
is your culture really customer focused?

Companies are getting a failing grade at a time when the need to be customer centric is being put to the test as never before.

This article helps leaders consider whether their company's culture is really as customer-centric as it should be. It provides best practices for methodically shaping a customer-centric culture as well as examples of recognized leaders in customer service, and how they created a sustainable competitive advantage.

By William Parsons



senn delaney

Is your culture really customer focused? You probably think it is, but research shows your customers are much more likely to disagree. What is clear is that being known as a company that consistently delivers a superior customer experience creates a critical competitive advantage. Companies that merely pay lip service to having a customer-focused culture risk losing customers, sales, market share and reputation.

If you seen any episodes of the popular U.S. reality television series, *Undercover Boss*, you can appreciate that the primary premise is to entertain viewers. Viewers enjoy watching these incognito CEOs bumble their way through front-line jobs, at times dismayed to discover how hard the work is and at other times inspired by and amazed at some of the unsung heroes who are making a difference in customers' lives.

Entertainment value aside, there are real-life lessons that company top leaders should take to heart if they are committed to creating truly customer-centric cultures.

A strong example came from Joe DePinto, CEO of international franchisee convenience store chain 7-Eleven, which has built its success on convenience and customer service. When DePinto became the first 'Undercover Boss' in 2009, he set out to see how that culture of supporting franchisees was working at the ground level. Posing as an employee in training in convenience stores, DePinto baked pas-

try, placed orders and delivered fresh products. DePinto's appearance on the TV show was not just for entertainment. It really was continuation of his passionate commitment to embedding a customer-centric culture of supporting the 7-Eleven franchisees strongly across the enterprise at all levels that he began four years earlier when he became CEO.

As the new CEO, he quickly found 7-Eleven had a top-down culture, stagnant growth and not enough focus on the franchisees, who are the key to the company's success. He began a culture transformation with the credo of "Serve. Lead. Do What Is Right." DePinto challenged every employee of the company to have a new customer and franchise focus, accountability for their actions, and responsibility for results. So, four years later, going undercover was a good way to see if that culture had taken hold.

After his undercover stint, he told employees that he came away from the experience with an even stronger validation of "how critical it is that we must take care of our stores and their employees who are taking care of our customers. This is our mission – and all of us have important roles." He promised that what he learned would translate into actions around how the Store Support Center (formerly known as the corporate headquarters) and field teams would further support those working in stores. "Serving franchisees and working with them instead of issuing directives from above is a great way to reduce conflict between franchisor and franchisee," DePinto said during a keynote address at the International Franchise Association 2011 Annual Convention. "A power play on franchisees creates dissension," but leading by example gets them on board with the mission."

That philosophy and the changes 7-Eleven has made, involving everything from HR practices to renaming 7-Eleven headquarters the "Store Support Center" have paid off in many ways, he told the

group. New U.S. franchises are up by more than 1,000 locations since 2005, and the return on investment for all U.S. franchises is up almost 30 percent despite the recession. Worldwide, 7-Eleven now has almost 40,000 locations and opens a new store an average of one every 3.5 hours. DePinto also credits the culture for helping the company reduce debt and increase earnings over the past few years and achieving an upgraded Standard & Poors rating to AA-

The need to create a customer-focused culture is compelling

DePinto is among a growing number of CEOs who understand that customer service is no longer something that's soft, or not vital to the organization's top-line growth or bottom line. Many leaders have had to shift their mindset and change their organizations because strong evidence shows that customer-centric companies strongly outperform their rivals. Senn Delaney Chairman Dr. Larry Senn made this point during his presentation along with Victoria's Secret CEO Sharen Turney at The Conference Board's 2011 Customer Experience Leadership Conference. This year's event was "Growth through Customer Loyalty: A C-Level Perspective on Building a Customer-Centric Culture."

The clear theme from business leaders presenting at this conference was reflective of a simple comment by Teresa Laraba, SVP of customer services at Southwest Airlines: "It's a simple saying and a cliché, but your business is doomed to failure if placing a high priority on customer service is not a part of the fabric of your culture."

Poor state of customer service

Social media and the Internet have given customers more power than ever and apparently they don't have a great opinion of the current state of customer service, according to a study published in *Chief Executive* magazine. Nearly half of

those surveyed said companies don't understand or care about their needs or experiences, and more than half said companies ignore their feedback.

One of the reasons for customer dissatisfaction may be that there is a real disconnect between what the CEOs believe and what customers experience. A Chief Marketing Officer Council study found that 56 percent of companies said they're extremely customer-centric, but only 12 percent of their customers agreed. This is a cultural blind spot that we see all too often in companies who engage Senn Delaney to guide them to create and embed a customer-centric culture.

2011 customer experience report card: improvement needed

To assess the state of customer experience in 2011, Forrester Research asked more than 7,700 U.S. consumers about their interactions with a variety of companies. Based on their responses, Forrester calculated Customer Experience Index (CxPi) scores for 154 brands in 13 industries. This year's rankings show that only about one third of brands earned "excellent" or "good" CxPi scores and the rest ranged from "okay" to "very poor."

Some key findings from the Customer Experience Index report:

- Improving customer experience can have an enormous positive impact on a firm's bottom line.
- Most companies lack a customer experience strategy. As a result, their leaders struggle with decisions about funding and prioritizing projects meant to improve customer experience at the enterprise level.
- Companies seeking to improve their customer experience need to define a clear customer experience strategy, focus on activities and processes that differentiate them, build a customer-centric culture, and define metrics that will help them track progress.

Determine if your culture is as customer focused as it should be

Creating a truly customer-focused culture requires a systematic, experiential process led by the top leadership that will shift the thinking, habits and behaviors of the entire organization in an aligned direction that supports the vision for the new culture. Understand how well your company is doing by considering these statements.

- Our senior leadership fully supports a customer focus
They walk the talk
yes needs improvement no
- Our organizational purpose reflects a customer focus
yes needs improvement no
- We have created and communicated a set of core values that support a customer-focused vision
yes needs improvement no
- Our business strategies place the customer first
yes needs improvement no
- Our policies and procedures support our customer focus
yes needs improvement no
- We hire people with service attitudes and competencies that support our customer focus
yes needs improvement no
- We reward and recognize employees who exceed customers' expectations
yes needs improvement no
- We seek feedback from employees and customers as to how to improve our customer focus and act on that feedback
yes needs improvement no
- We provide insight-based education that empowers and engages our employees on how they can better serve our customers
yes needs improvement no
- We continually measure the level of customer satisfaction
yes needs improvement no

Customer-centric companies can expect positive results

The 2010 Customer Experience Impact Report by Harris Interactive is a great indicator of what leaders can expect if their company has a customer-centric culture:

- 55% of consumers became a customer of a company because of their reputation for great customer service.
- 55% of customers will recommend a company due to outstanding service.
- 66% of consumers cited customer service as the biggest driver for encouraging greater spending.

Companies with poor customer service are at risk

- 82% of consumers stopped doing business with an organization after a bad customer experience.
- 95% of consumers have taken action after a negative experience; 79% told others about it and 85% wanted to warn others about the pitfalls of doing business with that company.

This data should convince CEOs that creating a customer-centric culture should be a top priority to improve the customer experience and create growth. There is much room for improvement.

A Forrester Research study found only a small percentage of U.S. companies have purposefully created and embedded a customer-centric culture. The firm examined the five stages of maturity in customer experience journeys, from the lowest level of “interested” to the highest level of “embedded” based on interviews with 300 customer-experience decision makers at U.S. firms with revenues of \$500 million. The report found that 37 percent of firms had not started a customer experience journey and nearly two-thirds were in the first two levels of maturity.

Only four percent of companies were at

the top level of “embedded.” At this highest level, customer experience is ingrained in the DNA of the company. Almost every employee is fully aligned with the company’s clear mission to deliver world-class customer experience.

Customer experience is a core element of what the CEO thinks about, and he or she holds the entire executive team accountable for maintaining the customer-centric culture.

How do you create a customer-centric culture?: These six proven best practices should be incorporated

To build a customer-centric culture requires changing the thinking, habits and behaviors of the individuals and teams that comprise the organization. The process requires an integrated approach that must begin at the top of the organization and be embedded throughout the entire company. The following principles are essential.

1 Exemplify customer service from the executive suite

A process to create and instill a customer-centric culture requires a serious commitment from the top leadership down. Simply stating that you want the company to be the leader in customer service doesn’t make it so.

Organizational cultures are a collective set of values, habits and behaviors, and unwritten and written rules of how people work with each other, with customers, and with other stakeholders. Just as with changing any habit, when a CEO sees the need to create a more customer-centric culture, he or she will have to overcome inertia or resistance to change — a phenomenon we call “The Jaws of Culture.”

Equally important to note is that people and thereby organizations are influenced by the “Shadow of the Leader” phenomenon. Company leaders are important service-culture role models. They must show up as visible, passionate, relentless

and committed to continually increasing value to each customer. By working in the stores, 7-Eleven CEO DePinto demonstrated his passion and commitment to being a service-culture role model.

2. Define your customer value proposition and institutionalize it.

It is impossible to create something without first defining what you wish to create. Being customer focused can and does mean several things. The critical question is what does it mean for your business and your customers?

Engaging customers in defining what is important to them is essential in building customer loyalty. Most retail companies would love to emulate upscale department store chain Nordstroms’ level of legendary service, yet it is likely impractical and may not even be what their customers want most.

The key isn’t what is important to you, but what creates a competitive difference to your customers. Target and Wal-mart, as two examples, have demonstrated superior service that is meaningful for their customers and have carefully built their brand and customer marketing around delivering on the expectation of wide selection at consistently low prices in a well-defined store design.

Target attracts younger and more educated and affluent customers than its competitors by differentiating itself as a discount department store that offers more upscale, trend-forward merchandise at low cost. Wal-mart’s slogan, “Saving people money so they can live better lives,” reflects its business model of selling a wide variety of general merchandise at low prices, and responds to its 200 million customers who cite low prices as the top reason for shopping there.

It’s easy to think of qualities most companies would like associated with their business in customers’ minds — trust, quality, respect, consistency, integrity or even just

friendly and helpful. It takes more than buzzwords to win and keep customers. These specific qualities must be thoroughly embedded in all levels of your organization. Make a list of the qualities you'd like your company to exemplify. Then, examine your current company culture. Ask yourself if those qualities are apparent in your company and driving your daily efforts.

This is best done using an objective outside firm that specializes in diagnosing, shifting, measuring and shaping your culture. You will quickly see where work needs to be done to shift the culture in the desired direction without the distracting internal thinking of "this is how we have always done things around here."

3. Value your employees and they will value your customers

One of the most important aspects of a customer-focused culture is creating an inspired workforce of employees who believe in the company and its higher purpose and are aligned around that purpose, fully engaged and committed to the customer. Most employees understand that customer satisfaction is important to company survival and their own job security. But they need to make a gut-level connection to how they directly contribute to customer satisfaction. Even if they are not directly involved with the customer, employees can add value by providing great support and service within the organization to assist those that rely on them for the work they do.

The goal is to create and nurture an environment that inspires employees to want to take care of customers, and connects them to the higher purpose.

Zappos CEO Tony Hsieh is a guru in this area. He focuses on happiness and he is a zealot about customer service. He has created an entire movement out of his philosophy of "Delivering Happiness," which embodies a culture of employee happiness and customer service.

Best Buy's CEO Brian Dunn has publicly stated the significance of employee engagement in the customer value proposition. "I feel like not only are we out there competing for our customers every day, I'm competing for a share of my employees' hearts and minds every single day ... We've been very sharp and focused about the benefits we offer, and we make sure to encourage employees to be proud of where they work and to have a good laugh about some of the things we do periodically. It's a really powerful combination."

Dunn makes the strong connection to the bottom line: "Where we have higher levels of engagement of our employees, where they know there is someone at work who cares about them, or they have the tools to do their job, those stores perform materially better than the stores where the scores are lower. Where people are valued and their thoughts matter, their opinions count and engagement goes up, and customers get a better experience."

4. Align the organization to the customer-focused vision

In a customer-centric organization, leadership, vision, values, the strategy and the structure, processes and people must all be aligned around truly customer-focused ways of thinking and doing.

Every action is shaped by a relentless commitment to meeting and exceeding customer expectations regarding product and service quality. Customer touch points and supporting internal processes are constantly evaluated and improved to meet or exceed those expectations.

5. Engage a critical mass of people who buy into and live the new behaviors

Changing an organizational culture is a journey, not a series of events. A process should be used throughout the organization to engage people at a personal level to gain buy-in and commitment. The fol-

Best practices to create a customer-centric culture

1. Exemplify customer service from the executive suite
2. Define your customer value proposition; institutionalize it
3. Value your employees and they will value your customers
4. Align the organization to the customer-focused vision
5. Engage a critical mass of people who buy into and live the new behaviors
6. Consistently monitor the level of customer satisfaction

lowing elements are part of an integrated, holistic process to systematically bring the desired culture to life:

- measure progress at the individual, team and organizational levels
- align all internal systems and components for consistency
- reward and recognize people who embody the desired culture
- coach employees who do not reflect the desired culture

6. Consistently monitor the level of customer satisfaction

It is critical to know exactly what the majority of your customers think of your company. Implement a comprehensive measurement system that not only tracks their views but also becomes a key component of a recognition process.

Combining numerical results with recognition provides ongoing reinforcement to sustain the emphasis on customers. There are many examples of businesses that have gained market share, top-line growth and increased customer loyalty.



Amazon:
CEO Jeff Bezos
obsesses over
the customer, not
the competition

Zappos:
CEO Tony Hsieh
created a service
company built on
delivering happiness

USAA:
CEO Joe Robles has
inspired employees with
strong tradition of
commitment to service

T-Mobile USA:
Former CEO Robert
Dotson led company
to become the best
in customer service

Four companies that made customer-focus a competitive advantage

What is it about Amazon, Zappos, USAA and T-Mobile USA that differentiates them to customers? One thing that shows up in all of them is a true customer-focused culture that goes far deeper than slogans and friendly in-store greeters. They have purposefully changed the mindset of people at all levels of the company to place the customer at the forefront.

Zappos: A service company that happens to sell stuff

According to Tony Hsieh's vision, his \$1-billion online retail giant Zappos is a service company that happens to sell shoes, clothing, handbags, eyewear, watches and other goods.

He attributed record sales during the retail slump in recent years to a culture of customer focus to provide the best service and online shopping experience possible. Hsieh talks about creating this culture every chance he gets. He's written a book, *Delivering Happiness*, and is creating an

entire brand around its principles. His message: "The number one focus and priority for the company, even though we want the brand to be about customer service is company culture ... Our belief is that if you get the culture right, most of the other stuff, like great customer service, will just happen naturally. Most corporations don't want to put in the time to build customer service and a company culture."

The strategy is to wow customers, particularly loyal customers, not just satisfy them. Zappos offers free shipping both ways and a 365-day return policy.

While many consumer shopping sites make it challenging to connect with a live person, the toll-free number at Zappos is prominently displayed on its Web site. Call center representatives work without scripts and are encouraged to take whatever time they need to bond with customers rather than quickly dispatch them. Shipping is promised in five to six days, but most orders are upgraded to

overnight shipping at no cost, an unadvertised feature.

Hsieh got employees engaged by having them create a list of 10 core values they live by that include: deliver "wow" through service, embrace and drive change, create fun and a little weirdness, pursue growth and learning, do more with less and be humble.

To ensure that Zappos' people are a cultural fit, Hsieh offers new customer service agents \$2,000 to leave the company after an initial training period if they don't think they mesh with the Zappos culture.

Amazon: Customer obsessed

Amazon's founder Jeff Bezos once started an executive meeting by announcing that an empty chair at the table represented "the customer" Executives were asked to "the customer" Executives were asked to include the customer in their thought process as if he/she was present. This

practice is part of Amazon's corporate "customer-obsessed" culture.

Bezos has stated that Amazon has always paid close attention to what competitors are doing, but devotes most of its energy and innovation to obsessing over the customer. "We start with customers and work backwards."

He believes that companies have to "listen to your customers, but invent on behalf of customers because they don't always tell you what they are thinking." His Chief Technology Officer Werner Vogels once discussed the culture with a writer at CustomerThink.com: "It's very important to have a culture where everybody understands what the core values of the company are. New starters are often surprised at how important focusing on the customer is to us and how good Amazon is at doing that. We often have meetings where we start off with a 'customer voice' — a success story, even sometimes a negative story, of a customer's experience of buying on Amazon — and use those stories to drive our services to become better. ... We want to be the most customer-centric company on the planet."

So, when Amazon bought Zappos, the purchase gave the online giant a huge new category of products, but also complemented the customer service culture.

Mr. Bezos announced in a video message about the acquisition that he was "weak-kneed" with admiration for Zappos' unique customer-obsessed culture, brand and leadership. He has lived up to his promise to leave the company management and culture intact.

USAA: A long tradition of commitment to service

Founded in 1922, the private company provides insurance, banking and investing services to 7.2 million members of the military and their families. USAA is seen as a benchmark company for customer

service, and has been the number one or two company in America in customer satisfaction for several years.

The company is basking in robust growth, top ratings for financial strength and accolades for customer service from the likes of *Bloomberg Businessweek* and many others. USAA has the highest ratings for financial strength, it regularly ranks the best in customer satisfaction. Through the first half of 2010, USAA's net worth grew six percent to \$18 billion; it is currently ranked 66th in terms of net worth among the Fortune 500.

USAA trumped every car insurance company rated in the 2010 J.D. Powers and Associates National Auto Insurance study. It was one of only two companies to receive five stars in all categories, including the cost of car insurance, billing and payment, policy options, customer service and overall satisfaction.

How does USAA's service culture provide a business advantage? A big differentiator is that more than 21 percent of its workforce of 22,000 are veterans, military spouses, members of the National Guard and Reserves and 61 percent are people with military experience who work in customer contact jobs.

Josue "Joe" Robles Jr., a retired Army two-star general who became president and CEO in December 2007, attributes a big part of USAA's success to the passionate commitment of leaders and frontline employees to USAA's six cultural pillars and to working from a higher purpose of serving military families. That has created a distinct competitive advantage that has helped USAA not only survive the economic downturn, but thrive and grow.

An example of addressing members' needs was the launch of Deposit@Mobile, enabling people to deposit checks by scanning and sending them through home computers and smart phones. The innovation was driven by USAA's service culture of making banking easy for mem-

bers wherever they may be.

USAA continues to have a laser focus on its service culture because it seeks a life-long relationship with its patrons, not a transactional one.

Gen. Robles leads by example and keeps the culture at the forefront in a number of ways, including holding monthly employee meetings where he reinforces and showcases USAA's 'My Commitment to Service' principles to bring the mission statement to life. "We do the right thing for our members — we are their advocates. That really is the secret sauce."

T-Mobile USA: Becoming simply the best in customer service

When Robert Dotson became president and CEO of T-Mobile USA, he felt that the company would create sustainable competitive advantage in the fiercely competitive telecommunications industry through becoming 'simply the best' in customer service in the industry.

He knew that changing the strategic focus would require a significant shift in the culture, operations and how people worked together, from its executive leaders and managers to its 14,000 customer-facing employees. They would need to focus on making sure that retail store managers and associates and call center employees and service representatives had what they needed to do their jobs well and serve customers.

He also knew that to successfully implement an extensive and multi-faceted strategy of customer service, he and his executive leaders would need to be visible, inspirational champions of the new culture. Ultimately, every employee would have to be personally engaged in the vision, values and mission in order to deliver a world-class service promise.

T-Mobile engaged Senn Delaney to create a 'one company', high-performance service culture throughout the organization.

One reason that T-Mobile's customer-service strategy worked so well is that Dotson consistently and clearly articulated the aspiration and remains highly focused on the culture.

Within three years, every employee participated in the culture-shaping sessions. T-Mobile continues to introduce the concepts and principles during new employee orientations.

T-Mobile USA quickly became widely recognized as the leader in customer service. Most recently, T-Mobile received the highest ranking in the 2011 U.S. Wireless Customer Care Performance StudySM—Volume 1, for the second consecutive time. The semi-annual study provides a

detailed report card on how well wireless carriers service their customers in three contact methods: telephone calls with customer service representatives (CSR) and/or automated response systems (ARS); visits to a retail wireless store; and on the Web. T-Mobile has dominated these customer care awards for several years. In 2009, T-Mobile received the highest ranking in overall wireless customer care for eight of nine consecutive reporting periods.

Winning awards and recognition for being the leader in customer service has translated into tangible business results. T-Mobile has improved customer loyalty, reduces customer churn and increased the number of customer trusted referrals that are the holy grail of consumer retailing.

Conclusion

Creating a customer-focused culture should be a strategic imperative for all companies. There is ample evidence that a customer-centric culture pays many dividends. Happy customers lead to increased sales and loyal relationships. Customer-focused companies are also more attuned to the market and better able to stay ahead of the competition. Employees who are more empowered and supported to deliver great customer service through a clear vision, values and aligned processes will be more inspired and satisfied.

To deliver world-class customer experience, leaders need to commit to a disciplined, systemic, holistic approach to align and engage the whole workforce in support of the customer-focused vision and that values that bring it to life. ■



About the author

William Parsons is a partner and executive vice president at Senn Delaney. He applies 30 years of experience in enterprise transformation and the fundamental re-energizing of an organization to help companies meet new market conditions or competitive challenges. William has guided the cultural transformations of numerous companies, including Boeing, David's Bridal, Sears, Lowe's, AutoZone, Corinthian Colleges, Staples, Crowley Maritime, ARCADIS, Hertz, Sony Pictures Entertainment and WellPoint.

Corporate Offices

Los Angeles

3780 Kilroy Airport Way, Suite 800
Long Beach, California 90806
t (562) 426-5400

London

2 Conduit Street,
London W1S 2XB
t +44 (0)20 7647 6060

www.senndelaney.com

©2008 Senn-Delaney Leadership Consulting Group, LLC. All rights reserved. No part of this may be reproduced in any form without written permission of Senn-Delaney Leadership Consulting Group, LLC.



senn delaney