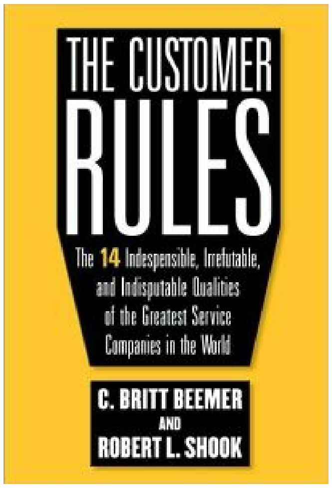


# Book The Customer Rules

## The 14 Indespensible, Irrefutable, and Indisputable Qualities of the Greatest Companies in the World

C. Britt Beemer and Robert L. Shook
McGraw-Hill, 2008

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## Recommendation

C. Britt Beemer and Robert L. Shook explain in this book that companies which deliver great service to their consumers exhibit common qualities. For example, firms that tackle customer service as a collective imperative tend to outperform their competitors who consider it just a departmental activity. Emphasizing client support in training programs, not just in written policies, is another way to develop a solid base of returning customers. Each chapter of this guide is devoted to one of the 14 traits of great service providers. The authors drew from $300,000 of consumer research conducted exclusively for this project and enriched their findings by including many case studies of U.S. enterprises. *getAbstrac*t recommends this manual to readers who want to adopt the mutual practices of top client-service firms in order to build their own clienteles.

## Take-Aways

- Businesses readily acknowledge the importance of serving customers well, but few actually do so.
- When corporate leaders stress customer service, staff performance levels improve.
- Some 67% of people agree they would pay more for products if they received better help.
- One-third of Americans report that they stopped shopping in certain stores because checkout lines were too long.
- A strong brand name can create a special image for a product, even a commodity.
- High customer retention rates depend on great service before and after the initial sale.
- A store's ambiance and its advertising can shape positive consumer perceptions, thus attracting clients.
- Holding onto repeat business is more profitable than acquiring first-time customers.
- When a restaurant staff member greeted diners by name, 85% of those patrons actually enjoyed their meals more and were more motivated to return.
- When targeting your marketing resources, focus on affluent customers.

## Summary

### How to Provide Unbeatable Service

Delivering excellent customer service improves profitability, builds consumer loyalty and reduces buyer turnover. Many businesses readily acknowledge the importance of their clients, but few actually offer them great service. Firms trying to reach out to their customers often collect bad information and misinterpret it. Avoid these pitfalls by adopting the following 14 best practices that top companies employ to deliver exceptional service:

1. **"Everyone's job"** – Creating a department devoted to customer service may send the wrong message to your employees. Serving clients should be the top priority of all staff members, even those with no regular contact with customers. Some employees avoid customer contact because it seems to be beyond their regular duties. That's not how the Four Seasons hotel chain operates, though. Its leaders teach employees to make guest service their main priority. If a guest asks a maintenance worker at a Four Seasons hotel for directions to the coffee shop, the worker will walk the guest to the location. Simply writing a company policy that makes customer service every staffer's task is insufficient. Emphasize such a policy through employee training; don't merely put it on paper. Adding service standards to your mission statement doesn't help unless you tell your employees about them. One study found that hiring officers tend to mention their

companies' mission statements in fewer than 21% of interviews and just 47.4% of U.S. workers have viewed their employers' mission statements.

2. **"Sell your employees first"** – Delivering exceptional customer service starts with keeping your best workers satisfied. Good morale reduces employee turnover and hiring costs. Bad morale is rarely a secret. Many shoppers can detect if a store's employees are upset. Staff members telegraph feelings of enthusiasm, apathy and anger more readily than some employers realize. Before retail chain Kmart filed for bankruptcy in 2001, most customers said they sensed that its cashiers and other employees were unhappy in their jobs, citing body language, not explicit statements of dissatisfaction. Generating and sustaining positive employee attitudes is easier in a desirable workplace. Google goes to extremes to keep its people happy, offering them free food at 11 restaurants at the company's headquarters, and providing services that range from car washes and oil changes to laundry service, massages and foreign language instruction. Employee-owned firms can gain a competitive edge by offering attractive equity investment opportunities to new hires. Morale is usually high at such businesses because the employee-owners often fill management vacancies by promoting from current staff.
3. **"Company culture"** – Firms gain by creating positive cultures that employees and customers can embrace. Mary Kay Ash started her cosmetics business in 1963 with a personal mission of helping others reach their individual potential. She believed that "the more you give, the more you receive," and ultimately built a business empire. Mary Kay is now one of America's most recognizable brands. Similarly, the legacy of the Four Seasons hotel chain began when Isadore Sharp opened a motel in downtown Toronto in 1960 with a powerful emphasis on customer service that rivals would struggle to match. Among other tactics, Sharp paid front-desk clerks twice the going average to attract the best people and provide unsurpassed service to guests.
4. **"Being big, thinking small"** – People like to buy from small companies. The reason? Surveys show that 90.2% of customers reported "feeling overwhelmed" at big stores and that 78.6% would prefer to go to small stores if they offered the same prices as large stores. "Thinking small" is no small task for major corporations. Businesses rooted in tiny towns often find it easier to develop an especially personal touch in customer relations. Sporting goods seller Cabela's, Ashley Furniture Industries and investment firm Edward Jones are examples of enterprises that are based outside major cities and that cherish their strong small-town heritage. They have built a loyal following one customer at a time and, along the way, they have made important contributions to the communities where they do business.
5. **"Total customer experience – before, during and after the sale"** – Customers want you to "wow" them on every level. They gravitate to stores that look dazzling, that employ knowledgeable salespeople and that provide exceptional post-sale service. Many initially decide where to shop based on a store's ambiance and appearance. Advertising also can convey quality and distinction. But be aware that the advertising medium you use may be just as important as the message. For example, many consumers judge paper quality when they assess the value of ad inserts in newspapers. Store owners who appear in ads may have more credibility than actors. Truth in advertising, after all, is nonnegotiable. Managers who fail to keep advertised sales items in stock will hurt repeat business. Store owners who cut staff may suffer the same consequence. Customers like to browse, but they also want assistance finding items. When they can't find sales help, browsers don't become buyers.
6. **"Personal touch"** – Nothing is a substitute for personal service, not even the Internet. Consumers believe the Web actually inhibits service. They want to talk with a human being and get assistance when they shop. Further, 67.2% of those surveyed said they would pay 10% to 20% more for the same merchandise if they could get good service. This means companies could realize a higher return on investment if they hired skilled staff to interact with customers. Small business owners tend to have a competitive edge in offering individualized service. They can express appreciation to clients more directly than their bigger competitors and they can forge strong bonds with regular customers whom they greet by name. A survey found that when a restaurant staff member greeted diners by name, 85% of those patrons enjoyed the "dining experience" more. Mary Kay, RE/MAX, Harrah's and the Four Seasons go to great lengths to greet guests by name. Yet, surveys show that most sales and service employees rarely address customers by name, even if the patron's name is readily visible on a credit card or a debit card.
7. **"It's about time"** – Time has become more valuable to consumers, and they now spend fewer hours shopping. The average American works 46 to 47 hours per week and spends about one hour a day commuting. So it's understandable that one-third of Americans said they have stopped shopping in stores that have long checkout lines. Apple's leaders corrected this problem by equipping store employees with hand-held scanners, enabling them to process sales anywhere in the store, not just at checkout desks. A Lexus car dealership owner in Newport Beach, California, built a service facility large enough for 100 vehicles to ensure that routine maintenance and repairs would take less than an hour.
8. **"Why selling a service differs from selling a product" –** Misguided companies sometimes fail by focusing on selling products, not on serving customers. Savvy retailers understand that a store's atmosphere is just as important as its product assortment. For example, creating a distinctively pleasant customer experience at its retail stores, not just selling good coffee, has been critical to the growth of Starbuck's. Hotel and casino operator Harrah's carved a special niche in the Las Vegas market by issuing debit cards to guests to enable them to track their spending and to reward them based on their gambling and shopping expenditures. Harrah's ultimately built a database capable of calculating the exact value of each customer derived from his or her past spending. As a result, Harrah's excels at guest relations and has improved service to its most profitable guests.
9. **"When price rules"** – Companies that compete on price alone struggle to develop customer loyalty. Discounting can damage both a firm's long-term reputation and its short-term financial performance. For example, many businesses in the airline and supermarket industries offer discount prices that can erode or eliminate their profit margins. Some successful companies provide great service while resisting price cuts. Compared with other underwriters of workers' compensation insurance, Chubb spends more time analyzing risk and it charges more for coverage. But Chubb also resolves claims faster than its rivals, a quality that has helped it become a leader in its industry. Chubb's customers pay extra for the peace of mind provided by high-quality service.
10. **"Multiple tiers of customers"** – Most large service companies have a variety of customers. Johnson & Johnson, for instance, sells pharmaceuticals to doctors and hospitals that, in turn, dispense them to patients. Although all customers deserve respectful treatment, smart business leaders choose which customers to encourage with incentives. They nurture the most profitable customer relationships. That's why first-class airline passengers get more perks than passengers in the coach section. The gambling industry routinely distinguishes its most profitable guests from the rest. When Microsoft founder Bill Gates offered $20,000 to $25,000 for a five-night stay in one of the Rio's luxurious Palazzo suites in Las Vegas, the hotel management refused. The reason? Gates is a pocket-change, draw poker player. The suites he wanted were held for high rollers with credit lines of more than $2 million.
11. **"Satisfy Main Street first, then Wall Street"** – Companies straining to meet short-term financial goals often fail to achieve their long-term objective of delivering exceptional customer service. When service-conscious businesses take a long view, they focus on clients, their key asset. Blindly pursuing immediate financial results has long-term consequences. Firms that cut corners by slashing payroll risk diluting service and alienating customers. Operating privately is one sure way to sidestep Wall Street. Compared with public companies, privately held organizations spend less on building relationships with shareholders, stock analysts and journalists. Though Wall Street analysts measure corporate progress in three-month increments, public companies often need two or more quarters to show tangible progress from major initiatives like technology upgrades and entries into new markets. A leading U.S.-based seller of private passenger aircraft service, NetJets, lost "$40 million back to back during its first two years" of operation in Europe before turning profitable and ultimately dominating the European market. One reason this worked was the patience of multibillionaire Warren Buffett, chairman of investment holding company Berkshire Hathaway, a major shareholder in NetJets. To his credit, Buffett never pressured NetJets' management to stem its early losses in Europe.

12. **“The power of strong branding”** – Consumers are loyal to brands that are synonymous with the positive attributes they seek. With strong branding, even ordinary goods can gain an extraordinary following. Ketchup is a commodity, but Heinz has taken an overwhelming share of the U.S. ketchup market, thanks largely to decades of effective brand marketing. Some brand strategies center on business missions. For example, the Four Seasons brand is a “promise” that each guest will have the best hotel experience possible. Brand strategies that encourage word-of-mouth advertising may be the most powerful.
13. **“Value of a customer”** – Holding onto repeat business is more profitable than acquiring first-time customers. Retaining clients is largely a function of delivering great service. Companies spend on advertising, promotions and other marketing tools to attract new buyers. One used-car dealer realized he was making too few sales to new customers to justify his practice of spending $400 in marketing expenses for each fresh prospect who walked into the showroom, so he refocused on returning customers. Building recurring business drives down advertising and other customer-acquisition costs. Repeat business also enhances a company’s market value. Firms with low customer turnover will command a higher price than those with high customer turnover.
14. **“Change is constant”** – The rapid pace of change means successful marketing strategies do not work for very long. Constantly adjust your assumptions about consumer behavior as new trends unfold. For example, people are increasingly reluctant to visit multiple stores on a shopping trip. In 1980, Americans shopped at an average of 3.5 stores before making a purchase, but by 2008 the average had dropped to 1.3 stores. As a result, retailers must strive to ensure that their stores are the first ones that consumers choose to visit by providing better shopping experiences.

## About the Authors

Trend forecaster **C. Britt Beemer** is founder and CEO of America’s Research Group, a national firm that conducted the studies used exclusively for this book. **Robert L. Shook** is the author of many business books, five of which have appeared on *The New York Times* bestseller list. His recent books include *Longaberger* and *The Pep Talk*.

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