Out-Behave the Competition:

How to Create Differentiating Customer Experiences

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Insights from the 2012 ASU Center for Services Leadership Symposium: Compete Through Service!

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ASU W.P. Carey School of Business
Center for Services Leadership
2012 Compete Through Services Symposium: EMERGE!

This white paper was commissioned by long-time ASU W.P. Carey School of Business Center for Services Leadership (CSL) sponsor and board member, Avnet Inc., one of the world's largest technology marketing, services and distribution companies. Avnet embraced CSL's annual Symposia in the late '90s as a critical vehicle for its leaders who would steward the company's evolution from being products-driven to services-led.

The intent of this white paper is to highlight key concepts from the 2012 Compete Through Service Symposium, and tie these into the stream of evolving services and service themes over Avnet's 15 years of attendance. While specific services and customer service strategies still drive the narrative, **customer experience** has become the preeminent **"meta-theme"** tying it all together. Think of Starbucks: it delivers a variety of products, services and customer service under a single umbrella — its differentiating fully-integrated customer experience.
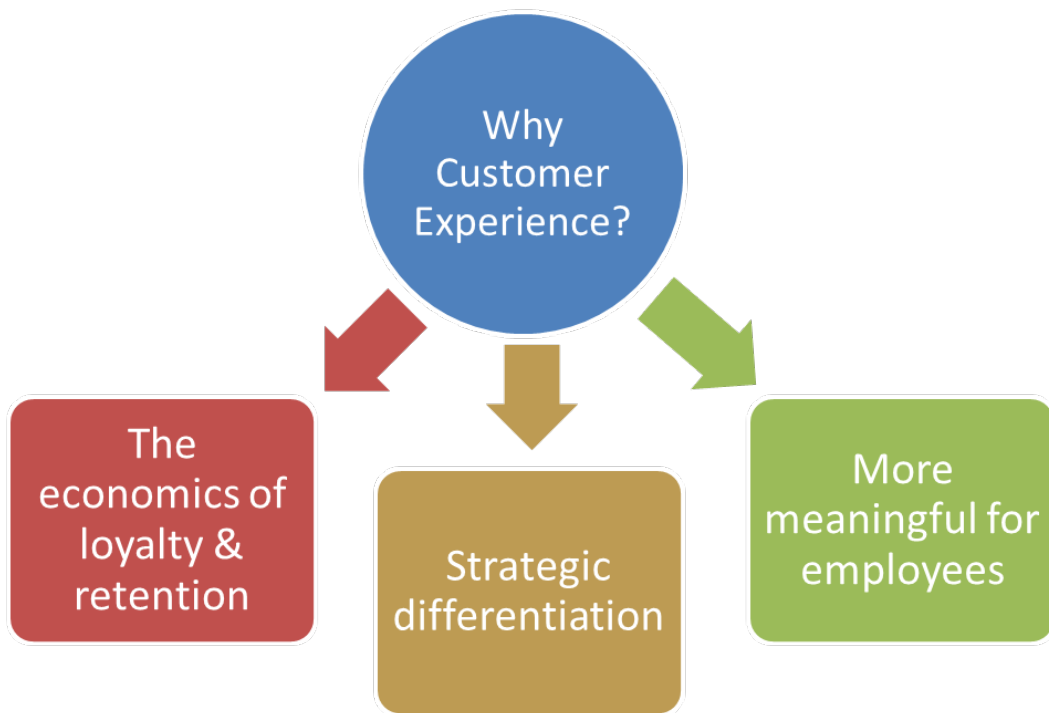
This paper's organization borrows a page from Fusion Marketing methodology, leveraged in marketing campaigns, sales scripts and company communications due to its powerful simplicity:

1. **Why Customer Experience?** Why is customer experience such an important capability and tool for organizations of all types and sizes—non- and for-profits, entrepreneurial birth-stage businesses to large corporations?

2. *Why Customer Experience Now?* What is going on in today's marketplace and environment that makes customer experience so compelling right now?

3. *How Customer Experience?* How can we architect and deliver a differentiating, valuable and profitable experience that generates and retains loyal customers?

As we explore the **Why, Why Now and How** of customer experience, the intention is for you to gain a new appreciation for why customer experience has become the key to any organization's success and significance.

I. **Why Customer Experience?**

The compelling reasons for a dedicated focus on creating extraordinary experiences for customers, clients, patients, members and guests have not changed. As Terry Cain, Avnet's VP Global Customer Engagement, stated succinctly after the Symposium, "There's nothing really new under the sun. Customers still want the organizations they do business with to **know them**, **value them** and **help them**." While most leaders would agree with Terry on these basic customer wants and needs, they differ on how imperative it is to drive a better and better experience to satisfy customers. Here are three arguments why customer experience holds the potential to transform any organization's performance.

Why Customer Experience?

The economics of loyalty & retention

Strategic differentiation

More meaningful for employees

A. The Economics of Loyalty & Retention

THE SERVICE PROFIT CHAIN The 1994 *Harvard Business Review*, titled "**Putting the Service Profit Chain To Work**" demonstrated a high correlation between employee satisfaction, customer satisfaction, revenue growth and profits. Over these past 15 years, Symposium speaker presentations depicted a continual evolution in how companies have measured and employed the powerful relationships between people (employees and customers) and financial performance.

 Gary Loveman and Len Schlesinger, two of the authors of that article, have been speakers at past CSL Symposium. They wowed audiences with their stories of how they installed the Service Profit Chain leadership mantra, culture and processes at Harrah's Gaming, where Loveman became CEO, and The Limited Brands , where Schlesinger took an executive role. They and their companies were able to prove the power of Service Profit Chain principles, impressing Wall Street with strong corporate growth and profits. The once-tiny Harrah's acquired Caesar's Gaming and Planet Hollywood on its way to becoming the largest gaming company in the world, which was renamed Caesar's Entertainment in 2010.

As 2003 Symposium speaker Anthony Rucci, Executive Vice President and Chief Administrative Officer for Cardinal Health, Inc., stated, "Better employee attitudes lead to better customer outcomes. And satisfied customers lead to better profit outcomes and better shareholder returns." Rucci was convinced by his prior experience at Sears, where executives had to have proof the Service Profit Chain actually generates the outcomes predicted. Under Rucci's direction, the company painstakingly matched up employee satisfaction scores with the satisfaction scores of customers who they served. The high correlations proved the Service Profit Chain was no longer a theory. It had become a proven principle of business economics.

Retention/Loyalty Statistics
This year's speaker, Fred Reichheld, Principal at Bain and Company, teamed with Harvard's Sasser in a 1990 pre-Service Profit Chain article. Their studies showed that a 5% increase in customer loyalty can produce profit increases from 25% to 85%. And it's now an accepted economic principle that customer acquisition costs are substantially more than the cost of servicing and retaining existing customers. "On average, across most industries, it costs five times more to get a new customer than to keep an existing one," according to 2003 Symposium speaker Marc Grainer of Customer Care Measurement & Consulting.

This year Reichheld added more economic fuel to these arguments, citing Bain studies that prove:
- Loyalty leading companies' generate revenue growth at 2.6x their competitors
- Loyal customers buy additional products and services at greater rates
- Loyal customers provide referrals (no cost marketing)
- Loyal customers provide feedback that helps improve the company's performance

The economics of customer loyalty are also highlighted by tracking the average lifetime value of a customer (CLV). CLV is calculated by adding up all customer revenues over the life of a customer relationship and subtracting total acquisition and servicing costs for that customer. That's what the relationship value is over the length of time that customer is with the firm.

The power of tracking average customer lifetime value is legendary. Prior year's speakers have extolled the virtues of using the average CLV metric to transform their employees' behaviors.

One example was of salespeople at Cadillac dealerships. They were schooled (and compensated) on the metric that the average lifetime value of a Cadillac customer equated to $250,000 in car sales, parts and services over an average relationship life of 6.4 years. Instead of seeing each prospective buyer as a $50,000 sale, they now understand they must treat these valuable prospects for the value they bring the dealership over the entire 6-plus years of their customer relationship.

2003 Symposium speaker Chris Zane, CEO and founder of Zane's Cycles, illustrated this point in his retail bicycle shop, "The lifetime value of a customer in our business is about $6,400. So when something's defective and their bike needs free service, we're not just losing $30-$40, we're protecting a $6,400 relationship."

So in summary, the better the customer experience, the more loyalty will be generated. And the more loyal the customer, the more revenue and profit is generated over the life of their relationship with your business.

B. Strategic Differentiation

Geoffrey Moore, author of, *Crossing the Chasm* and *Dealing with Darwin*, defines **differentiation** as "going down a path far enough that your competitors either can't follow you or won't." We know that products and services are commoditized at ever-increasing speeds. So how can any organization stand out from the crowd in order to win loyal customers?

Strategic differentiation

The clue is in Moore's two words: *"far enough."* Organizations must pursue a strategy to the point where competitors either do not have the capabilities to follow or they believe it isn't prudent to do so. As 1999 Symposium speaker Jim "Mattress Mac" McIngvalue, CEO and owner, Gallery Furniture reiterated, "We look for things we can do for our customers that others can't do, won't do, or don't do."

It is painfully obvious most organizations today are not truly differentiated from their peers. Prospective customers have great difficulty comparing organizations on factors other than price and branding. The fact is, they can buy the same products and services from many

different sources. This is precisely why many organizations attempt to differentiate based on the customer experience they provide.

Whether we are talking about retail consumers, financial services clients, hospital and doctor patients, association members or hotel guests, one of the most successful differentiation strategies is to "out-behave" your competition. Behavior is a key component of differentiation, as we have seen in customer experience leaders like Southwest Airlines, Zappos, AMEX, Gallery Furniture, Nordstrom's, Harley Davidson and Rackspace Hosting.

As Dave Ridley, VP Ground Operations, Southwest Airlines and 1998 Symposium speaker said, "In a manufacturing business, you spend a lot of time designing, delivering, and fixing the product. In a services business, you spend a lot of time working on the interactions between people." Copying the service of a competitor is never satisfying; while truly "differentiating" is motivating, empowering and often inspiring.

Competitors struggle mightily in their attempts to replicate these exemplary customer service methods. 1999 Symposium speaker Len Berry, Professor atTexas A&M University, provided the clue to why companies can't copy other successful models.

"Most service execution requires a great amount of discretionary human effort," he said."All service workers are volunteers who decide how much of themselves to put into serving the customer."

So how does one company get the same quality and amount of discretionary effort from their people as another company they are trying to replicate?

Leaders must commit to satisfying and engaging their people at the highest levels in order for employees to voluntarily provide the extra effort required in out-behaving competitors.

An amazing example of "going down a path far enough" was presented at this year's Symposium by IDEO's Mark Jones, Lead for Service Design and Innovation, and Walgreen's Nimesh Jhavari, Executive Director, Pharmacy and Healthcare Experience. IDEO collaborated with Walgreen's to create an integrated store design, products, services and a customer experience that transforms its familiar stores into "health and daily living destinations."

As you can see in the photos here, there is nothing like its menu of services and healthcare practitioners in the market today.

The pictures tell some of the story, but the points below add key descriptors that set Walgreen's new stores apart from the rest.

- A Health Guide who facilitates a customer's experience

- Pharmacists are all six-year Pharm. D.s, not five-year degreed Pharmacists
- Web pick up
- Wireless health tablets
- Pharmacist Consultation Room (privacy)
- Health Corner (educational setting)
- Nurse practitioners administer flu shots and vaccines, diagnose minor infirmities
- Express RX
- A caring and compassionate "patient" service model

Combine this transformed "drugstore" with:
- Beauty advisors
- A nail bar
- Healthy food packaged for quick meals
- Electric charging stations in parking lot

Walgreens is doing the right thing for customers, but it's also trying to save and transform a dying profession-- U.S. Pharmacists are facing near-extinction. In order to accomplish this worthy goal, Walgreen's has gone far enough down the path to not only accomplish it, but differentiate itself from all competitors. This is truly the stuff that Geoffrey Moore had in mind when he defined "differentiation."

C. More Meaningful for Employees

During his speech in the Symposium, Mike Jannini, President of The Cheesecake Factory, proudly stated that the chain's managers encourage employees to "bring themselves to work." They want their staff's personalities to shine in the performance of serving customers.

Managers have successfully established a lofty behavioral norm—Jannini referred to it as "People going beyond to execute the complex flawlessly every day." He told of the absolute pride and esprit d' corps that employees have chain-wide for performing at the highest levels in order to produce an extraordinary customer experience day-in and day-out. We know this could only be possible if those employees found great meaning and satisfaction in their work.

The Cheesecake Factory spends one-tenth of what competitors spend on marketing for every dollar of revenue. They also never discount, preserving high margins. Neither big marketing

budgets nor price discounts are required for attracting and retaining Cheesecake's customers. Factory restaurants fill up with new and returning guests through:
- Customer word of mouth testimonials
- The menu's variety, high quality ingredients, and mouth-watering desserts
- A consistently excellent customer experience, partially due to low turnover of restaurant staff (80% annual retention of managers, 40% annual retention of employees-- rates far above industry norms)

Peter Senge is noted for saying "People are starved for meaning!" In his speeches he pauses to let the words sink in deeply. Trainings, change initiatives, speeches, and leadership dialogue that is full of content without meaning makes the efforts purposeless and benign.

There is a proverb that says "without vision, the people perish." Since inspiring visions do provide meaning, *meaning* could be substituted for *vision* in the proverb, resulting in the same truth. When we work hard without meaning, it can feel like we are perishing, fear takes over and all are tempted to run for cover.

This explains why so many are seeking other jobs—greener pastures where, they hope, they will finally find people who appreciate their hard work, creativity and desire to make a difference for co-workers, organization, customers and the community.

A new Global Workforce Study by global HR consultant Towers Watson (TW) found almost two-thirds (63 percent) of U.S. workers "are not fully engaged in their work and are struggling to cope with work situations that don't provide sufficient support."

TW goes on to conclude "This finding suggests employees are finding it difficult to sustain the kind of positive connection to their companies that yields consistent productivity — the result of almost a decade of pressure to do more with less and respond to the challenges of global competition, ever-evolving technology and the ongoing need for strict cost management."

So what does this state of declining employee engagement have to do with Customer Experience? Serving customers can be extremely gratifying, to which the majority of our nation's restaurant and hotel workers can attest. One can take extreme pride in helping others have a better day through their shopping, dining or relaxing experiences. **It's about making a difference.**

Think of how uplifting a trip to the Genius Bar in an Apple store can be for a customer struggling with some technical problem. Geniuses not only tell customers how to fix their problem, Geniuses go ahead and fix it themselves! How cool is that? You walk out, problem solved!

Ask Donovan Roberson, Dream Maker at InfusionSoft and veteran of customer and employee experience exemplar, Zappos. His Symposium presentation this year titled "Engineer a Better Business" was all about the first link in the Service Profit Chain—"investing in your employees."

And Donovan is a major part of the investment InfusionSoft is making in its people. After all, it's Roberson's job as Dream Manager to "acknowledge, articulate, architect, and accomplish employees' dreams." Is it any wonder that InfusionSoft has among the highest customer (and employee) satisfaction scores?

People at these exemplar companies are inspired and rewarded for using their creative genius in the course of serving customers. Speaker Fred Reichheld summed it up: "A great place to work is one that puts people in a position to get 10s from their customers." Conversely, the worst thing we can do for our employees is take away or inhibit their ability to serve our customers in any way.

In the end, Fred Reichheld brought us to back to the basics—this is truly about the Golden Rule we all learned as children. Treating people the way we would like to be treated elevates this whole discussion of **"why"** to a spiritual, servant leadership level. We create great customer experiences because it does great things for our customers, makes them feel valued…the way we ourselves want to be treated.

II.   Why Now?
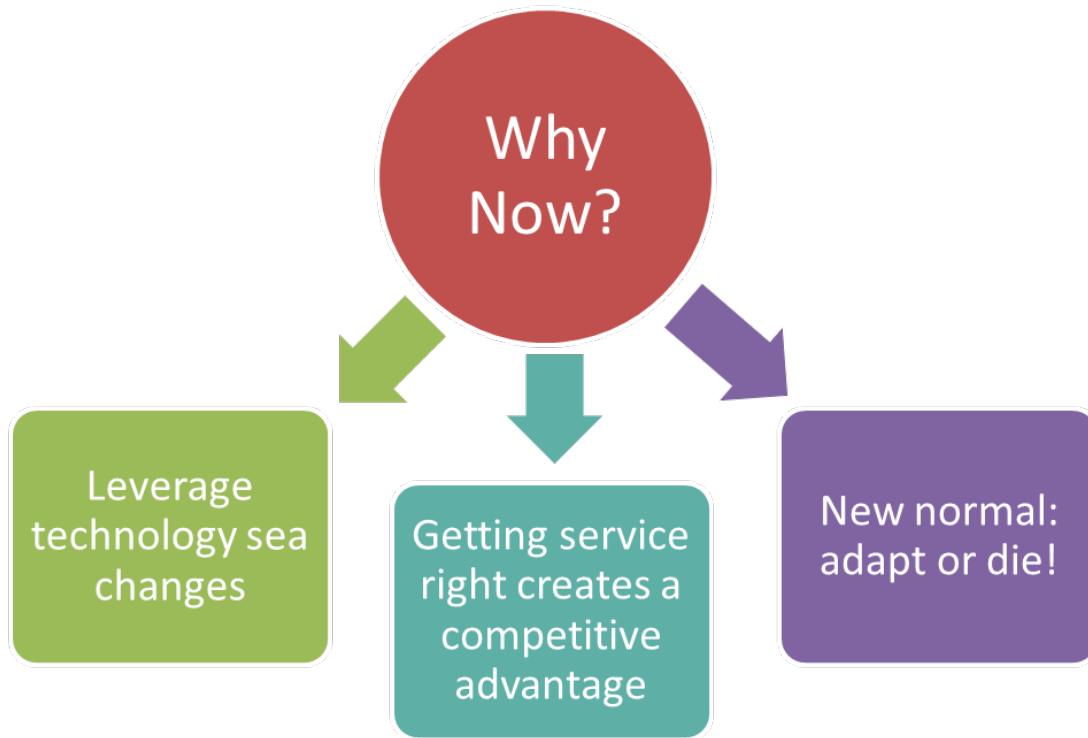
A. Leverage technology sea changes

This year's Symposium was filled with compelling examples that demonstrate how technological advances are enabling significant improvements in customer experience. Intel's Jose Avalos, Visual Retail Director, unveiled his company's breakthroughs in interactive digital screen-based technology.

Intel's Audience Impression Metrics Suite (Intel® AIM Suite) is a Software-as-a-Service-based audience detection technology that objectively measures audience demographics including gender and age range.   It enables sign owners to analyze viewer interactions with their signs. Hidden cameras record audience member behaviors, dwell time, time of day, and content watched. So the signage and software gather and analyze this data in order to quantify marketing results of the displayed ad content 24/7.

How does Intel's new technology create a breakthrough in customer experience? Based on the analytics, on-screen content can be adjusted and optimized real time so the most relevant content aligns with the audience (gender and age range) viewing it. Imagine these digital signs and kiosks in shopping malls, airports, sporting venues and big-box stores. Messages will be significantly more helpful in addressing one's lifestyle, needs and interests.

Michael Crow, President of Arizona State University, shared the innovations his faculty and staff are exploring to improve the student experience while lowering the cost of education.

Gamification techniques, popular with Gen Ys who make up the majority of the University's students, are being deployed to engage and accelerate the classroom and on-line learning process. This software driven technique assists in accomplishing ASU's new student-centric mission: **produce students who can learn anything anywhere**.

Rich Lechner, VP of Cloud and Service Marketing at IBM, offered up a great example of how technology serves multiple purposes. IBM worked with a medical inhaler company to create a customer experience application for mobile phones. When asthmatic customers utilized the inhaler, they logged into their cellphone app. Information was collected and shared on which geographic areas produced the most inhaler uses. Individual customers benefited by being able to stay away from those locations most often producing breathing challenges. The uploaded information was also shared with the EPA so the Agency's Green Plan could focus efforts on cleaning up those environments most dangerous for asthmatics. In addition, the inhaler company used the information to provide coupons to customers, and advise them when refills would be needed.
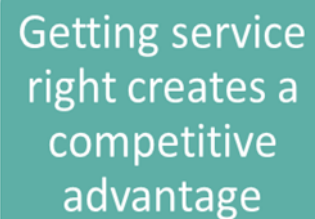
It should be noted it is becoming increasingly more difficult for smaller companies to differentiate because of their inability to acquire and leverage the technologies their larger company-competitors the resources to deploy. Obstacles include lack of financial resources, knowledgeable staff, and opportunities to experiment that bigger companies more easily overcome. Another powerful reason why "out-behaving" the competition becomes a mandate for small business.

B. "Getting service right creates a competitive advantage"
Tammy Weinbaum, American Express

Service has reached all-time lows according to many studies. AMEX's Tammy Weinbaum, citing her company's 2012 Customer Service Barometer, reported:

Getting service right creates a competitive advantage

- 93% of those surveyed say companies fail to exceed customer service expectations.

- 55% of those surveyed have scrapped completing a transaction because of a sub-par experience.

- 66% of those surveyed said they would spend an average of 13% more with a company that provides excellent customer service, equaling 2011's findings and up from 9% in 2010.

2012 Symposium breakout speaker Mary Murcott, President and CEO for NOVO1 Contact Centers, citing the annual Accenture Consumer Customer Service Study which reported:
- 69% say advisors do not have the answers
- 44% say the advisors are slow to respond
- 87% bounced to multiple advisors
- 50% said poor service led them to change service providers last year

More fuel for the sad state of customer experience:

- According to Forrester's Customer Experience Index, 2012, only 37% of brands received good or excellent customer experience index scores this year. 64% of brands got a rating of "OK," "poor," or "very poor" from their customers.

- According to Harris Interactive, Customer Experience Impact Report 2012, 86% of consumers have quit doing business with a company over a bad customer experience, up from 59% four years ago.

- According to a White House Office on Consumer Affairs 2012 report, happy customers who have had their issues resolved will tell four to six people. Dissatisfied customers who have a bad experience will tell between 9-15 people. 13% of dissatisfied customers will tell more than 20.

If you doubt that the opportunity to differentiate and out-perform competitors exists in even the worst economic times, ask Cheesecake Factory's Mike Jannini. He reported his company's customer satisfaction ratings during the Great Recession went from 100 in 2008 to 120 in 2011; a 20% increase in customer satisfaction. Cheesecake boasts the highest sales per square foot in the casual dining industry, twice as much as their next competitor. This is quite the margin of success with an average meal ticket size ($) smaller than their average competitor's ticket.

No matter what type of organization we are a part of, we all realize that great customer service and experiences set individuals and organizations apart. If bad service and experiences proliferate the marketplace, then why is it so difficult to produce better ones? It's people who deliver the services and experiences, not companies or organizations. And to provide great service and experiences day-in and day-out requires many things. But most of all, it requires a genuine caring for your customer.

Without that, all the technology, motivational training, processes, etc. will never overcome the lack of care and empathy for our customers. 1998 Symposium speaker Gary Hoover, Hoover's Online, articulated it well, "Great enterprises know they are here to serve people. They take their eyes off Wall Street and focus them on Main Street."

C. New normal: adapt or die!

We've witnessed two prevailing leadership mindsets emerging from the Great Recession. One group of entrepreneurs and executives cut expenses and downsized so their companies could live another day. It was pure survival, and they hunkered down and did whatever they could to wait out the storm. Their belief was that things would go back to normal after the cycle had run its course.

New normal:
adapt or die!

Another group of entrepreneurs and executives realized this was no ordinary economic cycle. Many of them did the soul searching suggested by 2002 Symposium Speaker "Mattress Mac" McIngvale, "Every company needs to ask and honestly answer this question: If my company or team were to disappear from the landscape overnight, would customers really miss us?"

So as the downturn went from months to years, these leaders realized they had to make dramatic changes in the way they operated. Cutting expenses or right-sizing to the demand was certainly an important element in their strategy. But it never became the sole focus of what they did. With morale sinking, they examined the new business rules emerging, and adapted to them. If discounts, couponing, and incentives were going to be around for the foreseeable future, they came up with creative ways of enticing customers to stay with them, and attracting new ones. If sustainability of all materials, people and even financial models had become part of this new reality, they figured out what sustainability meant for their business, and how they could incorporate it into their model.

These leaders headed the admonition of 2003 Symposium speaker and consultant Stan Slap, who said, "Whether it's El Niño, September 11th, SARS, the collapse of the USSR, the collapse of the Asian stock market, government interference, lack of government interference—none of that matters. The job of management is to bring good answers to bad circumstances. And whining is not a strategy."

It should be obvious which leadership mindset has most contributed to an organization emerging from this recession successfully. Those who have adapted to and embraced the new rules of the marketplace are infinitely better positioned than their barely-surviving competitors. Creating memorable customer experiences affords organizations today the opportunity to grow and prosper again. These organizations will recover more quickly to pre-Great Recession levels because the economics, differentiation and adaptability will be working in their favor.

III.   How Customer Experience?
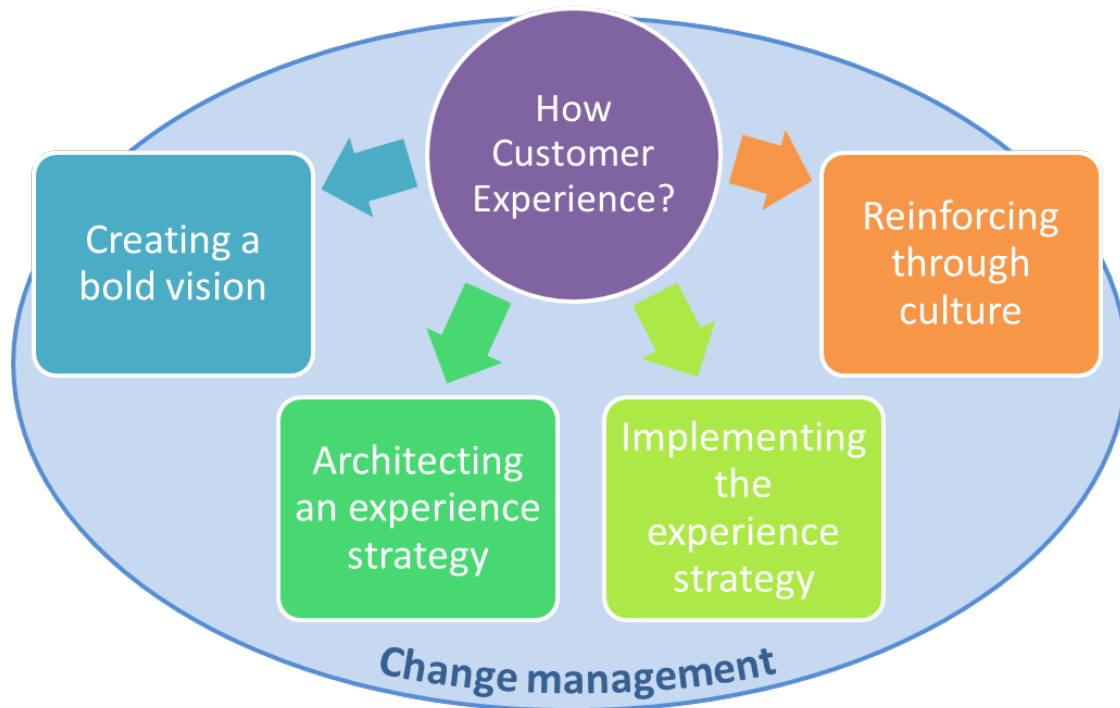
Many of this year's Symposium speakers identified the ingredients used in creating a great customer experience. These ingredients fall into five categories:

- Creating a bold vision
- Architecting an experience strategy
- Implementing the experience strategy
- Reinforcing the vision and experience strategy through culture
- Change management

A. Creating a bold vision

Several speakers this year identified bold vision as their key first step in creating a differentiated customer experience. McKinsey's Kevin Neher, Associate Partner and Leader, Customer Experience articulated the first step this way: **Carve an independent and inspiring path.** McKinsey defines an inspiring path as:


a. a willingness to set stretch targets

b. the capability to identify what's going to be different, and

c. demonstrate proof points— how success will look and feel different.
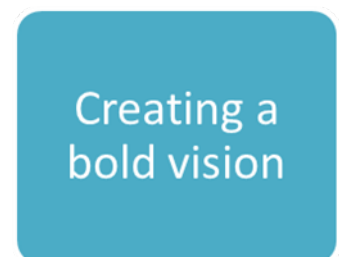
IBM's Rich Lechner spoke of his company's bold path, summed up by:

- Reinventing customer relationships

- Forging Partnerships predicated on business value – growth, service improvement, profitability (cost reduction)

- Leveraging an integrated Service Delivery Platform

  o Traditional IT

  o Cloud

  o Managed Services

- Building Dexterity and Enhancing Scope
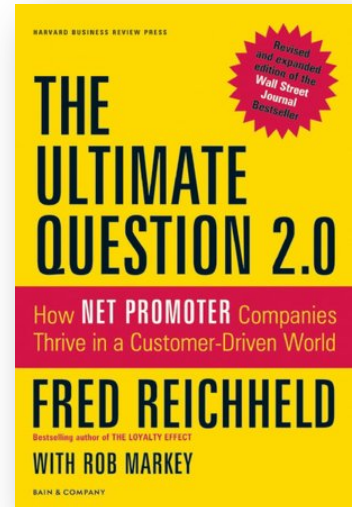
We can see this vision becoming reality in IBM's Smarter Planet initiatives and customer case studies. The oft-cited City of Stockholm traffic congestion case was reframed and solved by the two partners through a system of sensor-based toll gates that rewarded people for driving to and from work at off-rush hours; the further away from rush hours, the lower the tolls. All four of IBM's vision imperatives above were accomplished in this representative case.

Customer Loyalty guru Reichheld surprised the audience with a bold vision for evolving his Net Promoter Score to the next level: "The business community has badly misunderstood NPS. NPS 2.0 is not about a metric . . . . The whole program is not about a score, it's about a dialog, putting your organization on the path of greatness -- have we lived up to the golden rule and enriched the lives of those we touch? . . . It's about what Andy Taylor, CEO of Enterprise Rent-a-Car says, 'treating people right so they'll come back and bring their friends .' ...It's about a life worth living . . . . It's about treating others as family, so you err on the side of always doing too much . . . ." So Reichheld's bold vision is to shift business leaders' mindset from loyalty programs being all about the metrics to putting the right behaviors in place. Then measure the outcomes to see if the behaviors have been implemented effectively.

B. Architecting an experience strategy

Once the Vision is defined, the next step in "How" is to architect a customer experience strategy that, when implemented successfully, will enable realization of the vision. McDonald's has a bold vision to "build a platform that helps employees connect with customers, each other and the community."

They even have a Director of Experience Design, Jeff Pollard. (Does your organization have leaders or employees who are dedicated to Customer Experience Design?) Jeff described the process for architecting McDonald's strategy to achieve this bold vision as follows:

- Experience Designers at McDonalds learned to "get out of the office" to mix with customers. This enabled Designers to see firsthand how customers interacted with McDonald's physical space and employees.

- These Experience Designers employed a rapid prototyping and failure methodology to test and retest their ideas in short periods of time.

- A new Service Model evolved, matching the employee experience (collaboration/ enthusiasm/communication) with the customer experience, made up of these elements:
    - Interactions
    - Interfaces
    - Merchandising
    - Store Culture

- A consultancy, Dramatic Diversity + Design /DD+D**,** specializing in the use of theatrical techniques, was hired to work with employee behavior and positively change their lives. DD+D's Byron Stewart told the Symposium audience how his Company's creative discovery process focused on these lessons:
    - Empathizing - stepping into the customer's shoes
    - Communicating articulately
    - Establishing trust
    - Building collaboration between Customer and Employee
    - Improvising so the experience didn't feel scripted
    - Engaging customers in a meaningful dialogue

Jeff Pollard said, "Over time, the focus has spread from just being operations and process centered to also now include customer experience… and most recently, employee experience." Now they continually improve customer experience "by showing our employees that we care."

Adrian Paull, Honeywell, described his Company's use of Customer Advisory Boards to continually improve their customer experience. Paull's Corporate Aircraft Division believes it is best in class after 30 years of conducting these councils. Paull offered 10 Nuggets to summarize their best-practice driven Council strategy:
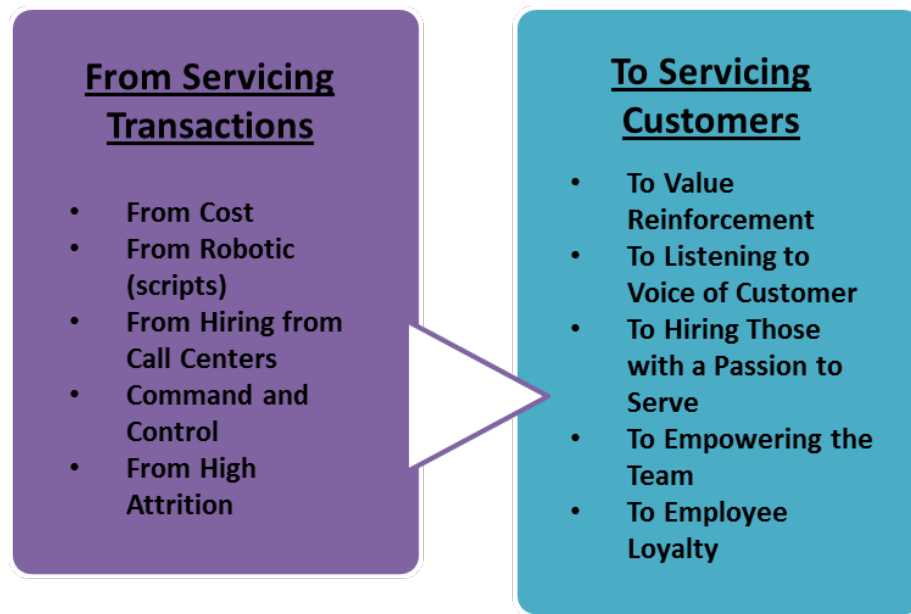
a. **The chairman of a customer council must be capable of thinking like the customer** but also thinking like Honeywell. Very collaborative approach.
b. **Challenge role of customer on Council when they participate.** We expect members to poll other customers prior to their participation on the council to determine whether Council-member concerns/ideas are systemic or unique to one or just a few customers.
c. **Make customers insiders--** intelligent people all in the same room, when in possession of all the facts will tend to agree. They'll help identify the solutions too. Establish full and open disclosure with NDA's. It wasn't new customers holding

back on their observations and suggestions. Honeywell was more at fault for holding back**.**

d. **Bring all issues on one sheet of paper.** Then pick 25 common items that seem to carry the most weight across most customers. Customers set the priorities that are most actionable.

e. **Contact and Satisfaction**. What does a company do with customer issues raised? Must establish the accountability for closed loop reporting— always reveal progress, as small or large as it has been.

f. **Leadership Commitment –** first two decades, leaders would show up, make speech of importance, come back for the debrief at the end. Now executives stay in the room for majority of the discussions, not just the wrap up. This enabled them to act in the moment. They would have moments of needs and moments of truth. Like when one customer asked "Does Honeywell's CEO know exactly when our (customer) execs are AOG (grounded) due to a Honeywell mechanical failure?" That got fixed quickly!

g. **Transparent Operating system—**the Council process, communication, homework, progress reports on solving and implementing solutions, etc., all open and clear. This demonstrates continual increase in value of Council.

h. **Every voice is heard –** utilize a polling tool. Constantly pole to ask questions along the way and get instant results. **Create a safe environment to respond,** don't ignore those that rated it low, talk about why.

i. **Working groups –** Keep customer at center of problem/opportunity.

j. **Criteria for completion –** make sure customers are clear on what they consider a full fix for the issue at hand. Customers define what good looks like (requirements)

For those who manage Customer Councils, Paull provided huge value. His 10 nuggets either validated existing practices at Avnet or opened our eyes to enhancements we could make to Council membership and approach. His insights were enormously valuable.

American Express's bold vision was **Relationship Care®** -- the development of a service ethos that would transform the way AMEX delivers service worldwide, from servicing transactions to servicing customers. This is no small feat when you consider the huge shifts in mindsets and processes that must occur:

From Servicing Transactions	To Servicing Customers
• From Cost • From Robotic (scripts) • From Hiring from Call Centers • Command and Control • From High Attrition	• To Value Reinforcement • To Listening to Voice of Customer • To Hiring Those with a Passion to Serve • To Empowering the Team • To Employee Loyalty

AMEX's Tammy Weinbaum, shared other key components of her company's strategy:
- Call center model is transformed into a service driver

- Turn opportunities from expense to growth drivers

- Remove the rules for frontline employees

- Spend 70% of training budget on soft skills. Soft skills are more critical for account management and up-selling services than technical skills.

The strategy has been hugely successful, as evidenced by AMEX customer satisfaction has risen 30% over the past 4 years, customer spending has increased 10% annually, and customer attrition rate is four times less than attrition prior to Relationship Care.

C. Implementing the experience strategy

Implementing the experience strategy

Fred Reichheld, Bain and Company, highlighted some of the best examples around of Customer Experience Implementation:

- Chick Fil-A implemented their "Daddy Date Night" where daughters take their dads to the restaurant in a coach that picks them up, they eat dinner on white table cloth and rose centerpiece, and then the coach takes them home.
- Apple Stores have a true Mission for Retail. They strive to enrich the lives of customers and employees. Their Genius Bar is a service experience innovation in and of itself:
  - o Opens early
  - o Takes reservations for appointments

- o Also accommodates walk-ins
- o Turnaround time seems quick, but long enough to fully solve customer problem
- o Employees are empowered to do what's right for the customer

- • Other examples worth mentioning:
  - o Zip Car Rentals-- on your birthday, if you have been a good customer, you get an upgrade to a BMW rental.
  - o TD Bank (formerly Commerce Bank) – Wow Squad drives around and does special things for customers.

You'll notice many of these customer experience exemplars perform "unexpected acts of service." Their purposeis to generate a customer emotional response that leads to loyalty and advocacy.

Reichheld quoted Andy Taylor, CEO, Enterprise Rent-a-Car, on this: "The only way to grow a business is to get customers to come back for more and tell their friends." And he emphasized the importance of unexpected acts of service generating customer emotional responses with a quote from Intuit CEO, Scott Cook, "We don't deserve any new customers until we have delighted our current customers."

D. **Reinforcing through culture**

Symposium audiences through the years have learned how critical a supportive culture is in developing a differentiating customer experience. Donovan Roberson, Chief Dream Maker at InfusionSoft, and ex-culture exemplar at Zappos, recommended designing a better business by architecting the desired culture. But since culture is challenging for most people to identify directly, Roberson thinks the key is engineering the *social infrastructure* of your organization.

Roberson elaborated on the concept of *social infrastructure*. He defined it through **6 Cs**:
1. **Cause** – Why do we exist? Give employees a sense of purpose.

2. **Context** – What is your story? Stories bring business to life.

3. **Community** – Who do you want to attract? Hire first for attitude and mindset, not skill.

4. **Communication** – How do you connect with other people? Tribal Leadership- set clear expectations, dialog on a regular basis to seek input and provide feedback, recognize and measure – did it happen or not?

5. **Continuity** – Where are you going? Paint a compelling future.

6. **Conscience** - There has to be a lived set of core values that govern decision-making and behavior.

Since culture will happen regardless of what the business tries to do, it can be a positive factor in creating great customer experiences – supportive and motivating – or a negative one – unsupportive and demotivating). As Symposium Breakout Session moderator Stephen Brown, Distinguished Faculty at ASU Center for Services Leadership, stated, "Culture trumps Strategy!"

So Roberson recommends creating a culture of heroes at all levels of the business—role models, exemplars, poster children—those whose behavior and attitude represent the organization's purpose, direction and goals. *And this role modeling must start with leadership.*

Captain Chesley "Sully" Sullenberger who landed US Airways Flight 1549 in the Hudson River on January 15, 2009, provided a personal example of living one's values and principles heroically. Those who knew Sully prior to the miraculous water landing reported in interviews that he trained for this 208-second crisis his entire life.

Notice they didn't say "entire career." Lessons from throughout his life became the "power of his personal leadership"—Humility, Integrity, Compassion and Teamwork. Since he had never before landed a plane in water, he relied on these values and principles, and the instincts developed through years of flying.

Coast Guard Commandant, Admiral Thad W. Allen with Terry Cain from Avnet

Sully also pointed to another hero, retired Coast Guard Commandant, Admiral Thad Allen. Allen was called upon by the White House to fix our Nation's failing response to Katrina. Sully dramatically told how Allen gathered together 2,500 of 4,000 federal employees responding to the disaster to give them a single Direct Order: "I want you to treat everyone you come in contact with as if they are a member of your immediate family; your brother, your sister, your mother, your father.

And if you do this, two things will happen:
1. You'll probably err on the side of doing too much rather than too little.

2. If anyone has a problem with what you are doing, then their problem is with me not with you." ("I wasn't clear or inspiring enough").

Now that's taking responsibility!

Jeanne Bliss, Co-Founder, Customer Experience Professionals Association President, had a similar slant on culture. Her mantra: *create the culture of a beloved and prosperous company.* She recommended the following culture development principles:

- Revamp how you hire: hire for culture over skill

- Create the "kill a stupid rule" movement at work

- Share your financials with employees -- be transparent

- Be a customer. Know the customer. For example,USAA insurance employees eat military Meals Ready to Eat (MREs) and read letters to and from military service members

- New hire orientation includes day in the life of a "customer"

- Don't force customers to navigate your org chart

- Team is compensated based on customer prosperity – not just sales

- Decisions get made and priorities set based on culture-- intentional trade-offs made to leverage the discretionary effort of employees toward serving customers in extraordinary ways

Avnet's Terry Cain, VP Global Customer Engagement, embraced the challenge of distilling a definition of culture from his audiences' diverse perspectives. Results from his two breakout sessions provided the following diverse definitions of culture:
- Set of behaviors protected within an organization
- Shared meanings
- Expectations
- Language and vocabulary
- Values and Beliefs
- First response or instinct
- Identity
- Spirit of Caring
- Diversity of the company
- Responsiveness
- Life force and energy
- Engagement
- Commitment
- Empathy for the customer
- Beliefs
- Intrinsic motivation
- Cause (as in non-profits)
- All intentional priorities

The Wheel of Service Excellence
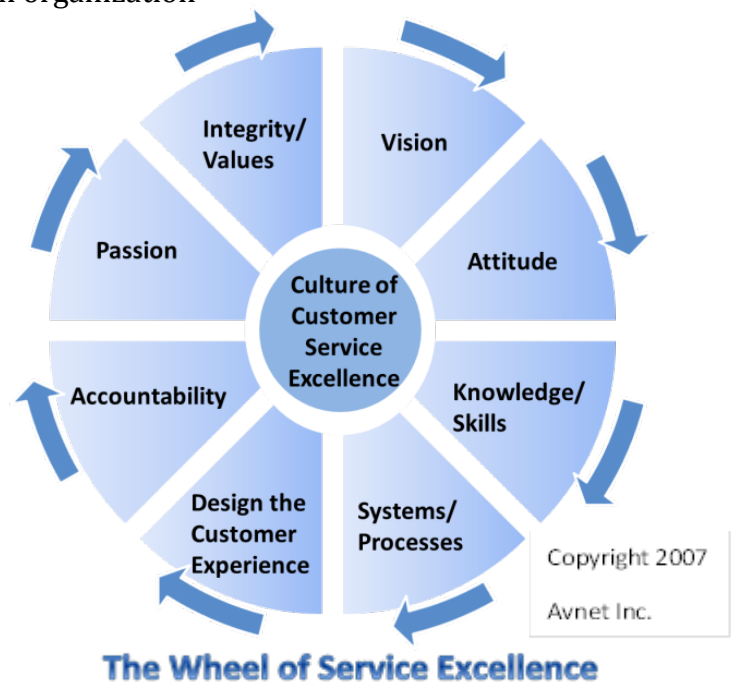
What became apparent was many of these descriptions of culture are actually culture's artifacts or effects, not culture itself. So then what really is culture? Our preference is to define culture as the **"unwritten rules of the game"** or as one audience member stated, the **norms of behavior**.

When you think about this definition, it's very powerful. It suggests in order to create a culture supportive of delivering differentiated customer experiences, we must establish or change these unwritten rules/norms of the game. How is that done? Many of the artifacts and effects listed above provide clues.

- Embed a moral value or principle that underlies all behavior. The Golden Rule as Reichheld described. Or similarly the concept of Reciprocity, as Robert Cialdini, ASU W.P. Carey School of Business Faculty, stated in the 2006 Symposium, "Reciprocity is a rule programmed into us from childhood in every human society on Earth. 'You must not take without giving something in return.'"

Wal-Mart's Jim Haworth emphasized this point in the 2003 symposium, saying, "Create an environment where it's not about manuals, not about procedures, where our associates understand and just know what's right to take care of the customer every day."

- Inspire with meaningful and compelling Vision-- "Giving employees a sense of purpose will not just make your business more profitable, it will make it a better business," Don Peppers, of Peppers and Rogers Group shared in the 2006 Symposium.

- Communicate and reinforce in multiple ways with passion and emotion –different story, same message, every week.

- Make messages simple: no more than a few bullets or sentences.

- Brand the change to show its importance and value: AMEX's Relationship Care™ is a good example.

- Identify champions and influencers throughout the organization. Ensure they are constantly asking their teams, "What does this have to do with Customer Experience?" and "How will this impact our customer experience?" and "How does this fit with our desired culture?"

E. Change Management

Change management

As we finalize the HOW Customer Experience, we must understand that each of these categories are potential changes for the organization, some transforming and significant, all impactful. All will require a method for managing change that brings about the business results desired. To quote Jeff Hiatt, CEO of change management consulting firm

Prosci®

ADKAR®

Model

Awareness®

Desire

Knowledge

Ability

Reinforcement

Prosci and the author of *ADKAR®:*

A model for Change in Business, Government & Our Community , "organizations don't change, people do." This well-researched methodology enables the understanding from the "people side" of change so anything that needs to change has the best chance for success.

As inspired as we may be by this white paper's content, if we do not have a method for bringing about effective
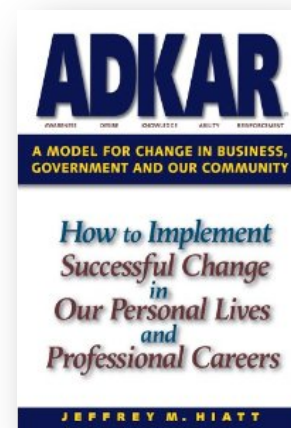

ADKAR

A MODEL FOR CHANGE IN BUSINESS, GOVERNMENT AND OUR COMMUNITY

How to Implement Successful Change in Our Personal Lives and Professional Careers

JEFFREY M. HIATT

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organizational change, it is best not to start. 70% of all change efforts fail, according to Prosci's® studies.

One of the most difficult customer experience implementations to pull off is when a product-driven company tries to become a services-driven company.

Steve Church, Senior Vice President and Chief Corporate Development and Planning Officer for Avnet, stated that the secret to transforming a product-based company culture and business model to a services-based culture and model is change management. Church's "must haves" for implementing the transformation strategy are:
- Executive commitment and champions

- A burning platform—identifying compelling reasons for the change

- A plan describing the new behaviors, processes, and training required

- A customer experience that is collaborative, where solutions are created together

- Employee engagement— engaging employees up front in the process taps their creativity, passion for service and ownership of the results

Avnet follows the Prosci® ADKAR® Model for individual Change Management when implementing transitions and transformations. ADKAR® is defined by the following elements:
a. Awareness—of the need to change

b. Desire- to participate and support the change

c. Knowledge- on how to change

d. Ability- to implement required skills and behaviors

e. Reinforcement— to sustain the change

Reichheld cautioned the Symposium audience to be mindful of self-imposed "land mines" that can derail the implementation of a new customer experience. He cited the concept of **bad profits**—those generated by policies that alienate customers and de-motivate employees. Examples of bad profits across industries are:
- A hotel phone bill bigger than the room bill.

- In banking, a returned-check fee of $35.

- Cellular "teaser rates" -- famous case of retired marketing professional, Bob St. Germain, receiving an $18,000 cell phone bill for his son's phone Internet connections.

- Rental car gas refill at three times retail price, and if you bring the car back late by 45 minutes, you are charged for a half-day rental.

- Accounting Systems that control behavior and mindsets.

It's important to remember the reasoning behind your organization's policies and tactics toward customers must be well understood internally. If policies and tactics are based on solid principles and values, like the Golden Rule, then employees will be inspired and motivated to carry them out.

Conversely, if the principles are based on generating "bad profits," employees will be demotivated and potentially incapacitated to deliver a great customer experience. Andrew Filipowski, CEO of PLATINUM Technology, Inc. boldly stated this reality at the 1998 Symposium. "The insiders of an organization understand the stupidity of its traditions better than the outsiders." So take the high road in dealing with your employees and customers. Those who do will reap the benefits associated with engaged employees, loyal customers and economic returns.

IV.   Summing Up

Creating and delivering a differentiating customer experience holds the potential to transform any organization's performance. The economics of loyalty and retention are compelling. The costs of acquiring new customers, members, patients and guests are many times greater than the cost to service and retain them. So losing good customers does more economic damage to performance than most organizations realize.

Countless studies also demonstrate the relationship between happy engaged employees, loyal customers and profits. When employees find their work and workplace satisfying and meaningful, their engagement leads to higher morale, productivity and profitable growth. An entire company business model can be designed around this Service Profit Chain of interdependent relationships.

As our world emerges from the Great Recession, the right-sizing and cost-cutting tactics of all organizations have taken their toll on the employee and customer experiences delivered. Studies prove that people's satisfaction with the service they receive in this country has reached an all-time low. This provides forward-thinking organizations the opportunity to distinguish themselves in this environment through the creation and delivery of differentiating experiences.

Emerging technologies have the potential to greatly enhance the interactions of employees and customers. Current blockbuster innovations in mobile, social media, data analytics and sensor-based technologies are transforming shopping, business funding, target marketing and relationship management. It behooves leaders in all organizational settings to seriously explore how these new tools can elevate experiences, boosting both loyalty and returns.

We can embrace the compelling reasons for organizations to differentiate themselves through the experiences provided to their employees and customers.   But engineering meaningful and differentiating experiences may seem a herculean task in your current organization. It's clear that sound principles of leading organizational change can be applied to make it manageable.

1. **Creating a bold vision** inspires people to strive for more than the ordinary.

2. As we have seen from memorable examples in this Symposium, **architecting a customer experience strategy** requires a balance of right-brain creative design and left-brain analytical process discipline.

3. **Effective implementations of the customer experience strategy** empower employees to deliver "unexpected acts of service" that delight and wow customers.

4. Establishing a culture that **Reinforces the vision and experience strategy** is mandatory for the sustainability of the changes you put in place.

5. And finally, employing sound principles of **change management** at each step of this process ensure the people, systems and process are aligned toward delivering the differentiating experiences your employees and customers deserve.

In the end, if we follow Fred Reichheld's lead and just follow the Golden Rule, won't we generate the raving fans and economic performance we seek? Why are we waiting to do something more memorable? It's time we admitted that business comes down to people – not companies, brands, processes, technologies and profits. Serving others through extraordinary experiences can be among the most rewarding things we do in life.

Charles Tombazian
President, Innovative Strategies, LLC
and Partner, S2S Leadership LLC

Charlie is currently President, Innovative Strategies LLC, a management consulting firm specializing in strategic planning, customer experience improvement, leadership development, and culture/team building. Charlie is also co-founder and principal in S2SLeadership LLC (success to significance). He assists successful companies in achieving higher and higher levels of significance through a suite of unique consulting services, assessment products and tools.

During his 9 years at Avnet, Charlie was VP, Voice of the Customer Office, in which he was responsible for the collection, analysis, and reporting of customer information and insights to improve target marketing, increase productivity, and increase customer loyalty for Avnet Technology Solutions. And he was Director, Global Strategic Planning for Avnet's $8 billion Technology Solutions business.

Charles was an Adjunct Faculty member in the Ken Blanchard Graduate School of Business at Grand Canyon University (2006-2007). He was also graduate school Adjunct Faculty member at the University of Phoenix (1998-2004), and UOP's Graduate Business Area Chair, Organizational Behavior and Development (2002-2003). Charles speaks frequently to a variety of for-profit and non-profit groups on extraordinary customer experiences, significance in business, strategy, culture, facilitating change, and leadership trends.

Charles has been active in community service, including 3-years as Board Member at Florence Crittenton, fund raising and pro bono advisory work for AZ Boys Ranch, Phoenix New Day Center/UMOM, Phoenix Children's Hospital, Parenting Arizona, the Shirley Schmitz Foundation and AZ Foundation for Women.

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Terry Cain
Vice President
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As vice president, Global Customer Engagement, Terry Cain's focus is on how companies create a culture of customer service excellence, where every employee understands why it's important, and what their role is in delivering a consistently great customer experience every day. Providing real value that the customer perceives is real leads to a mutually beneficial relationship referred to as customer engagement.

Prior to this role, as vice president, Operational Excellence, Terry managed a team responsible for Avnet Results, encouraging and rewarding employees to improve the company and contribute to an innovation culture at Avnet. Since inception in 2006, employee led improvements have generated benefits of $100M. He previously held positions as vice president, Shared Services, Solutions Development, Partner Alliances, and Business Development. In each of these roles, Cain was responsible for change management, building alliances, managing suppliers and developing market solutions for Avnet. A career constant is his passion and interest in customer service.

Terry's career with Avnet began in 1974 in the warehouse. He subsequently moved to positions of customer service, inside sales, product management, field sales, and district and regional management. A mark of his leadership style is "fun" and his teams have won numerous awards over the years. Terry is involved with the Center for Services Leadership at Arizona State University and Parenting Arizona, a non-profit child abuse prevention agency. He plays golf and music and resides in Tempe, Arizona, with his wife, Rebecca, and has one adult son, Jonathan.

Affiliations:

Member Association Change Management Professionals
Member Customer Experience Professionals
Lean Green Belt, Arizona State University
Guest Faculty WP Carey School of Business, ASU Center for Services Leadership
Guest Faculty Kellogg School of Business, Northwestern
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