

How Your Company Can Join the Customer Service Revolution

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Scandinavian Airlines System

AT AMERICA'S SERVICE

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KARL ALBRECHT

Co-author of the Bestselling *Service America!*

Introduction by J. W. Marriott, Jr.
Chairman of the Board and President, Marriott Corporation

AT How Your Company
Can Join the
Customer Service
Revolution

AMERICA'S

SERVICE

KARL ALBRECHT



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AT AMERICA'S SERVICE

"I URGE ALL EXECUTIVES AND MANAGERS TO READ THIS BOOK CAREFULLY, REFLECT ON ITS MESSAGE, AND APPLY ITS PRINCIPLES IN THEIR ORGANIZATIONS..."

Karl Albrecht has done an admirable job of presenting the tools and techniques of service management and showing how any organization can, if its leaders are really determined, become an outstanding service performer."

**—J. W. Marriott, Jr., Chairman of the Board
and President, Marriott Corporation**



"AMERICA'S SECOND REVOLUTION IS IN THE MAKING, AND THE RECIPE FOR SUCCESS IS CONTAINED IN KARL ALBRECHT'S NEWEST TREATISE, *AT AMERICA'S SERVICE*.

The new 'America' will emerge when American business organizations follow Albrecht's direction and find that the means of and for regaining world business leadership are waiting to grow within their present organizations by following a few commonsense rules—'and, thinking like a customer.'"

**—John Kapioltas, Chairman, President,
and Chief Executive Officer,
The Sheraton Corporation**



"THIS NEW BOOK SHOULD BE ON THE 'MUST READ' LIST OF EVERYONE WHO WANTS TO MAKE GOOD CUSTOMER SERVICE A WAY OF DOING BUSINESS AND NOT JUST A SLOGAN."

**—James R. Underkofler, Chairman,
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FOREWORD

J. W. Marriott, Jr.

This is truly the Age of Service. The transition from an economy based on manufacturing to one based on service is one of the most important trends in American life, and certainly in the modern business world. Those of us who are entrusted with the leadership of service businesses bear a special responsibility to our customers, our employees, and our shareholders. The need and the opportunity for achieving excellence in what we do have never been greater.

Yet, there are many challenges in achieving and maintaining the quality standard that our customers have come to want and expect of us. It has never been easy, and it won't get any easier. My father, J. W. Marriott, Sr., often said, "Success is never final." He believed it was harder to stay at the top than to get there. We must set high expectations of our organizations and help people achieve them. And as leaders, we have to live it ourselves every day.

In too many aspects of American life, the idea of *service*, or doing a service job, is considered demeaning and is equated with low status. Too many executives and managers think of service workers as unimportant and replaceable. But in reality, the service people are the most important ones in the organization. Without them there is no product, no sale, and no profit. Indeed, they *are* the product. Service is, and should be, a high calling.

We all need to rededicate ourselves every day to giving service employees the leadership, support, and appreciation they need to take care of their customers and to feel that what they're doing is worthwhile. We must do all we can to make our organizations, systems, methods, and policies serve the people who serve the customers. And this applies especially to managers themselves. I am very taken with Karl Albrecht's notion that management is a service and that part of the job of every manager is to support and assist the people who serve the customer. At every opportunity I tell managers in the Marriott Corporation, "Take care of the employees and they'll take care of the customers."

The book you are about to read has an important message—one that has value for every organization in every service industry. Karl Albrecht has done an admirable job of presenting the tools and techniques of service management and showing how any organization can, if its leaders are really determined, become an outstanding service performer. With his clear and highly readable explanation of exciting new ideas, Karl has made a major contribution to contemporary management thinking.

I urge all executives and managers to read this book carefully, reflect on its message, and apply its principles in their organizations.

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CHAPTER 1

THE SERVICE REVOLUTION

There are no such things as service industries. There are only industries whose service components are greater or less than those of other industries. Everybody is in service.

—Theodore Levitt
Editor, *Harvard Business Review*

THE SERVICE REVOLUTION GATHERS STEAM

The service revolution in American business is well underway and gathering steam. Since publication of *Service America! Doing Business in the New Economy* in 1985, many companies have adopted the service management model as their primary driving idea for competing in the service marketplace. Many more are trying to lift their games by various means and become more effective at delivering their service products. More and more advertising campaigns are zeroing in on service as the competitive factor. The war is on in earnest.

Browse through the adverts in almost any slick magazine these days—*The New Yorker*, *Time*, *Business Week*, *US News & World Report*, or any of the in-flight magazines you find in the seat-pocket of the airplane—and you see a strong shift in orientation toward a service promise. Major airline companies that have been notorious for poor service are trying to convince prospective customers that they have changed their ways. Hotel chains, hospital companies, financial services companies, banks, telecommunications companies, and a host of others are trying to position themselves competitively on service quality.

The demand for training products and information on service management is expanding rapidly. Training programs on customer

service are back in vogue. Seminar companies offer service management seminars, and many publishers of training media are dusting off their customer service products and putting them at the top of the list again. Even university extensions, usually the last institutions to join a new trend, offer courses in "achieving service excellence."

The list of major corporations adopting the service management model reads like the "Who's Who" of the Fortune 500. *Service America!* is required reading for the more than 500 general managers of Sheraton hotels. Marriott hotel managers, Marriott In-Flite division catering managers, and managers of Marriott Host airport restaurants and gift shops use the book as their handbook for service management.

Denny's restaurants use service management as the foundation of their Total Guest Satisfaction program. Boston Edison, one of the oldest electric utility companies in the country, adopted service management as its model for organization renewal, around the focus of total customer service.

Shearson Lehman Hutton, the giant brokerage firm, uses service management principles to sharpen its market position in the highly competitive investment industry. Merrill Lynch uses the book and the film "Service Management" to help several thousand employees understand their internal service roles.

While my previous coauthor Ron Zemke and I are flattered by those who consider *Service America!* the new manifesto for the management of service, we are also concerned lest too many people mistake service management for the latest fad. Making a service business truly customer driven turns out to be very challenging, as many executives are discovering. It does not come cheaply, easily, or without effort. It will never be stylish as an easy fix.

My American approach to service management has evolved quite a bit from its origins as a takeoff from the Scandinavian Airlines idea. The issues, problems, and pitfalls inherent in its implementation are now much better understood. It is now possible, I believe, to provide a clearer perspective on implementation of a wall-to-wall service management program.

I have observed and worked with a variety of service businesses and seen firsthand the hurdles they have had to clear to make the service philosophy a way of life. I believe there is much more now to share.

WHAT WE'VE LEARNED ABOUT SERVICE

Ron Zemke and I were asked recently to share with a group of training officers and organization development people from various firms the 10 lessons we had learned about service and service management during the time we have been working with the concept. Here are the items we nominated as our most important realizations.

1. *Service has more economic impact than we thought and is worse than we imagined.* Continuing customer research shows that many service firms are paying a terribly high price in the "opportunity cost" of lost business due to mediocre service. In many industries, both market share and market volume are there for the taking by the firms that can gain a truly differentiated position around service excellence.

2. *Most service organizations are in the defensive mode with respect to quality.* The customer service department remains, for the majority of service businesses, the only token of commitment to satisfying customer needs. In most companies, the CS department is the group of people whose job it is to get trounced by the customer when the rest of the organization fouls things up. Few firms are truly proactive with respect to customer satisfaction and making amends for disservice events. The simple apology is still, by and large, a lost art in the world of business.

3. *Management must see the profit impact of service in order to take it seriously.* Organizations typically start to turn on only when their senior management groups "grok" (in the words of science fiction writer Robert Heinlein) the idea that there is money to be made in doing right by the customer.

4. *The longer you're in a service business, the greater the odds you don't understand your customer.* In case after case, research into customer perceptions reveals hidden concerns, priorities, and feelings that point toward a reconceptualization of the service product and a clearer positioning strategy for the service in its marketplace.

5. *A service product is profoundly different from a physical product.* A service is a psychological and largely personal outcome, whereas a physical product is usually "impersonal" in its impact on the customer. Most executives and managers in service businesses are still trying to depersonalize the product

and run their organizations with thing-oriented philosophies and practices.

6. *Managers do not control the quality of the product when the product is a service.* Quality control changes drastically when the product is an interaction rather than a thing. The quality of the service product is in a precarious state—it is in the hands of the service workers who “produce” and deliver it. Managers can affect the quality of service only indirectly, by inspiring and motivating the people at the front line. Many of those managers don’t realize this yet.

7. *Service improvement starts at the top; managers must “walk their talk.”* Research and practical experience show that a universal commitment to quality service does not spontaneously ignite in organizations. It must originate from the center of influence, which is usually at the top of the pyramid. If senior management believes in service, there is a chance the idea can become contagious. If they don’t really believe in it, it will go nowhere fast, regardless of what they say.

8. *Management practice will have to evolve from a manufacturing orientation to a moments-of-truth orientation to meet the demands of competition.* We are at the beginning of an era that will see the demise of the General Motors model of management, with its tool-and-task orientation, and the evolution of a new motif that will revolve around outcomes instead of activities. This will probably be a long, slow process, taking at least a decade to get into full swing. The early thought leaders will take the lumps for the learning process, but they may reap significant rewards in market performance and organizational productivity.

9. *Your employees are your first market; you have to sell them on the service idea or they will never sell it to your customers.* The way your people feel about themselves and their jobs will always affect their interactions with the customers. If they believe in giving the best service they possibly can, it will show. If you haven’t sold them, that will show too. And they do need to be sold in most cases, or at the very least, not unsold.

10. *Systems are often the enemies of service.* Many of the problems of poor or mediocre service originate in systems, procedures, policies, rules and regulations, and organizational craziness. Too often, we blame the frontline people for poor service, when the

real problem is systems that don't work or make sense. If you aren't willing to rethink the systems, you're asking them to run the race with only one shoe.

Of course, we've learned a great deal more than these 10 things, but they do serve as jumping-off points for discussion about how to make the service revolution happen in the firm.

THE SERVICE 500

One of the many indications of the service revolution is that business analysts are beginning to treat service businesses as a clearly differentiated industrial category, worthy of statistical tracking and monitoring. *Fortune* magazine now publishes reports on The Service 500 as well as on the classic Fortune 500 the publication has been following for many years.

More than three quarters of all jobs created in the United States during the last decade have been in service industries. The U.S. Bureau of Labor Statistics estimates the trend will continue at about that pace for some time. A majority of new business start-ups are service or service-related businesses.

Fortune's figures tell an interesting story of growth and profitability. While the 500 largest manufacturing companies experienced an aggregate decline in profits of 6.6 percent in 1986, the service 500 showed an increase of 8 percent.

Most of the financial success stories among the largest and most diversified service firms center on natural advantages conferred on them by declining interest rates, lower oil prices, and low inflation rates. Many of the mega-service firms are in the financial services business, dealing more in "back-room" services rather than frontline personal interaction services. At this stage, most of the thinking in these industries equates success with environmental factors and secondarily with marketing moves, rather than with direct value-for-the-dollar service to the customer.

Fortune's list includes eight service industry categories:

1. Commercial banking companies.
2. Diversified financial companies.
3. Diversified service companies.

4. Life insurance companies.
5. Retailing.
6. Savings institutions.
7. Transportation.
8. Utilities.

This particular division of categories doesn't necessarily make the most sense, but it is a start. The category of diversified services seems to be a catch-all, or miscellaneous, category that includes leisure and travel, construction, hospitals and health care, real estate, and a variety of others.

It might make more sense to use more focused categories that give a clearer differentiation for market analysis, but we must bear in mind that *Fortune* is a financially oriented publication and its categories reflect the fact that its researchers think in terms of balance sheets and income statements rather than products, markets, and customers.

In any case, it is clear that the service revolution is continuing, as the shift in the American industrial base proceeds toward more and more of a service economy. Similarly, virtually all of the other postindustrial nations are experiencing much the same shift, in differing degrees and at differing stages. Even China, which has a long way to go to become anything like a consumerist society, has accepted and embraced the efforts of western service corporations like Sheraton to set up tourist services for the growing market. A major milestone: Kentucky Fried Chicken, a subsidiary of Pepsico, has been allowed to set up the first fast-food restaurant in Beijing. The verdict: according to the Chinese, "We like it very much."

IS GOVERNMENT A SERVICE?

C. Northcote Parkinson, the acerbic British writer and creator of the famous Parkinson's Law, observed, "If there's anything a public servant hates to do, it's something for the public."

Some of the more cynical members of the public refer to the term *government service* as an *oxymoron*, which semanticists define as the juxtaposition of two or more contradictory meanings,