

WORLD-CLASS CUSTOMER SATISFACTION

The background of the cover is a stylized, isometric illustration of a city at night. The buildings are dark with many small, glowing windows. A large, red, comet-like streak with a starry tail cuts across the sky. In the foreground, four men in dark suits and white shirts are standing on a checkered floor that recedes into the distance. Each man is holding a glowing blue CD in his right hand. The overall style is reminiscent of classic pulp magazine covers.

JONATHAN D. BARSKY

WORLD-CLASS CUSTOMER SATISFACTION

Jonathan D. Barsky



Boston Burr Ridge, IL Dubuque, IA Madison, WI
New York San Francisco St. Louis
Bangkok Bogotá Caracas Lisbon London Madrid Mexico City
Milan New Delhi Seoul Singapore Sydney Taipei Toronto

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From a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers.

Editor-in-chief:	Jeffrey A. Krames
Marketing manager:	Kate Wickham
Project editor:	Rita McMullen
Production manager:	Ann Cassady
Designer:	Mercedes Santos
Art manager:	Kim Meriwether
Compositor:	Alexander Graphics, Inc.
Typeface:	11/13 Times Roman
Printer:	The Book Press, Inc.

Library of Congress Cataloging-in-Publication Data

Barsky, Jonathan D.

World-class customer satisfaction / Jonathan D. Barsky.

p. cm.

Includes index.

ISBN 0-7863-0128-7

1. Consumer satisfaction—Case studies. 2. Customer service—Case studies. I. Title.

HF5415.5.B37 1995

658.8'12—dc20

94-18563

Printed in the United States of America

4 5 6 7 8 9 10 QPF/QPF 0 5 4 3 2 1

Preface

Customer satisfaction is linked to profitability. Higher levels of customer satisfaction lead to increased profits. Many U.S. companies are using this basic principle to regain the huge market losses that began in the 1970s. The victories are found across our economy—from computer chip and automobile manufacturing to the banking, financial services, and entertainment and recreation industries. The pacesetters in these industries—Intel Corp., Ford, Citicorp, Merrill Lynch, Walt Disney, and Blockbuster—have achieved their comebacks by focusing on and delivering the fundamental elements of customer satisfaction.

We will focus on the techniques that helped these and other world-class companies prosper. The sequence of topics and interactive format of the book will allow you to develop a complete customer satisfaction strategy tailored to your situation.

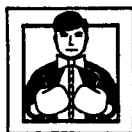
To remain competitive, organizations no longer rely on traditional ways of satisfying customers. Companies are automating and streamlining complete business functions to improve their ability to please customers. We have studied exceptional companies from the United States, Europe, and Asia to reveal their methods for achieving customer satisfaction. This book is based on research involving approximately 250 organizations known for their innovative and effective approaches to satisfying customers. This included over 50 executive interviews representing 15 countries, numerous surveys, extensive professional work and academic investigations since 1986, and the cooperation and direct contribution from many companies.

These organizations and executives were selected for their ability to consistently deliver the highest levels of customer satisfaction. To be considered for this research program, companies were required to maintain regular use of feedback from all customer segments, input from employees and other operating partners, and regular methods of benefiting from the accomplishments of competitors, not limited by industry boundaries.

World-class customer satisfaction is achieved by drawing from the best management and labor practices in U.S. and overseas companies. Using a wide variety of industry examples, including hotels, restaurants, banks, airlines, and consumer product and manufacturing companies, each chap-

ter defines a problem, highlights current cases, and demonstrates the most crucial steps for building customer satisfaction.

Each chapter centers on several of the core concepts that have proven successful for world-class organizations. These are noted by an icon, as shown here, and represent the underlying principles and practices used by these companies to achieve world-class customer satisfaction. In addition, each chapter contains valuable examples of world-class customer service. These are *Service Wars* and identified by a “server with boxing gloves” icon.



The *World-Class Customer Satisfaction Program* at the end of the book details a practical plan for implementing and delivering a customer satisfaction strategy designed for the needs of your organization.

Satisfying and keeping loyal customers is becoming more complex. In the future, the companies with the most knowledge of their clients will have a competitive advantage. This requires aggressively seeking customer, employee, and competitor input on a frequent basis. The material presented in this book brings together diverse information that will help you achieve your unique customer satisfaction objectives.

Jonathan D. Barsky

Acknowledgments

No job in my life has ever been accomplished without help, and this one has been no exception. First, I am indebted to Daianne Irigoyen, who with her ingenious ideas and discriminating eye has made a substantial contribution to the core ideas and presentation of this work. Her sound criticism, unfailing encouragement, and detailed responses to countless drafts proved invaluable throughout the development of this book.

I have also benefited from fundamental research assistance provided by Nathalie Bergeron, Stan Bromley, Tina Turner, Richard Labagh, Susan Dittmann, and Vinay Singh. Their tag-team efforts helped propel and sustain this project from its inception in 1987. I owe special thanks and gratitude to my students, who with their fresh ideas and candid appraisals helped shape and refine many of the book's concepts and applications.

To the scores of international business persons, academicians, and public servants, too many to recognize individually, who generously contributed their time and talents—a profound thank-you for your collective wisdom, which is the justification for this book. And to those organizations, associations, and international entities, also too numerous to acknowledge—your inestimable support provided the necessary groundwork to hold this project together.

And most of all, thanks to my colleagues, friends, and family who have provided infinite patience and understanding so necessary to sustain direction and rationality.

J. D. B.

Foreword

Today's economy has forced many businesses to focus on the spreadsheet. The most expedient solution seems to be downsizing and cutting costs to make a business more profitable. All this attention paid to the bottom line has blinded managers to what should be their main focus: the customer. It is the customer who has the power to change the profit/loss figures in an annual report. Only by listening to the customer can one hope to make a solid, lasting, and profitable change in business.

By focusing on the customer, one is really concentrating on serving and satisfying the customer's needs. Customer satisfaction creates customer retention, which in turn means profitability. It sounds like an easy answer, but it involves a commitment—commitment to shift service to the number one priority position. It also means changing the traditional management style: moving decision making from the management level to the frontline employee level.

Customer satisfaction is inextricably linked to profitability—you must keep your customers, and to keep your customers, you must make them happy.

In today's competitive climate, where technology, global travel, and cross-cultural sharing of goods and ideas can homogenize many products, it is service that distinguishes a company, hotel, or manufacturer from another. Service is the component that differentiates a superior product from an average product, an excellent night's stay at a hotel from a merely average night's stay. I believe service is ultimately the key to success or failure for any business.

Today's service means constantly redesigning product and customer service so that customers get what they want. If those needs change, then you have a system in place that tells you quickly how to design new products and services.

Pursuing and then winning the Malcolm Baldrige National Quality Award in 1992 taught us that we cannot remain at one level of customer satisfaction. We must constantly strive to improve ourselves, our service, and our systems because customer satisfaction is not a short-term goal. Customer satisfaction is a never-ending process.

World-Class Customer Satisfaction carries a very important message, one that has value for every organization in every industry. Jonathan Bar-

sky has done an extraordinary job of presenting the tools and techniques of customer satisfaction and showing how any organization can achieve new levels of excellence in a comprehensive approach. With his clear and highly readable explanation of exciting new ideas, Jonathan has made a valuable contribution to contemporary business thinking.

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

Horst S. Schulze
President and Chief Operating Officer
The Ritz-Carlton Hotel Company

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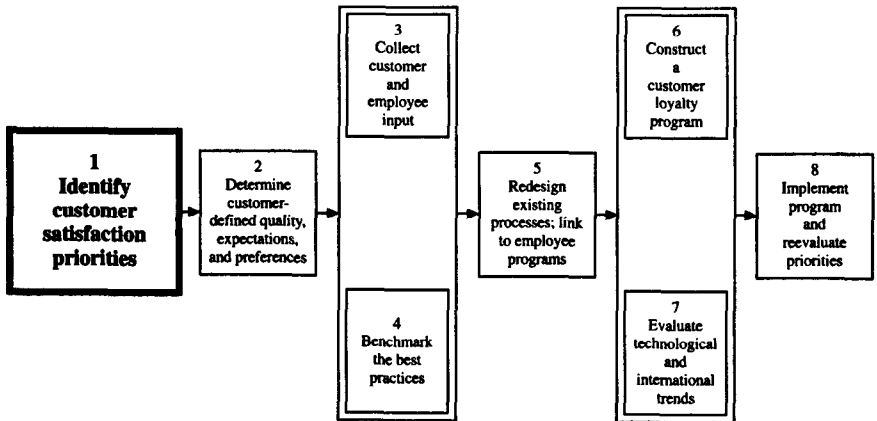
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The New Customer Imperative

Profit Opportunities of Customer Satisfaction



Imagine driving through the south of France in 1904 and your Rolls-Royce breaks down. You call Rolls-Royce in England and the company dispatches a mechanic with a new driveshaft to fix your car. Weeks later, when you call to inquire about the bill, the company claims it has no record of the service taking place. It asserts that “Rolls-Royce motor cars never break down; they sometimes fail to proceed.”

This company stood behind its product and went to great effort and expense to do what was necessary to meet its customer’s needs. This is an example of how to achieve *world-class customer satisfaction*. Rolls-Royce delivered the products and services that not only provided what was needed but also addressed its customer’s personal concerns. The company successfully organized and integrated the traditional functions of market-

ing, operations, and human resource management to provide a satisfactory service experience.

Customer satisfaction is a feeling. It creates enjoyment and pleasure. It can dazzle, delight, or overwhelm. Lack of satisfaction, however, can cause disappointment and frustration. Both satisfaction and dissatisfaction can affect customers' attitudes toward a product and a service or influence perceptions of an entire organization.

U.S. companies understand the potency of customer satisfaction. It is one of the most widely embraced concepts in business. Eighty-six percent of senior executives from Fortune 500 companies consider customer satisfaction to be extremely important to their company and rank it a higher priority than 10 other goals, including productivity and company reputation.¹ Asian and European managers have similar views.²

THE UNRAVELING OF TRADITION

Satisfying customers is not a new idea. At the beginning of this century, Neiman-Marcus, one of the great retailers of all time, changed the doctrine of "let the buyer beware" to "let the buyer decide if he is satisfied." Whereas horse traders often hid defects from buyers, Neiman-Marcus instructed its sales force to "sell satisfaction not just merchandise."

Unfortunately, U.S. business has drifted away from this tradition of service. During the 1970s, American firms, dominated by a production mentality and cost-reduction efforts, did not perceive poor customer satisfaction as a major problem. Leading market research actually supported the notion that the United States was "succeeding reasonably well in providing acceptable levels of satisfaction to the buying public," and that "consumers find enjoyment and satisfaction in their buying experiences . . . considerably more often than they find difficulty and discontent."³

As a result, the U.S. population's strong demand for service and products in the last 20 years has been met primarily by technical product innovations rather than by service improvements or other quality considerations.

American industry is still out of touch with the simple things that average Americans really need, use, and buy. Some major industries, such as automobiles and electronics, may be staging comebacks, but poor cus-

tomer service continues to top the list of customer dissatisfaction across industries.⁴ Too many companies still don't get it. One embarrassing example: VCRs are *still* too complicated to program. Would you believe that the fastest growth segment of the home video market is the sale of videocassettes of TV shows, especially those that were presented only a few weeks earlier?

Airlines still overbook, waiters aren't trained to serve people, hospital workers are too busy to provide compassionate care, and resolving a billing error with the phone company takes much too long. These everyday service abuses are so commonplace that they almost go unnoticed. Even the National Restaurant Association admits "slow service" is the major problem at many dining spots in the United States.⁵

WHAT'S THE ANSWER?

"Improve customer satisfaction!" Sound familiar? You've heard it, your neighbor has heard it, your dog has heard it. Over the past several years everybody has heard it, but consumers are still wondering when companies are finally going to deliver real product and service satisfaction.

Corporations have been obsessed with cutting costs, bolstering cash flow, and boosting overall market share. Although they see customer service and satisfaction as critical, they have no idea how to create it and are often intimidated by its apparent complexity. Many manufacturers, service organizations, and public and private institutions have been affected by severe competition and other economic pressures, causing them to lose touch with their customers. For example, people 50 and older represent more than half of the discretionary income in the United States—providing a valuable and growing market for dining and travel. Yet restaurants and hotels continue to light their rooms with 60 watt bulbs—barely enough light to cast a shadow.⁶

Despite the well-publicized failures of some American businesses, there are many others that have achieved superior levels of customer satisfaction. The U.S. companies we selected as world-class examples have adapted and prospered in competitive world markets. These companies have been forced to understand that although tight financial controls, political savvy, and a recognized name may help, they are not sufficient for succeeding in world markets. Making money in today's world econ-