

Perspectives

The Key to Customer Loyalty

It's a well known fact that treating your customers well is a key to creating the kind of customer loyalty that can drive revenues and competitive advantage. Yet this is easier said than done. Each year, The Ken Blanchard Companies® conducts a study to understand the key issues facing organizations. For the past five years, customer loyalty has ranked the fourth most important management challenge to address and is predicted to be more important by 2010. In the same study, customer relationship skills are cited as the second most important employee development skill, ranking just behind managerial skills.

The Ken Blanchard Companies recently conducted a follow-up survey to understand the level of commitment to improving service, the key strategies used to achieve this improvement, and the challenges organizations face. More than 800 mid-to upper-level line managers, HR and training VPs, directors, and managers shared their opinions and perspectives on the topic of customer loyalty.

Summary

Most organizations would agree that customer service is an important area of focus. In fact 74% of respondents declared that their organizations were highly focused on customer service improvement.

However, only 44% indicated that their organization had a formal process for achieving these desired service improvements. Another 57% have not calculated the cost of losing a client, and 36% rarely conduct a customer service audit.



Respondents cite that although serving the customer is everyone's responsibility, leaders and customer-facing employees have the primary ownership for creating a positive customer experience, yet only 48% responded that their customer-facing employees are truly empowered to take action to resolve a negative customer experience.

The most critical service improvement skills to address include

1. Developing systems and processes that make it easy to do business with the organization
2. Improving the skills of customer-facing employees to diagnose the customer issue
3. Improving problem solving skills
4. Empowering people to utilize their scope of authority

Organizational Commitment to Service Improvement

Customer loyalty is a powerful driver of organizational success, and losing a customer is a costly endeavor. It can cost six to seven times more to gain a new customer than to retain an existing one.

How focused is your organization on customer service improvement?

To no extent	0%
To a very little extent	3%
To some extent	22%
To a great extent	23%
To a very great extent	30%
To the fullest extent	21%

How clearly defined is your organization's vision of ideal service?

To no extent	2%
To a very little extent	10%
To some extent	31%
To a great extent	24%
To a very great extent	22%
To the fullest extent	12%

To what extent does your company have a formal process for improving service?

To no extent	5%
To a very little extent	17%
To some extent	34%
To a great extent	21%
To a very great extent	16%

To what extent has your organization calculated the cost of losing a client?

To no extent	11%
To a very little extent	19%
To some extent	27%
To a great extent	18%
To a very great extent	14%
To the fullest extent	12%

High performing organizations have a commitment to providing excellent levels of customer service. This begins by determining what kind of experience you want your customers to have and how you want your customers to be treated as they interact with every part of your company.

Customer satisfaction occurs as a result of positive experiences with the organization's products and services, policies, procedures, and personnel. Customers value the service they receive and the experience they have with the product, policies, and procedures of a company.

Delivering your product or service properly time after time, without fail is the foundation of creating loyal customers. Consistency is critical because it creates credibility, which in turn creates loyal customers.

To achieve this consistency, organizations must create a focus on the customer at every level of the organization. Another strategy is ongoing solicitation of customer needs and desires. Typically, organizations that are masters at providing excellent service are relentless at discovering what the customer is thinking and share this information in real-time to adapt their products and services. And they have a clear and compelling vision that is written from the customer's point of view. This vision provides a standard to which employees can match their own behavior.

Customer service excellence begins with having an organization-wide focus on service improvement. Respondents in our survey cited a strong focus in this area. Seventy-four percent cited that their organizations were focused on improving service "To a great extent" or higher. Yet when asked how clear their organization's customer service vision was, 43% responded "To some extent" or less.

In order to improve service, an organization should have a process or guidelines that provide a road map for employees who interact with customers. And knowing what it costs to lose a client, or gain a new one, can provide an eye-opening perspective for individuals within the organization. Surprisingly, while 74% of organizations claim that they have a strong focus on improving service, only 36% indicated that they had a formal process for achieving this. And another 57% had not fully calculated the cost of losing a client.

To what extent are the employees in your organization clear about who their internal customers are?

To no extent	3%
To a very little extent	15%
To some extent	36%
To a great extent	24%
To a very great extent	14%
To the fullest extent	8%

To what extent are the employees in your organization clear about who their external customers are?

To no extent	1%
To a very little extent	5%
To some extent	16%
To a great extent	27%
To a very great extent	30%
To the fullest extent	21%

How does your organization measure customer satisfaction?

Surveys	73%
Testimonials	47%
Revenue increase	41%
Internal data analysis	38%
Referrals	35%
No measurement	10%

How often does your organization conduct a customer service audit?

Ongoing data collection	27%
Sporadically	23%
Annually	19%
Never	13%
Twice annually	6%
Quarterly	7%
To the fullest extent	7%

Knowing the Customers and Their Needs

Great customer service organizations analyze every interaction they have with customers, both internal and external. And they determine how they might like that interaction to play out differently. Since great customer service starts with a picture or vision of the kind of experience you want your customers to have, analyzing interactions and visualizing how you'd like to improve them can be a good place to start. In addition, identifying the different groups of internal and external customers can help individuals understand the full scope of customer sets they might interact with. Often, great external customer service begins with great internal customer service. Respondents in our survey cite that employees are relatively clear about who their external customers are, yet are not as familiar with their internal customers. Seventy-eight percent of respondents believed that employees in their organization were clear about who their external customers were, while only 46% responded that employees in their organization were clear about who their internal customers were. We've found that when individuals within the organization treat each other with empathy and respect, they're far more likely to treat their external customers in kind. And if employees are clear about who their internal customers are, they may be more likely to treat them better.

Measuring Customer Loyalty

Organizations that repeatedly provide service that delights their customers are relentless about soliciting feedback. Then they put that feedback to use daily to make improvements. Listening to customers and then taking action on their suggestions and feedback generally leads to repeat business and even referrals. Respondents cited various forms of satisfaction measurement, the most common included surveys, testimonials, and revenue increases. A third of respondents said that their organization engages in ongoing customer data collection to supplement their customer intelligence efforts, but 36% said that their organization never measures or sporadically measures customer satisfaction.

Roles and Responsibilities for Creating a Positive Customer Experience

Creating a service culture is everyone’s responsibility—from top management to frontline employee. But having the right kind of leadership is essential to creating a service culture. Leaders play a major role in setting the direction and take responsibility for developing a compelling vision, empowering their customer-facing employees to meet or exceed the customer’s needs, and acting as cheerleader, supporter, and encourager. Leaders must also support and walk the talk of the organization’s service vision, which allows others to follow suit.

Today’s managers must be coaches, facilitators, and cheerleaders for the employees they support. Providing access to information and training that gives people the right start and helps them to grow is critical. Equally important is ensuring that employees know why what they do is important to your company and how it provides value to your customers.

In your organization who has primary responsibility for creating a positive customer experience?

Customer-facing employees	49%
Leadership	43%
Salespeople	34%
Internal “service champions”	21%
Specialized customer-focused teams	14%

Performance management can give people the direction and support they need which provides the opportunity to develop new skills and motivation.

Employees who perceive that leadership practices emphasize quality, customer service, and employee development tend to be more satisfied with their jobs and the organization overall. As a result, customers are more satisfied and will maintain a long-term relationship with the company. Whether employees are supported and enabled to manifest value for the customer ultimately depends on leadership.

To what extent are customer-facing employees empowered to take action to resolve a negative customer experience?

To no extent	2%
To a very little extent	10%
To some extent	36%
To a great extent	25%
To a very great extent	16%
To the fullest extent	11%

There is a direct positive connection between employee passion and customer devotion that has been documented in the literature. In fact, the most powerful connection we cite in our research and subsequent research paper, The Leadership-Profit Chain, was the link between leadership, employee passion, and customer devotion.

When employees are passionate about what they do, are clear about roles and goals, and perceive that the organization is fair and just in its treatment of coworkers and customers, their desire to serve the customer is tremendous. Employees who lack passion take it out on the customer. Studies clearly link employee job and company satisfaction to customer satisfaction. In other words, the way that leaders treat employees is the way that employees will treat the customer.

What types of strategies or activities does your organization engage in to improve levels of service?

Training	73%
Creating a service culture	53%
Teams and task forces	50%
Specific goals in employee job descriptions	49%
Awards	40%
Incentives	38%
Customer service departments	19%

What types of training does your organization utilize to improve service?

Customer service training for customer-facing employees	61%
Leadership training to build skills necessary to lead customer-facing employees	53%
Process improvement training	53%
Customer service awareness training for leaders of customer-facing employees	38%

What customer improvement issues are most critical for your organization to address?

Developing systems and processes that make it easy to do business with your organization	66%
Improving skills to diagnose the customer issue or need	65%
Improving problem solving skills	60%
Empowering people to utilize their scope of authority	56%
Understanding the appropriate communication style to use with the customer	55%
Improving listening skills	53%
Developing empathy for the customers' feelings and situation	48%
Improvements and innovations around product offerings	45%
Training people to be polite and pleasant to customers	42%

Strategies for Improving Service

Organizations that have excited and passionate people are more likely to provide great customer service and create a service-focused culture. And in order to create a passionate customer-focused workforce, organizations must treat their people well so they, in turn, will treat the customer well. Empowering people and allowing them to act as owners of the customer service experience is an essential step for leaders. Training that supports this philosophy can help create an empowered and passionate workforce that truly wants to serve the customer.

Strategies such as smart hiring, training, managing performance, and creating a recognition culture all develop a critical customer service asset—your people. This is supported by our survey data in which respondents to our survey cited training as the number one strategy for improving service, followed closely by the choice of creating a service culture. Respondents stated further that customer facing employees and leaders were the primary recipients of training. Issues identified as most needing attention were improving systems and processes to enhance service, improving employees' ability to diagnose customer needs, improving problem solving skills, and empowering people to utilize their scope of authority.

Conclusion

The process of building a world-class organization takes time, energy, and commitment. It all starts by developing a shared vision that is focused on the customer and the experience you want your customers to have when they interact with your company.

Creating an aligned organization that is focused on customers means creating an energizing environment for employees and balancing concern for people with concern for results, and making sure that the first drives the second. It continues by building the leadership capacity necessary to create engaged employees who are passionate about delivering that experience and understand how their role fits into the overall picture.

If managers focus their attention and emphasis only on profit, they have their eye on the scoreboard and not on the ball. Profit is a result of serving the customer, which can only be achieved by serving the employee.

By creating an environment that allows employees to win and be passionate about what they do, employees in turn take care of the customers at a level that causes customers to return year after year.

About The Ken Blanchard Companies®

The Ken Blanchard Companies® is one of the world's leading training and development experts. We create lasting behavioral change that has measurable impact on the organizations we work with. We provide training that makes a difference.

Our programs are based on behavioral models that add a situational context to the training experience, so individuals learn to be more productive in real-world scenarios and make the shift from learning to doing more quickly and effectively.

As the innovator of the most widely used leadership development system in the world, Situational Leadership® II, we provide groundbreaking thinking and a memorable learner experience. We begin with a collaborative diagnostic process identifying your unique needs and business issues, then develop an appropriate leadership strategy.

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