

Good News – Bad News

A report from Accenture

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Good News – Bad News

Ironic as it sounds, the easiest way to put the subject of Customer Service into UK boardrooms is to do it badly!

There are other ways of course; submission of a significant capital request will get you to the table or you could employ 'too many' people and make yourself a candidate for a cost reduction programme, which means you need to either 'do more with less', outsource or even offshore!

Whilst the good news is that these approaches described above are proven ways to get the subject of Customer Service into a boardroom; the bad news is they don't ingrain the DNA!

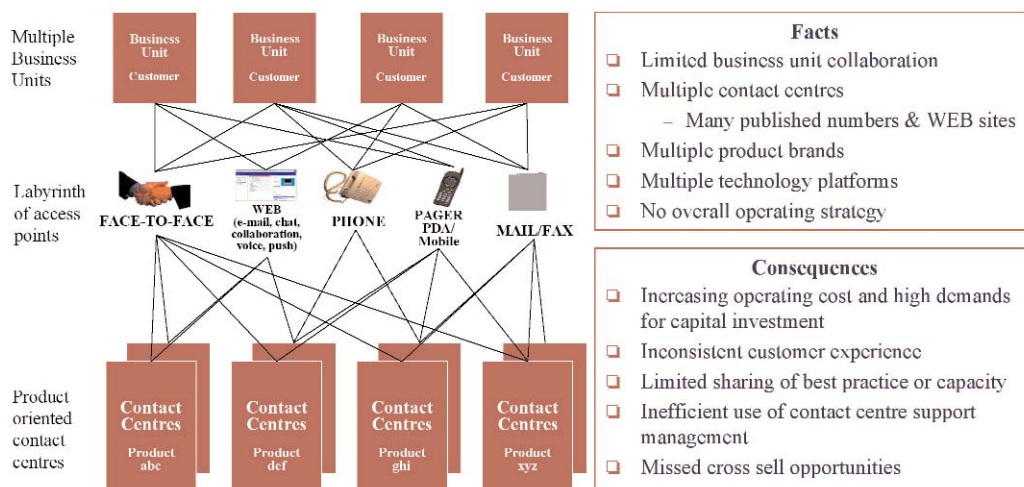
To understand how to do that we need to look into the business issues faced by companies today and the 'framework' boards and senior management operate within.

- The good news is that every board member in the UK will have experienced really good and really bad customer service; the bad news is that customer service in the UK standing still!
- The good news is that companies offer their customers more products, extended opening hours, finance options, internet, email etc; the bad news is that the customer experience deteriorating!

So, if everyone, including board members have experienced bad customer service (sometimes unforgettable!), why are things not getting any better?

The New Legacy

Over the past 20 years the evolution and associated complexity of most companies has created a 'new legacy' which is inhibiting them from maximising value from their customer service



infrastructure today.

In recognising these facts and associated business consequences, management typically unleash a flurry of initiatives in response. The problem however is not an inability to take action but an inability to take appropriate action.

Management also have a tendency to follow established patterns of behaviour – even in response to these dramatic environmental shifts. Companies therefore find themselves stuck in modes of thinking and working that brought success in the past and in trying to dig themselves out of a hole, they just deepen it.

When one looks at how boards operate, there is a particular emphasis placed on board structure and procedure e.g. meeting attendance, equity involvement, board member skills, age, past CEO experience, board size, committees etc. Couple this with a biased product / cost agenda and you get an environment which exacerbates the management behaviour described above.

Companies operating in this type of framework over the past three or four years have been cutting costs in order to survive. Customer contact centres have proved to be one of the easiest areas to cut, with technology companies being tasked with diverting more calls to automated and self service systems and operations managers being tasked to do more with less.

This however is a classic case of being penny-wise and pound foolish!

Establishing a new management framework

Companies which have successfully embedded the DNA of Customer Service within their boardroom have done so by creating a customer oriented management framework which enables them to develop capabilities which address these industry cost cutting trends and simultaneously drive real business performance.

Today these companies are able to put growth at the top of their strategic agenda.

A leading US electronics retailer shifted its strategic focus from product category dominance to target customer segment dominance. To execute the new strategy, it acquired a number of new capabilities. The result? A significant jump and market share increase. Between 1997 and 2002, gross margins climbed from 13.5 percent to more than 21 percent. In December 2003, they posted nearly 10 percent comparable growth during the holiday season. Meanwhile its competitors' revenues remained flat or lost ground. Their success comes not from a single marketing activity or skill, but rather from mastery of a broad range of marketing capabilities, long standing and well honed, that work together with high performance operational capabilities to deliver outstanding results.

Companies like this have been able to successfully create the emotional and technical framework to enable a board to actively engage in building capabilities and execute customer led strategies.

Creating the emotional framework

Companies with customer focused strategies have successfully managed to create a 'real' connection between their board members and their customers. For example certain retailers today make it mandatory for their board members to visit or even serve customers within their stores. In a large B2B organisation they ask each board member to dine with the companies largest distributors the night before their meeting. Other companies request the representation of

board members at customer focus groups.

The good news is that for customer oriented companies this approach is not a marketing or employee gimmick. It's real, and it aims to stir the emotional intelligence of board members and remind them why they are in business today.

Of course the bad news is that in certain circumstances it can result in a prolonged debate around the boardroom table about Mrs Gardiner and her unhappiness about the price of beans - but it is progress; these companies have found ways in which they can bring the customer experience into the boardroom.

Creating the technical framework

Beyond their capacity to emotionally engage, each board member needs a mechanism to understand how they can drive real business performance from customer led strategies

- The good news is that companies recognise that 'bad' customer service will have a negative impact on the bottom line; however the bad news is they are unable to quantify the business benefit from providing 'great' customer service
- The good news is that companies know they don't need to provide great customer service to everyone; the bad news is they don't know what level of service to provide to whom!

Companies which are proficient in providing the technical framework are able to segment their customer base and tailor offerings and levels of service to these segments. This results in clarity around the profit potential of better tailoring its offerings and services to those customers.

In addition, these companies know the impact of pricing changes, for example, not only on short-term sales velocity but also on the overall customer experience and its impact on customer perception and sales. These companies use marketing science to determine the marketing mix, offerings and optimal service levels, ensuring low cost structures while maintaining high availability and high levels of customer satisfaction.

Challenge conventional wisdom

Companies like this US retailer offer an important lesson to any successful company facing big challenges.

Rather than unleashing another flurry of initiatives, Senior Managers need to build on the foundations of the past and teach employees that old strategic frameworks, processes, relationships and values need to be recast to meet new challenges.

To make a pragmatic impact on getting the DNA of Customer Service into your Boardroom; try the following;

- Create a new management framework – Write a "value story" for your customer service operation. Does your board know how much you contribute today?
- Create an emotional framework – Find a connection point into the board (a senior manager or board member) and propose an initiative to get them connected.
- Create a technical framework – Find your allies. Work together with other functions (e.g. marketing) to identify and create the capabilities you will need to help improve the value you can contribute to your organisation.

Good luck!
