Competing with Service Air

BY CHIP R. BELL AND JOHN R. PATTERSON

Customer satisfaction has been the hallmark of customer evaluations. But if you look up the definition of "satisfactory," you will find "good enough to fulfill a need or requirement." The verb "to satisfy" comes from the Latin word *satisfacere* which means "enough." It also means "adequate" or "sufficient." Because we live in an era of too many choices, data overload and sensory excess, our taste for "sufficient" is…well, insufficient.[1]

Customers want sparkle and glitter, a cherry on top of everything. We want all our senses stimulated, not just those linked to the buyer-seller exchange. Features have become far more titillating than function, extras more valued than the core offering. The way-too-simple secret seems to be: provide a consistently superior product (or outcome) with a consistently excellent service experience, and customers will reward you with their loyalty. Yet this elementary solution to the customer loyalty puzzle is much more difficult for some to achieve than others.

A few years ago the *New Yorker Magazine* featured a cartoon showing a discussion between a salesman and his sales manager. The despondent salesman asked: "I know you're always telling us to sell the sizzle and not the steak, Mr. Bollinger, but just what *is* the sizzle of a 90º elbow flexible-copper fitting?" This question touches the core of the issue. What are the options if creating a unique loyalty-producing experience is too far a reach?

Starbucks, Ritz-Carlton Hotels, Lexus and Walt Disney World have infatuated the marketplace as great exemplars of customer service. Clearly such organizations have mastered principles that are relevant for all enterprises. But, as with our plumbing supply salesman, not every industry is as glamorous as a gourmet coffeehouse, luxury hotel, expensive car or theme park. Even leaders armed with a zeal for the remarkable can find it daunting to change the product and/or experience to one that engenders customer loyalty.

Imagine you were in charge of the Department of Motor Vehicles. How would you make the DMV more like a Starbucks and still stay within the state-mandated cost controls? And, what about your insurance company? Aside from the relationship you have established with your agent, how would you suggest the company reinvent the insurance process to be more like a Walt Disney World? What would you do to make your local bank more like a Ritz-Carlton and still stay within the razor-thin profit margins that characterize the financial services industry?

As one senior executive told us, "No matter how customer-friendly our employees are, our processes are still customer-hostile, and many are decreed by our regulators." Another exec told us: "The way we deliver service to customers might be possible to fix but it is impossible to fund."

The Management of Service Air

Fredrick Hertzberg's legendary research into worker motivation found that the opposite of those factors resulting in worker dissatisfaction did not result in worker motivation. For example, if you take away worker pay or provide poor working conditions, workers will become dissatisfied. But increasing worker pay or improving working conditions only leads to worker satisfaction, not worker motivation. Factors that created motivation are completely different than those that yield satisfaction. Workers are motivated by factors like recognition, advancement and the work itself. The Hertzberg concept is likewise true for customer motivation. Those factors that lead to customer dissatisfaction are not at one end of the same continuum that leads to customer loyalty. They are on a different continuum.

A value proposition is the complete package of offerings a seller proposes to a customer in exchange for the buyer's funds. It includes the product (or outcome for non-object selling companies), the price and process (or experience) involved in getting the product or outcome to the buyer. There are certain qualities or features that all buyers assume will typify that value proposition. Buyers, for instance, assume the products they buy will be as promised, come at a fair price and be delivered through a relatively comfortable process.

These "givens" are a lot like the air we breathe. We tend to take air for granted unless it is removed from our surroundings…leaving us "dissatisfied." But, adding air does not necessarily make us happy campers. If the commercial plane we board lands in the right city, we do not cheer, but if it lands in the wrong city, we are very upset. We assume banks will be safe, hotels comfortable and hospitals clean. These "taken for granted" attributes are Service Air—noticed only when they are absent (or perceived to be at risk of being absent). Capitalizing on Service Air could provide a competitive strategy for organizations in a quest for customer loyalty, but this strategy is severely challenged in the stretch. Ensuring that Service Air attributes are in place is a *prerequisite* for organizations wishing to successfully pursue a service strategy that goes beyond the basics.

Air-Plain

Majoring in the minors is rarely a compelling competitive strategy. Most leaders long to make their units or organizations distinctive. Marketing experts would scold us if we opted for a "me too" approach. However, providing a unique, value-added benefit has traction only if all the givens the customer expects are performed correctly. The afterglow of an incredibly friendly flight attendant will be erased completely from the customer's adoration should the flight land three hours late. The gourmet meal recollection will be overwritten entirely by the nightmare of food poisoning if the restaurant failed to pay attention to routine health standards. Service Air may be boring stuff, but it is called "Air" for a reason!

Let's assume your bank is not a particularly central part of your personal life. You have an auto loan, a checking account, a safe deposit box, a small savings account that you use mostly for overdraft protection and an ATM card. You do your banking largely online, visiting the local branch only for a unique need like getting an official check. Now, what if bank employees were accessible, friendly and consistently seemed to know what they were doing? And, what if your statements were always accurate, and there was rarely a wait in the teller line? Nothing remarkable. Nothing unique. Just all the basics done very well. What would it take for another bank to get you to pull up stakes

Allegiance to the "tried and true" is a first cousin to "myopia and shortsightedness." The ultimate victor will not be the guardian of Service Air, but the organization that finds a way to both safeguard Air and reinvent the package in which it comes.

and abandon First Vanilla Bank?

Consistently doing the fundamentals exceedingly well can be a potent competitive strategy. This is usually true when the organization is part of an industry fraught with hiccups, broken promises and a less than glowing reputation. Granted, a plain Jane strategy would flop in some market niches or industries. Imagine paying nose bleed prices for a room at a hotel that always provided soap and shampoo, a well lighted parking lot, a quiet setting and beds that were made daily with fresh sheets. However, that unadorned strategy—at the appropriate price point—has worked well for Motel 6, AirTran Airline and Krystal's Restaurants.

What makes the Air-Plain approach work? It works if your organization takes care of the basics perfectly while insuring that customers remain aware of that fact. It works as long as the organization is in a subpar niche with no other enterprise getting Air perfect—and then adds something unique. Unique trumps Air, but only if Air is done just as customers expect. Such a strategy requires crystal clear standards and easy-to-understand metrics. It includes the means to monitor those incidents linked to the perfect execution of core requirements. It takes an early-warning process to alert the company when any aspect of Service Air is endangered. And, it takes a culture that values continuous improvement and rewards honest assessment of how well the basics are being performed. Finally, it requires the kind of customer intelligence that alerts the organization if the customer's definition of what constitutes Service Air ever changes.

Air Apparent

"At Third National Savings Bank you can always count on hassle-free banking." At first blush, this advertising tagline seems completely absurd. How could *not* beating you up have any competitive advantage? It would be as zany as saying, "Our dry cleaners promise to get your clothes clean" or "Buster's Butcher Shop: Where you can always find meat." Yet, there may be a bright side to this seemingly dark reverse tactic.

The competitive logic of making a core component of the value proposition more apparent is a strategy only relevant in a broken market segment. If, for instance, banks in general fill the banking experience with aggravations, then promising not to do that could be perceived as an asset. Southwest Airlines reminds customers of its on-time record because most major airlines frequently arrive late. Do consumers believe airlines should always be on time? Of course. And, airlines in general are on time enough for customers not to ditch that service attribute as one part of their core requirements—therefore, it is still Service Air.

Air Apparent means singling out a Service Air feature that the organization believes it can excel in and then reminding the customer of that fact. Air Apparent is exemplified by the dry cleaner that brags "Your shirt buttons are always safe with us" or the movie theatre that boasts "We get a lot of complaints about the smell of our fresh popcorn—from the store next door!" It is the residential real estate firm that proclaims "We want ugly houses" or the auto repair shop that promises "Your engine knocks stop at our front door." In some notable examples of Air Apparent, T-Mobile made its billing process (with a focus on accuracy, clarity and timely resolution of problems) the very finest in their industry; Publix Grocery did the same thing with the speed of its check-out process.

Underscoring the merit of a particular service feature is effective only when it is consistently true. Accentuating service quality in word and not matching it in deed is as empty as the voice mail that tells customers, "Your call is very important to us"—followed by a thirty minute hold. The Air Apparent strategy succeeds so long as employees have faith in it. Employees quickly spot hollow promises and then alert customers of the falsehood. The resulting transaction can sound like: "This car rental company wants you to believe that buying a full tank of gas up front is a good deal, but trust me, most customers lose money on it."

Like Air-Plain, banking on Air Apparent can be a short-lived strategy. It is vital to remain vigilant for a copycat. And, if that "me too" competitor can one-up your Air Apparent, you might be scrambling to find a new way to differentiate your offering. A well-known retail discount chain banked heavily on a "lowest price" strategy as one way to dominate its target market. Service personnel largely worked cash registers and were too often robotic ("Thank you for shopping at Kmart…next"). And products were not known for great quality. The company's blue light specials worked for a while. But then along came Wal-Mart, offering the same product and price but with folksy service and a smile. Soon Kmart was in bankruptcy, and

Wal-Mart was spreading like wildfire. There is more to the Kmart versus Wal-Mart competition than a myopic strategy. But, no one can deny that Kmart's primary shortcoming resulted from putting too many strategy eggs in the "low price" basket.

Air Show

Once in a while an organization can take a Service Air factor to a high or unexpected level, turning a customer core requirement into a delight factor. A private city club atop a downtown Seattle high rise office building is an illustration of what our friend Doug Johnson at General Growth Properties calls Air Show. One of the stalls in the ladies bathroom was designed so the commode faced out toward the open sky, and the exterior wall it faced was wall-to-wall and floor-to-ceiling window. A visitor sitting on the toilet could enjoy a panoramic view of downtown Seattle… and perhaps an occasional wave from a passing helicopter! Patrons of the club assumed the ladies bathroom would be spotless, comfortable and upscale. They would not expect the club to sport a "john with a view!"

Taking a core service component and "showing it off" can be a powerful strategy that can make competitors seem antiquated by comparison. When Domino's Pizza hit the marketplace with a promise of pizza delivery in thirty minutes or the pizza was free, it quickly "owned" the pizza delivery business. The truth was that before there was Dominos, the average time to deliver a pizza was about thirty minutes. So, the guarantee was a fairly safe bet. If you asked pizza delivery customers if they expected their pizza to be delivered in thirty minutes or less, they would say "yes." Attaching a guarantee not only made the feature apparent, it showed off the feature to the point that other pizza delivery companies were soon scrambling to match the Domino's offering.

Federal Express (now FedEx) promised overnight package delivery to be "absolutely, positively there by 10:30 a.m." Again, the company took a Service Air attribute and put such a spotlight on it that competitors soon had to match set. Which major airline does *not* have a frequent flyer program today? Which coffee house does *not* provide a hot cup slip for handling to-go cups? Which auto repair shop does *not* provide a loaner to frequent customers? Which rental car establishment does *not* have a plan that allows frequent users to bypass the rental counter and go straight to the vehicle? All these features were at one time someone's Air Show.

The power of the Air Show strategy is its capacity to enable an organization to leap frog competitors, gaining market share very quickly. What makes it work? It must be bold enough to create a marketplace buzz. It must be complex enough to preclude competitors from being able to copy it quickly. It must be a feature that either meets a pent-up customer need ("Well, it's about time") or one that customers never knew they needed—but once offered, could not do without. Customers were not pining for fax machines. However, customers quickly embraced the new technology once it was introduced.

As a strategy, though, Air Show can be short lived, as competitors ultimately catch up. Blockbuster has now added movies-by-mail—a space formerly "owned" by Netflix." Consider the intense fight for market share between FedEx and UPS, between Walt Disney World and Universal Orlando. And who would ever have thought Best Buy would be compared with Nordstrom for making customer care a special feature of the value proposition?

The Case for Remarkable

Recently, we were working with a large business-to-business company populated by people a lot like our earlier plumbing supply salesman. Their world seemed to be dictated by the customer purchasing manager, whose sole concern was price. The company dashboard reflected a

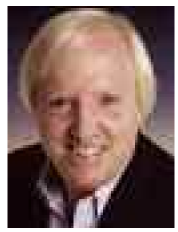
belief that value was derived through only two factors—products that met certain specifications and pricing strategies that fit the purchasing manager's world. There was talk of service and customer experience, but it was only lip service. One bold executive stood and quietly asked her peers a simple but powerful question: "How long are we going to be victim to our marketplace instead of leading our marketplace?"

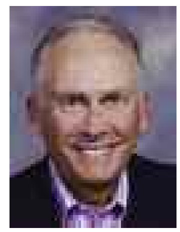
Air-Plain, Air Apparent and Air Show are solid strategies, often able to keep an organization successful for a long time. The likes of Sears, Holiday Inn and Ace Hardware have weathered onslaughts from competitors offering flashier features and more exciting exhibitions. At the same time, history tells us that marketplace victories are ultimately won by the creative destruction of what has been in order to make room for the invention of what could be. Unique trumps Service Air.

Allegiance to the "tried and true" is a first cousin to "myopia and shortsightedness." When Intel Chairman Andy Grove preached that only the paranoid survived, he was offering this warning: without a perpetual pursuit of innovation, organizations can quickly be looking at the backsides of their competitors racing ahead of them. Service is changing as fast as computer software. The ultimate victor will not be the guardian of Service Air, but the organization that finds a way to both safeguard Air and reinvent the package in which it comes. ■

Notes:

1. For more on the insufficiency of "satisfaction," see the authors' "I Can't Get No Satisfaction," in the July 2006 issue of *CRM Magazine*.





Chip Bell is a senior partner of The Chip Bell Group headquartered near Dallas. John Patterson is president of Atlanta-based Progressive Insights, Inc. Their new book—Customer Loyalty Guaranteed! Create, Lead and Sustain Remarkable Customer Service—*will be in bookstores in the Fall. They can be reached through www.chipbell.com.*