

Branded Culture

The New Paradigm: Achieving Sales Through Service

A case study from the USA

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In a nutshell...

- Great service sells.
- The Old Paradigm is that service is a cost, and sales is the engine that drives the company. The New Paradigm is that the service experience is a key driver of sales.
- Enterprise Rent-a-Car grew its business by US\$5 billion in 7 years by focusing on the customer experience.
- It kept a laser focus on aiming to deliver service that led to the highest levels of satisfaction.
- A simple measure – the ESQI – played a central role in shaping the behaviours of managers and employees at all levels in the company.

The New Paradigm: the service experience is a major part in the sales generation engine

Most companies treat customer service as a cost and sales activities as the engine that drives income. That is the “Old Paradigm – the old way of thinking. It is time to change that paradigm. The “New Paradigm” is that great service experiences create sales. Under the New Paradigm, the service experience is a major part in the sales generation engine. Great service experiences create happy customers, repeat business, word of mouth and stronger brands. This might seem like common sense, but, from my experience, many companies still operate in the world of the Old Paradigm.

In this article, I am going to share with you a story about a company in the United States that increased its revenue from US\$2billion to US\$7billion in just 7 years. This growth was achieved by having a laser focus on the customer experience. The company, Enterprise Rent-a-Car provides an excellent case study example of how investments in customer service will build sales and market share.

In the mid-1990s, Enterprise Rent-a-Car was the number one car rental company in the US. The company had always appreciated that customer service was critical to its success. However, in 1996, senior management became concerned that its customer satisfaction scores indicated that the service it was delivering to customers was just “okay”. The company knew that “okay” service would put it in the danger zone where smart competitors with cheaper prices or better service would lure customers and eat away at its market share.

The ESQI

The service strategy revolved around one key question

The company embarked on a journey which included a laser focus on improving customer satisfaction scores. As the process evolved, the company ended up revolving its service strategy around one key question, “*How satisfied are you with your most recent experience with Enterprise Rent-a-Car?*” This was a simple 5 point customer satisfaction scale. If a customer was very satisfied, a rating of 5 would be given. If the customer experience was just “okay”, a rating of 3 or 4 would be given. The company called this question the Enterprise Service Quality Index (ESQI).

**Bonuses
and
promotions
depended
on the ESQI**

Enterprise Rent-a-Car hired a survey company to ask customers from across the country this one question. As it was a very quick survey, they achieved a very high response rate of 95% on the surveys. If the customer expressed dissatisfaction, the survey company asked them whether they could pass the details onto the relevant company outlet.

Many companies conduct customer feedback surveys. However, what differentiated Enterprise is what it did with the data.

Senior Management took customer feedback seriously

The ESQI for each car rental outlet became a critical number that senior management took very seriously. Each manager in the organisation knew this. Monthly reports to senior management showed the financials, as well as the ESQI, by region, branch and manager. The ESQI became the key topic of every management meeting and operations review meetings with all branches. Branch managers knew that they would be grilled on the ESQI. The company's reward and recognition program became tied to the ESQI in two key ways:

- Bonuses were not paid to branches if their ESQI was below the national average
- There were no promotions for branch managers with ESQIs that were below the national average

Can you imagine what a motivating impact this would have on managers to improve the customer experience delivered by their teams? It certainly worked.

Employees were trained to ask 1 or 2 questions relating to customer satisfaction

Training

The company conducted training for all employees on the service cycle. This involved mapping out all of the interaction points with customers. Employees were given tips on how to create a pleasant service experience. They were also trained to ask 1 or 2 questions at each customer interaction, e.g., *“How was your service experience with us?”* or, *“What can we do to make the service experience better for you next time?”* This process had an impact on the service culture within each branch. It created opportunities for dialogues, between managers and employees within each branch, on how to improve customer service.

The company encouraged branches to experiment with new service ideas through this process. Small improvements were made across the country, and then shared at regular forums.

Regular forums to share ideas

There were regular regional and national forums to exchange ideas on how the customer experience could be improved. Once again, the ESQI was the key topic of conversation. The manager’s ESQI was printed clearly on their name badges. This provided the opportunity for managers with lower ESQIs to identify higher performing managers and to learn from them.

The Vote

One initiative that had a major impact was called “the Vote”. Every Monday, before branches opened, each team member was asked to rank other team members on the quality of their service over the previous week. The instruction was to keep all comments constructive, e.g., “I ranked John third as you seem to have trouble looking the customer in the eye when you introduce yourself and shake his hand.”

This weekly feedback process had a major impact on the behaviours of employees. Sometimes they were not aware of what they were or were not doing. The Vote gave team members the opportunity to give fellow team members positive or corrective feedback, in a positive manner. And it helped to create ownership as everyone was involved in the feedback process. There was resistance to the Vote initially, but eventually it became a part of doing business at the company.

Team members rated each other on customer service each week

The link between service and sales was confirmed

Research confirmed the positive impact

Enterprise Rent-a-Car, being a numbers-driven organisation, conducted research to establish the link between completely satisfied customers and customer behaviour. The research showed that there are huge paybacks from striving to have completely satisfied customers. It found that completely satisfied customers:

- Are 3 times more likely to rent from the company again
- Accounted for 90% of the referrals

Lessons from Enterprise Rent-A-Car

There are a number of valuable take-away lessons from this brief case study:

- **Grow your sales through service.** Most organisations treat service as a cost, and treat sales as an income generator. Smart companies like Enterprise know that good service builds sales. This means that senior management teams should look beyond sales figures as indicators of success. Customer satisfaction should be on the agenda of every senior leadership team meeting. Sales are a lag indicator of past performance. Customer satisfaction data, on the other hand, is a lead indicator - an early warning signal - as to the real health of the business.
- **There are huge paybacks from aiming to have completely satisfied customers.** Most companies live in worlds where there are false senses of security. They are happy when their customers rate them as a 4 out of 5, i.e., they are “satisfied”, rather than “completely satisfied.” The research consistently shows that “satisfied” customers are at risk of moving to other companies if they get a better offer. It is only when customers rate you a 5 out of 5 that they are loyal and are active referrers.
- **Senior management must actively be involved** in the customer service improvement process and keep up the pressure for service improvement. This is essential.
- **Keep it simple.** The Enterprise Service Quality Index provided a simple focus for improvement efforts.

- **Link your reward and recognition to more than sales.** Link your reward and recognition to customer satisfaction, as this is the life-blood of a sustainable business. As the old saying goes, “What gets measured gets done.” It is not uncommon for sales people to win the sale but to damage both the customer relationship and the brand as the post sales customer experience is below par. Does this apply in your company? What would the impact be?
- **Define your customer experience, engage and train your people to deliver.** This is clearly important. Don’t prescribe or script the experience. Rather, give them guidelines on how to build a positive customer experience.
- **Create forums to share customer improvement ideas within your organisation.** There are lots of good ideas floating around in your organisation. The challenge is to create forums to unleash them.
- **Encourage experimentation** to improve the customer experience at local levels.
- **Develop ways to give real time feedback to employees on their service performance.** The Vote is one way that creates a dialogue on service improvement. On-the-job coaching and Service Team meetings are other ways.

From the Old Paradigm thinking to the New

Here is a question for you: If your sales are down, and there is a need to cut costs, what would you do to your product and customer service training budgets, as well as your efforts to improve the customer experience? Most companies would indiscriminately cut these budgets. The CEO has said “cut costs by 10%”, so nothing is sacred! That’s the Old Paradigm.

If you work with the New Paradigm of sales through service, you would have a totally different answer. You would say, “We will grow our sales by growing the customer experience. And you would allocate your budgets accordingly. Smart companies will increase their spending to increase repeat business and word of mouth referrals.

Enterprise Rent -a-Car was ahead of its time. It implemented processes to create sales and market share through the customer experience. Senior management had a laser focus on creating customers who preferred Enterprise, and who wanted to tell others as well. They treated customer satisfaction scores with the same importance as the financials. Enterprise senior management paid much more than lip service to the customer experience.

Does your company have a culture of investing in increasing sales through service? Is it an Old Paradigm or a New Paradigm company? Food for thought. Until next month.

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