial levels;
- ☐ Measurement of training outcomes;
- ☐ Customer-centric approach changes conventional habits.

