

A Passion for Customers
with
Tom Peters

Viewer's Guide

Enterprise Media

91 Harvey Street
Cambridge, MA 02140
800-423-6021
www.enterprisemedia.com

Contents

Introduction.....	1
Case Study 1: The Louisville Redbirds.....	3
Organization Summary.....	3
Exercise.....	4
Follow-up.....	6
 Case Study 2: Federal Express.....	8
Organization Summary.....	8
Exercise.....	9
Follow-up.....	10
 Case Study 3: Worthington Industries.....	12
Organization Summary.....	12
Exercise.....	13
Follow-up.....	14
 Case Study 4: The Limited.....	16
Organization Summary.....	16
Exercise.....	17
Follow-up.....	18
 Case Study 5: University National Bank.....	20
Organization Summary.....	20
Exercise.....	21
Follow-up.....	22
 Action Chart.....	24
 Suggested Reading.....	27

Introduction

In the video presentation *A Passion for Customers*, Tom Peters (co-author of management best sellers *In Search of Excellence* and *A Passion for Excellence*) takes you on a guided tour of five extremely profitable organizations – the Louisville Redbirds, Federal Express, Worthington Industries, The Limited and University National Bank & Trust Company (UNB&T). While stories of gloom and doom regarding the American economy assault us daily, Peters shows us that it is possible, even in some of the most troubled sectors of the American economy, to be a raging success.

As you watch the videotape you'll learn what Peters has discovered about these good-news stories – no matter how different the nature of their businesses, their successes are strikingly similar. Without exception, their prosperity can be traced directly to their dedication to serving customers. But a particular type of leadership is needed for an organization to do more than pay lip service to excellent customer service. While individual leadership styles differ, the videotape vividly shows us leaders who all are operating from common principles.

HOW TO USE THIS GUIDE

This guide was developed to help you put *A Passion for Customers* to work in your organization. Five case studies will lead you to discover the shared principles these organizations put into practice daily that result from an obvious passion for customers. Each case study includes an organization summary, an exercise, and suggested follow-up activities and discussion. Each exercise is intended to help you translate ideas from the case study to your own situation. The follow-up suggestions are designed to get you thinking about concrete ways in which you can create an organization with a passion for its customers.

SINGLE SESSION

You probably want to start by viewing the videotape from start to finish. Then read the case-study summary before doing the corresponding exercise. If you have time, review the segment of the tape that relates to the case study before doing the exercise and follow-up activities. You can do the exercise either individually or as a group. Be sure to familiarize yourself with the follow-up activities before going on to the next case study even if you don't have time to do any of them during the session. After you work through all of the case studies,

review the Action Chart at the end of the guide and note the action items for your organization in the spaces provided.

MULTIPLE SESSIONS

If you wish to view the videotape in more than one session, first read the case study summary in the guide; then view the appropriate segment on the videotape, stop the recorder, and work through the case-study exercise. Review the follow-up activities before proceeding to the next segment. If more than one group will be using the program, follow the directions to find the start location of each case study and record it in the space below so you can locate it easily whenever you need it.

1. Make sure the tape is completely rewound.
2. Set the counter on the video cassette recorder to zero.
3. Using normal playing speed or fast forward, run the tape and note the meter reading that corresponds to the beginning of each segment. The segments are noted below.

CASE STUDY	ORGANIZATION	COUNTER
Introduction		_____
Case Study 1	The Louisville Redbirds	_____
Case Study 2	Federal Express	_____
Case Study 3	Worthington Industries	_____
Case Study 4	The Limited	_____
Case Study 5	University National Bank	_____

Conclusion:

One Final Word: No one can tell you how to run your business. You know the territory best. Don't shy away from the challenging questions or exercises; if they don't specifically apply, revise and adapt them to suit your situation. This guide is only a beginning. Keep in mind that your passion for customers must be reconfirmed daily with a multitude of seemingly tiny steps.

CASE STUDY 1: The Louisville Redbirds

Ray Smith is more than the president of a minor-league baseball franchise. He's a major-league supplier of family entertainment in Louisville, Kentucky. Smith provides the regulation nine innings of play along with hot dogs and soda, but that's only the beginning of the entertainment. He adds \$1 parking, picnic areas, Dixieland bands, chicken fillets, fresh-squeezed orange juice, sparkling clean seats and restrooms, and fireworks after special games.

The Louisville Redbirds are not nine human beings who use funny wooden sticks to strike at little round, leather-covered spheroids...Every game is great family entertainment.

These "extras" have made the Redbirds a winning organization, whether or not the team has had a winning season. And they show that *there is no such thing as a commodity*. Every product or service can be redefined for the customer and differentiated from its competitors. The winners in every industry – from baseball to steel to banking – put themselves on top by giving the customer added value and better quality or expanded service.

Louisville Redbirds
Louisville, Kentucky

PRESIDENT & CHIEF EXECUTIVE OFFICER: A. Ray Smith

ORIGINAL INVESTMENT: \$50,000 in 1961

SALES: \$5.25 Million (1986)

VALUE OF FRANCHISE: \$7.5 Million

EMPLOYEES: 200 (During Season)

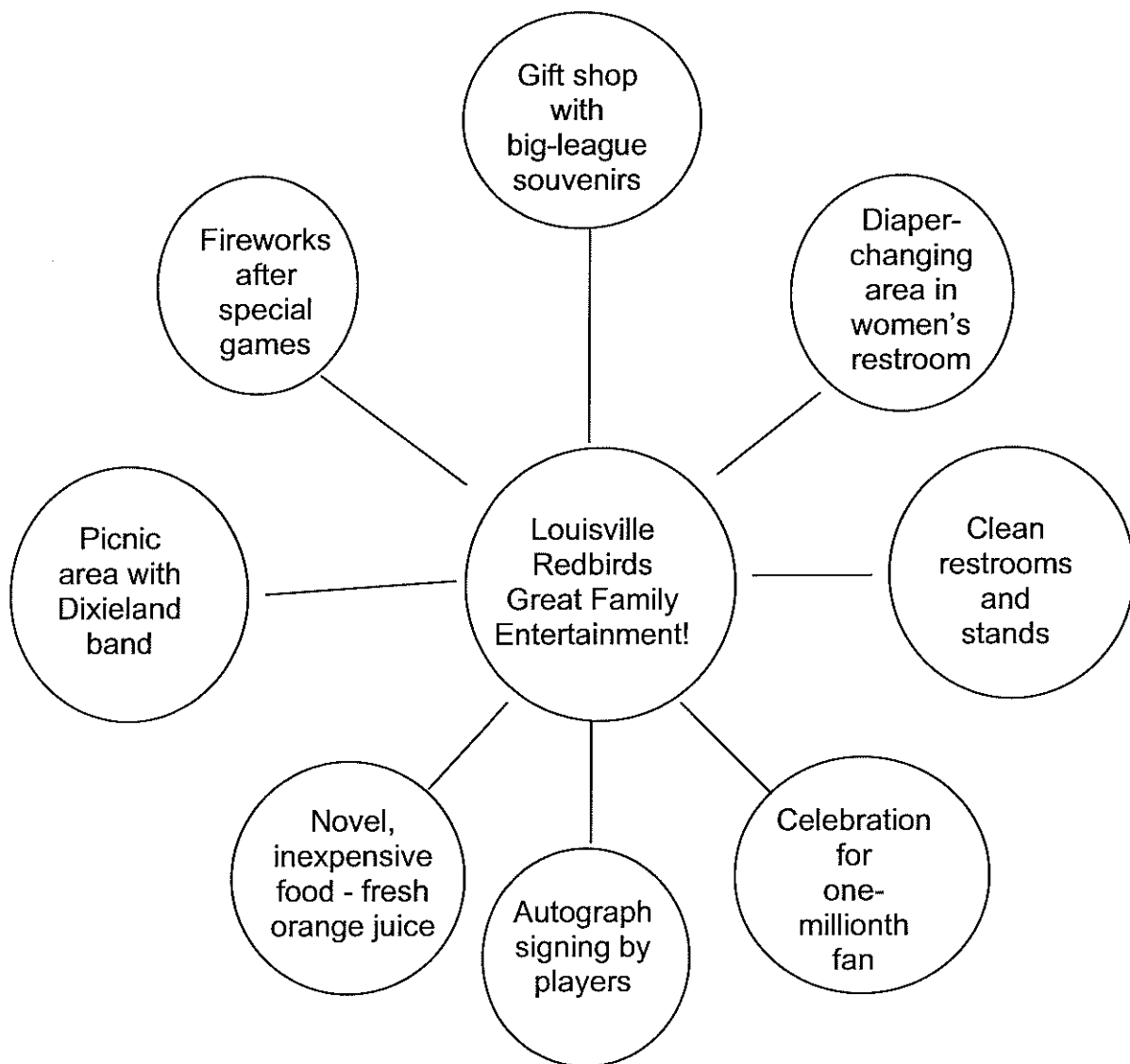
- 1986 annual attendance was 660, 200
- In 1984, the Redbirds outdrew 3 major-league teams
- In 1984 and 1985, the team won the American Association League Championship
- The team drew 1 million fans in 1983, its second season in Louisville
- In November 1986, Smith sold 80 percent of his ownership for \$5 Million – at the time, the most ever paid for a minor-league baseball team

EXERCISE

What are you really selling?

FOCUS: Redefining the mundane.

DIRECTIONS: A. Ray Smith has redefined the game of baseball by selling “reasonably priced, exciting entertainment in a clean, safe, caring environment.” Here are eight ways in which Redbirds have differentiated their “product” from that of other baseball clubs. After reviewing this diagram, you should think about how you can redefine the mundane in your organization.



In the square below, write a phrase that describes your business. In the outer circles, jot down the tiny things that, done well, could enhance your product or service and redefine your business. Think about what you're *really* selling before you write.

The diagram consists of a central square with rounded corners, intended for writing a business description. This central square is surrounded by twelve circles, arranged in four rows and three columns. The circles are intended for jotting down details that enhance the business. The entire diagram is a black-and-white line drawing on a white background.

FOLLOW-UP

1. Encourage every co-worker in your organization to contribute ideas on ways to improve the service or quality you offer. These improvements can be small, like a free peppermint with a purchase. Salespeople at Nordstrom, the Seattle-based clothing retailer, regularly write personal thank-you notes to customers who recently have made purchases.
2. Take a colleague and visit a competitor (perhaps as a “mystery shopper”), or if that’s not possible, visit any outstanding business in your area. One ground rule: no criticism. The point of the visit is to find what the other business does better than you, not to congratulate yourself on what you do better.
3. Invite one or two of your best customers to lunch and ask what influences them to stay loyal to your company. Listen with your mind open and take notes. Repeat weekly, or monthly. A number of surveys on why people like to shop at a particular grocery store show that people shop there *not* because of the location and price, but because of the cleanliness and courtesy. In fact, location and price were the least significant factors in influencing customer choice. Many might think that a winning team is the major attraction for baseball fans, but the Louisville Redbirds drew more people in 1986, when they finished in last place, than they drew in 1985, when they won the league championship. What features of your products or services do your customers value most? (Are you sure?) How do their perceptions stack up against your own? UNB&T customers value the fact that the tellers know them and their children by their first names. Customers enjoy the social atmosphere of the bank and respond by bringing the tellers flowers and homemade bread – and by being customers for life.

IMPASSIONED LEADERS

“Inspired leaders have incredible zest, incredible caring...energy and passion for what they do, and a belief...that the customer and the people who serve the customer are what it’s all about.” – Tom Peters

- A. Ray Smith of the Louisville Redbirds checks the cleanliness of the stadium restrooms before, during, and after every game. He also personally greets fans in the stands during games.
- John McConnell, Sr. of Worthington Industries has created an organization based on one simple rule: “Treat your customers and suppliers and people the way you want to be treated.”
- Verna Gibson of the Limited discovered a yachting sweater in Italy which she brought back for The Limited to manufacture. The sweater became the company’s best-selling sweater.
- Fred Smith of Federal Express went to Las Vegas to gamble (for the first time in his life) in order to meet his company’s payroll in the early years.
- Carl Schmidt of UNB&T led a parade of bank employees to the new UNB&T building, where he gave a party for them and the bank’s customers. Once a month, he stays up half the night with his people to get bank statements out to the customers on the first day of the month.

CASE STUDY 2: FEDERAL EXPRESS

In 1973, Federal Express pioneered the mass-market overnight package delivery business, and since then, it has stayed way ahead of its competitors. How? Even on peak days with more than 900,000 packages going in and out of the company's Memphis hub, *more than 98 percent of the packages reach their destination on time*. With microcomputers in every van, its own satellite communications systems, and state-of-the-art information management and distribution systems, Federal Express can support its commitment to customers with a money-back guarantee for 10:30 a.m. delivery the next day in most parts of the United States. It also refunds its fee if it can't tell a customer the exact status of a package within 30 minutes.

Extraordinary customer service comes from extraordinary commitment on the part of the employees. As Fred Smith, founder and chairman of Federal Express, says, "Our business is customers."

Federal Express' 800 telephone number is a built-in mechanism for listening to customers. Over 2000 customer service agents in 11 call centers are available around the clock, able and willing to answer questions, take orders, and initiate traces. Still, the company surveys customers *daily*, and results are forwarded to senior management.

Federal Express
Memphis, Tennessee
FOUNDER & CHAIRMAN: Fred Smith
FOUNDED: 1973
SALES: \$2.5 Billion (1986)
Employees: 40,000

- Share of air express market is 37 percent
- Growth in sales 28 percent from 1985 to 1986
- Work force grew by more than 20 percent in 1986
- 98 percent of American population receives direct service
- 20-second response time of computer to book the pickup, quote the rate, direct the courier, figure the discount, and profile the customer

EXERCISE: HOW CLOSE ARE YOU TO YOUR CUSTOMERS?

FOCUS: Listening and measuring customer satisfaction.

DIRECTIONS: As you answer the questions, keep in mind the standards that Federal Express has set. When it comes to listening to customers, "sometimes" and "often" aren't enough.

	Always (obsessively)	Often	Sometimes	Rarely	Never
Do people at all levels of your organization spend time with customers?					
Do you spend substantial time with customers?					
Does your organization actively solicit customer comments?					
Are customer comments distributed throughout your organization (to multiple levels, multiple functions)?					
Does your organization act quickly on customer comments and complaints (for example, with a large refund or note of apology when something has gone wrong)?					
Does your organization regularly modify old products and services and develop new ones in response to customer suggestions?					
Rate your organization's use of the following customer listening devices:					
Return Cards					
Suggestion Boxes					
800 Telephone Numbers					
Surveys					
Focus Groups					
Mystery Shoppers					
Are the results of these listening devices widely shared, posted prominently, and updated?					

A Passion for Customers

with

Tom Peters

FOLLOW UP

1. Federal Express answers the telephone quickly – often on or before the first ring. What message does that give to its customers? Have you ever tried to call your organization pretending to be a customer? How were you treated?
2. If your organization encourages its front-line people to listen to customers, does it also empower them to do something about customer complaints? Does the leadership (managers at all levels) make clear – by words and deeds – that a *lavish* response to a customer problem is considered *normal*? Do these people have the authority to act (even if it means spending lots of money) without having to go through a lot of red tape? Recall that at Federal Express, a “junior-level” telecommunications worker rented a helicopter, *on his own*, in order to provide continuing customer service.
3. Make a list of your most important customers. (UNB&T knows the names of all its customers.) Give them a call and ask, “How are we doing?” Don’t quiz them about what *you* think is relevant. Let them tell you what’s on their minds. Call three a day until you’ve gone through them all. Then start again. Even better, visit a customer to find out how satisfied he or she is with your product, and to learn about the customer’s business. *All* Worthington employees visit companies that use Worthington steel.
4. Find a way to give *every* department an index of how it’s doing in pleasing the customer. Make sure your accounting and personnel departments recognize that they, too, can enhance your customers’ perceptions of the outstanding service you offer.

The High Cost of Losing A Customer

- In the average business, for every customer who bothers to complain, there are 26 others who remain silent.
- The average “wronged” customer will tell 8 to 16 people. (Over 10 percent will tell more than 20 people.)
- 91 percent of unhappy customers will never purchase goods or services from you again.
- If you make an effort to remedy customers’ complaints, 82 percent to 95 percent of them will stay with you.
- *It costs about five times as much to attract a new customer as it costs to keep an old one.*

—from studies conducted by Washington, D.C.-based Technical Assistance Research Programs, Inc.

CASE STUDY 3: Worthington Industries

There are no policy manuals, no organization charts, no job descriptions, no time cards, no maintenance or quality control departments at Worthington Industries, a specialty steel maker in Columbus, Ohio. Instead there are 5800 workers, all on salary, who are each responsible for the quality of his or her own work, and who maintain and upgrade the plant and equipment when times are slow. (There have been no layoffs at Worthington's steel operation since it began in 1955.) In addition, workers share 17 percent of pretax profits.

Worthington has developed an incredible management principle: People talk to each other.

Worthington knows that procedures and paperwork don't serve customers; people do. When companies treat workers with trust and respect, they in turn treat customers well. In any industry you can name, better customer service emanates from the efforts of front-line people, whether receptionists, operators, drivers, machinists, or repair people. Worthington encourages close, frequent contact between these people and its customers.

Worthington Industries
Columbus, Ohio

FOUNDER & CHAIRMAN: John McConnell, Senior

FOUNDED: 1955

SALES: \$754 Million (1986)

NET INCOME: \$42 Million (1986)

EMPLOYEES: 5800

- Sales per employee are close to triple the industry average
- Growth in sales averages 20 percent per year
- 1000 shares of Worthington stock worth \$7500 in 1968 were worth \$400,000 in late 1984
- 80 percent of employees own stock
- 32 percent of company stock owned by employees
- Rejection rate of Worthington steel is 1 percent compared to 4 percent industry average

A Passion for Customers

with

Tom Peters

EXERCISE: EXAMINE YOUR PEOPLE POLICIES

FOCUS: Cherishing front-line people.

DIRECTIONS: Worthington Industries treats its people in ways that many would consider unorthodox. The payoff for the company is unusual, too. It makes you wonder why more companies don't do what Worthington does. Next to each policy item, jot down your own organization's corresponding people policies. If your company's policies differ from Worthington's, think about why.

WHAT WORTHINGTON DOES	WHAT YOU DO
1. Policy of company is one statement: "Treat your customers and suppliers and people the way you want to be treated."	
2. There are no job descriptions.	
3. No one is laid off.	
4. There are no time clocks.	
5. Employees are voted into the profit-sharing plan by their peers.	
6. There is not a single quality-control inspector on the payroll; everyone is responsible for self-inspection.	
7. All workers regularly leave their jobs and travel to meet with customers to learn how their contributions to the products affect the customers' businesses.	
8. Eighty percent of employees own stock in the company.	

FOLLOW-UP

1. Unlike Worthington Industries, most companies have lengthy policy and personnel manuals. Read your organization's manuals as if you were a new hire on the factory floor, in word processing or claims. Are the manuals intelligible? Do they make you feel like a valued member of the team?
2. How many positive signals do front-line people get? At Worthington, there are no doors on the spare-parts room, and no complicated forms must be completed to obtain necessary parts. UNB&T gives its people gifts on their birthdays and holidays, and tellers have personalized business cards. How do you treat your people? Do you listen to them? Do they have the opportunity to contribute ideas and to air grievances? Do you regularly spend your time with them in the backroom, on the shop floor, and on the loading docks? (The chairman of UNB&T helps his co-workers stuff and lick envelopes each month on "Statement Day".) How would you feel working where your front-line people do? Is the area clean (as clean as the executive offices), safe, and comfortable, like the constantly swept floor of the Worthington factory? What about the restrooms?
3. Are you treating your people like adults? You may think you are treating them well, but one mark of disrespect can wipe out the effect of numerous benefits. Take a half-hour and ask one front-line person what's the dumbest rule, regulation, procedure, or form – the biggest pain in his or her daily routine. (Do you have assigned break periods? There are none at Worthington.) Enlist support to help eliminate it. Then post your victory on the company bulletin or in any in-house publication.
4. Honor your front-line people, even if it's to celebrate a small win. Remember that on the walls of The Limited hang pictures of front-line workers who have made special contributions to the company.
5. If you're not in the habit of informing all people in the company about how it's doing, start now. Make sure everyone gets an annual report and understands it. (Remember the machinists examining Worthington's financial reports on the factory floor.) Then devise a weekly status report, including 10 to 20 output indicators covering individual and team

A Passion for Customers

with

Tom Peters

performance at every level and function of the organization. Send it to everyone. Compile and send out another report next week. If people lack the ability to understand fully the implications of financial data, provide them with training that will enable them to do so. Finally, if your company does not already have an in-house newsletter, help start one.

6. What's the payoff for a company's people policies? In customer relations? Product quality? Responsiveness to customers' needs? Workers' job security? For example, if people are treated with respect and with care, they will take responsibility for meeting customer needs – even if it means having to rent a helicopter or hoist a 500-pound drop box onto the back of a truck, as Federal Express workers have done.

Johnsonville Sausage: People Policies in Action

The 300 employees (called “members”) of Johnsonville Sausage Company in Sheboygan Falls, Wisconsin, have no supervisors at their three plants. First-line people manage budgets, inventory, and plant layout. Members decide how to organize work on their production line, and every fall five or six people from each main area of production join sales and accounting members to develop the next 12-month sales forecast, the plant's budget, and goals for key measures such as labor efficiency, yield, and labor cost. Even workers who are not directly involved with preparing these budgets pay attention to the company's profit, as well as to individual performance. (Bonuses typically comprise about 10 percent of hourly workers' pay, which will increase to 20 percent as profits continue to grow.)

Since Johnsonville President Ralph Stayer started encouraging workers' participation, his share of the Milwaukee-area market grew from 7 percent in 1978 to almost 50 percent in 1986.

CASE STUDY 4: THE LIMITED

In 1963, when The Limited, Inc. began business, fashion retailing had a slow-moving production system, slowed further by innumerable middlemen. The company's major achievement since then has been to put quick response to customers back in the fast-changing world of fashion. The Limited Stores, the flagship chain of the company, has weekly meetings to review what its customers are buying. Twice a month the entire 654-store chain is remerchandised.

According to The Limited Stores President Verna Gibson, everyone who works in the organization understands that its "real business is to make customers happy".

One example of the company's rapid response to the customers: After test marketing showed that the new Outback Red line was a success with customers, orders were placed for 500,000 garments. In just ten *weeks*, fabric was found, cut stitched, finished, and shipped, and the garments were on the racks in stores. A department store chain would ordinarily require ten *months* for delivery of such a large order.

If there's any doubt that responsiveness is important to the customer, consider the bottom line: The Limited, Inc. is the largest seller of women's clothing and accessories in the world today.

The Limited, Inc.
Columbus, OH

FOUNDER & CHAIRMAN: Leslie H. Wexner

FOUNDED: 1963 with \$5,000

SALES: \$3.1 billion (1986 - estimate from industry resources)

NET INCOME: \$220 million (1986 - estimate from industry sources)

EMPLOYEES: 15,300

- 200 million garments process per year - 3 for *every* American female between 15 and 55 years of age
- Industry sources project 35 to 55 percent growth in net income for 1987
- On the average, sales have risen 55 percent a year, and net income has soared 64 percent annually
- 2687 stores in 48 states - 654 of which are The Limited Stores

A Passion for Customers

with

Tom Peters

EXERCISE: HOW DO YOU COMPARE?

FOCUS: Responding quickly to customer needs.

DIRECTIONS: The Limited's success depends on its delivery of up-to-date styles to its customers. Compare how The Limited quickly responds to its customers' needs with what your organization does. Use the boxes provided below to record your thoughts.

	The Limited	You
1.	<ul style="list-style-type: none">• money that usually goes into advertising goes into continually updating the look of the store	
2.	<ul style="list-style-type: none">• customers shop in attractive, innovative surroundings	
3.	<ul style="list-style-type: none">• company by-passes industry's traditionally slow-moving production and delivery systems by controlling factories and leasing their own planes	
4.	<ul style="list-style-type: none">• new merchandise in stores at the rate of two shipments per week	
5.	<ul style="list-style-type: none">• cash registers are connected to central computer which instantly records all information about a sale as it is made, and company acts quickly on this data	

FOLLOW-UP

1. Speed up your customer feedback loop. Get data into the system as rapidly as possible and act quickly on that data. (Don't spend weeks analyzing it.) What mechanisms does your organization have for obtaining up-to-the-minute word from the marketplace?
2. Is yours truly a get-it-done environment? While most banks send out their statements in the middle of the month, UNB&T's entire staff works together on "Statement Day" to get statements in the mail on the first day of the month. (and they have fun doing so!) Establish means of cutting the normal product development cycle in half. Put representatives from every function in the development process together in a room to hammer out a new, leaner procedure. How many levels of paperwork and approvals can you eliminate?
3. When a customer has a special need or when the market changes, what is your response? Recall that UNB&T will open before or after regular banking hours to accommodate customers and will send its free van to customers' homes or offices to accept deposits. At its Memphis hub, Federal Express stores artificial hips for emergency delivery to surgeons who are about to operate. It also has delivered frozen hogs' eyes, onions and ice cream. Keep on the lookout for opportunities to demonstrate your passion for customers. Be lavish in your praise of others when you notice them going out of their way to help a customer. Make them customer service heroes or heroines.

Golden Needles Knitting and Glove Company: Speed and Responsiveness

In 1984, Golden Needles Knitting and Glove Company had no sales staff – just Harold Plemmons, a former minor-league baseball player who founded the company. Until 1986, the company had never run an advertisement. Yet the \$20 million operation, which manufactures seamless knit safety gloves in competition with low-cost gloves produced overseas, had doubled its sales every other year since it was started in 1976.

Plemmons has accomplished these sales gains by combining incredible product flexibility with remarkably fast production turnaround. (Many products are shipped within 24 hours after an order comes in.) For instance, Golden Needles has jury-rigged its computer-controlled machines in order to customize a glove to new specifications in 10 minutes – for example, to produce a glove with longer sleeves or fingers. That's vital, because every glove is produced to order.

One of Golden Needles' newest customers is New United Motors Manufacturing, Inc. (NUMMI) in Fremont, California. Golden Needles knits all the cut-resistant safety gloves for NUMMI's vaunted "just-in-time" inventory program.

CASE STUDY 5: UNIVERSITY NATIONAL BANK

In recent years, the banking industry has become a mix of “financial supermarkets” and automated tellers. Swimming against the tide is the small, service-oriented, and highly successful University National Bank & Trust Company of Palo Alto, California. After 14 years of day-to-day experience in big-company retail banking, UNB&T Founder and Chairman Carl Schmitt decided to defy the industry norm by offering basic financial products and extraordinary customer service. “We do this amazing thing,” Schmitt says. “We take deposits and make loans.”

Banking at UNB&T is really about a million small, personal touches.

UNB&T also gives depositors immediate credit on checks (even out-of-state checks), picks up after-hours deposits in its van, approves loans over the phone, and thanks customers for referrals with gifts. Even more unusual: There are no lines at UNB&T. When there is more than one customer at a teller’s window, the manager, sometimes the president – will open another window for the overflow.

University National Bank & Trust Company

Palo Alto, California

FOUNDER & CHAIRMAN: Carl Schmitt

FOUNDED: 1980

ASSETS: \$188 million in 1986 (growth of 36 percent over 1985)

NET INCOME: \$1.3 Million (1986)

EMPLOYEES: 68

- 5-year average return on investment 1.27 percent versus California bank average of .43 percent
- Average salary and benefits per employee top 3 percent of California banks

A Passion for Customers

with

Tom Peters

EXERCISE: ARE YOU OBSESSIVE ABOUT QUALITY AND SERVICE?

FOCUS: Providing superior quality and service pays.

DIRECTIONS: When is a bank not just a bank, but the town hall? When it's a bank dedicated to making its customers feel like valuable members of a family. Like A. Ray Smith, president of the Louisville Redbirds, Carl Schmitt of UNB&T has redefined the mundane by focussing obsessive attention on quality and service through scores of tiny things done well. What's a fair analogy in your business for each of the following details?

University National Bank	You
Responds quickly to customer need <ul style="list-style-type: none"> • No lines at teller windows • Bank statements mailed on the first of the month 	
Maintains personal relationships between bank personnel and customers <ul style="list-style-type: none"> • Customers, tellers, and bank managers know each other by name 	
Respects front-line people <ul style="list-style-type: none"> • Tellers have personalized business cards 	
Extras mean a lot <ul style="list-style-type: none"> • Postage stamps available at cost • Adding machines available • Employees help customers balance their checking accounts • Private offices available for customer use • Van available to pick up deposits and deliver documents • Free shoeshines, balloons, and parking 	
Customers are treated like trusted adults <ul style="list-style-type: none"> • Pens are not chained to desks • Customers are not treated like bank robber for overdrafts 	

FOLLOW-UP

1. UNB&T provides adding machines and chainless pens for its customers. What indication to your customers have that your organization trusts and respects them?
2. Quality and service aren't add-ons. They're built-in, from the bottom up, the top down, and the inside out. Take a quiet moment to list the hallmarks of your organization's dedication to quality and service. Federal Express guarantees on-time delivery supported by a promise to refund your money. A. Ray Smith, president of the Redbirds, personally makes sure that chicken fillets, hamburgers, and other foods served to fans are prepared to his own standards. He has a list of 25 items for his people to check in the ballpark before each game, and he helps them do it.
3. Take a turn working in the factory, the store, or the mailroom. Carl Schmitt and his senior people stay in touch with customers by manning teller windows whenever lines develop. When an anonymous caller asked to speak with Bruce Nordstrom, co-chairman of the department store chain, the call was patched through to Nordstrom, who was on the floor of one the stores talking and listening to customers.
4. Day to day, customers' perceptions of your standards of quality and service are influenced far more by the attitudes and actions of the front-line people than by what happens in the executive suites. Is your organization giving these people the training and support they need to deliver on your promises of quality and service? Federal Express does, with its program called DECADE, which brings 10-year employees to company headquarters for informal meetings with senior management. Recall also that it provides new employees with extensive training on how to treat customers with courtesy. (Fred Smith himself helps train newcomers.) Moreover, Federal Express' front-line employees are well paid and given a great deal of autonomy. Like Worthington's people, they are trusted and respected by the company. In turn, they treat customers with trust and respect, providing truly superior service and quality.
5. One test of how close you are to customers is whether you know them by name. But how close is the customer to you? How many of your customers know you by name? UNB&T customers are on a first name basis with Carl Schmitt.

Service Pays at Nordstrom

A replica of UNB&T's "customer-reigns supreme" strategy can be found at clothing retailer Nordstrom, where the sole company policy dictates that all Nordstrom employees use their "own best judgment at all times". Salespersons are empowered to implement that policy to the extreme: Unlimited budgets allow them to send flowers, notes, or just about anything they wish to help them develop personal relationships with customers. They often help customers find merchandise in other stores – even competitors' outlets – if Nordstrom doesn't have an item a customer wants.

One example of a salesperson using his best judgment was reported by a customer whose boyfriend had flown to the city where she lived in order to attend an afternoon business meeting. He called her in the late evening, frantic because the meeting had lasted longer than anticipated and he had to stay overnight. He told her he needed a shirt, tie, underwear, and socks to wear to another meeting early the next morning. Off she went to Nordstrom, where a helpful salesman determined the boyfriend's correct size from her description and completely outfitted him in ten minutes. On his own initiative, the salesman then ironed the shirt himself so that it would be ready to wear to the meeting – and the customer had already made the purchases!

Customers appreciate dressing rooms that are not policed by staff. In fact, Nordstrom's dressing rooms are more like posh salons than the usual high-security prison-like dressing rooms at most department stores. Even the store's return policy bucks the industry practice – customers can return anything to a Nordstrom store with no questions asked, no required proof of purchase, and no waiting in lines at two or three counters for authorized signatures.

No wonder Seattle-based Nordstrom sells several times more per square foot than the average department store and by 1986 had grown to seven times its size in 1978. Its sales in 1986 reached an estimated \$1.6 billion.

ACTION CHART

Now that you've worked through the five case studies, review the Action Chart on the next two pages and note the items for your organization in the space provided.

Redefining the Mundane	Listening and Measuring Customer Satisfaction	Cherishing Front-Line People
REDBIRDS <ul style="list-style-type: none"> • Diaper changing area • One-millionth customer hoopla • Fireworks after special games • Inexpensive, novel food • Dixieland band plays in picnic area • Gift shop with big league souvenirs • Family entertainment 	<ul style="list-style-type: none"> • A. Ray Smith wanders during games listening to customers 	<ul style="list-style-type: none"> • A. Ray Smith visits with vendors before games, and even cooks hamburgers • Employees have spiffy uniforms
FEDERAL EXPRESS <ul style="list-style-type: none"> • Calls answered on 1st ring – perception of great service • Money-back guarantee if package not delivered on time` 	<ul style="list-style-type: none"> • Seminars teach employees the ins and outs of customer service • 800 number – operators handle 900,000 calls a day 	<ul style="list-style-type: none"> • employees empowered to solve major problems on the spot • regular training sessions • some telephone operators titled assistants to Fred Smith
WORTHINGTON <ul style="list-style-type: none"> • specialty steel for market niches 	<ul style="list-style-type: none"> • workers visit customers to learn firsthand how Worthington steel is used in customers' businesses 	<ul style="list-style-type: none"> • entrustment <ul style="list-style-type: none"> - no time clocks - no layoffs - no organization charts - no job descriptions - workers responsible for self-inspection of their products • incentives <ul style="list-style-type: none"> - employee stock options - profit-sharing plan
THE LIMITED <ul style="list-style-type: none"> • money spent on look and location of store instead of advertising 	<ul style="list-style-type: none"> • cash registers tied to central computer that received info on each sale 	<ul style="list-style-type: none"> • walls of headquarters covered with pictures of employees in recognition of contributions • mountaintop ceremony to honor top 100 managers • employees are made to feel like part of a family
UNB&T <ul style="list-style-type: none"> • free public parking, shoe shines, balloons for kids • no chains on pens • postage stamps sold at cost • adding machines available • offices available for customers' use • social atmosphere – like a town hall 	<ul style="list-style-type: none"> • Schmitt regularly chats with customers • Tellers know customers personally 	<ul style="list-style-type: none"> • Tellers given personalized business cards • Teller receive money on birthdays, gifts on holidays
YOU		

Responding Quickly to Customers' Needs	Focus Obsessively on Quality and Service	Inspired, In-Touch Leadership
REDBIRDS <ul style="list-style-type: none"> Picnic area for families bringing their own food 	<ul style="list-style-type: none"> Bathrooms checked personally by Smith before each game Seats steam cleaned daily Quality of food checked regularly 	<ul style="list-style-type: none"> Smith circulates through crowd shaking hands and signing autographs Smith cooks round of hamburgers before the game Smith personally inspects bathrooms and food concessions before each game Smith greets one-millionth fan and leads festivities
FEDERAL EXPRESS <ul style="list-style-type: none"> Same-day response to customer inquiries Handles urgent requests – artificial hips, wedding dress 	<ul style="list-style-type: none"> Phones often answered on or before first ring Great accuracy in on-time delivery 	<ul style="list-style-type: none"> Smith personally inspects trucks and planes Smith works with trainees Loyal to employees: gambled to meet payroll
WORTHINGTON <ul style="list-style-type: none"> Made fewer profits to keep a customer competitive Speedy manufacture of products 	<ul style="list-style-type: none"> Number of workers in any facility limited to 100 for better quality and service Quality five times the industry average 	<ul style="list-style-type: none"> Management principle is, "We talk to each other." McConnell's one policy: treat people, suppliers and customers the way you want to be treated
THE LIMITED <ul style="list-style-type: none"> Buyers search world for fashion trends Single call from HQ equals quick response to fashion trends Delivery via leased 747s Does in four weeks what it takes others nine months 	<ul style="list-style-type: none"> Making customers happy is company's real business Largest shipping and distribution center in world 	<ul style="list-style-type: none"> Verna Gibson, president, spotted yachting sweaters being sold in Italy and created one of the most successful sweaters in the USA
UNB&T <ul style="list-style-type: none"> Bank executives help at teller windows when lines form All personnel help get out statements on the 1st of the month 	<ul style="list-style-type: none"> Bank opens before and after hours on request Van picks up deposits and delivers documents to customers free of charge Tellers help customers balance checkbooks 	<ul style="list-style-type: none"> Schmitt led parade to new building Schmitt helps send out statements President's office on bank floor, accessible to customers Customers and bank personnel know each other on first-name basis
YOU		

SUGGESTED READING

A Passion for Excellence: The Leadership Difference,
Tom Peters and Nancy Austin

In Search of Excellence: Lessons from America's Best-Run Companies,
Tom Peters and Robert H. Waterman, Jr.

The Marketing Imagination,
Ted Levitt

Service America!,
Ron Zemke and Carl Albrecht

The Regis Touch,
Regis McKenna

The Winning Performance,
Don Clifford and Dick Cavanaugh

Innovation: The Attacker's Advantage,
Richard Foster

Quality is Free,
Phil Crosby

The Chain of Quality,
John Grocock

Further Up the Organization,
Robert Townsend

Leaders,
Warren Bennis and Bert Nanus

The Change Masters,
Rosabeth Moss Kanter