

The Leader: Customer Service Results?

by **Frederick E Roach**

How important is superior customer service? Can we demonstrate it? Is this something in which we can establish parameters and measure our effectiveness?

John Anderson, M.D., Baylor's senior vice president of clinical integration, has a screen-saver on his computer. It says: "If it isn't easier for the patient . . . we aren't doing our job."

This says to me that Dr. Anderson believes superior customer service matters. The way we take care of our patients does positively or negatively affect the results of our operation.

All businesses, even not-for-profit businesses like Baylor Health Care System, must be sensitive to the effect of their customer service initiatives. We consider our patients as our most important customers. Ed Stewart, vice president of public relations at Southwest Airlines, says it well: "Our people come first." The employee payroll checks at Southwest say "from the customers of Southwest Airlines." This attitude at Southwest has created one of the lowest turnover rates in the airline industry: 3 percent.

During a recent Health Care Forum meeting, Russ Hagey of Bain & Company, said: "Keeping the right kind of customer is the key to future profitability. Loyalty is the strategy for success. Do your customers, internal and external, want to continue doing business with you?" A company can't have a "high defect rate and build your business at the same time," he said.

Employee retention rates highly. "Because long-term employees are valuable assets, they tend to help you grow two to three times faster than you otherwise would," Hagey said. "They help increase profits by 25% to 100%."

THE RESULTS OF EXCELLENT CUSTOMER SERVICE

1. Happy People

The goal of many businesses is no longer just customer satisfaction. Even satisfied customers defect. The goal these days is loyalty from those with whom you work, and from those you serve. Loyalty spurs longevity.

2. Repeat Business

In a Fortune magazine article about Xerox, Thomas A. Stewart wrote: "If satisfaction is ranked on a 1 to 5 scale, from completely dissatisfied to completely satisfied, the fours - through satisfied - are six times more likely to defect than the fives."

3. A Positive Reputation

Our image and reputation have been guarded assets within Baylor Health Care System. We feel a stewardship responsibility to maintain a reputation we've

inherited and nurtured. How can this best be done? By fostering loyalty with our employees and patients.

4. **Positive-Minded Employees**

When an effective customer service environment is in place, employees are happier and more productive. There's a sense of caring as leaders walk their talk.

5. **Improved Work Environment**

Effective, customer service becomes part of our identity as an organization. Our minds must be involved. But our hearts must be equally involved.

6. **Loyal Customers**

In a 1994 Harvard Business Review article, the authors wrote: "The lifetime value of a loyal customer can be astronomical, especially when referrals are added to the economics of customer retention and repeat purchases of related products. For example, the lifetime revenue steam from a loyal pizza eater can be \$8,000 and \$332,000 from Cadillac owners."

7. **Less "Business Churn"**

Russ Hagey says, "Business churn customers 15-20% each year. Loyalty rates are important. John Deere Co. has 91 percent repeat buyers. Lexus has 65-70 percent repurchase rate versus the 30-35 percent in the industry."

8. **"Barnacles, Not Butterflies"**

Hagey noted, "the Maryland National Bank has a desire to "build barnacles ... they stick" versus "attracting butterflies ... they flit about ." They've had fantastic financial growth by getting the right customers and keeping them."

9. **Values and Profits**

Ed Stewart highlighted the friendships at Southwest Airlines. The airline is very selective in hiring. Managers might interview 40 people to get the right one, Stewart said.

10. **A Strong Bottom Line**

In their Harvard Business Review article, "Zero Defections: Quality Comes To Services," Frederick F. Reichheld and W. Earl Sasser, Jr. estimate "that a 5 percent increase in customer loyalty can produce profit increases from 25 percent to 85 percent." Quality of market share, measured in terms of customer loyalty, deserves as much attention as quantity of share.