



10 Customer- Centred Lessons

Phil Dourado offers ten lessons from the keynote speakers at this year's European Conference on Customer Management, held in London in May.



1 THE NO. 1 REASON CUSTOMER-CENTRED CHANGE FAILS

Harvard Professor John Kotter, with the help of some old video clips of Jack Welch and other leaders addressing his Harvard students twenty years or so ago, asked us why some companies had become customer-centred over the past 25 years, but many had not.

"Tom Peters (with Bob Waterman) was the first to say 'Customer, Customer, Customer,' in answer to the question 'What makes a company great over time?', when he wrote In Search of Excellence. Most industries have made progress, but many haven't. Just the other day a CEO said to me that their challenge was to focus externally. So why, after 26 years, is failure to focus on the customer still an issue?"

Outside-in is the new perspective

"Jack Welch of GE showed how to do it," said Kotter, "by getting people to look at the company outside-in - taking a customer's eye view." In medical systems, he opened up the business by saying "What does the patient need?" In aerospace engines, he opened up the business by asking "What does the world need?" 'Quieter airplanes'."

Conference chairman Chris Daffy summed up Prof. Kotter's message this way: "Almost all of the successful, big and sustained corporate change programmes had improving things for customers as their core driver". And conversely "Almost all of the unsuccessful, big and short lived ones had improving things for investors as a core driver".

In 1981 GE's market value was \$13.1 billion. In 2000 it had grown under Welch to \$507 billion.

How? There's an eight-step pattern to large scale successful change, said Professor Kotter::

Kotter's 8-Step Change Formula

1. Increase urgency

2. Build a guiding team
3. Get the vision right. It always has to be customer-centred.
4. Communicate for buy-in. Prof. Kotter showed us a clip of Jack Welch, talking to Harvard students in Boston 25 years ago. He had stepped down from the lectern and was standing right down in front of the front row. He was out there where his customers were. "Did you notice that he stutters? Who cares! He was direct, honest and simple. People love it and get it."
5. Empower action
6. Use short-term wins as evidence of progress
7. Don't let up
8. Make it stick - The power of tradition is huge. You will slide back unless you grind the change into the culture.

Which of these steps is the most difficult? Most companies fail at Step 1. They don't set up enough urgency, said Kotter.

2 KARAN BILIMORIA'S "IPH" (IDEAS PER HOUR) CULTURE

Karan Bilimoria, founder of Cobra Beer, featured in a recent edition of Stakeholder. He told us to be restless.

"Everything we do has to be different and better. We have a group called the Hoffman Group, named after the first architect to build a bridge across the Grand Canyon when everyone said it was impossible. It meets every two months to generate ideas. The group measures its output in IPH - Ideas Per Hour. Its record is 72 IPH.

"Be restless. We changed our bottle design even though the original was absolutely fine. The new version has the story of the brand written in images into the glass. We've developed Venom-free Cobra (non-alcoholic), a low cal beer targeted at women, since research shows that's why women don't drink beer, and King Cobra, the first double fermented premium lager ever. Why hasn't it been done before? It just hasn't!"

So, what, in your market, hasn't been done before for customers? And what are

you doing to harness your frontline people's ideas to make things better for customers?

3 FIRST DIRECT'S ONE QUESTION TO ASK CUSTOMERS

The magic number has changed, said Chris Pilling, First Direct's fresh new CEO, ten days into the job, poached from ASDA where he was Marketing and Customer Services Director.

The magic number used to be very, or extremely satisfied customers - we all know that this number is far more important than just 'satisfied' customers in determining if customers will stay. At First Direct, very, or extremely satisfied customers runs at 91% average.

But, the new magic number is about action not feelings. You need to change your magic number to include advocacy. Fred Reichheld has been leading the charge here with his "Would you recommend us to a friend?" - The one question the godfather of loyalty says we need to ask customers.

Chris and First Direct have gone further than that, measuring action rather than intent. "HAVE you recommended us to a friend?" is the real question to ask, he says. At First Direct, an astonishing 96% of customers say 'yes' to that question, 86% saying they have recommended the bank in the previous year.

4 MARCUS BUCKINGHAM ON WHAT MAKES YOU GREAT

The best-selling co-author of First, Break All The Rules, and Now Discover Your Strengths, has been promoting his 'Strengths Revolution' for six years now, that the way to achieve performance improvements is to let people play to their strengths rather than dwell on improving their weaknesses. He presented his latest findings to us.

Most managers focus too much on developing areas where people are weak, is Marcus's main argument, building on the work of his Gallup colleague Donald



Clifton's 'Strengthfinder' system. Most performance appraisals spend two minutes on what you do well and twenty eight minutes on 'areas of opportunity' - your weaknesses! So, most conversations between managers and their people are around flaws and how to fix them. "We live in a remedial world fascinated by weaknesses," said Marcus.

5 MALCOLM GLADWELL: BLINK AND YOU'LL MISS IT

Drawing on research for his most recent book *Blink*, the fascinating author of *The Tipping Point* told us that more customer information is NOT what you need - A timely observation after years of customer data gathering through CRM systems has failed to dramatically improve the customer experience (largely because it has been used for the wrong reasons - to up-sell and cross-sell).

Customer research makes more mistakes than any other discipline because it assumes that the rational decision-making rules prevalent in business apply to how customers make decisions. Asking customers why they feel the way they do about a new customer proposition is pointless - They will give you an answer, but it will be made up. Not because they are lying, but because they don't know why.

Cognitive psychologists reckon that 75-90% of our decisions are snap ones - made using sub-conscious rapid pattern recognition. All the customer data you gather doesn't give you any insight into that - It gives you knowledge but no understanding.

Similarly, most organisations' decision-making is not well-suited to fast-moving markets, said Gladwell. Most organisations gather all the available evidence and proceed to a conclusion. The more information you have, the better the decision will be, is the assumption.

In fact, just as too much choice confuses customers and stops them from buying (Gladwell's example was the number of jams on a supermarket shelf - too many and the amount bought actually plunges), similarly too much information can confuse your instinct's ability to see the wood from the trees.

6 JACQUELINE GOLD ON GOING BACK TO THE FLOOR

The CEO of Ann Summers and Knickerbox urged us to be naïve rather than to draw too much on experience of how our industries do things.

"I started in 1981 with no knowledge of retail," she said. "What I thought was my greatest weakness was a strength, because I was forced to listen to the employees and customers. Turnover since then has gone from £81,000 to £145 million."

A key lesson from Jacqueline's presentation was the need for top managers to stay close to the front line, as that is where the real customer knowledge is. This insight came, she said, from appearing in the BBC-TV programme 'Back To The Floor'. "For the programme, I spent time working in our bra manufacturing company in Portsmouth. It was so useful that we introduced the principle of bosses

working on the shop floor as part of our culture. On Valentine's Day, for example, every one of our directors works in a store."

We've been promoting this idea at ecsw.com for years now - get your top people closer to customers by sending them back to the shop floor with a formal initiative that builds the principle into how the business is run. It's why Tesco's CEO Terry Leahy still spends time stacking shelves.

7 RAN FIENNES ON HOW TO RECRUIT

Sir Ranulph Fiennes, the intrepid explorer, entertained us with his extraordinary adventures, including robbing banks (an SAS initiative test, he assured us, but the police didn't know that), blowing up dams, crossing the Antarctic and Arctic Poles and fighting Communist insurgents for the Sultan of Oman.

Echoing Marcus Buckingham and Chris Pilling of First Direct, (see page 21) and the current wisdom in customer-facing jobs of "recruit for attitude, train for skill", Fiennes said: "Whenever feasible, pick your team on character, not skill. You can teach skill. You can't alter character".

8 EDWARD DE BONO: GET THOSE HATS RIGHT

Dr. De Bono talked us through some of his techniques for diverting the brain into a more creative way of working - breaking our thoughts out of the channels of habit that they want to run in. These techniques include challenge, provocation and using random words - chance - to break



patterns of thinking and gouge out new channels.

Like Malcolm Gladwell, Dr. De Bono urged us to move away from rational, often adversarial styles of reaching decisions at work and to move to exploration instead. "Reaching a decision by argument means you start with the conclusion, then argue for it and one of them wins. You make better decisions if you explore solutions then reach a conclusion," he said.

Hence his famous Six Hats method to help groups of people reach decisions by exploring from different perspectives instead of arguing from your own point of view. The biggest mistake people use with the Hats method, he warned, is that they sit around the table and each adopts a different perspective (each hat represents different approaches - feeling, caution, creativity etc.).

That's wrong - you need to all wear the same colour hat at the same time - all approach from the same perspective, then move onto the next perspective together. It's called 'parallel thinking' apparently, and avoids errors of perception - people seeing the same problem from different angles and arguing from their own viewpoint that the others must be wrong. Dr. De Bono cited David Perkins of Harvard's findings that "90% of errors of thinking are errors of perception."

9 BEST PRACTICE DOES WORK

Jack Welch, legendary CEO at General Electric, used his interview with conference chairman Chris Daffy to argue that Best Practice, much-derided by academics as chasing last year's

methods, does in fact work. Welch said that many academics have got it wrong when they claim that benchmarking against best practice will always leave you running behind, and that leapfrogging through innovation is the route to competitive advantage.

Welch seemed to be saying that these were false opposites and that part of GE's recipe for success is its people's readiness to go out looking for good new ideas that can be adapted to GE.

10 AND, FINALLY...CUSTOMERS IN YOUR DNA

Last word to conference chairman Chris Daffy, who spotted this gem in Alan Lias's presentation to the one-day Loyalty Summit that preceded the two-day conference:

"Alan Lias, who is head of Loyalty for Virgin Atlantic, told us about the ways Virgin constantly strive to keep developing their product to keep it fresh, innovative and ahead of the competition.

"An interesting point he made is that if you look at the DNA of monkeys and man there is only about 2% to 4% that's different; but what a difference that 2% to 4% makes! He believes it's the same with many businesses competing in the same markets for the same customers. There may not be much that's different between them but even if it's just 4%, if it's the right 4% it can make a massive difference to customers."

So, in case you feel it's a daunting task and you can only make a limited difference to putting the customer at the

heart of business where you work, don't despair - one or two percent difference is all you need. As Malcolm Gladwell told us in the Tipping Point, if most of what companies do looks the same to customers, then small changes can make a big difference, can make you stand out from the competition in your customers' eyes. **S**



About the author

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