

Customer is King

How to exceed their expectations

Series foreword by **Sir Richard Branson**



Virgin Business Guides

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I FIRST WROTE *CUSTOMER IS KING* IN 2001. SEVERAL THINGS STRUCK ME AS I RE-READ THE BOOK:

1. **Back in 2001, few people took 'customer service' and the 'customer experience' too seriously.**

For some it is now an act of faith! We are awash with CEx (Customer Experience) stats...

2. **The original book reads like a marketing book.**

And so it should, actually. Marketing = Customers. End of.

3. **Everything has changed.**

The ubiquity of the internet has changed the speed, depth, breadth and cost of communication for businesses and their customers.

4. **Nothing has changed.**

What people want is still the old-fashioned stuff: courtesy, honesty, integrity, reliability.

5. Relationships vs transactions.

For many products we simply want a relationship with the vendor; for others we just want the cheapest. The trick is to know who wants what and when.

6. Easy to describe; so few people get it right...

Even in a recession when it is more important than ever, so few simply 'get it'.

7. The same case studies of 'best practice' get trotted out endlessly.

Southwest Airlines, Disney, Ritz Carlton, Virgin Business Class, Zappo's.

8. Has much changed in 10 years?

I would love to say 'yes' but actually I don't think much has changed.

9. But... new technology, the internet and the rise of social media has changed everything.

It has meant that it is easier and cheaper than ever before to get close to the customer. Or has it?

10. However, the basic problem is still the same...

Most business simply do not see customer service as their number one priority. They keep measuring profit first.

11. There is a new body of literature.

Does it help us to understand the new world?

8. The book is just a rant from a grumpy old man.

Has anything really changed? For the better? (Me or the outside world?)

9. Is the customer experience really the next competitive battleground?

I WOULD LIKE TO TAKE A LITTLE TIME TO EXPAND ON EACH OF THESE THEMES...

Back in 2002, few people took ‘customer service’ and the ‘customer experience’ too seriously

For some the whole ‘customer is king’ mantra is now an ‘act of faith’! I am not sure if this is a good thing or a bad thing.



In the heady days of the early 2000s, most people, at best, were simply paying lip service to the idea that excellent customer service would be reflected in the bottom line. A bank needed to realise that a customer’s perception of the bank’s own customer service was now being influenced by the likes of Disney; this idea was (and still seems to be) revolutionary.

And now we have a different issue. So many people seem to pray at the altar of customer service without anything more than a ‘motherhood and apple pie’ belief that good customer service will cause great profits. However, just because many **customer-obsessed businesses are profitable does not mean that becoming customer-centric will make you profitable.**

It is NOT a simple cause-and-effect relationship.

In preparation for the new edition I undertook some research of my own. I posted the following question right across the social media:

“A bit of help please re customer service... Everyone claims excellent customer service improves the bottom line... So where's the proof?”

I had an enormous response. Over 500 replies.

They were in four camps. The conversation was rather similar to the intellectual debate about the existence of God!

- *The relationship is so obvious that you shouldn't have to ask the question*
- *Obviously there is a relationship, we just don't have the proof yet*
- *There is enough proof (they look like correlations rather than cause-and-effect)*
- *We cannot find any scientific, rigorous, definitive proof of a cause-and-effect relationship between profitability and excellent customer service.*

My point is simply that most people believe that excellent customer service is a good thing and that it should directly benefit the bottom line.

The argument is a little weak and runs along the lines of:

“Excellent customer service creates happy customers..., making them more likely to be loyal, more likely to return and buy again, hence create a more profitable company...”

Few people actually quote hard evidence to demonstrate the relationship and yet there is evidence that exists. I wonder how come the evidence is mentioned so little?

For further reading, consider the following:

[Does Competitive Environment Moderate the Market Orientation-Performance Relationship?](#) (Harley Manning, 2012.)

Over the course of the five-year period, the customer experience leaders beat the laggards in stock performance.

[‘The ROI of Customer Experience’](#) (Temkin Group, 2012.)

Groundbreaking analysis of 13,000 US and UK consumers, identifying the financial benefit of improving customer experience.

[Customer Experience Maturity Monitor](#) (SAS Institute Inc. and Peppers & Rogers Group, 2009.) 81% of companies with strong capabilities and competencies for delivering customer experience excellence are outperforming their competitors.

The original book reads like a marketing book

And so it should, actually. **Marketing = Customers.** End of

Two points to make here.



- **Firstly**, there has been an explosion of literature on the subject of customer expectations, service, engagement, delight, experience, perception, ecstasy, and so on. Each school of thought carries its own intellectual baggage, language and philosophy. It is a growth industry and this interest has to be a good thing.
- **Secondly**, much of the 'new' customer material has chased itself up its own stovepipe. Obsessed with being evangelically on the right side of 'the good', some writers have committed the cardinal sin of seeing 'customers' as a subject in its own right, philosophically superior to finance, marketing or operations!

Wrong.

Customers' is the focus of an organisation's work. Agreed.

However, this is not some rarefied atmosphere we are talking about. Honestly, it is not a place where you have to run a customer focus group to find out what the customers really think.

If you want to know what a customer thinks, then walk up to them and ask them!

“You can't ask customers what they want and then try to give that to them. By the time you get it built, they'll want something new.” - Steve Jobs

To that extent I believe that no book on marketing can ignore customers and likewise, no book on customers can ignore marketing.

Asking questions of your customers will not give you all the answers you need.

“If I had asked people what they wanted, they would have said faster horses.” - Henry Ford

Everything has changed



The ubiquity of the internet has changed the speed and cost of communication as well as the number of people you can speak to at any one time. Fact.

On the one hand, we are all more connected than ever. On the other hand, we are less connected than ever. The lessons are clear for all to see. Surely.

As customers, we are fed up with an endless barrage of spam and so-called soft-sell techniques that originated in the sales department of some faceless monolith claiming to be 'close to the customer's every need and wish' and focusing on 'satisfying your every wish'... In effect they scream at you to 'buy from me at www.please-buy-from-me.com.'

As [Yankelovich \(2006\)](#) says:

76% of consumers do not believe that companies tell the truth in advertisements, however 78% of consumers believe the recommendation of a friend.

Word-of-mouth marketing (based on customer experience) has become **more important than the advertisements.**

And the reality is that the ads aren't working any more. ([Marketers Are Getting Worse at Directing Their Budgets Wisely](#), Advertising Age, 2012.)

Return on investment is collapsing as advertisers struggle to catch the eyeballs of an ever-distracted audience who have more and more to side track them away from a message.

Purchasers of one premium car brand used to visit the showroom, 5.2 times, on average, before making a purchase. This number is down to 1.2 visits.

Why?

Because people now do all their homework online and the dealership visit is simply an exercise to confirm that the online reputation is true in reality.

Nothing has changed



What customers and clients want from their suppliers (and from each other) still seems to be the old-fashioned stuff: courtesy, honesty, integrity, and reliability.

People still talk... but to more people.

Despite what people say, most people do not, I repeat, do not buy on price.

*“The **average proportions of consumers** across all categories who were **motivated by price was around 10%**”*

– Advertising in a Downturn, IPA Report, 3/2008, p5

Think about your most recent purchases, business-to-business or business-to-consumer. The decision to buy is made on non-rational criteria... reputation counts for more and more.

Relationships vs transactions

For many products we want a relationship with the seller; for others we just want the cheapest. The trick is to know who wants what and when.



It is simply **not true that customers always seek great customer service**. I do not want customer ecstasy when I buy a pint of milk!

There are business models based on minimum service levels and low cost (eg Ryanair or EasyJet) that seem to buck the quality service mantra. They do not focus on excellent customer experience but on excellent prices and that seems to create loyalty (and profitability) despite what the customer evangelists had hoped!

Easy to describe; so few people get it right...



Even in a recession when it is more important than ever, most businesses still can't seem to get this customer service thing sorted. I just find it unbelievable.

Some days, every so-called customer service call, every person behind a counter or who answers the phone seems incapable of simple, basic courtesy.

When was the last time I was blown away by legendary customer service? (see [Where are the Delighted Customers?](#) Robert Craven blog)

Well, it wasn't yesterday!

I discover that leading global customer service award-winners have no book of words, no philosophy. My jaw drops as executives mumble that they **“just leave the boys and girls to get on with it”**.

Get on with what? With being nice? Who? What? When? Where? How? And then they ask me:

“Why do you think we are no longer the number one in our industry? Why do you think sales and profits are declining?”

What are these so-called executives with their fancy MBAs paid to do? Have they never thought to look up a few basics on Google??

Bain & Co interviewed 362 accountants:

- 80% believe they provide a superior customer proposition
- but only 8% of their clients agree!
- That’s a deliver gap of 72%!

These kinds of statistics create compelling evidence about how big the gap is between what companies believe they are doing and what their clients really think!

[Closing the Delivery Gap, Bain & Co, 2005](#)

The same case studies of 'best practice' get trotted out endlessly

Southwest Airlines, Disney and Ritz Carlton have had Virgin Business Class and Zappo's added to their ranks. And that's about it! Maybe I exaggerate.



However, there is not a deep, wide and rich territory of case studies that people can quote and study.

There is no shortage of great, one-off examples, but there seem to be precious few examples of known company names that deliver... and do this **constantly** and **consistently**. Many fall short at some point.

For every lover of a well-known service there is someone who hates the service with a venom disproportionate to anything that may have happened to them!

Has much changed in 10 years?

I would love to say 'yes' but actually I don't think much has changed.

I often seem to be writing about the same subjects:

- Marketing seems to under-deliver for most companies
- Don't compete on price
- Lots of companies talk up customer relationships; however, in reality, they are still obsessed with profit first (and it shows)
- There is still not enough serious engagement with customers
- Customers feel constantly let down and disappointed as the 'promises' fail to materialise yet again. (When will they ever learn?)



But... new technology, the internet and the rise of social media has changed everything

New technology, the internet and the rise of social media has meant that it is easier and cheaper than ever before to get close to the customer.



Yet so many fail to do this successfully.

I do believe that the 'Disney influence' has a lasting impact. We visit the Disney Store (or Disneyland) and we see what great customer care looks like. We carry that sense of being the 'important customer' with us and this affects our expectations of other engagements – we expect more.

However, this creates a bigger gap between our expectations and our day-to-day reality. And even if the reality is improving, we have to remember that, at the same time, the great exemplars are also upping their game.

The gap continues to exist.

The problem is still the same...

Most businesses simply do not see customer service as their number one priority.



They do not measure it above other success criteria... they mean to be customer-focused but the accountants take over and insist on trying to measure the value and the ROI of every cost that is incurred...

They pay lip service to quality service, that is all.

This is especially the case in a recession when the accountant seems to be the key influence in most business decisions.

Put simply, as long as pizza restaurants measure 'bums on seats' or 'the number of pizzas sold' then that is what they will focus on. What gets measured gets done. In this world, customer satisfaction is not given the same value, worth, merit and importance as ROI, profit and cash.

There is simply too much upside-down thinking.

Any sane person can see that **focusing on profit above all else is a short game.**

Putting profit above customer satisfaction gives a result for today but it is clearly not sustainable.

The 'best companies' (according to Management Today, who are all profit-focused) go bust. So said/say Professors Peter Doyle and Malcolm McDonald and they have the facts to prove it

([Strategic Marketing Planning, M McDonald](#))

There is a new body of literature

Does it help us to understand the new world?

It is really exciting to see a whole new world of customer-focused books.

Amazon.com cites 44,421 book titles with the word 'customer' in them ([Aug 2013](#)).

Business schools now have professors and even departments that specialise in trying to understand the customer relationship. This must all be a good thing.

Added to this we have some superb lists of hugely compelling (one-off) customer statistics to support most every argument:

A 2% increase in customer retention has the same effect as decreasing costs by 10%
– [Leading on the Edge of Chaos](#), Emmett Murphy & Mark Murphy.



A 5% reduction in the customer defection rate can increase profits by 5–95%
– [Prescription for Cutting Costs](#), Bain & Company/Reichheld, 2001.

70% of buying experiences are based on how the customer feels they are being treated
– [Consumer Decision Journey](#), McKinsey & Co, 2010.

78% of consumers have bailed on a transaction or not made an intended purchase because of a poor service experience – [Good Service is Good Business](#) American Express, 2011

Price is not the main reason for customer churn, it is actually due to the overall poor quality of customer service – [Achieving High Performance...](#) Accenture, 2010.

And the list goes on with statistics that are quoted all over but are actually based in substance. These are not simply apocryphal urban myths.

According to the White House Office of Consumer Affairs as reported in [Return on Behavior](#) magazine:

- Only **4 percent of dissatisfied customers** actually **speak up**
- **Loyal customers** are worth up to **ten times as much as their first purchase**
- **The probability of selling to a new customer is 5-20 percent**, while selling to an existing customer is 60-70 percent
- It takes **12 positive experiences** to **make up for a single bad experience**
- **Negative interactions** with a business are **spread to twice as many people** as positive ones
- It costs over **six times more to get new customers** than it does to keep one
- For every **customer who complains, 26 others don't speak up.**

However, I must ask, how much of this research effort is actually translating to the coalface?

I firmly believe that delivering legendary customer service is fundamental to running a successful modern business. How difficult can that be to do?

The original *Customer is King* book explicitly describes a world where one needs to put the customer at the centre of understanding how and why they buy.

New work citing the [Death of the Sales Funnel](#) and McKinsey's [Consumer Decision Journey](#) builds on this assumption.

The internet has created the notion of the [ZMOT](#). Once, people's first Moment of Truth was picking the product from the shelf; before they do that, the zero moment of truth happens when people Google to check reviews and prices before they get anywhere near the shelf: the Zero Moment of Truth (ZMOT). My obsessive focus on getting customers to help you and word-of-mouth marketing has become a reality!

The book is just a rant from a grumpy old man

Has anything really changed?

Am I still a grumpy old man? Was I a grumpy old man?

Have the gaps between the good, the bad and the ugly just got worse?

Yes, it still drives me bonkers that customer-facing staff can be incapable of basic courtesy... The Little Britain sketches where the worker repeatedly says, "[The computer says 'NO'](#)", is typical of the dreadful levels of customer service that still pervade so many of our attempts at receiving rudimentary service.

But... the opportunity is still there. It always was and it looks like it always will be.

81% of customers would be willing to pay more in order to receive superior customer service – [Why Customer 'Satisfaction' is No Longer Good Enough](#), Oracle, 2012.

90% of UK shoppers walk away without buying something if they get bad customer service! 41% of shoppers said the biggest frustration is lack of interest in their needs – [Market Force Research](#), 2012

The book is not a rant although it may appear like that in places.

In fact, this book is about the opportunity that is out there for nearly every business.

It is plain and simple that most customers want to be treated with courtesy, respect and good manners. Anything above that is a bonus. Meanwhile, in this so-called service economy, it is rare for these fundamental basics to be delivered.

You just need to be 5% better than your competition and you will stand out with stellar brightness while the others mither and mope around amidst their own mediocrity.

Is the customer experience really the next competitive battleground?...

YES!



- *83% of UK business leaders feel that customers are the biggest driver of change and **are the biggest pressure point for businesses today***
– [Gaps in UK PLC's Ability to Remain Competitive](#)/Fit to Change, Fujitsu, 2012.
- *53% of UK businesses believe that **customer service has become more important over the past 12 months*** – [Sage Business Index](#), 2012.

It is clear that **Customer Service is the next big battleground.**

Companies have cut as lean as they can so the only thing that's left for them is differentiation... not by price but by the quality of customer service and the customer experience.

"The customer experience is the next competitive battleground"

– Jerry Gregoire, former CIO, Dell.

A few final thoughts

The race is now on.

No-one says that you have to put your customer first.

You are not obliged to.

However, I would like to remind you of the fable of the Emperor's New Clothes and how the Emperor refused to hear or acknowledge the truth of his situation but listened to the sound of his own sycophantic supporters (until a child pointed out his nakedness).

Surely it is blindingly obvious that **you must understand what your customer is thinking and feeling about you...?**

Surely it is blindingly obvious that **you must imagine the world through the eyes of your customer and not just apply your own myopic lens to the outside world...?**

I suspect that **customer myopia** is what caused the downfalls of such well-loved and respected global brands as Kodak, *Encyclopaedia Britannica*, HMV, Blockbuster and so forth...

The business cemeteries are full of businesses (big and small) who failed to listen to their customer or give them what they really wanted.

Let it be a lesson to us all.

Right now, the business that does put its customer first, that does seek to provide legendary and remarkable service, still stands head-and-shoulders above its competition. Few are able to 'deliver' and the results, in terms of long-term sustainability and profitability, justify the journey.

Why would you want to deliver average, run-of-the-mill, mediocre service?

Seize the day!

Want to Learn More?

The complete [Customer is King](#) book is available to buy [here](#).

'In Customer Is King, Robert Craven says that your 'whole business hinges on what your customer gets from you'. I agree wholeheartedly...' - Sir Richard Branson

Other Books in Roberts collection:

Grow Your Service Firm

- Are you an 'Independent Professional' or 'Professional Service Firm'?
- Grow Your Service Firm shows you a simple way to improve your sales and profits; secure a reliable 'sales funnel' of leads coming to you rather than you seeking them out.

Bright Marketing

- Based on a series of award-winning workshops, Bright Marketing reveals that in a world where much is the same, your business needs to be a bit different in order to stand out from the crowd.

Kick-Start Your Business

- This book is aimed at helping owner-managers and business advisers to maximise business potential. The emphasis is on practicality.

*'Robert Craven's Kick-Start Your Business covers an **essential part of running a business**... which will turn your business into a powerhouse by recovering some of the passion and nimbleness.... to make your business more effective and more profitable... the business in question often needs a boost – a **kick-start to greater success in the future.**' - Sir Richard Branson*

Beat the Credit Crunch

- The aim of this book is simple – to show you how to trade your way out of the credit crunch; to make money and get on with your life

The Start Up Essays

- A practical guide to help you start your business....