



"Customer Management: Unlocking The True Potential."

"The role of data & technology in creating great customer experiences"

Speech at Breakfast Seminar

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"I'll begin with today with a few short stories - stories about *Great* customer experiences.

Story # 1*

The first story is from Barry Herstien, Chief Marketing Officer at the Financial Times Group (UK):

I used to be a frequent stayer at the Ritz Carlton in Singapore, because I worked at CitiBank and I spent a week there every month.

You arrived in the morning with the time difference. You get out of the airport, somebody's waiting for you, you get in the car, a bottle of water, cold towel and we are on our way.

The second time I stayed there they checked me in from the car on the way from the airport! By the time I get to the hotel, I don't go to the counter. Someone greets me as I get out of the car, takes me up to my room, I sign something, you're checked in real time, no wasting time because they know you are tired and have to go to a meeting.

Ten minutes later the door bell rings and there is a trolley of dim sum. I said I didn't order this. They said, "No, Mr Herstien, but we know this is what you ordered last time. Would you like it? Not only did they remember what I liked, but they had also remembered what I liked, but they also remembered that there is a certain kind I didn't like, that I had asked them to take off my plate on my first visit. Now is that somebody clever downstairs remembering? No. Next to Barry Herstien's name in a very sophisticated database is all that information.

Story # 2*

The second story is about Southwest Airlines, which is unique in the US airline industry in that it has created legions of passionate customers.

This is illustrated in the comments from a couple of customers at Southwest, Ann Cooper & Rick Marchotte.

After the September 11, 2001 attacks, which crippled and jeopardised airlines for months Ann Cooper sent a letter to the CEO of the Airline after the Sept 11, 2001 terrorist attacks, saying: "We are encouraging our clients to fly Southwest Airlines. We are buying more shares ... and we stand ready to do anything else to help. Count on our continuing support".

As this quote indicates, Ann Cooper is a Southwest Airlines customer who stands by a company she loves.

She also said that as well as clients she would be persuading friends and family members to fly Southwest Airlines, and would be purchasing tickets on their behalf. Perhaps most tellingly, she included a \$500 cheque with her letter, saying that the airline needed the money 'more than I do'.

Rick Marchotte on the other hand is a Southwest airline frequent flyer. Over nine years he's flown over 200 trips each year. Marchotte says "I had a crazy schedule, but I enjoyed it because of Southwest. It's easy to tell friends and associates about something when you feel passionate about it. I've never seen an organisation like it!"

Southwest estimates that he's probably directly influenced over **9000 customers** for the Company.

Southwest have created a "Friends of Southwest" database – Cooper & Machotte are in it. They run regular briefings about the Company and provide a range of "special" services to their "Friends". These range from dinners with interesting speakers and meetings with the CEO.

Southwest Airline is known for its unique position in the marketplace. To get a flavour of the personality of Southwest here are some examples of Southwest's flight attendants' humour – and I quote:

- "There may be 50 ways to leave your lover, but there are only 4 ways out of this airplane.
- "We will be serving meatloaf today, which you can also use as floatation device
- "the captain will be turning down the lights as we prepare for take-off. This isn't necessary for any technical purpose. It's just been a long day and our flight attendants don't look quite as lovely as they did this morning."

33 years after its launch, Dallas based Southwest Airlines has a valuation of \$ 14 Billion which dwarfs that of its competitors.

It has made profits every quarter since 1973. In the financial quarter after the Sept 11 attacks although revenue dropped significantly it still earned a profit of \$ 151 million USD.

Story # 3*

The final story is about Michael Dell & Dell Computers and what it really means to execute well.

For those who don't know, Dell Computers sells PCs direct to the customer and builds them to order. Dell passed Compaq Computers in 2001 as the world's largest maker of PCs. This is despite HP-Compaq's vastly greater size and scope. In 2002 Dell was targeting an increase in market share from 20% to 40%.

Dell has taken the conventional batch production manufacturing approach adopted by its competitors and turned it on its head. By taking a 'build to order' approach Michael Dell has squeezed both time and money out of the manufacturing process. At the time an order is placed with Dell, Dell's component suppliers get the information & order to supply Dell. They deliver parts to Dell, which immediately places them into production. Freight companies pick up the boxed computers, for delivery to customers, within just hours of completion.

Dell can deliver a computer within a week (or less) from the time an order is placed.

Dell turns over inventory 80 times a year, this is a remarkable achievement in itself, but especially when compared with the 10–15 times annual turnover of its rivals. And its working capital is negative!

Its return on capital for 2001 was 355%. To put this into some perspective, in the Banking & Finance Industry, the World Best Practise Bank's achieve a ROC, of around 35%.

Dell's high velocity manufacturing system also allows it to give customers the latest technological improvements ahead of other makers and to take advantage of falling component costs – either to improve margins or cut costs.

The system works only because Dell executes meticulously at every stage.

So three stories of great customer experiences ... and behind each of these experiences you'll find high quality customer data, outstanding customer systems, technology & processes. All of these are integral to consistently delivering the outstanding customer experiences like those at the Ritz Carlton, Southwest & Dell.

However, the sad truth is that for many organisations this not the case. For most organisations, they are limited by customer data, systems and technology issues. These include:

- Their customer data whilst being "fit for the purpose" of meeting basic transactional needs it is, in the main, seriously inadequate to meet basic customer service needs. High levels of returned mail, customer complaints, call lists for centre's – with wrong phone numbers all attest to this issue.

Enclosed in your information pack today you'll find a list of common customer data quality problems together with the impact they have on business, including missed opportunities and poor customer experiences

- These customer data inadequacies also have major downstream consequences on an organisations strategic and operational ability to
 - Retain its most important customers

- Acquire new customers
- Create passionate customers who refer new customers
- Grow those customers that have potential &
- Manage the cost of serving those of lesser value to the organisation

In other words, these organisations find it difficult to mount an effective customer management program

- Customer data is often held in various repositories across the organisation, limiting their ability to have a full view of a customer's relationship with them
- Customer facing staff may not have **ready access**, to necessary customer information, via existing systems and technology, to adequately serve their customers. Limited customer systems capabilities undermines staff efforts to build a strong customer bond;
- In large organisations, often those individuals that manage and staff the data, systems & technology functions (silo's) are too far removed from the direct "theatre" of customer experiences. Where the responsibility for generating great customer experiences is spread across multiple divisions, diffusion of responsibility will be a major impediment to progress;

Other important related systems & technology potential pitfalls and distractions include:

- Focus on the bottom line benefits of a CRM program, supposedly to build great customer relationships can unwittingly turn it into a "product flog" program;
- Major, large scale IT initiatives that are not focused on maintaining & growing the ecstatic customers can be a major distraction;
- The temptation for management to opt for a short term, supposedly high return, quick fix solution is always omnipresent. The overblown claims of the recent batch of CRM offerings (CRM Vendor and System Integrator) can create a major distraction and lead to a loss of confidence in customer focused initiatives at senior executive and Board level;

In Interact's experience the key requirements of customer data, technology & systems in delivering great customer experiences are:

- That the entire end-to-end customer management process (from front of house to back office - the systems, information, processes, organisation, people) is completely visible across the organisation and not disrupted by division between organisational Silo's;
- That Customer Segmentation strategies are designed to create a focus for the organisation around its most important customers, its most passionate customers

(particularly those who bring in lots of new customers), its most profitable customers and those customers who have the most potential;

- That Micro (Customer) Segmentation strategies are designed to enable staff to execute, at a detailed level, the strategy to deepen the emotional bond with each individual customer;
- That the group-wide customer information infrastructure, that is customer data, technology and systems, provides the foundation to ensure all relevant information is in the right place at the right time, so that employees can maintain & grow the emotional connection with the customer. Key components of this infrastructure include:
 - Specialist Group Customer Information (Data) Management (CIM) organisational capability and expertise, to support both
 - Current “operational” customer needs and
 - The strategic ability to identify, analyse and predict future customer needs
 - A clear understanding of the customer data required across the organisation
 - Processes to maintain and continuously improve the quality and accuracy of customer data
 - Having a single “source of truth” or central master customer repository which includes all customers and their associated key Customer Information
 - A mechanism to uniquely identify customers (in a multi customer repository environment) to create an accurate single customer view (of product holdings and relationships).

Clearly, to create great customer experiences, requires more than just customer data & technology to be working together flawlessly. Strong leadership, organisational alignment, happy and motivated staff, streamlined business processes are amongst other very important factors.

Notwithstanding this, data and technology play a major role in enabling staff to deliver excellent customer experiences.

There is no doubt that there is a great opportunity in the marketplace at the moment for organisations to align customer data and technology initiatives directly with creating truly outstanding customer experiences.

It’s our view that those who do will become market leaders and achieve a strong point of differentiation.

May you be inspired to invest in customer data & technology initiatives to create great customer experiences everyday for each and every one of your customers.

Notes:

- *1 The Barry Herstien story is taken from the book "Building great Customer Experiences" by Colin Shaw and John Ivens, Palgrave Macmillan 2002.
 - *2 The Southwest Airline examples are taken from the book "Creating Customer Evangelists" by Ben McConnell & Jackie Huber, Kaplan Professional Company, December 2002.
 - *3 The Dell Computer example is taken from the book "Execution: the Discipline of Getting Things Done" by Larry Bossidy & Ram Charan, Crown Publishing Group, June 2002.
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InteractCM is a specialist Customer Management consultancy firm, with some 15+ years experience in the field. Interact's clients include: Westpac Banking Corporation; Commonwealth Bank of Australia; St George Bank; Medicare (Health Insurance Commission); OPSM; Royal Automobile Club of Queensland; Mission Australia & American Express.

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