



CATCH-1

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THE CUSTOMER AS KING IS DEAD. LONG LIVE THE AMBASSADOR.

The customer must truly be at the heart of any successful business but that is not enough in its own right – a high proportion must also be ambassadors.

Any discrepancy between claimed company image and operational reality will be exposed immediately, so communications must be two-way and genuine – broadcasting from a hill is no longer acceptable. If business leaders need to explain a failure, they need to apologise properly to have any chance of making things better. Businesses are never as in control of their destinies as they believe – the customer now has that power. Successful businesses must ensure that image truly matches reality and then relinquish control – the customers will do the rest.

Company image versus reality

“It is impossible to speak in such a way that you cannot be misunderstood...clarity begins at home.”

David Bernstein

Most people think that they can make themselves understood fairly easily. Humans in general feel that they have mastered the art of communication. Maybe we have, but maybe not. If

individuals can be misinterpreted, then a company certainly can. And it happens more often than they might care to admit. Many businesses delude themselves into believing they are communicating by calling it one-way communication – an oxymoron if ever there was one.

‘The customer is king’ is a platitude that has been trumpeted from boardrooms for decades, but time has revealed that in many organizations the mantra is little more than a deceptive form of lip service. It’s easy to claim, and hard to deliver. The disconnect between such a lofty assertion and the grim reality has driven many a patient customer to distraction.

While having the customer as king remains a desirable state for any corporation, the role of the customer just got a whole lot more complicated, and for lots of reasons. Having the customer at the centre of your operation is no longer enough in its own right. That should be regarded as given – a hygiene factor. For businesses to thrive now, they need a healthy proportion of their customers to be ambassadors. This means that their allegiance to the product or brand needs to be total, and beyond that they need actively to be promoting its virtues to anyone who will listen. This is the new free marketing that is proving so elusive for modern businesses – they can’t buy word of mouth and they can’t force customers to embark on endorsement marketing against their will.

Many have looked at this issue and pointed out the complexity of it. In their book *Commitment-led Marketing*, Jan Hofmeyr & Butch Rice assert that the key to brand profits is in the customer’s mind. Some customers appear to be loyal because they habitually buy a product, but this does not mean they are committed to it. Their conversion model shows that customer satisfaction is actually a poor predictor of behaviour – commitment measures are better. Loyalty is what customers do. Commitment is what they feel. As a result, customers can completely fool businesses by appearing to be loyal when they are in fact uncommitted (they might only use the brand because everyone else does, through lack of choice, affordability, or distribution).

The idea that “satisfied” customers may be very prepared to leave their brand might surprise many a company, particularly if they are measuring the wrong attributes. At any time a “last straw” moment can make a committed user snap and switch to a competitor. The moment is hard to predict, the decision is usually irreversible, and to cap it all they tend to become a missionary against that brand. So having happy customers who are ambassadors for businesses has never been more important. Clarity begins at home.

Brand manners and the ultimate question

“The secret of success is honesty and fair dealing. If you can fake those, you can fake anything.”

Groucho Marx

To have any chance of customers saying positive things about them, companies need to be clear about what they are doing, and capable of explaining it in an open way to their customers, and to other interested parties such as shareholders and interest groups. The only way this really works is if the staff believe it too, and behave appropriately with the customers with whom they interact. In their book of the same name, Hamish Pringle & William Gordon call this Brand Manners. This means that companies need to align their internal and external brand values to build a self-confident organization that does what it says on the tin. This is vital because customer perception of quality is a function of their pre-existing expectations of the brand, coupled with their experience when interacting with it. If reality does not live up to perception or expectation, then the whole pack of cards falls down, and rightly so.

As a consequence, brand reputations can be ruined by just one poor interaction. This is one of the biggest banana skins management can slip on, but it can be headed off by instilling a number of ideas that the authors suggest. For example,

it's not enough to talk about missions and values – they have to be manifested in the concrete reality of individual action. It's no good management being aloof and removed from the day-to-day – they need to stay close to customers and staff, and engender an atmosphere of trust. Technology and automation must not be allowed to remove humanity from brand interaction in the way that, for example, automated phone systems do. Direct human interface generates defining gestures, pledges to customers, and moments of truth that should all reflect the brand. These are brilliant when they work well, and disastrous when poorly handled. The art of ensuring continually satisfied customers is to define your version of outstanding service, realising the importance of under-promising and over-delivering, and recruit in line with the brand's values.

One man reckons all this can be boiled down to one question: The Ultimate Question. In his book of the same name, Fred Reichheld claims that it is possible to turn customers into promoters or ambassadors by asking and tracking one simple question: Would you recommend us to a friend? From this, a Net Promoter Score can be calculated. Increasing this by 12 points versus a competitor can double a company's growth rate. The equation is simple:

$P - D = \text{NPS}$

P = promoters

D = detractors

NPS = Net Promoter Score

In other words, if you have more fans than grumblers, you can move your business forward successfully, but woe betide any business that tries to fake what they are all about.

Factory out, customer in: the end of an era

“The one thing I have learned over the years is the difference between taking one’s work seriously and one’s self seriously. The first is imperative and the second is disastrous.”

Margot Fonteyn

The old company loved to take itself seriously, but the new one cannot afford to. Take the issues seriously, but not yourself. Show some humanity. Have the confidence to reveal your character. Open the boardrooms doors, let the light in, and let the truth out. Assuming you’ve got nothing to hide. This is where traditional businesses got the shock of their lives. If by any chance they were whiter than white, relaxed in their own skin, and confident about what they had to offer, they would be fine in the eyes of their customers. And what were the chances of that?

The old model had the doors firmly shut to the outside world. The factory made things in secret. Formulae and working practices were kept secret. Everyone had to lock the filing cabinet before going home. Suppliers were sworn to secrecy. Figures were gently massaged. Projections were calculated and announced to the outside world in carefully manicured statements. The factory view went out, but still no provision was made to allow the customer view in. The ‘customer’ remained an amorphous mass, a passive audience with no opinion. The factory didn’t even want the customers’ opinions, and no forum was provided to hear them. The doors remained shut.

But it couldn’t go on. The perpetual oxymoron of one-way communication was about to be shattered, and what better place to start than in the very heart of the closed company – the boardroom. Once a year, by law, the dusty old men had to take a deep breath and emerge blinking into the light to stage the dreaded Annual General Meeting. It would be here that the executives who so loved to keep their cards close to their chest would first be exposed for all to see, and picked off like salmon leaping straight into the mouths of brown bears.

The AGM that isn't: the age of instant responses

“Thinking is to humans what swimming is to cats – something we can do if absolutely necessary, but we'd really rather not.”

Mark Earls

Time was, a Chief Executive would stand up at the Annual General Meeting and deliver an impeccable summary of the year's achievements. It would be a relentless run of successes, usually rounded off with one of various platitudes stressing that one was not resting on one's laurels. At the end of the meeting, a perfect bound Annual Report would be triumphantly handed over to a collection of extremely polite, and none-too-investigative journalists, who would return to their news desks and coo appreciatively about the company's performance and prospects. No one was any the wiser if the working reality had in fact been a series of mishaps, arguments and failures. This was the unchallenged hallmark of Business 1.0, and remained a strong component of Business 2.0 for decades after.

Then two things happened. Journalists became more inquisitive, and thus better informed. And the information they were increasingly after was freed, courtesy of the Internet. The doors were blown off almost every AGM thereafter. Suddenly, anyone could be an investigative journalist. Reporters first, and then anyone with access to the Internet, could

rummage in the bowels of a business. Financial data, working practices, human rights policies, overseas involvement, human resource systems, financial data, historical performance, predictions, forecast revisions – every detail would be found somewhere. If it wasn't intended to be in the public domain, it soon found its way out. Even staff started having conversations with the outside world, frequently blowing the gaff over pricing, service and sales policies that were often less than flattering for the company.

Nowhere was this phenomenon better illustrated than in The Cluetrain Manifesto by Levine, Locke, Searls & Weinberger in 2000. The cluetrain is simply their word for following a chain of conversations on the web. They declared with good reason that it was the end of business as usual because these conversations have changed forever the way companies need to interact with their customers. They went as far as to say that, in fact, customers are now usually more intelligent than companies because they can exchange information faster. Suddenly customers and employees were openly communicating so there were no secrets any more – one-way rhetoric from head office simply wouldn't wash.

The appeal of the Internet, and thus its power, is not so much the technology involved but peoples' desire to tell stories and communicate generally. An employee who tells the internal truth about a company can cause havoc with a few

keystrokes, so companies need to know how to deal with it. In one example from Canada, a disgruntled customer posts the question: Am I getting F***ed by my Saturn dealer? His story of how he was charged \$113 for an oil change escalates into an extraordinary conversation in which servicing prices from dealerships all over the country are compared until the final coup de grace: a mechanic who works for the dealership breaks ranks and reveals the company's mark-up policy for all to see.

The moral of the story? Cats may not like swimming, but if thrown into the water they are forced to get on with it. Humans may not like thinking, but sometimes circumstances force them to concentrate harder. Businesses may not like being open, but now they have no choice. Communications never can nor should be one-way, and companies that choose to ignore this are both bringing trouble on themselves and missing a massive opportunity.

How much mea in your culpa? The art of corporate apology

“In 2000 alone, forty CEOs of the top 200 companies on Fortune’s 500 list were removed...because they didn’t deliver what they said they would.”

Larry Bossidy & Ram Charan

When normal people are caught doing something wrong, they usually apologise. Businesses, however, find this extraordinarily difficult to do. Following these misdemeanours from their point of origin provides a fascinating insight into how corporate reputations can spiral out of control very fast. It begins when a company implements or endorses bad practices. Somebody finds out, and they are exposed. This presents an opportunity to apologise and begin reparations, but until recently it has rarely been taken. In fact, the situation is often compounded by denial and cover-up. Things get even worse. Politicians do it all the time and so do companies – they find it nigh on impossible to say sorry.

Even when they try, they still don’t really get there. Instead they have perfected what has come to be known as the art of nuanced regret – admitting mistakes without actually accepting blame. On January 24 2010 The New York Times had this to say on the matter:

“As America recovers from the worst financial crisis since the Depression, some of the nation’s chief executives are offering that rarest of statements – an apology. But often, their words are so carefully parsed, picked over by lawyers or public relations professionals that it is unclear just how much mea is in their culpa.”

People do not rise to the top of large businesses by debase-

ment, self-deprecation and humility. Being competitive, bombastic and having an innate sense of self-belief are the central qualities of most of the top business executives in the world. This set of qualities represents a box of bombs waiting to go off if the company's performance is found wanting, or if malpractice of any kind is revealed. The very qualities one would want in a crisis are simply not present in the majority of business leaders. So they shout louder and dig deeper holes, as the customer watches with increasing anger, cynicism, and in some cases even the desire to litigate against the company.

Outspoken senior business executives are also prone to making claims and predictions. They can't help themselves. But if they paused to think, they would realize that not only is the world watching, it is also recording, and it's doing it fast. So one slip of the tongue can destroy a business, and will remain a matter of permanent record on the web for all to see. Indiscretion will be found. Claims that are false or not acted upon will be exposed, which is why as many as one in four CEOs will be removed for not doing what they said they would do. In many instances, this is because they made the claim before they had confirmed that the employees could indeed carry it out.

Maths test: the Change Equation

"You can't build a reputation on what you are going to do."

Henry Ford

Making brave statements about how the company is going to change for the better is all very well, but it will only happen if the staff want it to, and agree to change their behaviour with customers. Their brand manners have to be spot on. So how do businesses get their people to change for the better? Various experts have worked on this thorny problem, including David Gleicher and Richard Beckhard, adjunct professor at the MIT Sloan School of Management, and co-author of *Changing the Essence*.

The fruit of this labour is the Change Equation, which is intended to help businesses change their internal culture to match the brand promise they are making at the top. Where the reality of the customer service experience fails to match the claims made by senior executives or, even worse, high profile advertising campaigns, it is one of the most dangerous traps that a company can fall into. The Change Equation is a tool from the discipline of Organizational Behaviour and its formula is:

$$D \times V \times F > R$$

D = dissatisfaction with the way things are

V = a clear vision of how things could be

F = achievable first steps that could be taken

R = resistance

If the product of the first three elements is less than the level of resistance, then the initiative will fail. Equally, it immediately becomes apparent that if any of the three elements is zero or close to it, then the sum will never be great enough to succeed. Businesses would do well to plot this before they embark on bold announcements, because chances are they would discover that the plan they have is not going to work. Proponents of the Change Equation also believe it works to predict changes in customer behaviour, in which case it has a doubly valid application for senior executives as a predictive tool. Trying to improve the reputation of a business based on what they plan to do, rather than what they have done or are presently doing, is a mug's game that won't work. A little bit of mathematics calculated in the privacy of the boardroom might prevent many a regrettable view from on high returning to haunt the business later.

The John Perry Barlow Declaration

"I declare the global social space we are building to be naturally independent of the tyrannies you seek to impose on us. You have no moral right to rule us nor do you possess any methods of enforcement we have true reason to fear."

John Perry Barlow

On February 8th 1996, John Perry Barlow, lyricist of The Grateful Dead and a regular web activist, posted A Declaration of the Independence of Cyberspace. It set out, in sixteen short paragraphs, a rebuttal to government of the Internet by any outside force. In particular, it stated that the United States did not have the consent of those they governed to apply laws to the Internet because it was outside any country's borders. Instead, the Internet would develop its own social contracts to determine how to handle its problems. The declaration used language evocative of the Declaration of Independence and caused quite a stir.

Barlow had already written extensively about the Internet and its social and legal phenomena, and it quickly became famous and well-distributed. Within three months, an estimated 5,000 websites had copies of it, and by nine months the number was estimated to be 40,000. Outside the Internet, the response was unsurprisingly less positive. Even the online magazine HotWired referred to it as simply "hogwash."

However, this type of bold pronouncement was very much the force behind the rise of the so-called intelligent misfits – bright but non-conformist minds who refused to succumb to the corporate yoke. Now they had a voice, a place to air their views and a rallying point to create critical mass. 130 million weblogs have been generated since their introduction in 2002. Two big forces began to take shape:

1. Everyone could have their say
2. Anyone could cut out the middleman

With so many voices, companies could no longer gainsay the truth as determined by the weight of opinion in their customer base. Simultaneously, the rise of disintermediation meant that huge swathes of intermediaries and resellers were speedily removed from the mix. Who needs an insurance broker when you can compare and buy online in six clicks? Who needs a travel agent when you can buy online in minutes? And so on, for hundreds of traditional markets. The customer was truly re-crowned as king, but with a new twist.

Letting go: control freak alert

“If I’d asked my customers what they wanted, they would have said a faster horse.”

Henry Ford

The game has moved on since Henry Ford was running a business. Even in the last twenty years, the chairman of Sony was heard to say: “We don’t ask consumers, because they don’t know.” One would hope that a more inclusive approach has since taken over. Businesses can no longer keep their cards close their chests. The boardrooms doors must be opened. Character must be shown. Reality must match claim, and all the more so if the claim is absolute.

The customer has always been king. Businesses that agreed with the sentiment but failed to deliver on the promise have, in the main, now been exposed for the sham that they were. Good work has been done to rectify such disconnects, and that is in itself a form of progress. But it is not enough in its own right. Truly having the customer as king – as both an attitude and an operational reality – is now a given. Without both the sentiment and the enactment, any modern business will fail. To really be a success, modern businesses need to have a high proportion of their customer base operating as willing ambassadors, enthusing about their products entirely because they want to, not through any devious coercive methods.

The only way for businesses to create the right conditions for this is to let go. Control freaks have no role to play in the success of modern businesses and brands. The true ownership of them resides with the customers who buy, not with

the companies that supply.

Why business will never be the same

- The customer must truly be at the heart of any successful business
- That is not enough in its own right – a high proportion must also be ambassadors
- Any discrepancy between claimed company image and operational reality will be exposed immediately
- Communications must be two-way and genuine – broadcasting from a hill is no longer acceptable
- If business leaders need to explain a failure, they need to apologise properly to have any chance of making things better
- Businesses are never as in control of their destinies as they believe – the customer now has that power
- Successful businesses must ensure that image truly matches reality and then relinquish control – the customers will do the rest

CASE STUDY - DOMINO'S PIZZA (USA)

Social media now has the reach and speed to turn tiny incidents into marketing crises, as this cautionary tale about Domino's Pizza highlights.

WHAT EXACTLY HAPPENED?

In April 2009 Kristy Hammond, 31 and Michael Setzer, 32 from a branch of Domino's Pizza in North Carolina thought it would be amusing to film a prank in the restaurant's kitchen, and post it online. Thanks to the power of social media, this apparently harmless bit of fun ended up with felony charges, more than a million disgusted viewers, and a major company facing a public relations disaster.

In the video, posted on YouTube (and subsequently other sites online), one employee is filmed violating a number of health code standards whilst preparing sandwiches. Meanwhile, his fellow employee provides narration: "In about 5 minutes it'll be sent out on delivery where somebody will be eating these, yes eating them, and little did they know that cheese was in his nose and that there was some lethal gas that ended up on their salami. Now that's how we roll at Domino's."

Within the space of 24 hours the video had been viewed

more than one million times on YouTube (the equivalent of being seen by the entire populations of Luxembourg, Iceland and Barbados put together). References to it were in five of the 12 results on the first page of Google search for 'Domino's', and discussions about the incident had spread throughout the Twitter community.

As soon as Domino's were made aware of the prank video (via a blogger), the employees were fired and the police called in to investigate – which resulted in the pair being charged with distributing prohibited foods. The franchisee brought in the local health department. And the video was removed from YouTube.

But the crisis was far from over for Domino's.

"We got blindsided by two idiots with a video camera and an awful idea," said Tim McIntyre, VP of Communications at Domino's. "Even people who've been with us as loyal customers for 10, 15, 20 years are second-guessing their relationship with Domino's."

In fact, in just a few short days, Domino's reputation was 'measurably' damaged. The perception of its quality among customers went from positive to negative (between the Monday and Wednesday), according to the research firm YouGov, which holds online surveys of about 1,000 consum-

ers every day regarding hundreds of brands.

Initially, executives at Domino's decided not to respond too aggressively and hope that the controversy would die down. "What we missed was the perpetual mushroom effect of viral sensations," said Tim McIntyre.

Domino's then embarked on a crisis management offensive using the media channels that had caused the crisis to escalate at such an alarming rate. They created a Twitter account (@DPzinfo) to address the issue and reassure their customers. They also posted a video on YouTube in which Patrick Doyle, President of Domino's USA, apologised unreservedly to customers and outlined what the company was doing to address consumer concerns resulting from the rogue employees' video. "There is nothing more important or sacred to us than our customers' trust," he says. "It sickens me that the actions of two individuals could impact our great system where 125,000 people work for local business owners around the US and 60 countries around the world."

Since the YouTube disaster, Domino's has significantly increased its online presence and interacts with customers on sites such as Twitter and Facebook (where it now uses videos more and more to show its commitment to customer service). In January 2010, after a Chicago customer complained on Twitter that her pizza took an hour to arrive, the out-

let manager's response on Twitter/YouTube received 87,000 views.

Domino's now has an online Stop the Puffery campaign which encourages consumers to report companies who are 'over claiming' their products. They have certainly adopted a new 'transparent' approach, interacting honestly with their customers and hoping that this goodwill will be spread in an ambassadorial way to help them fully recover their brand positioning.

On a positive note, and as a result of the action taken, Domino's stock price was not affected, and the chain received top honours in the annual American Customer Satisfaction Index (ACSI) in May 2009.

VITAL STATISTICS

- Domino's is one of the world's leading pizza chains, with over 8,700 stores in more than 60 countries
- Employee 'hoax' video viewed 1 million times on YouTube in just 24 hours
- Global media coverage included China, Australia and Peru – markets where Domino's doesn't even have stores
- Estimated 60 million media impressions regarding the incident

To deal with this catch, businesses need to:

- Keep their customers close, and their employees even closer
- Be present when their customers are online and interacting
- Not underestimate the 'perpetual mushroom effect of viral sensations'
- Be ready to react quickly, and emphatically
- Build up their network of customer ambassadors now, so they can use them to combat negative press in times of crisis