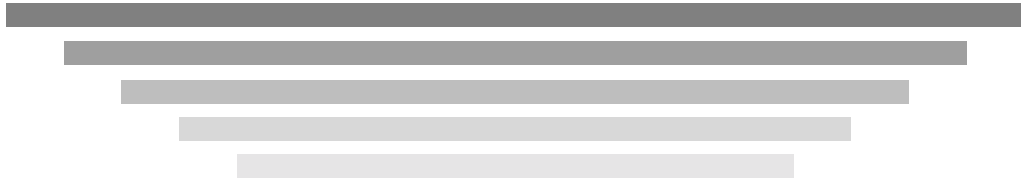




Customer Focused Organizations



A Presentation By

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A Note from Haley Marketing Group

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Become Customer Driven

Ninety percent of U.S. companies are product driven and internally focused. Somewhere inside those companies, a group of employees gets together to decide what the customer “ought to want.” And unfortunately, they never ask what the customer really wants.

A classic example of this type of inside-out company was the original Ford motor company. You could have any color car you wanted, so long as it was black! Henry Ford chose black because the paint dried faster than any other color. But, what is the value to the customer if the paint dries faster?



Being customer driven means that you go out into the marketplace to find out how and when the customer wants something, bring that information back to the company, and then do it their way. This is an external, outside-in orientation. You run the business according to the needs of the marketplace.

The Mazda Miata is a perfect example of outside-in marketing. Mazda aimed to build a car that some people would *love* rather than a car that everybody likes. They started by asking customers how they would identify a great sports car. In their study, they asked customers to evaluate every detail down to the most minor ones. During the study one customer noted that sound is very important to a sports car, so Mazda went out and taped the sound of ten sports cars. Using a computer, they created hybrids of those sounds and then invited all their customers back to tell them which one sounded the most like a great sports car. The results of all this customer-focused research speak for themselves.

While other car manufacturers were offering rebates to get customers to buy, Mazda was selling cars at an average of \$4,000 over sticker price! The car was so popular when first offered that you had to wait 3 to 4 months for delivery. Clearly, a customer driven focus had paid off.

To develop a customer driven organization, start by:

- Asking every person in your company how they could deliver more value to the customer than the person at your competitor's company who performs the same job.
- Challenging employees to ask customers what they can do to provide a higher level of service.
- Designing your forms from a customer's perspective, make them easy to complete, and convenient to use. When appropriate, you can also use them to gather information about your customers.

Develop a Learning Organization

Create a learning organization in which employees are constantly gathering information from customers and others within the organization in order to innovate and continuously improve.

Toyota is a company that has learned to live by this philosophy. In 1965, Toyota received 9,000 ideas for improvement—an average of about one per worker. They implemented 39% of those ideas. In 1980, Toyota received 850,000 ideas, of which 94% were implemented! Now that's continuous improvement!

Keys to Competitive Advantage

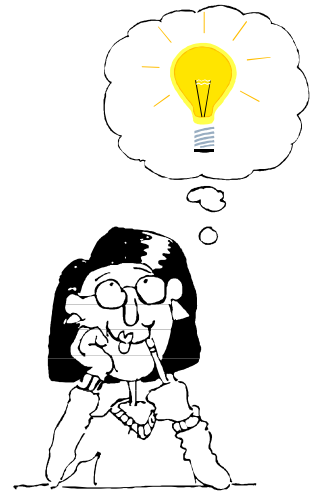
Advantage #1: The creativity and innovation of your employees is your key source of advantage.

Your people are a reservoir of knowledge and capability. If asked and encouraged, they will generate ideas to make the organization successful, as long as you've created learning environment.

Challenge your people to improve upon your existing products and services. If it ain't broke, break it anyway! You have to continually look for ways to add value for the customer. If you don't, your competitors will.

How to Encourage Innovation...

Competitive benchmarking is one way to look for sources of innovation. It involves getting ideas from other companies and putting them to use in yours. Sam Walton was one of the most successful implementers of this technique. He did not allow people to do negative benchmarking (i.e., putting down what your competitors are doing). Rather, Sam forced people to find new ideas and ways to change by focusing on the things other companies did better.



How to Encourage Change...

Human beings naturally resist change. At one extreme are the laggards who greatly resist change and are the last to adopt new methods and technologies. At the other end are the innovators who embrace change. When implementing change, most companies fail because they try to get everybody to change at once. Forget about the laggards. Instead, work with the innovators. Provide praise and support for their effort. Get them to champion the changes and push innovation to the majority of your other employees. Provide public reinforcement so others see that change is a priority for you. Once they embrace the change and have success with it, others will follow.

Beware...

- People can be both laggards and innovators depending on the situation. Don't make the mistake of thinking that once an innovator, always an innovator.
- Don't take credit for the change. Give all the credit to the innovators who are out there taking the risks and making things happen.

Advantage #2: The discretionary effort of your people is a distinct competitive advantage.

Customers go away for five reasons:

1. Their business moved or closed.
2. They develop personal friendships or relationships with a competitor.
3. Price.
4. Dissatisfaction with the product or service.
5. Indifference by an employee.

According to a study by *US News and World Report*, indifference by employees leads to 68% of customer loss! Indifference can come in many forms. Often, employees don't even know when they are being indifferent. You can't afford to take that chance.

If your employees are indifferent, you are at a disadvantage. Ask them what your company's unique competitive advantage is. Don't give them the answer; see what they think. If they can't answer the question, how can they possibly understand how their job relates to serving the customer?

In today's market, with products and services so similar, price, delivery, and location are no longer competitive advantages. The winning difference is service, and service comes from people. And how you treat your employees will manifest itself in the way they treat the customer. Keep in mind, if you step all over your people, they won't tell you, but they sure will tell the customer.

Once you get past customer indifference, your people become a powerful competitive asset. First, you can get them focused on adding value for the customer. Every person and every function must increase the value you provide your customers. People who don't work directly with customers must add value to those people who do.

Customer Complaints



Believe it or not, a customer complaint is one of your company's best assets. Research shows that for every customer complaint you receive, there are 26 dissatisfied customers who won't say anything. Of these, 63% will buy from someone else!

On the other hand, of customers who complain and receive a satisfactory response, 70% will become your most loyal customers. They will become even more loyal than those who complained in the first place. When you fix a problem, you create a bond that is much stronger than if everything went well the first time.

When a customer complaint is brought to your attention, avoid the desire to "kill the messenger." Instead, praise the person for caring enough to bring the matter to your attention, then work together to constructively develop a solution to the problem. Your response will control how well your employees deal with customer complaints.

Lifetime Value of a Customer

One of the most powerful concepts enabling companies to develop a customer focus is the understanding of the value of individual customers. Instead of focusing on the amount of the next transaction, look at the amount of business each customer could do with you over his or her lifetime.

Stew Leonard, Owner of Leonard's Markets, used the concept of lifetime value to radically change the way he treated customers. He determined that his average customer spent \$200 per week on groceries. Multiplied by 50 weeks per year (two weeks were for vacation) and a lifespan of 25 years, a customer was worth \$250,000! Plus, a good customer was likely to tell friends about Leonard's Markets, which would result in even more business.

Did Stew take a different attitude toward someone who was worth a quarter of a million dollars than he did toward someone who was worth \$200—you bet! He revised his service policies and guarantees. He adopted a core belief that the customer is always right. When a customer complained that the milk he sold was spoiled, he no longer debated. He gave the customer two free quarts to replace the one bad one. Stew clearly understood the long-term potential that was linked to each customer transaction.

Not every customer has the same value to your business. Learn to ask customers about their potential for use of your services. Learn to ask them about their plans for the future. For those that do represent significant future value, treat them like gold. Revise customer service policies to ensure that customers receive outstanding treatment. Modify guarantees to make them even stronger. Don't worry about the few people who might abuse your guarantee. That's only a short-term loss. Instead, focus on the long-term value of customers. Develop policies and relationships designed to keep customers coming back for life.

Creating Your Learning Organization

- **Hire the Right Stuff** - Focus on the attitudes and personality traits of each individual rather than the specific skills and experience.
- **Model the Behavior** - Managers must become leaders. Create an environment that enables employees to make decisions at the tactical level.
- **Train - Train - Train** - Invest in your employees. Teach them to have a customer focus. Show them how to add value. Get them talking to customers and asking questions.
- **Communicate** - You must walk the talk. Share your values openly and then live by your words. If you wait until there is a crisis to focus on the customer, that isn't customer service. Employees will mirror your actions not your words.
- **Know Your Customer** - Allocate time to go out and meet customers and suppliers. Get involved in the marketplace. If you don't make the time, it won't happen.
- **Manage Out, Not Up** - Make the orientation to please the customer not the boss.
- **Put Customer Service First at Meetings** - Ask questions about customers first. If your meetings begin with questions about budgets, cost-cutting or other company problems, your management and employees will focus on those.
- **Catch People Doing Something Right** - Look for employees who are doing the right things and then provide public, positive praise for those actions.



Customer Oriented Companies

Customer oriented companies have the following:

- Qualitative and quantitative ways to measure customer needs and satisfaction.
- Systems that are designed and geared to the customer's convenience.
- Frequent communication with both customers and employees.