

## **BUSINESS LIFE: THE ART OF KEEPING CUSTOMERS HAPPY**

By Richard Tomkins

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If all the talk about the importance of innovation were translated into action, there would be a lot less need for all the conferences, business books and newspaper articles about it. As it is . . . well, Hans Snook, the visionary former chief executive of Orange, the mobile communications company, has a theory about the gap between theory and practice.

Usually, he told an innovation conference last week, companies are too focused on quarterly earnings and meeting the expectations of the stock market to grasp the fact that only by meeting the needs of customers can they deliver growth.

"If you really start talking about customer issues in a very deep way, you have to transform your corporate culture, and that isn't always easy. It isn't just having a good marketing department or research department or customer service department that's going to solve the problem; it's everybody in the organisation having to believe that, ultimately, what they're doing is in the best interests of the customer."

What Mr Snook was getting at is one of the great mysteries of business life: why so many companies are hopeless at keeping customers happy. Yes, they may have strong brands and good products, but then they go and spoil it all by failing to get their products to customers on time, failing to put things right when they go wrong or simply putting corporate expediency and short-term profit above customer convenience.

"Often it is the finance department that's the killer of innovation because it does all the sums and says 'If we do it that way, we're not going to make more money'," Mr Snook said. "Typically they're wrong, but unfortunately a lot of companies let that be the overriding consideration because the champion of whatever new product or idea it may be is not always in the higher echelons of the company. And if the CEO doesn't really get involved and make sure that everybody in the company understands the customer is king, it's not going to happen."

But what has customer service got to do with innovation? If, by innovation, you mean the "Eureka!" moment when a company comes up with a brilliant idea for a blockbuster product such as laundry detergent or the iPod, the connection may not be very clear.

However, there are other, less headline-grabbing levels of innovation.

The emphasis at last week's conference, hosted by Procter & Gamble Europe at its Schwalbach Innovation Centre in Frankfurt, Germany, was not on breakthrough products and blue-sky thinking. It was on what it called "innovation by the silent majority", the unglamorous, everyday effort to improve products, services and business processes in ways that make them just that little bit better for customers. Most people who take an interest in innovation and marketing will be familiar with the argument that, these days, nearly all products and services have become commoditised.

According to this argument, the only way to break free from the competition is to innovate your way to some kind of uniqueness, either by achieving a breakthrough in product or service attributes or by adopting a branding strategy that associates the product or service with a unique set of ideas or emotions.

But Patrick Barwise, professor of management and marketing at London Business School, set the tone for the P&G event by arguing that it was the little things that count: that customers were much less interested in breakthrough technologies than in quality products, good service, on-time delivery and other such generic benefits that any competent company could provide.

"Usually," Prof Barwise said, "the reality is that customers rarely buy a product or service because it offers something unique. Usually, they buy the brand that they expect to meet their basic needs a bit better or more conveniently than the competition. What they usually want are products and services that are not more differentiated, but simply better."

This, by the way, was a shameless plug for his book, *Simply Better: Winning and Keeping Customers by Delivering What Matters Most*, co-written with Prof Seán Meehan of IMD in Lausanne, Switzerland and published last year. Those with long memories may detect a striking similarity between this idea and *kaizen*, the art of continual improvement that helped Japanese industries achieve global success in the 1980s. With Japan's economy in a rut, the country is no longer much of an advertisement for *kaizen*. Still, *Simply Better* points out that the best Japanese companies are still world leaders. Moreover, the book argues, the *Simply Better* approach goes further than *kaizen* by saying its principles should be applied not just to manufacturing but to every function in every industry - in particular, service quality.

The heroes of the book - P&G, Tesco, Toyota, Orange, Ryanair - tend to be companies that succeeded not by doing anything that their competitors could not but by getting the basics right and keeping customers happy with quality products and good service at a fair price.

Back at the conference, Martin Hayward, director of consumer strategy and futures at Dunnhumby, a UK market research company that is 53 per cent owned by Tesco, fêted the supermarket group as an example of a company that gets it right.

Mr Hayward made the point that knowing what was relevant to your customers was one thing, but doing something about it quite another. He cited the example of Unilever, whose SlimFast subsidiary was hit by the low-carbohydrate Atkins diet but only launched a range of low-carb variants in January - years after the craze began and just as it was going into decline.

So people within organisations had to be empowered to respond to customer needs very quickly, Mr Hayward said. And that was the difference between Tesco and its competitors. From top to bottom, there was a relentless commitment to making sure that everything the company did was relevant to customer needs.

"Everything they do is entirely replicable, it's non-patented and there is nothing to stop any retailer in the UK or anywhere else from doing exactly what they do," Mr Hayward said. "But what the others don't have is the culture."

Fair enough, I thought. But why is it that every month, when fulfilling my online grocery order, Tesco fails to deliver essential commodities such as lavatory paper, salt or nappies? The delivery man says it is because "for security reasons" the stock pickers selecting the goods from the supermarket aisles are not allowed into the stock room if the shelves in the aisles are momentarily bare.

Happy customers? As Mahatma Gandhi said when asked what he thought of western civilisation: "It would be a good idea." But perhaps the real lesson is that no company can ever hope to catch up with rising consumer expectations. Even for the best of them, innovation is a journey that never ends.

### ***How to Provide Service Excellence***

Incremental improvements to customer service can be as effective as laboratory-based innovations.

- In the mid-1990s, mobile phone users often complained of unfair billing relating to per-minute charges. Orange, the UK mobile communications provider, won new customers with its move to more accurate per-second billing.
- When Toyota ventured into the luxury car market with its Lexus brand, it aimed to reduce running costs by eliminating one of the main causes of depreciation: rust. Its design team greatly increased the thickness of chrome plating and applied six coats of paint to the bodywork.
- Cemex, the Mexican cement producer, focused on a basic customer need: reliable delivery. In specified areas it guaranteed same-day delivery within 20 minutes of the arranged time

Source: *Simply Better*, HBSP