

Leading the Customer Experience



Inspirational Service Leadership

Sarah Cook

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SARAH COOK

GOWER

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Contents

List of Figures

Acknowledgements

Preface

- 1 Why Does Leadership Matter When it Comes to Customer Experience?**
- 2 Qualities and Actions of the Customer-focused Leader**
- 3 Customer Insights and Priorities**
- 4 Recruiting for Attitude, Training for Excellence**
- 5 Motivating and Empowering Your People**
- 6 Communication and Praise**
- 7 Improve and Innovate**
- 8 Consistently Consistent**

Bibliography

Index

List of Figures

- 1.1 Reputation
- 1.2 The Service Pyramid
- 1.3 Service-Profit Chain
- 1.4 Discretionary Effort
- 1.5 The Building Blocks of Engagement
- 2.1 Leading Versus Managing
- 2.2 Customer Leadership Qualities: Respect, Humility, Connection, Care and Learning
- 2.3 Humility Self-assessment
- 2.4 Score Sheet
- 2.5 Role Model Customer-centricity
- 2.6 Assess Your Customer Behaviours
- 4.1 Assess Your Approach to Recruitment, Induction and Service Development
- 5.1 Energy and Attitude Model
- 5.2 Impact on the Team of Different Degrees of Support and Challenge
- 5.3 Support and Challenge Model
- 5.4 Building an Empowering Culture
- 5.5 Motivation Self-assessment
- 5.6 Motivation Scoring
- 5.7 Motivation Self-evaluation Profile
- 6.1 Communication Checklist
- 7.1 Importance Versus Satisfaction
- 7.2 The Macro and Micro Environment
- 7.3 PESTEL Exercise
- 7.4 Analyse Your Marketplace
- 8.1 Customer Orientation Culture Audit

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Preface

Hello and welcome to *Leading the Customer Experience*. Thank you for choosing to read this book and to join the community of practitioners who recognize the importance of leadership in delivering exceptional service.

Most organization's strategic aims and goals centre on retaining and gaining customers via the delivery of an excellent customer experience. We know that loyal customers not only keep buying from a company but also recommend the business to others.

Having worked in the field of customer experience for some time, it is clear that managers and leaders throughout an organization have a key influence on the experience that customers receive. How leaders behave has a direct impact on their team member's motivation to go the extra mile to deliver excellent service for the customer and the extent to which they feel empowered to make the right decision for the customer.

My vision for *Leading the Customer Experience* is to provide practical advice, tools and techniques for managers in how to effectively lead and motivate their team to deliver the best possible customer experience.

There has been much written around the topic of leadership, but little if anything specifically about leadership in a service organization. At The Stairway Consultancy we specialize in customer and employee engagement. We have extensively researched the behaviours of leaders who successfully create an environment where employees deliver exceptional service. This book encapsulates the work myself and The Stairway Consultancy team have undertaken globally over a number years around the practicalities of how leaders role-model customer-centricity.

My intention is to provide a pragmatic and business-focused approach to the topic using practical examples, case studies and research about how to effectively lead and engender an organizational culture that is customer-focused. We have included checklists and recommended actions as guides at the end of each chapter. These will help you assess your own leadership behaviours and apply ideas, tools and techniques to facilitate the delivery of exceptional service in your organization.

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Chapter 1

Why Does Leadership Matter When it Comes to Customer Experience?

In this introductory chapter we look at:

- What is exceptional customer experience?
- The increasing power of the customer
- The benefits of delivering exceptional service
- Employee engagement and customer engagement
- The role leaders play in creating a customer-focused environment

You will find tips and ideas, self-assessments and checklists throughout this book to help you reflect and develop your and others' role as a customer leader. At the end of each chapter there are also suggested actions you can take as a leader based on the key learning points.

Exceptional Customer Experience and Customer Engagement

Think of a time when you have been impressed by the service you have received from an organization. It could be online, face-to-face or on the phone. Chances are that you can recall an exceptional customer experience. You probably also can remember just as vividly, if not more, a poor experience where your expectations were not met. The way our brain works means that we have a tendency to more likely remember the negatives rather than the positives. In fact for every one negative experience, we need 12 positive customer experiences for the negative to fade away.

As customers we buy based on emotions as well as logic. The more we receive exceptional service as a customer of an organization, the more we become emotionally engaged with the brand. Customer engagement is not something that happens by chance, but is rather an outcome of an exceptional and differentiated customer experience.

Engaged customers are loyal to a business and customer loyalty has long been linked to profitability and growth. Engaged customers buy more from a company, lessening the cost to serve. If they like what you do, they'll talk about it. They'll recommend your service. Nothing is more powerful and authentic than a peer referral or word-of-mouth marketing. Engaged customers are passionate about the organization. They love what you do and they'll provide free peer-to-peer advertising to make sure it's known. Customer engagement improves your business revenues, opportunity for growth, your reputation and customer lifetime value.

THE WAY CUSTOMERS INTERACT WITH ORGANIZATIONS HAS CHANGED

However, driving high levels of customer engagement has become increasingly more challenging as the way customers interact with businesses changes. Fifty years ago most organizations adopted an industrialized approach to customer interaction:

- Centralized decision makers anticipated and shaped customers' needs
- Organizations treated people as passive consumers
- Detailed demand forecasts carefully scripted the actions organizations had with consumers
- Businesses focused on pushing product to large, loosely defined customer segments
- The approach many businesses took to their customers was: *'We know better than you do about what you need,'*

Fast-forward to today. Businesses have experienced a big shift from 'push' product-centred marketing to customers to a 'pull' approach which needs to be far more customer-centric. This has been brought about by factors such as:

- The revolution in digital infrastructure which has improved processing power, storage and data transport, cloud computing and mobile Internet access
- Government liberalization across countries and deregulation
- The economic shift – enhanced technology has reduced barriers to entry, making it much easier for customers to find information and switch suppliers
- Changing work life patterns and greater use of tablets and mobile phones which mean that customers are now connected 24 hours a day and require constant access to information
- Wider choice of communication channels from webchat to video phones, which means that customers want to interact with businesses in different ways.
- Informed buyers now taking control of the sales cycle
- Consumerization of business-to-business markets via increasing customer power.

The old-fashioned 'push' approach is one where organizations try to put product and services in front of customers who may or may not have knowledge of a company or realize they have a particular need, in an attempt to create demand.

With the advent of the digital age and social media, the 'pull' approach ensures that customers know who businesses are so when they have a need they know where to go to satisfy that need. This means that organizations must create advocates for their brands because the buying decision itself is often driven by the opinions of other customers, rather than what the organization says about itself:

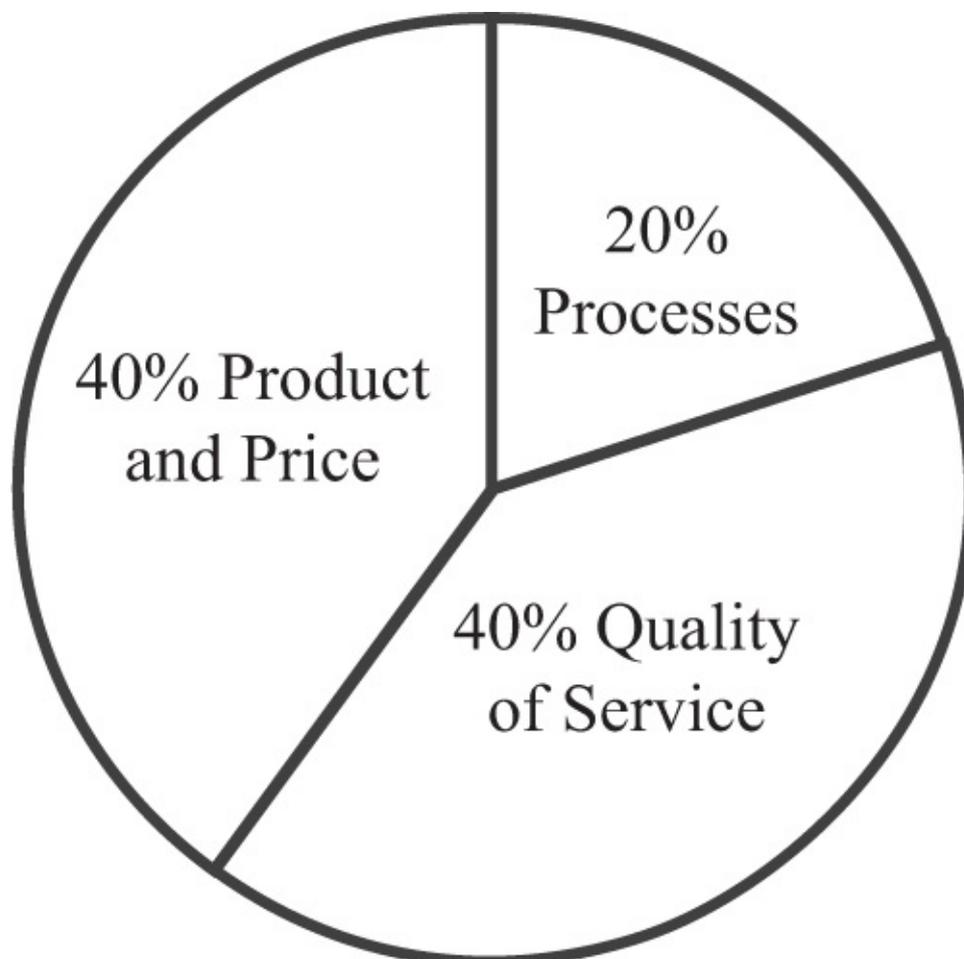
- A recent survey for Consumer Focus found that more than 62 per cent of consumers trust what other consumers tell them more than what companies say
- Research by BT and Avaya found that 51 per cent trust the advice on review sites more than an organization's official website

- Research from the USA by Nielsen found that 68 per cent of social media users go to social networking sites to read consumer feedback on products and services, with over half using these sites to provide product feedback, both positive and negative. Nielsen research also found that ‘recommendations from personal acquaintances or opinions posted by consumers online are the most trusted forms of advertising’

- A 2013 survey of Internet users in Britain by Reevoo found that 88 per cent of consumers consult reviews when making a purchase, and 60 per cent said they were more likely to purchase from a site that has customer reviews.

So the customer is more in charge of the buying process than ever before. This phenomenon is just as prevalent in the business-to-business sector as the business-to-consumer. Research by Sirius in the UK in 2013 found that business consumers were typically 57 per cent of the way through their purchase process before they contacted suppliers. The same research found that 45 per cent of business consumers had already consulted the Internet before speaking to the potential supplier, 24 per cent had spoken to team members and colleagues about supplier options, 21 per cent had discussed options with a peer and 11 per cent had accessed online communities for reviews.

Reputation and trust therefore have become far more important in the customer’s mind, as has the power of great service. As illustrated in [Figure 1.1](#), further research by Sirius in 2013 found that brand reputation was driven 40 per cent by the product and price, 20 per cent via the quality of the processes used to interact with the organization and 40 per cent via the quality of the service the consumer receives.



THE CHALLENGE OF CREATING CUSTOMER ADVOCACY

So service quality is playing an increasingly important role in the customer's eyes. The issue for many businesses is that research shows that while 80 per cent believe they are delivering a great service, only 8 per cent of their customers would agree. Paradoxically our experience shows that the larger and more seemingly successful a business is, the more remote it becomes from its customers and the less agile and less empowered employees are to anticipate and respond to customer needs. At the time of writing (April 2015), supermarket chain Tesco appears to be an example of a large corporate that has lost its way when it comes to customer experience.

AUTHENTIC SERVICE

The best customer engagement experience feels authentic for each customer but not in a one-size-fits-all fashion. Customers value a personal and individualized service that is tailored to their needs. Their degree of engagement is determined by the total sum of the experiences they have with the organization – at each touch point and via whatever channel they chose.

Customer engagement is also driven by consistent service. So for example, in the UK the telephone and online banking organization, First Direct, consistently tops the polls for customer satisfaction and retention year after year within the financial services sector, as the levels of service it provides remain constantly high in every customer interaction, irrespective of channel.

In order to deliver exceptional service an organization needs to provide a consistent service at three levels, as illustrated in [Figure 1.2](#).



Figure 1.2 The Service Pyramid

GETTING THE BASICS RIGHT

As a service provider, you do not pass ‘Go’ in the customer’s eyes unless you deliver the basic requirements of the service. The basics will be different for each type of organization. For an online retailer the basic requirements of the customer may be easy access to the site, the ability to easily navigate the site and being able to order goods and services in a speedy and hassle-free manner. For a restaurant or visitor attraction the basics may be clear signage, easy parking, access to clean toilet facilities, a warm welcome etc.

Often the basic elements of a service are the ‘hygiene’ factors that your business needs to get right in order to create a positive experience. They can be a mixture of physical and material elements such as product merchandising and opening hours, as well as things service employees do personally such as wear a uniform and/or meet and greet customers in a friendly manner.

The basics don’t necessarily equate to increases in satisfaction when done well, but they invariably lead to complaints and dissatisfaction when done poorly. If an organization does not succeed at getting the basics right then the chances are that customers are likely to become detractors of the organization and the levels of complaints will rise. So the trick is to do the basics brilliantly.

SATISFYING THE CUSTOMER’S NEEDS

The next level of service centres on satisfying the customer's needs. For example a customer may need to have their car serviced: was the service carried out efficiently, on time and within the anticipated costs? Did the service organization meet the requirements that are important to the customer with minimal effort? An example for a train service could be whether the train ran on time, whether staff provided relevant information during the journey and the availability of staff at the station.

Customer requirements in this area generally relate to efficiency, reliability, quality, accuracy, knowledge and responsiveness. These factors help the service organization meet customers' requirements. However, they are not factors which will differentiate the experience in a way that adds value to the customer and gives them something they don't think they'll get elsewhere. They are not factors which excite or delight the customer.

DELIVERING EXCEPTIONAL SERVICE

The majority of customer experiences fall in to the 'satisfied' category. The customer has received the service they were expecting and they think no more about it. The experience does not engender loyalty to the organization and as a consequence the satisfied customer is unfaithful: they are just as likely to use other similar products and services that your competitors provide, and less likely than highly engaged customers to repeat buy your product, to increase their average transaction value and to recommend your service.

By going above and beyond what is expected by the customer, an organization can enhance the level of engagement that the customer feels towards the brand. Engagement goes beyond satisfaction. It is fundamentally about an emotional connection the customer feels to a business or a brand. When customers become emotionally engaged they are passionate about the organization; they become advocates and promoters for the brand.

Successful service organizations create customer advocacy in three ways:

1. **Personalized service:** They offer a tailored, personal service that recognizes individual preferences and provides the customer with choices related to their needs. An example of this is how online retailer Amazon has created advocacy via its online service, remembering the products customers have bought in the past and making it easy to do business via its one-click option. Many organizations such as car retailer BMW remember the personal preferences of its customers so that they can individualize the service to each customer.

2. **Above and beyond service:** they provide more than the customer expects – either in terms of the little extras it may provide the customer, such as a carry out service to the car, a thoughtful unexpected addition to the product or service, or most likely, where service personnel take the time to help the customer in ways that are unexpected. There are many examples of this, ranging from the bank clerk who takes responsibility to personally visit a housebound elderly customer with the forms she needs to sign rather than the customer having to come in to the bank, to the airline representative who offers to post a letter on their return to the country of origin on behalf of a customer who has forgotten to send off an important document.

3. **Service recovery:** organizations with highly engaged customers take complaints seriously and realize the power of effective service recovery. This means ensuring

that complaints are dealt with speedily, making it easy to complain and giving the customer the benefit of the doubt. (Research from my company, The Stairway Consultancy shows that the longer the customer has to wait for their complaint to be resolved, the less likely they are to be happy with the resolution. Global research company TARP has found that a customer who complains and whose complaint is dealt with well is more likely to remain loyal to the organization than those customers who do not complain at all (91 per cent loyalty versus 87 per cent loyalty for non-complaining customers).

These three drivers of customer engagement are not about what is being done, they are rather about the way it is done and how this differentiates the organization and builds sustainable competitive advantage.

So What is the Result of Exceptional Service?

If you or your colleagues still remain unconvinced of the need to take a lead when it comes to customer engagement, here is some empirical research which sets out more reasons why. Evidence points to increased levels of profitability and organizational growth when companies do well by their customers. As I have outlined earlier, they are rewarded by repeat business, lower price elasticity, higher repeat business, more cross-selling opportunities and greater marketing efficiency. Studies in the past 20 years indicate that the health of a business's customer relationships is a relevant indicator of their performance. This is irrespective of whether your organization is in the private, public or third sector, whether you are in the business-to-business or business-to-consumer sector.

High levels of customer satisfaction can reduce costs related to warranties, complaints, defective goods and service costs. Other evidence also suggests that if a customer perceives they are receiving superior quality, the company receives with higher economic returns. *Customer Centered Six Sigma: Linking Customers, Process Improvement, And Financial Results*, a study conducted in IBM Rochester by Naumann and Hoisington (2001) found positive associations between employee satisfaction, customer satisfaction, market share, and productivity.

In their seminal book *The Service Profit Chain* (1997) Heskett, Sasser and Schlesinger cite case-based research studies that demonstrate that customer satisfaction is positively associated with employee loyalty, cost competitiveness, profitable performance, and long-term growth. Their premise is that:

- Profit and growth are stimulated primarily by customer loyalty
- Loyalty is a direct result of customer satisfaction
- Satisfaction is largely influenced by the perceived value of services provided to customers
- Value is created by satisfied, loyal, and productive employees
- Employee satisfaction, in turn, results primarily from high-quality support services and policies that enable employees to deliver results to customers.

The service–profit chain (as illustrated in [Figure 1.3](#)) is also defined by a special kind of leadership that emphasizes the importance of each employee and customer. I'll discuss

this in more detail later.

The service–profit chain research suggests that customer loyalty is the key determinant of profitability. The same research suggested that a 5 per cent improvement in customer loyalty results in a 25 to 85 per cent improvement in profits. In a study of the relationship between customer satisfaction and shareholder return, Anderson, Fornell, and Mazvancheryl's article Customer Satisfaction and Shareholder Value (2004) also found a strong relationship between customer satisfaction and shareholder value. So delivering excellent service makes sound economic sense; it also has a positive impact for employees.

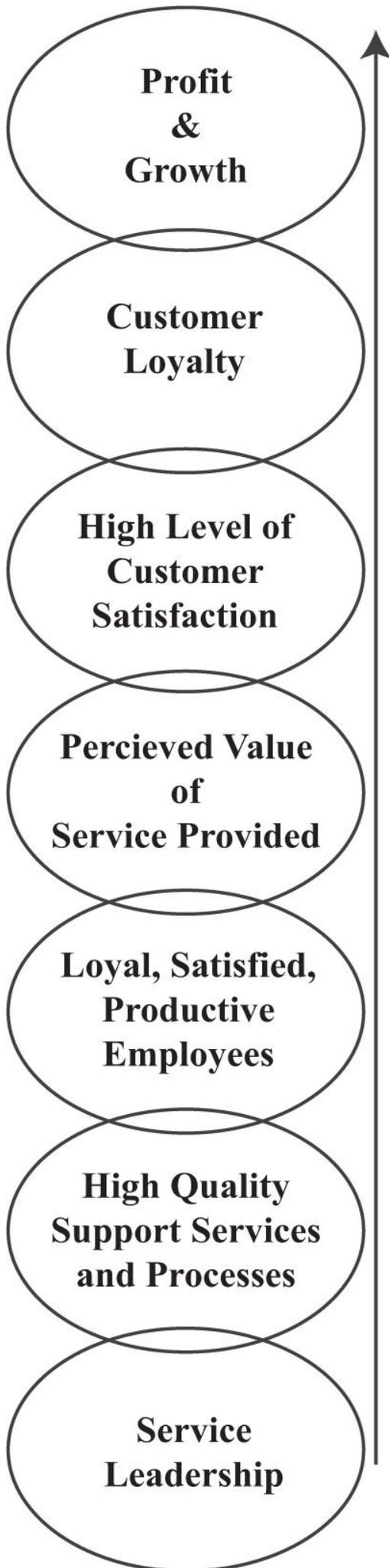


Figure 1.3 Service-Profit Chain

The Benefits of Excellent Service to the Employee

Organizations with a strong customer ethic are more likely to have engaged employees. When an organization embraces customer-centricity and this becomes part of the culture, chances are this produces a healthier and more motivational work environment for employees. Why is this?

Organizations with a customer-centric culture are more likely to listen to their external customers *and* their employees. The environment is likely to be more innovative and productive because its one where employees feel encouraged to give of their best. They get a buzz from serving the customer and their ideas and suggestions for improvement are actively sought, respected and implemented.

Service Excellence and Employee Engagement

Employee engagement has today become the holy grail of customer experience because it has been shown that customers who score the highest in customer engagement measures have experienced a service delivered by employees who in turn are highly engaged with their business.

In a study called *Linking People Measures to Strategy* by The Conference Board employees' customer service productivity scores and their employee engagement scores had a correlation of 0.51. In other words, engaged employees are more likely to deliver excellent service. Global research organization Gallup corroborated this fact in 2013 in its meta analysis *The Relationship Between Engagement at Work and Organizational Outcomes* when it found that businesses who are rated by customers as above average in terms of customer experience have 75 per cent of their employees who are highly or moderately engaged. This is compared to 34 per cent engagement levels in organizations which customers rate average or below.

Other evidence also points to the importance of employee engagement:

- A study of 23,910 business units compared top quartile and bottom quartile engagement scores and found that those in the top quartile averaged 12 per cent higher profitability. (*The Relationship Between Engagement at Work and Organizational Outcomes*)
- 5 per cent increase in total employee engagement correlates to a 0.7 per cent increase in operating margin (*European Talent Survey: Reconnecting with Employees: Attracting, Retaining, and Engaging, Towers Perrin*).
- Teams classified as in the 'high performance zone for engagement' had a 37 per cent Net Promoter Score (NPS) versus 10 per cent Net Promoter Score (NPS) for teams 'outside of the high performance zone for engagement' (*Aon Hewitt European Manager Survey*).
- Highly engaged employees were 87 per cent less likely to leave their companies than their disengaged counterparts (*Driving Performance and Retention through Employee Engagement*).

Study of 89 companies compared top quartile and bottom quartile engagement scores and found that those in the top quartile had 2.6 times higher earnings per share (EPS) than that of the below-average scores
Investors Take Note: Engagement Boosts Earnings
Discretionary Effort

Let's now consider how customer engagement is driven by employee engagement. There are many definitions of employee engagement:

- 'An employee's drive to use all their ingenuity and resources for the benefit of the company'
- 'Aligning corporate agendas with personal motivation'
- 'Commitment to keep the brand promise'
- 'Loyalty – to a company, a brand or a customer'
- 'Taking your people with you'

My preferred definition is 'harnessing discretionary effort'. This is because it implies that employees have a choice in how they behave and whether they go out of their way to deliver 'above and beyond'.

Take organizations that constantly feature as top of their game for customer experience. For example in the UK, employee-owned department store John Lewis is often cited. I've certainly always experienced good service in John Lewis and consequently always promote their stores. The last time I went in to purchase some curtains, the partner I spoke to was knowledgeable and helpful. She took the time to listen and explain the different options and encouraged me to take home some samples free of charge to test. When I went back in store the partner recognized me and discussed my preferences, she was personable and individualized the service to my needs. The partner left me with the impression that nothing was too much trouble and she went above and beyond to exceed my expectations.

At the top of the service pyramid I referred to earlier, we see that to provide an exceptional customer experience involves the delivery of either a personalized service, an above and beyond service or effective service recovery. This delivery is dependent on having highly engaged and empowered employees who have the energy and the willingness to help the customer. The difference between a team member delivering exceptional versus satisfactory service is the degree to which they decide to expend discretionary effort. This is the crux of exceptional service. Are employees committed and willing to go the extra mile for the customer and do they have the energy and drive to see this through?

As a customer you can be dealt with in a similar service situation by two different people and experience two different customer interactions. The attitude and approach of each of the two service providers will vary according to whether each individual chooses to deliver standard, satisfactory service or to go above and beyond. This is their personal choice and discretion. An organization cannot mandate that this should happen (though some command and control-type businesses unsuccessfully do). It is up to the employee whether they make the effort to personalise the service, to go above and beyond and/or to deliver exemplary service recovery.

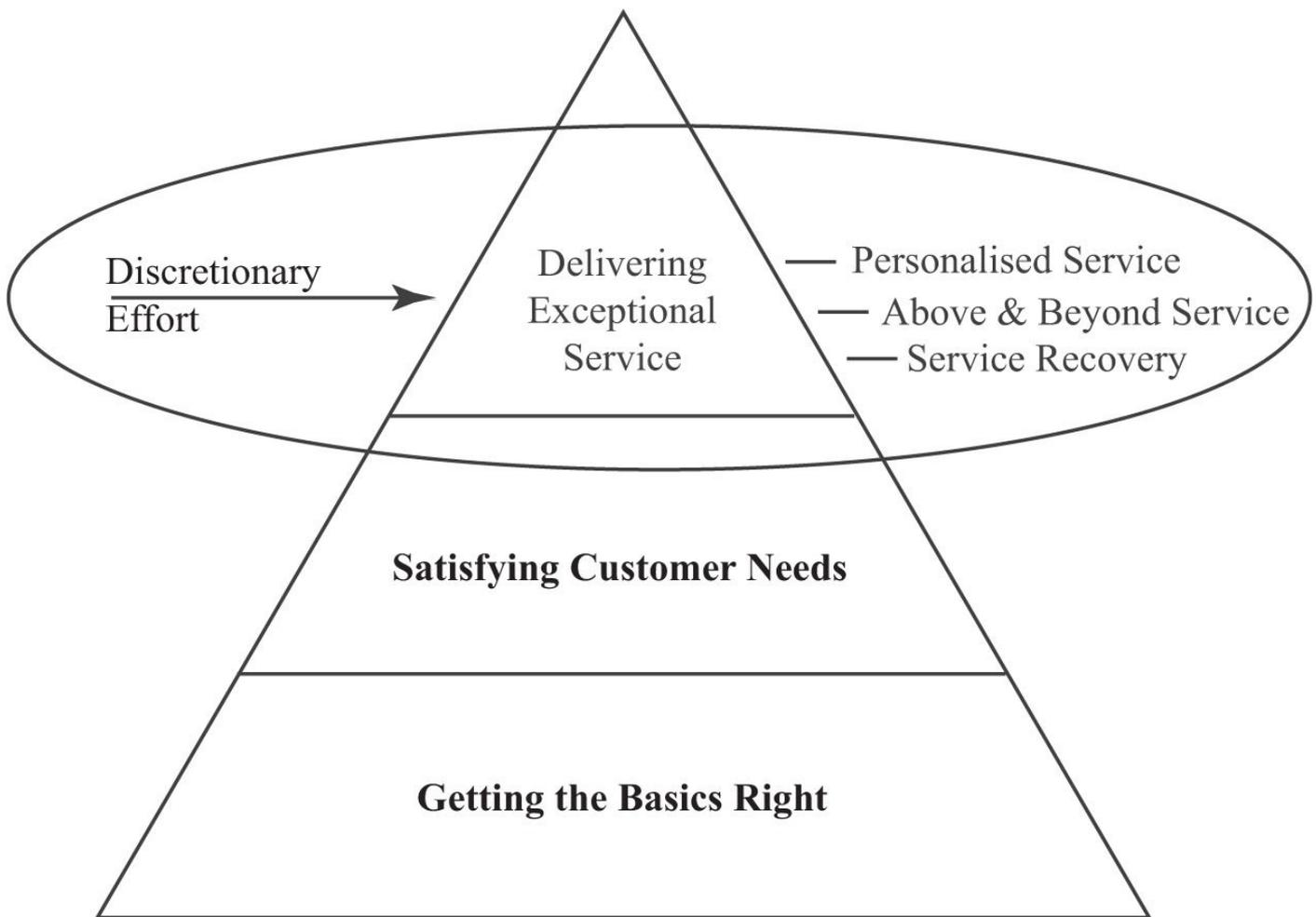


Figure 1.4 Discretionary Effort

HOW DO LEADERS CREATE ENGAGEMENT?

There are a number of factors that define engagement such as commitment to the organization, job satisfaction, work effort and delivering optimum performance. This can be seen as an internal state of being where people feel valued and have a passion for delivering exceptional service.

The Chartered Institute of Personnel Development in the UK states there are three dimensions to employee engagement:

- Intellectual engagement – thinking hard about the job and how to do it better
- Affective engagement – feeling positively about doing a good job
- Social engagement – actively taking opportunities to discuss work-related improvements with others at work.

So what encourages employees to go the extra mile? Some say that it is a matter of recruitment and training. People who are employed with a positive attitude and high energy and have the training they need to do the job well are most likely to go the extra mile. We agree that recruiting high-octane people is important and training them well is essential, but we have seen examples of employees who displayed a customer-focused attitude and approach on day one with a company, but six months later are either cynical or withdrawn or overloaded with work and finding it difficult to deliver a great service.

Other people say that excellent service companies such as online shoe retailer Zappos in the US and John Lewis in the UK were originally created as businesses with a customer-centricity that underpins all their actions. Therefore, the argument goes, it is not possible to create a customer focus in well-established organization that did not have this remit on inception and yet need to change their organizational culture.

We believe that organizations can change and become more customer orientated. [Figure 1.5](#) illustrates the essential four factors which in our experience in addition to recruitment and training and development, encourage high levels of employee engagement and hence customer engagement.



Figure 1.5 The Building Blocks of Engagement

In addition to recruitment, training and development, the building blocks are:

1. Freedom and accountability: empowerment is a common factor in those businesses which are customer-centric. Take luxury hotel chain Ritz Carlton for example. or logistics company FedEx. Both these organizations give their front line staff absolute discretion to deal with customer issues and problems that arise that as