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CUSTOMER INTELLIGENCE:

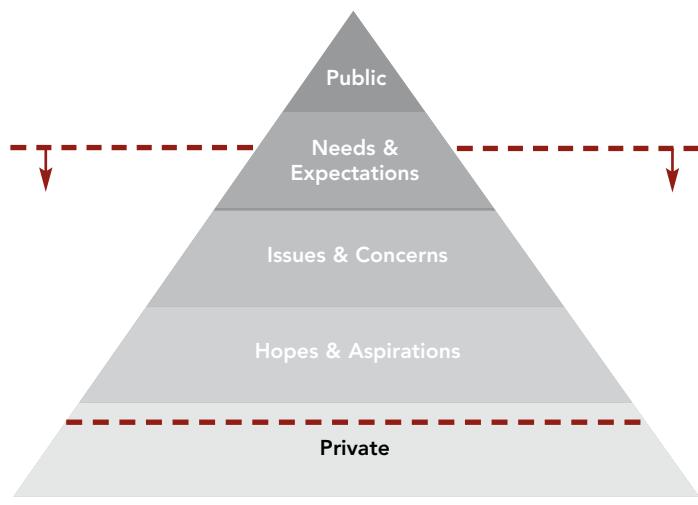
CONNECTING THE DOTS FOR SERVICE INSIGHT

A map confiscated from an enemy courier revealed the location of shallow caves, each containing a cache of weapons used to re-supply enemy troops. However, when a wise Army lieutenant sent the captured map to a friend he knew could provide a deeper assessment of the terrain covered by the map, he learned that each cave was located on a similar site—same type of soil, same typology and same elevation. Checking other areas comparable to the cave sites produced another major discovery: there were many more caves not marked on the map that contained even larger collections of weapons.

The customer intelligence version of the captured map can be productive in unearthing valuable information about customers. The security guard's assessment of a departing key customer's demeanor can sometimes be more instructive than 40 focus groups and 60 surveys. Talking with a customer you lost last year might be more helpful than talking with the one you acquired last week.

Acquiring customer intelligence is an intentional effort to understand the customer. This search is typically combined with known socioeconomic, demographic and psychographic data. With contemporary market research tools, investigators can know the specific buying preferences of a particular zip code. Their forensic techniques can tell you what magazines customers read, the TV shows they watch and what they name their pets. However, such facts are more like searching the caves marked on the map than discovering unmarked caves. Understanding customers requires the pursuit of wisdom and insight, not just the quest for knowledge and understanding.

Customer intelligence is different than market intelligence. Market intelligence teaches us about a segment or group and discerns how members of that segment are similar. *Customer* intelligence informs us about the individuals who make those buying decisions in that market. As one



peruses car counts, per capita statistics and economic projections, it is helpful to remember the words of Neiman Marcus founder Stanley Marcus: "A market never bought a thing in my store, but a lot of customers came in and made me a rich man!"

Knowing what customers are really like starts with the recognition that looking at the results from customer interviews, surveys and focus groups is at best like looking in a rear view mirror. Today's customers change too rapidly for companies to rely solely on what customers reported. Instead it is important to anticipate where they are going. In the words of one infantry captain, "Any military unit can figure out where the enemy is. Victory comes with figuring out where the enemy will be."

Customers have many dimensions. They are more than a bundle of needs and expectations. They are also issues and concerns; hopes and aspirations. The figure below depicts the myriad of customer dimensions. Imagine this figure is

like an iceberg. Market research can tell us the public information and some of the needs and expectations above the customer's waterline. The objective of customer intelligence is to learn as much as possible about what lies below the surface of the "water" but above the forbidden area marked "private."

The Customer Cache

Smart customer intelligence teaches us that customers often behave in ways different than they tell us they will. It implies that we examine more than what customers report in an interview or survey. When Professor Gerald Young at the University of Florida compared the key reasons patients gave for switching physicians with the reasons these same patients predicted would influence their decision, there was a major difference. "Quality of medical practice" was the factor patients consistently said would send them in search of a new physician. However, "bedside manner" was the factor that actually triggered a change of physicians.¹

Continuum, a Massachusetts-based consulting firm, was hired by Moen, Inc. to conduct customer research for use in the development of a new line of showerheads. Continuum felt the best way to really understand what customers wanted in a new showerhead wasn't to ask them via surveys but rather to watch them in action. According to *The New York Times*, the company got permission to film customers taking showers in their own homes and used the findings in the new design. Among the insights gleaned were that people spent half their time in the shower with their eyes closed and 30% of their time avoiding water altogether. The insights contributed to the new Moen Revolution showerhead becoming a best-seller.²

Customer expectations are a perpetually moving target. This means that smart customer intelligence must value real-time feedback as much as historical data gathered through traditional scientific methods. Stew Leonard's Dairy (headquartered in Norwalk, CT) uses a giant suggestion box to capture daily feedback and suggestions. Every morning, customer suggestions are posted on a giant bulletin board for all to see. Managers also make copies and distribute them to key departments throughout the supermarket. USAA Insurance in San Antonio, TX posts customer ideas on a special section of its corporate intranet. The key is to let as many people as possible—as quickly as possible—know what customers think and feel.

Capturing Intelligence in the Field

Who is in charge of customer intelligence gathering in your organization? If you were in command of a fort you probably would value the observations of your scout over the guesses of your cook or paymaster. Yet if you examine

the structure of most organizations, you will find that the researcher down the hall has more organizational credibility than the “boots in the field.”

Customer intelligence, like military intelligence, can be guided and resourced from the command post, but it must come from those who interact with customers. Surveys and focus groups can be very helpful. However, by the time such customer research data is captured, analyzed, synthesized, sanitized and exported to a PowerPoint slide, it is more about history than the future.

Customer-centric organizations look for countless ways to facilitate and nurture field reconnaissance. They make the gathering of customer intelligence, even in its rawest form, an act of value and importance. Victoria's Secret Catalog required the top fifty officers to spend time in their call center listening to customer calls and interviewing call center reps on what they believed were customers' most frequent requests, most common complaints and most unfulfilled expectations. The quarterly exercise led to powerful lessons and innovative insights. Most valuable were early warnings on emerging customer issues that had not yet made their way into customer surveys.

Below is a collection of vehicles for acquiring timely, relevant customer intelligence.

• **Scout Reports**

Position all field personnel as customer scouts. Scouts see a lot, hear a lot and know a lot. Yet they are probably the most underutilized source of brilliant insight into what customers really value. Teach them to ask their customer contacts: “What is one thing we can do to improve our service to you?” And then report their learnings. Provide them the time, tools, processes and incentives to share their insights. Start every field meeting with “what are our customers telling us?” Encourage frontline people to share stories about “the good, bad and ugly.” Have leaders listen to them on the phone and ride with them in the field with the intent of learning, not critiquing. Create a process for the collective learnings to get upstream to senior leaders as well as in the hands of those who can provide a timely response.

• **Establishing Boards of Customers**

Some customers are more powerful influence-shapers than others. Mayors know who among their constituents can be counted on to “tell it like it is.” They also know the informal leaders whose views shape others’ opinions. Duke Energy borrowed from the playbook of small town mayors to create a “Boards of Customers” program in the regions they serve. These “experienced” customers volunteered their time each quarter to act as sounding boards for new products and services. They also became a key neighborhood conduit for feedback and ideas on improvement.

Before implementing what could be an unpopular policy or controversial decision, these “Boards of Customers” often helped soften the impact or offered suggestions on timing and tone. Not only did the chosen board members admiration for Duke Energy climb with experience, they had unique opportunities to become advocates for the Charlotte, NC-based utility.

• **Neighborhood Watch**

Employees are often customers of their own company. As such, they can be a rich source of information about service experiences. Additionally, they talk with neighbors



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who vocalize praise and protests about the service received. This valuable conduit can be an abundant source of feedback. Additionally, employees with a company nametag can be a channel for customer intelligence simply by standing in the grocery store line. Smart organizations create forums that enable employees to share their insights from these casual encounters. While working as general manager of the Harvey Hotel in Plano, Texas, John Longstreet held weekly “What’s Stupid” meetings with employees to get feedback and ideas on ways to improve service for guests. He also held quarterly focus groups with the cab drivers who frequently transported hotel guests to the airport after their stay. He knew his guests would more likely be candid with the taxi drivers than with the front desk staff who routinely asked, “How was your stay?”

• **Town Halls Squared**

The town hall meeting concept is used by many organizations as a way for senior leaders to get “up close and personal” with customers. Many senior leaders report that these gatherings are at best marginally useful. The reason is that these “once in a while” events typically have all the openness and authenticity of the same format used by presidential candidates to secure TV footage. Candor is left to the scripted, the disenchanted and to fans. However, if the

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town hall concept is done locally and frequently, it shifts from being a concert to being a conversation. And, the town hall format can work equally well with employees. Maureen Foster, head of Financial Services for Kaiser Permanente, holds quarterly town hall meetings with employees. The focus is not only on employee issues and concerns but is an opportunity to get input on what employees hear from customers. The real secret to these sessions' success is that they catalog the changes, improvements and plans based on what was reported in the last town hall gathering. Customers and employees are less likely to keep giving feedback if they do not believe it fuels change.

• Dear Company

If you log on to CVS/Pharmacy's new website (www.forallthewayssyoucare.com), you will get a spectacular example of the power of customer input. The company created the website for customers to communicate examples of "ordinary miracles" performed by CVS/Pharmacy employees. According to CVS/Pharmacy president Larry Merlo, the site has become not only an important array of "best practices" for all employees, it serves as a valuable source of timely information about what is important to customers.³ Reading the incidents that triggered customer accolades taught the company that positive emotional connections with customers were a key to repeat business. This reading could also erase customer memories of excessive wait time and out-of-stock situations.

Some corporate communication departments warn that opening up the floodgates for customer letters can create an administrative nightmare, like a fabled full moon that brings out all the crazies. But consider this: would you rather have customers vent their grumbles to the CEO or to their neighbors? Customers who take the time to pen a passionate letter or email probably have a few worthwhile lessons to teach.

• Customer Input Contest

Most employees are subtly trained to keep bad news to themselves. Their fear is that reporting customer potshots will ricochet, turning the messenger into a casualty. Changing the frame for "blame" to "aim" requires finding ways to incent employees to get beyond their reserve and share their stories. When St. Luke's Medical Center in Milwaukee changed the labeling of patient concerns from "patient complaints" to "patient suggestions," more employees shared what they heard in the cafeteria, hallways and waiting rooms.

EDiS Corporation—a large construction company headquartered in Wilmington, Delaware—made "customer reporter" an employee expectation, providing incentives for employee candor about customer concerns. "How can we fix what we do not know about?" asked CEO Andy DiSabatino at an officer meeting. "And, who better to tell us about customer hiccups than our frontline employees

who know about them? We have to find a way to make them want to share what they know."⁴ If frontline people are punished for bringing forth customer complaints or feedback, they will find ways to keep future feedback to themselves.

• Board Meetings with a Customer Agenda

Boards of directors are becoming more forceful in their direction to organizational leaders. Long viewed as rubber stamping "friends of the firm," they now fire CEOs more quickly, examine organizations' foibles more scrupulously and constrict undisciplined expansion more aggressively. In customer-centric organizations, "the customer" is as present on the board agenda as this quarter's earnings. Some boards periodically invite key customers to join their board meeting, just to insure that the company keeps a proper focus on its *raison d'être*. If the board has a finance committee, a strategy committee and an audit committee, why not have a customer committee charged with keeping an ear to the voice of the customer?

• Customer Advisory Teams

Customer advisory teams are not new. But, they are more relevant and important than ever. Today's customers are much more vocal, and are much smarter consumers, than they have ever been. Customer-centric organizations tap into this assertive wisdom and turn their learnings into improvements. Every 60 days, 12 eBay users are invited to journey to San Jose, CA to participate in the company's "Voice of the Customer" program. These select people visit almost every department to talk about ways to improve the eBay service. This focus group methodology goes one step further. Every month thereafter for six months, these same users are reassembled to explore emerging issues. As users evolve from being interviewees to members, they get bolder in their input. The byproduct of these customer conversations? Important service enhancements for eBay.⁵

Similarly, Emerald Peoples Utility District, a small public power co-op based in Eugene, Oregon, gets customers involved in various committees and study groups. Arizona Public Service (APS), a much larger regional utility based in Phoenix, has recruited some of the public interest advocates who once dogged its every step to bring these advocates' interest and energy inside company walls and apply them in useful ways.

• "Customer Weatherman"

The weatherman provides us with early warning about environmental changes. A "customer weatherman" is a person or unit charged with keeping an ear to the any piece of intelligence important to the organization's direction as it relates to customers. Communications departments routinely google the company name to find out how the

company is being perceived in news reports, articles and customer blogs. However, this is just the beginning. What would be learned from googling the competition or a “best in class” company in the same industry?

The purview of the “customer weatherman” could range from industry best practices, to regulatory changes, to the election of a mayor known to be a company foe. The “customer weatherman” goes to chamber or Rotary Club meetings to learn about issues and concerns relevant to the organization. Who in the organization is tracking industry inventions, breakthroughs and R&D that might ultimately shape the customer’s experience? Who in the organization has an ear to the academic circles conducting research and discussions about the future of the industry?

Turning Insight into Execution

The goal of gathering customer intelligence is not to promote understanding. It is to inform execution. Reports don’t create change, leaders do. PowerPoint presentations may enlighten, but they are of little worth until they lead to something happening. Take a look at all the studies and reports requested by organizational leaders that end up in a filing cabinet or on a shelf. Studying something is too often a surrogate for doing something. It gives the sensation of progress without having to extract the blood, sweat and tears needed to actually advance or improve.

Customers do not benefit from company plans, promises or pledges. They benefit from actions taken that make getting service more comfortable. They gain from changes implemented that reflect their interests. They profit from execution, not good intentions. Execution takes leaders—real leaders. Real leaders show their commitment to customers by making the tough and sometimes less than popular decisions that improve the customer’s experience. Real leaders don’t wait for information, they go and get it. Instead of learning about customer experiences from some study or survey, they find out face to face. They are dot collectors and dot connectors.

Leadership has little to do with being a manager, supervisor, or administrator. Leadership can come from the security guard who alerts the office manager that a seemingly happy customer had disparaging words as he or she left the facility. It can be the gate attendant who directs that snacks be taken from the grounded plane to the waiting area to serve weary passengers unable to board due to a weather delay. It might be a battle-worn nurse who privately but sternly asserts her concern for a patient’s welfare to a “too busy to listen” physician. Leaders don’t just care about customers; they demonstrate that care by taking actions that improve customers’ experiences.

In his *Fast Company* article “Strategy,” John Ellis wrote:

Here’s what real business leaders do. They go out and rally the troops, plant the flag, and make a stand. They confront hostile audiences and the deal with the press. If the issue is confidence, they conduct themselves confidently. If the issue is trust, they make their company’s business transparent. If the issue is character, they tell the truth. They do not shirk responsibility; they assume command. A fundamental ingredient of business success is leadership. And the granular stuff of leadership is courage, conviction and character.⁶

Great service leaders are the keepers of organizational values and the perpetuators of standards of excellence. Leaders don’t single-handedly make great customer service happen. But they clearly play a vital role in making it pervasive and enduring. It starts with gaining and distributing diverse intelligence about what customers want and it ends with making the difference that customers value. ■

Notes

1. Jerald W. Young, “The Effects of Perceived Physician Competence on Patient’s Symptom Disclosure,” *Journal of Behavioral Medicine*, 3, 3 (Sept. 1980).
2. “Get Out of That Rut and Into the Shower,” by William C. Taylor, *New York Times*, 13 August 2006, <http://www.nytimes.com/2006/08/13/business/yourmoney/13mgmt.html> (accessed 2 June 2008).
3. Comments made in a presentation to managers. CVS is a client.
4. Comments made at a meeting for managers. EDiS is a client.
5. Service enhancements resulting from this program include: changes in the look of the website and changes in the processes used to verify identity of buyer and seller.
6. John Ellis, “Strategy,” *Fast Company*, October 2002, 74.



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