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THE ULTIMATE COMPETITIVE ADVANTAGE

A COMPLETELY DIFFERENT APPROACH TO IMPROVING CUSTOMER SERVICE

More than 70%

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customer experience great

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SO YOU WANT TO IMPROVE CUSTOMER SERVICE?

Start here: More than 70% of what makes a customer experience great is based on the behavior of frontline employees, according to Sandy Rogers, global practice leader for Customer Loyalty.

Consequently, the strategic decisions we agonize over — like real estate, store design, policies and procedures, and merchandising — affect only about 30% of the experience. At FranklinCovey, we have found that most of the variation in customer service across chains today comes down to differences in frontline behavior. Strategic corporate decisions are important, but frontline behavior at each location primarily determines whether a customer has a satisfactory experience or a delightful one.

So FranklinCovey takes a completely different approach to improving the customer experience. Rather than top-down prescriptions driven by corporate data analysts, we advocate for a bottom-up approach powered by the operators in the business.

Of course, getting frontline employees to make more customers happy is easier said than done. That's why many companies focus on the 30% — the strategic decisions made easier with data collection and analysis at the corporate office.

What about the 70% that involves changing people's behavior? That's a different story. And it only gets more challenging with employees who are five or more layers down from the CEO.

Driven by frontline accountability for customer service, Enterprise grew from **delighting 67% to 80% of customers** over ten years.

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IMPROVING CUSTOMER SERVICE TO TURBOCHARGE SALES: The Enterprise Story

Fred Reichheld, creator of the Net Promoter System (NPS), frequently points to Enterprise Rent-A-Car as one of the best examples of changing frontline behavior to improve customer service across a large chain. Enterprise exemplifies the bottom-up approach powered by the business operators.

In 1994 Enterprise created (and still uses) a simple two-question phone survey to rank branches each month. The survey asks customers to rate their last car rental experience, without collecting any comments.

Enterprise didn't just collect data—they made it meaningful. To be considered for promotion, branch employees had to meet or beat the company average.

Driven by frontline accountability for customer service, Enterprise grew from delighting 67% to 80% of customers over the following ten years, which helped the company grow from $2 billion to $7 billion in sales by 2004.

How has Enterprise, with 9,000 branches and over a million cars, continuously improved for more than two decades with only a one-person customer experience department, a two-question phone survey, and no customer comments to analyze?

The answer is very simple. Enterprise branch managers:

- **Watch** what's going on.

- **Model** the behavior they expect.

- **Coach and celebrate** their people often.

- **Call back unhappy customers** to learn what went wrong, apologize, make it right, and invite them back.

- **Share learning** and ask for ideas from the team.

- **Experiment** and try new things.

- **Know they are accountable** and won't get promoted if customer service is below average.

Enterprise acquired Alamo and National in 2007. Unlike Enterprise, Alamo and National were unionized with a largely blue-collar workforce. But within three years and using the same approach, these brands went from fifth and sixth place in the J. D. Power North America Rental Car Satisfaction Study to second and third, behind only Enterprise itself. Frontline accountability and empowerment are the secret to success at Enterprise, National, and Alamo. Watch this short video to learn more about Enterprise's success.

DICTATED BY CORPORATE:

The Top-Down Approach

Unfortunately, most organizations don't operate like Enterprise. They've turned to one of the many software companies that have sprung up to help organizations improve customer service through long email and receipt surveys, along with platforms to analyze and display a lot of data. The corporate office uses these tools to tell frontline managers how to get better.

Unlike the bottom-up, operator-driven approach at Enterprise, where the frontline figures it out, these software companies and their corporate sponsors take a top-down view. They believe that improvement primarily comes through data mining to reveal "actionable insights" for the frontline, rather than simply holding frontline employees accountable for serving customers better.

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POWERED BY THE FRONTLINE:

The Bottom-Up Approach

FranklinCovey's approach to helping companies change frontline behavior builds on the Enterprise experience. In fact, our practice leader led the Enterprise team that developed the system for measuring and improving customer service.

Based on working with many chains over the past decade, we discourage rankings based on email and receipt surveys because they get low response rates and do not provide an accurate picture (see our whitepaper, "Are Your Customer Service Metrics Telling the Truth?" to learn how to obtain a trustworthy ranking). We also do not rely on long surveys, attribute ratings, or text mining to tell frontline teams how to improve.

Instead, we help our clients:

1. **Empower** their frontline teams to improve.

2. **Inspire** and hold them accountable for doing so.

3. **Train** frontline managers how to *lead* people to improve customer loyalty.

In this whitepaper, we discuss how to tackle points one and two. A future whitepaper will cover point three.

> We discourage rankings based on email and receipt surveys because they don't provide an accurate picture.

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Fewer than 40%

of customers complete
most email surveys,
and receipt surveys

rarely exceed a
5% response rate.*

* Based on studies FranklinCovey has completed with 10 different chains.

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IDENTIFYING STRONG AND WEAK PERFORMERS

Before you can empower, inspire, and hold frontline managers accountable for customer service, you must know how each team is performing. We've found that only a survey with a 75% or better cooperation rate will rank locations accurately. Unfortunately, fewer than 40% of customers complete most email surveys, and receipt surveys rarely exceed a 5% response rate.

So why do 95% of customers contacted by Enterprise agree to complete their phone survey? Because it is short and it is easy to participate. But phone surveys are more expensive than email and receipt surveys, so most companies don't take this route, trading accuracy for lower cost — a shortsighted move in our view. It's like depending on a middle school math student to prepare the company's P&L statements.

LEARN WHY MORE CUSTOMERS ARE NOT HAPPY

Armed with a reliable ranking of frontline teams, the next step is to diagnose why more customers aren't happy with their experience. At this point, many organizations are tempted to add survey questions to analyze more data, come up with conclusions, and then tell frontline managers how to improve. Here's why this doesn't work:

1. Longer surveys get lower cooperation rates and are therefore not accurate, not to mention annoying to customers.

2. Surveys can't uncover the *root cause* of poor service—only direct observation by the frontline manager and following up with customers can.

3. Telling frontline teams what to do undermines their enthusiasm and ownership for improving service. After all, customer service is *their* responsibility.

The frontline employees—not the survey vendor or data analysts at corporate—should have primary responsibility for figuring out why more customers are not happy with their experiences.

TREAT FRONTLINE EMPLOYEES LIKE VALUED PARTNERS

No one knows more about why customers are unhappy than frontline employees. So ask them. Treat them like a partner in the mission to delight more customers, not like an expense to be minimized. In doing so, frontline employees become enthusiastic participants in the improvement process.

When employees feel like valued *members* of a winning *team* pursuing an important *mission*, they become more loyal, leading to increased customer loyalty, sales growth, and profit. It happens in *this* order.

The best frontline leaders regularly ask their teams these two questions:

1. What should we do to delight more customers?

2. What do we need from corporate to help us delight more customers?

Teams discuss ideas in the huddle, vote on the best ones, and then run thoughtful experiments. If an idea works, it typically spreads to other teams. *Frontline empowerment and accountability drive improvement.*

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MAKE SURE THE CORPORATE TEAM UNDERSTANDS THEIR ROLE

Responses to the second question on what is needed from corporate should be shared with the area and regional managers. The corporate team then categorizes, prioritizes, discusses the bottom-up suggestions, and decides which ones to tackle to help the whole company. This could be anything from a change in the return policy to a decision to add merchandise to a particular region.

Data analysis at the corporate office can be especially useful in investigating the potential of a bottom-up idea to help many locations and in discovering a powerful new idea that hasn't bubbled up from the frontline teams.
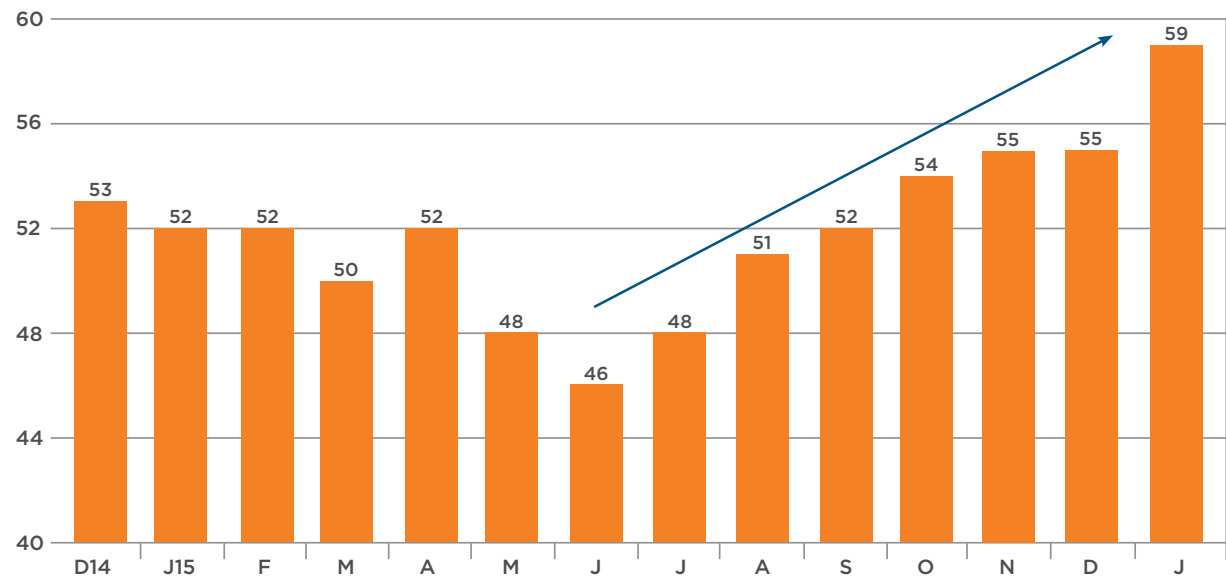
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FRANKLINCOVEY CASE STUDY:

A Healthcare Organization Revives Their Patient Experience

FranklinCovey worked with a leading healthcare chain to measure patient satisfaction at each location for four years. During the first two years, patient scores showed strong improvement. Then with a shift in management focus to improving "efficiencies," patient scores plummeted. The company was sold to a new owner who replaced the CEO.

Alarmed by the negative trend in patient scores, the new CEO insisted that all operational management spend more time in the company's medical centers.

Healthcare Chain Improves Patient Satisfaction by 13% Within 7 Months

*Notes:
1) Based upon 1-month scores.
2) The NPER (Net Patient Experience Rating) score is based on a 0-10 scale and is calculated by subtracting % of 0-6 from % of 9-10 to the satisfaction question. E.g., if % 9-10 is 70% and is 10%, then NPER is 60.

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He also made it clear that patient scores were unacceptable. Within seven months, scores improved dramatically across the chain. And business customers, who referred *their* employees to this company, were much happier too.

So what changed during this seven-month period? There were no additional survey questions, no special analysis of the customer comments at corporate, no new "actionable insights." *What changed was the accountability and focus at the frontline to make more patients happy.*

Time and again, FranklinCovey has learned the biggest challenge in making more customers happy is not discovering some new insight in the survey data, but rather it is focusing the frontline employees on doing what they already know, more *consistently.* This is the job of operational management.

Yes, corporate data analysts can and do uncover insights that help all locations improve, but senior leaders should never lose sight of the importance of giving the frontline primary responsibility for diagnosing and improving customer service.

Clients typically make

5-10% more of their customers happy

within the first three years of our engagement and achieve a

7-10 times ROI.

HOW FRANKLINCOVEY'S CUSTOMER LOYALTY PRACTICE CAN HELP YOUR ORGANIZATION

We help organizations build a winning culture, which is the common denominator among all great companies. Get the culture right, and frontline attitude and behavior follow.

In our experience, frontline managers are the leverage point in building culture. Their primary role should be to select the right people, and then train, coach, and inspire them to give their best to each customer every day. Continuous observation and feedback to employees are essential. Accountability for excellent customer service is paramount.

The Customer Loyalty Practice helps organizations inspire their frontline teams to delight more customers to drive faster sales growth. Financial returns come not only through increased sales, but also through improved employee retention.

Our clients typically make 5-10% more customers happy within the first three years of our engagement and achieve a 7-10 times return on their FranklinCovey investment.

Sandy Rogers

SANDY ROGERS
Global Practice Leader for Customer Loyalty

Sandy Rogers is FranklinCovey's global practice leader for Customer Loyalty. He was previously senior vice president and head of marketing at Enterprise Rent-A-Car, where he led the team that developed the system for measuring and improving customer service across their 9,000 branch network, helping triple revenue from $2 to $7 billion in the first 10 years.

SCHEDULE A COMPLIMENTARY CONSULTATION ON YOUR CUSTOMER SERVICE PROCESSES

Contact us at 1-800-827-1776 ext. 6990, via email at loyalty@franklincovey.com, or visit us at franklincovey.com/loyalty.

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