

KEEPING *the* EDGE

GIVING
CUSTOMERS THE
SERVICE
THEY DEMAND

DICK SCHAAF

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*Giving Customers
the Service They Demand*

Foreword by Karl Albrecht



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foreword

by Karl Albrecht

The much-vaunted service revolution seems to have turned into more of a service evolution. Notwithstanding all the books, articles, seminars, conferences, and employee training programs, it's hard to say that much of anything has been revolutionized since *Service America!* appeared in 1985. Ten years have passed. Where are we now?

There are success stories, to be sure. And we have certainly seen a shift in the rhetoric of business, if not always the action. Many organizations, even government agencies, are making honest efforts to lift their games. The customer is king—in principle, at least.

But as Dick Schaaf's masterful roundup of a wealth of case material shows, while some firms have come a long way in their thinking, others still have far to go. There's plenty in this book to be intrigued with and encouraged by, as well as much to be concerned about.

On balance, I'm not sure we've achieved anywhere near the expected benefits implied by the early excitement that followed from *Service America!* As customers (as well as businesspeople) in the major service economies, can we really say that things are significantly better for us? Have the businesses we patronize (and run) really learned anything at a deep and profound level?

Customer abuse and crazy business policies don't seem to

have gone away. For every switched-on, value-creating employee, there seem to be five or ten more who are occupying space. At most, we may be seeing a widening of the gap between the outstanding performers and the also-rans. But the outstanding ones are still in the minority!

In some aspects, we may even be regressing. For many firms, cost-cutting and downsizing have virtually wrecked the quality of their customer interface. You can buy a great software product for your computer, but when you get stuck trying to make it work on your machine and dial in for help, expect to sit on “terminal hold” waiting for a human being who can explain it to you. Despite clear evidence that most people find them offensive, those wretched telephone push-button menu systems seem to be proliferating like some kind of digital cancer.

When people ask me to name organizations that are truly outstanding at creating customer value, I find it easier to name those that have had the instinct for it since their creation than to name very many that have recently come into it. And I can name many—too many—that became great, or near-great, and soon lost their edge.

So it seems to me that the news from the battlefield of the service revolution, or evolution, is mixed. With the best of intentions, businesses are still struggling to find their own unique truth when it comes to service.

In that light, I was quite interested—as I think all readers will be—to review Dick Schaaf’s research and to see that it substantiates, in a more thoroughgoing way, what my associates and I have concluded over a number of years: The enduring service challenge is still to change the executive gray matter, not the smiling faces on the frontline.

This revolution has been seriously retarded for years by misconceptions arising from the term “customer service” itself (a term neither I nor my associates ever use in a business context). There

needs to be a more widespread realization—and this book can help build it—that customer service embodies infinitely more than a smiling face. The term of art now, clearly, is *customer value*, and it needs to become an organizational artform as well as an individual one.

Yet many chief executives still haven't moved themselves, or their leadership teams, fully into the transition from industrial thinking to service thinking. I speculate that the manufacturing-derived quality movement of recent years, for all its success in teaching us how to fabricate and assemble things better, has actually retarded our movement into service and customer-value thinking. For too many businesses, employees are still just part of the machinery. For too many, the customer is to be standardized right along with the product.

Too many airlines are still really in the freight business, even though the freight happens to be alive. Too many hospitals act like assembly-line factories rather than places of caring and healing. Too many brokerage firms, insurance companies, and financial institutions are still operating as document factories rather than customer value-producing cultures. And too many government organizations are still procedure mills rather than customer-value advocates.

You'll find evidence of all that and more, both good and bad, in the pages that follow. But that's not all. Although he is a well-credentialed journalist, Dick Schaaf hasn't stopped at being a reporter. Writing as an analyst as well, he advances a strong, sensible, and unifying point of view, to create a context in which to explore the very valuable database of business information he has compiled and analyzed.

His discussion of customer empowerment spotlights a key issue that offers both promise and pain for business leaders. Likewise, his focus on the increasing complexity of the customer relationship explores a seldom-acknowledged blind spot in busi-

F O R E W O R D

ness-to-business value chains: Customers often have customers of their own. And his look at the way today's businesses have to balance the needs of multiple, disparate *customer* entities—customer-partners, shareholders, stakeholders, constituents, call them what you like—requires some very new thinking processes.

These are rough-and-tumble times for all businesses. With so many American industries struggling against stagnation at home and fierce competition globally, we must get serious about doing business in a new way. We must exploit the full potential of *strategic customer focus*, which means aligning the strategy, people, and systems of the organization around the success premise of customer value.

Toward that end, Dick Schaaf has not only done a wonderful job of organizing and presenting a wealth of detailed information. More than that, he has put it into a pragmatically simple context that makes it really useful. *Keeping the Edge* provides a much-needed push in the direction all of our businesses need to go.

San Diego, California
June 1995

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introduction

KEEPING WHAT EDGE?

This book is not what it started out to be. When I proposed it in early 1993, the concept was deceptively simple: a follow-up to the book I coauthored in 1989, *The Service Edge: 101 Companies That Profit from Customer Care*. That earlier book had taken a tactical look at the state of the service art in the late '80s. By combining case studies of 101 noteworthy companies (see the Appendix on page 321 for a complete list of those we called the "Service 101") with some expert front-end analysis, we had provided the first broad-ranging, in-depth evidence of who was doing what right in a service economy that at the time was generally regarded as lackluster at best.

In the vernacular, *The Service Edge* was a beauty contest book. It laid out five basic operating principles common to our exemplary companies, then described the businesses, often going three or four deep in an industry sector, and the tactics they employed to implement them. The five principles:

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1. Listen, understand, and respond to customers.
2. Define superior service and establish a service strategy.
3. Set standards and measure performance.
4. Select, train, and empower employees to work for the customer.
5. Recognize and reward accomplishment.

Our criteria were both scientific and anecdotal. We figured good service made customers happy enough to come back again while it also made money for the business. Consequently, we looked for companies that were generating both customer accolades and strong business results. Because those companies were willing to let us “inside the walls” to see how they did what they did, the resulting narrative was, in the words of Tom Peters (who wrote the foreword), “chockablock with examples.”

But it’s the nature of such books—and beauty contests in general—that we don’t go back. Sure, every year or five we may hold another contest and crown another winner (or 101 winners). But we don’t usually reassemble the group from years before to see what’s become of them.

I wanted to go back. As a business journalist and occasional business historian, I was curious about what happened to our chosen 101 exemplars from the time we reported our findings. In 1989, I’d helped to drive a post into the ever-shifting service sands. Where had my companies gone in the years since? Had they kept their “service edge” or lost it? Had they ever really had it to begin with, or were we guilty of overrating or underrating something?

My original intent was to retell the tale in the same general format, though more concisely: industry by industry, from the company perspective. But as my research progressed and the hanging files and computer hard drive started to fill up, a piece from one company in an industry over here began to connect to a piece from another company in an industry over there. In the process, a very different outline began to emerge, one built around issues and

forces that reflected almost anything but the conventional wisdom—and especially the high-toned rhetoric—on service quality.

What I began to notice was how limited—and limiting—the discussion of service itself has become. Typically, we've talked about service almost exclusively in the context of what our people do or don't do in the actual customer transaction, the much-discussed "moment of truth" that occurs wherever and whenever customers come in contact with some aspect of our organizations and have a chance to assess how well or how poorly we meet their needs and expectations. Sometimes, though not always, we've done so with a nod to the technology we use to support our people (or, increasingly, replace them) in that specific process, but seldom has the discussion ventured further afield—into what short-term forces move the mysterious customer, for example, or why we've configured our organization quite the way we have in response. Consequently, while we've paid lip service to the *tactical* excellence we hope to bring to service encounters, we've done so without ever stepping the discussion up a level to a place at the *strategic* table, where the direction of the business itself is set and managed.

The result has been a form of cognitive dissonance. On the one hand, we've expended tremendous amounts of energy talking the service talk. In the late '80s, Lee Iacocca could go on national television with an ad campaign proclaiming that the nine most important words in the Chrysler vocabulary were "satisfy the customer, satisfy the customer, satisfy the customer" (which actually turns out to be just three words, one of which is "the"). A decade later, that sounds like malingering, what with the rhetorical insistence that our task today is to "delight" and "dazzle" customers, to "knock their socks off" when they do business with us, to create "legendary service"—"whatever it takes"—in order to produce "raving fans" and "customers for life."

Meanwhile, the financial realities of the marketplaces in which we compete for those customers have been systematically trans-

forming the nature of the service we provide. The walk we walk has been taking us down very different paths:

- As our economy matures, growth is harder to come by. The hunt for customers increasingly takes us into smaller domestic niches and larger global arenas.
- As business budgets bump into unforgiving business-to-business limits while personal incomes stagnate, even decline, prices are not only harder to raise, they're increasingly difficult to maintain at undiscounted levels. Often the only way to generate profits is to ruthlessly reduce costs, including the cost of the people and systems that provide service to our customers.
- As technology proliferates, the comfortable physical dimensions of our businesses are expanding and blurring to include strange new online, automated, paperless, and other ways of taking care of customers. Service today is often delivered without people in the loop.

In the '80s, it was sufficient to focus an analysis of service on the moments of truth. We could aspire to build a service edge on what actually happened in that transactional encounter, be it with a retail consumer or a business-to-business client. But in the years since, the companies profiled then—and their colleagues and competitors as well—have been transforming those aspects into core competencies while pushing the concept of a service *edge* into new areas. People and technology are still crucial parts of that, to be sure, but now they're only parts of a much larger whole:

- Increasingly, the quest for service quality starts not on the inside, with an assessment of the organization's strengths and weaknesses, but on the outside, with a veritable scavenger hunt for detailed knowledge of the customers the business is in business to serve.

- Far from being absolutes in a standardized approach to maximizing the service each customer receives, people and technology now must be seen and managed as variable resources in the context of price and value—committed or withheld based on what the customer really wants and is actually willing and able to pay for at any given moment.
- How and where the customer chooses to do business with us is also at issue, the more so as new ways and means to take care of business arrive while conventional styles and settings mature to the point of overcapacity and commoditization (where services, from the customer's vantage point, become interchangeable commoditylike offerings).
- Ultimately, if the premise is to build solid, profitable, and lasting relationships with customers, those relationships must evolve into two-way exchanges that involve mutual value—and even mutual sweat equity. For a growing number of businesses, the trick to doing more for customers is to get customers to do more themselves.

In the process, some fundamental assumptions about the delivery and management of service itself are being revised. Doing business with today's empowered customers, be they retail consumers or business-to-business clients, means sharing control up to, at, and after the moment of truth in ways we've never considered manageable before. Internal systems and interpersonal relationships are being forced to change if we're to effectively handle the ever-increasing levels of customer-critical knowledge coursing between the frontlines and the nerve centers of our organizations. The demands of ever more assertive, even litigious, financial markets add an increasingly troublesome short-term coloration to both strategic planning and tactical decision making.

That's the book I ended up writing. If I've done what I set out to do, the story that follows will at once challenge some of your basic assumptions about service and give you a new context in which

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to revise those assumptions. I'm not asking you to take my word for anything. The evidence comes from connecting the dots within the broad database of companies (and their competitors) that I've been following for almost 10 years now.

In the common, and uncommon, ways the organizations that make up the Service 101 have kept, lost, regained, even reinvented their service edges in the years since they were first profiled, you'll find the broad outlines of the service strategies and tactics your customers will be demanding in the years to come.

—Dick Schaaf
Burnsville, Minnesota
June 2, 1995

part one

RETHINKING
the
BASICS

one

SERVICE COMES FULL CIRCLE

It's back.

Call it customer service, service quality, customer retention, relationship management—American business is coming back, full circle, to the customer.

And while there is a predictable temptation to roll our corporate eyes toward the ceiling and wonder, in a change-wearied voice, whether we haven't heard all this before (we have), there is a certain logical progression at work in American business these days that could bode well for both customers and the organizations that hope to profit by taking care of them in the years between now and the turn of the century.

In the mid-1980s, corporate America discovered customer service for the first time. As the weight of business activity skewed more and more to the service side, we began to notice that what we did, how we did it, and how we managed it was changing from the old industrial models. The Era of the Customer was duly pro-