



Loving Customers



Table of Contents

Chapter 1: Introduction	3
Chapter 2: Why Loving Customers Works	5
Chapter 3: What Matters to Customers	12
Chapter 4: Whole Company Support	21
Chapter 5: Whole Company Support Best Practices	27
Chapter 6: Measuring Customer Service	36
Chapter 7: Case Studies	42

Introduction

t's a great feeling when an employee goes out of their way to be helpful. It's also memorable when someone remembers your name, takes ownership to solve a problem or says thank you for being a loyal customer.

Fact is, being treated well has and always will matter to people.

But is there a business case for companies to treat people this way? Does loving customers really drive value to the bottom line? Is it worth the time and effort for everyone in your company to directly help customers?

Today more than ever, these questions can be answered with a clear and resounding **YES**. Numerous studies and statistics support a single fact:

Great service is great for business.

Customers aren't the only beneficiaries of great service; when executed the right way, it empowers employees to make good decisions and do their best work.

So the business case for loving customers is both a marketing strategy and a way to build a strong company culture.

This guide presents a wealth of data, helping you understand *why* loving customers works. It also outlines several strategies and best practices your team can begin implementing today. Lastly, you'll hear from a number of successful companies that love customers—and are reaping the rewards.

Introduction 4

Why Loving Customers Works

e purposefully use the word "love" (customer love, loving customers, etc.). Great service is somewhat touchy-feely. It's about nurturing a genuine relationship with someone.

Research shows that **70 percent** of buying experiences are based on how the customer feels they are being treated. So it's no surprise that loving customers (or not) has a significant impact on whether they choose to do business with you again, thus having a measurable impact on the bottom line.



People want this level of engagement from the companies with which they do business ... even the best of what formerly passed for good customer service is no longer enough. You have to be no less than a customer concierge, doing everything you can to make every one of your customers feel acknowledged, appreciated, and heard. You have to make them feel special, just like when your great-grandmother walked into Butcher Bob's shop or bought her

new hat, and you need to make people who aren't your customers wish they were. Social media gives businesses the tools to do that for the first time in a scalable way."

- Gary Vaynerchuk, The Thank You Economy

Good Service isn't Good Enough

The fact is, "good" customer service is already the status quo. Treating someone with respect is expected, and not necessarily rewarded. Exceeding expectations—"WOWing" the customer—is the name of the game. This is where the business case takes shape and where the real magic happens.

Customer loyalty expert Fred Reichheld tells this story of how a Rackspace employee went above and beyond for a customer:



"One of my favorite examples of this happened at Rackspace, the managed hosting and cloud computing company. An employee on the phone with a customer during a marathon troubleshooting session heard the customer tell someone in the background that they were getting hungry. As she tells it, 'So I put them on hold, and I ordered them a pizza. About 30 minutes later we were still on the phone, and there was a knock on their door. I told them to go answer it because it was pizza! They were so excited."

This story was not only shared by the customer (repeatedly), but was shared by countless other people that were inspired by this act of service. Rackspace didn't just wow a single customer that day; they impressed thousands of customers and non-customers alike.

Customer love in this sense is so much more impactful because it goes far beyond the status quo. Normal companies don't do this for people—but Rackspace did. You can see how this tale created a strong marketing message for them. At roughly \$20 for the pizza, it's pretty affordable, too.

Customer Love as a Marketing Strategy

Customer service has gone through a fundamental change as various business models evolved over the last 15 years. For the sake of clarity, we'll refer to them here as version 1.0 and version 2.0.

In version 1.0, customer service was considered a cost of doing business.

It makes logical sense when you think about it. It costs money to provide service to customers, so any smart entrepreneur would come up with ways to reduce costs.

The best way to reduce the cost of service is to reduce customer touch points, so barriers were created. Complicated phone trees, customer forums, automated "self-help", and outsourcing are all well-meaning mechanisms created to suit the version 1.0 point of view.

Version 1.0 didn't work out as well in reality as it did on paper. It fails to consider intangibles, like emotion. Emotion has a funny way of not fitting into a spreadsheet or business plan, but it is there and is quite powerful.

Remember: 70 percent of people do business with you in large part because of the way it makes them *feel*.

Version 2.0 is a pivot, which bets on emotion. The premise is that if you love customers, they will not only keep doing business with you, but they will also refer new customers for you to love.

In version 2.0, customer service is no longer a cost of doing business, but a marketing investment.



In business jargon, we don't treat support like a cost center. Which, we're told, is very weird."

- Bill Bounds, Head of Support at Mailchimp

It turns out emotion is a pretty powerful marketing tool—so powerful in fact that a staggering 65 percent of new business comes from direct referrals.² The typical American talks about 60 specific name brands every week in conversation.³ If you were to guess, what kind of companies do you think these people are likely to talk about?

Of course, they talk about the ones that make them feel good as a customer.

Version 2.0 marketing is affordable and self-perpetuating for any small business. It also brings about the most profitable part of the equation for a business: **the loyal customer**, who is worth up to 10 times as much as their first puchase with you.⁴



There are many who subscribe to the convention that service is a business cost, but our data demonstrates that superior service is an investment that can help drive business growth. Investing in quality talent, and ensuring they have the skills, training and tools that enable them to empathize and actively listen to customers are central to providing consistently excellent service experiences."

- Jim Bush, Executive Vice President at American Express

TAKEAWAYS - Why Loving Customers Works

- 1. A customer's opinion of your company is largely based on emotion.
- **2.** Good customer service is the status quo. A "WOW" factor makes it a marketing tool.
- 3. Most buying decisions are made via word-of-mouth referrals.
- **4.** Customer service is a powerful marketing tool, not merely a cost of doing business. This mentality should profoundly impact your business decisions.

Footnotes

- 1. Source: McKinsey 5
- 2. Source: The New York Times 5
- 3. Source: The Church of the Customer Infographic 5
- 4. Source: White House Office of Consumer Affairs 5

What Matters to Customers

ow we know the why. Next is the what; what matters to customers in this relationship? What principles should guide your customer service strategy?

Although the business-customer relationship is largely based on emotion, we can still look to scientific research for answers that reveal 3 powerful, emotional triggers. Leveraging these triggers in your day-to-day interactions is what customer love is all about.

Trigger #1: A Personal Touch



"In an era when companies see online support as a way to shield themselves from 'costly' interactions with their customers, it's time to consider an entirely different approach: building human-centric customer service through great people and clever technology. So get to know your customers. Humanize them.

13

Humanize yourself. It's worth it."

- Kristin Smaby, "Being Human is Good Business"

The formal definition for a personal touch includes "any contribution someone gives to make something more personal." It's a moment that makes your customer feel uniquely valued and appreciated. It could be greeting the person by name when they walk in, sending them a card on their birthday, or, as one study shows, a gesture as subtle as bringing mints to the table after a meal.

Case in point: In a study published by the Journal of Applied Social Psychology¹, researchers tested the effect of mints given by the wait staff in a restaurant. For the experiment, the control group was given no mints at all. There were three other groups:

- The first group gave mints along with the check, making no mention of the mints. This increased tips by around *3 percent* versus the control group.
- The second group brought out two mints (separate from the check), and the wait staff mentioned them to the table (i.e., "Would anyone like some mints before they leave?"). They saw tips increase by about *14 percent* versus the control group.

3

The last group brought out the check first along with a few mints. A short time afterward, the waiter came back with *another* set of mints, and let the customers know that they had brought out more mints in case they wanted more.

In the last group, wait staff saw a **21 percent increase in tips** versus the control group. The level of service did not change at all—the only difference was the approach with mints. Could you have imagined such a small personal touch at the end of a meal making such a huge impact?

As this study reveals, the smallest calculated personal touch can have a measurable impact on how the customer *feels* about your company. It's worth carefully considering what opportunities you have to implement a personal touch. In most cases, these touches turn out to be memorable (and often worth sharing) for the customer.

Trigger #2: Reciprocity

The social construct of reciprocity has been studied since Aristotle, with scholars continually asking why the human brain feels the need to keep transactions of all sorts "fair." When someone gives you something or does something nice for you, you feel an innate obligation to return the favor. Reciprocity has fascinating effects in the context of customer service. By going out of your way to love a customer, it creates a subconscious desire for them to return the favor. Reciprocity is something we all feel, and it's the reason loyalty is so very valuable to a business.

Two kinds of reciprocity matter when it comes to loving customers: **trumpeted reciprocity and surprise reciprocity**. Above-and-beyond customer service like what we saw earlier with the Rackspace pizza story would be considered trumpeted reciprocity, meaning it happens through deliberate and often unique efforts to "WOW" the customer.

Surprise reciprocity is a little more subtle. It's part of the experience when you do business with certain companies, but comes as a surprise to the customer. When a customer orders something from Zappos, they "surprise upgrade" the shipping to overnight for almost all their customers.

If you have ever opened a brand new Apple product (such as an iPhone or iPad), you know that the packaging is an experience in itself. Before you even touch the device, you feel the care and precision that went into creating the product for you. This unexpected sense of excitement is another example of surprise reciprocity.

Both types of reciprocity create an emotional connection with the customer, such that they feel a subconscious need to reciprocate the gesture.

Reciprocity is what motivates customers to send a tweet, share their experience with a friend or continue doing business with you over time as a loyal customer.

Trigger #3: Being a VIP

There are few things more valuable to your company than loyal customers. Not only will they continue spending money with you over time, but 78 percent of customers say they show loyalty to a brand by telling others about it.² That's a pretty compelling case for an investment in building customer loyalty.

Since we know that loyal customers are extremely valuable, are there ways to further strengthen these relationships? Are there **tangible** ways of motivating customers to keep coming back? The data says yes. Depending on your business, there are a few different ways to execute these tactics.

A fascinating study by researchers from Stanford and Harvard Universities examined the power of labeling people.³ Half of the group was randomly selected and told they were deemed "politically active." The other half, the control group, was not told anything at all. **Sure enough, the ones labeled as "politically active" ended up being 15 percent more likely to vote.** The bottom line: People respond positively when a label gives them a feeling of importance.

This same concept has been applied with great success by companies such as American Express. They are the only credit card company to refer to their customers as "members." American Express further labels certain groups via fancy card names such as Gold cardholder, Platinum cardholder and the highly-prized Black cardholder.

An equally-effective alternative to labeling is creating some form of customer loyalty program. This one is pretty clear: Incentivize customers to keep coming back while also giving them that prized VIP feeling through rewards.

A study done by Joseph Nunes & Xavier Dreze⁴ revealed a fascinating insight about how to make loyalty programs work. They gave out 300 loyalty cards to customers of a local car wash. Customers would be given a stamp on the card each time they came back for a car wash. Once the card was full of stamps, they get a free wash.

As part of the experiment, two kinds of cards were given out. The first group got a loyalty card with eight slots to be stamped. The second group got a card with 10 slots, but two of the stamps were already filled in. So both groups needed eight washes to get a free one, but one group perceived that they got a head start of two stamps.

The result: Customers with a two-stamp "head start" completed all the stamps on their card 34 percent of the time. The other group (that started with no stamps) only completed all the stamps on their card 19 percent of the time.

That's a 44% improvement based on a perceived head start!

The researchers in this study affirmed their belief that the closer people get to completing a goal, the more effort they are willing to put into achieving it.

TAKEAWAYS - What Matters to Customers

A Personal Touch - Creating a memorable moment for customers often takes shape through some form of personal touch.

Reciprocity - Understanding a social norm that is built in to every human being is a key to earning more loyal customers.

Being a VIP - People are willing to spend more with your business if you give them a feeling of importance and reward their repeat business.

Footnotes

- 1. Source: "Sweetening the Till: The Use of Candy to Increase Restaurant Tipping" 5
- 2. Source: Clickfox Brand Loyalty survey 5
- 3. Source: "Motivating voter turnout by invoking the self" 5
- 4. Source: "The Endowed Progress Effect" [♥]

Whole Company Support

strong case has been built for why loving customers is your company's most effective marketing tool and what emotional triggers can be used to spark happiness. But while proactively building relationships and nurturing them over time is critical, it's only 50 percent of the equation.

The other 50 percent is about listening. It's about giving every member of your company the ability to understand customers' needs firsthand so that you can provide a product or service that people love. All of your employees must be drinking the proverbial Kool-Aid. We call this concept Whole Company Support:

Whole Company Support makes every team member an active participant in loving customers. Through this method, team members understand their customers' needs firsthand and are empowered to make daily decisions that meet those needs.

21



"When customers share their story, they're not just sharing pain points. They're actually teaching you how to make your product, service, and business better. Your customer service organization should be designed to efficiently communicate those issues."

- Kristin Smaby, "Being Human is Good Business"

Great service as a marketing tool can only take you so far. Implementing Whole Company Support in your business means two things:

- ✓ Your employees will make better decisions.
- ✓ You will learn exactly how to make your product or service great.

Customers Understand Buyers Better Than You

If you let them, customers will teach you everything you need to know about building a better business. Execution is mostly up to your team, but nobody understands buyers' needs like your customers. After all, they *are* buyers.

So what could customers teach you? Let's take the company 3M, considered to be a widely innovative company over the last couple of decades, as an example. In the 90s, rather than developing new products

solely via their internal process, they formed a separate team to search for breakthrough innovations from customers.

Over a 5-year period, which products do you think performed better—those developed internally or via customer feedback?

The internally developed products generated \$18 million, while the customer-led products generated \$146 million ... over 800 percent more revenue.¹

As further evidence, MIT's Eric von Hippel did a broad study of 1,193 commercially successful innovations across nine different industries.² It turns out that **60 percent** of these innovations came from customers.

The results are clear: You can't expect to build an innovative company unless your team has a deep understanding of customers. What better way to innovate than to have everyone *talk* to customers on a regular basis? When employees can empathize with and understand customer needs they are more likely to spend their time solving the right problems the right way.



"If you make the engineers answer e-mails and phone calls from the customers, the second or third time they get the same question they'll actually stop what they're doing and fix the code. Then we don't have those questions anymore."

- Paul English, Kayak.com

Whole Company Support = Team Unity

Companies create mission statements, core values and countless other programs in order to bring about team unity. Those are good things to have, but it's tough to reinforce them without practice.

Whole Company Support is something every employee can practice and rally around. If everyone talks to customers, then everyone has an understanding of where the customer pain points exist and how to fix them.

Your company could be two or 250 people. In either case, there are simple strategies covered in the next chapter to make the logistics of Whole Company Support work. Right about now you may be mentally crafting an excuse as to why Whole Company Support doesn't work in your specific case. But you'll never realize all the benefits of loving customers without it, and that should be reason enough to give it a try.

When employees have their finger on the pulse of what customers are thinking, they make more informed decisions about what they should spend their time on.



People will work hard when they are given the freedom to do the job the way they think it should be done, when they can treat customers the way they like to be treated. When you start taking away their incentive and start giving them rules, boom, you've killed their creativity."

 $\hbox{-}\operatorname{Jim}\operatorname{Nordstrom}, founder\ of\ Nordstrom\ department\ stores$

TAKEAWAYS - Whole Company Support

- **1.** Understanding how to love customers is half the battle. The other half is about empowering everyone in the company to participate.
- 2. In most cases, customers understand buyers' needs better than you and your team. Listening to customers enables you to build a better product or service.
- **3.** Whole Company Support builds empathy and unity among the team so that everyone knows what's important to their customers.

Footnotes

1. Source: "Creating Breakthroughs at 3M" 5

2. Source: "Lead Users: A Source of Novel Product Concepts" 5

Whole Company Support Best Practices

Become Great at Managing Feedback

Research shows that for every customer that bothers to complain, another 26 customers have the same problem, yet remain silent.¹ Any and all feedback from customers is gold. Even a single complaint is worth putting through whatever system you have for collecting, organizing and processing feedback.

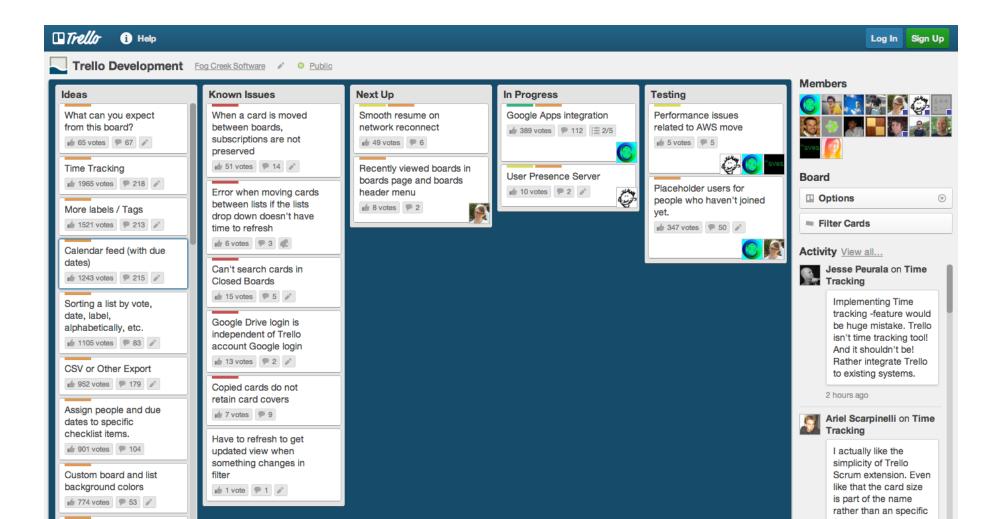
Your feedback management system can vary widely based on several factors such as business size, business model and where your customers are (online/offline/both). Ask around and spend a lot of time with your team coming up with ideas, then experiment over time to find the right fit.

How Our Company Manages Feedback

In case it provides any sort of inspiration, here's a brief overview of the feedback management process for our business, Help Scout. The business is all online; we bill customers every month, and our team is seven people (at the time of writing). Feedback is coming in 24/7 from customers via email, phone, social media and surveys. Letting any of it slip through the cracks isn't an option.

While feedback comes from a wide variety of sources, it all gets organized in a single place, a free web application called Trello. Trello is like a spreadsheet, in that it can be used to organize almost any amount of data for any purpose. Their structure of boards, lists and cards works really well for managing feedback and projects you want work on.

We don't share the Help Scout boards publicly, but the folks at Trello do. This is what their development board looks like, where they collect votes from customers:



Every unique suggestion or bit of feedback received from customers goes in a Trello board on what they call a "card." Everyone on the team knows how to process feedback and record it in Trello. Basically if we've heard the suggestion before, the customer's name is added to the corresponding card. If we haven't heard the feedback before, we create a new card for it.

Since we have a detailed process for managing feedback, none of it slips through the cracks. We know who and how many customers have suggested everything we are working on, which is pretty neat. If it weren't for this process, our business would be wasting time on things that our customers probably don't need.

Our favorite part about this system is notifying customers when their suggestion has been implemented. It's a great feeling all around, and customers are more likely to provide feedback in the future if they know you are listening.

Managing feedback applies to companies of all shapes and sizes, but best practices after that vary widely. The next few sections include suggestions on how to execute Whole Company Suport based on your company size.

Note: These ideas are geared towards phone and email support.

Businesses with 2-10 People

Most people would agree that this stage of a business is a lot of fun. Keeping everyone on the same page and managing communication is pretty easy.

Logistically, the one thing you need is some sort of help desk software. Of course we know of a good one, but there are several good products available. A help desk keeps all customer communications in a single place and prevents team members from stepping on each other's toes.

In a small company, support can be a free-for-all. In other words, the first person that sees an inquiry handles it. It's good to set some general guidelines, but if everyone checks the support inbox a couple of times per day, customers get a quick response and everyone on the team gets to participate.

If you have at least one full-time support person or find the free-for-all approach to be too disruptive, **scheduling shifts** is another option. For example: One person on the team is responsible for support each day and the assignment rotates. Several variations of this system could also work, so it's best to experiment to find your company's best balance of team productivity and customer responsiveness.

Businesses with 11-50 People

At this size, most businesses will have both full-time customer support employees and various departments in the company such as marketing, product, finance, etc. There are a couple of key guidelines to making Whole Company Support work at this level.

Most importantly, all new employees should spend the first 1-2 weeks talking with customers, doing support and learning about every aspect of the business through this lens. No matter what the title, having employees start their job loving customers provides invaluable context for what they will do in the future.

Scheduling shifts is a great way to do Whole Company Support at this size. In addition to full-time support staff, the goal is to put all other employees on a rotation, where everyone does support for a full day at each interval. Ideally, an interval should last between 2-8 weeks. If employees don't do support at least once every couple of months, it's tough to hear enough from customers for it to make a difference.

As with all the other suggestions, experimentation is encouraged. It's worthwhile to try different things with new employee training, rotations and interval lengths. But hopefully these basic guidelines get you excited enough to start trying things.

Businesses with 50+ People

At 50+ employees, doing Whole Company Support with full-time people and rotating shifts gets a bit complicated. However, it's not just important—it's critical—for larger companies to continue starting new employees by doing customer service.

At this size the strategies also depend much more on the individual business, but below are a few techniques we've seen work in larger companies:

- ✓ Involve full-time support people in all strategic meetings and decisions. Make sure someone is able to speak on behalf of how decisions improve or detract from your goal of loving customers.
- ✓ Rumor has it that Kayak.com has a system that will Bcc: the entire company on five random customer responses each day. This is an

interesting way to keep full-time support people on their toes and inform the company about what they are hearing from customers.

✓ One member of the support team (which could rotate) meets with each department on a regular basis and briefs the departments on three things they are hearing from customers. Reading examples and openly discussing solutions is a great way to keep specific things top of mind.

Managing and organizing feedback is challenging in a larger company, but oh-so-important! Any sort of tools like Trello or something similar that can put customer feedback in front of the entire company in real-time is a worthwhile investment.

TAKEAWAYS - Whole Company Support Best Practices

- 1. The most important process to implement is a way to collect, manage and organize feedback from customers, then make sure the team understands the process clearly.
- 2. A new employee's first 1-2 weeks should be spent learning to help customers. No matter what the job or title, this reinforces your company's focus on loving customers and provides great context for the new employee.
- **3.** Day-to-day execution depends widely on the size of your company. Whether it's a free-for-all, scheduling shifts or something else, practicing Whole Company Support is something that takes experimentation and consistent iteration.

Footnotes

1. Source: White House Office of Consumer Affairs 5

Measuring Customer Service

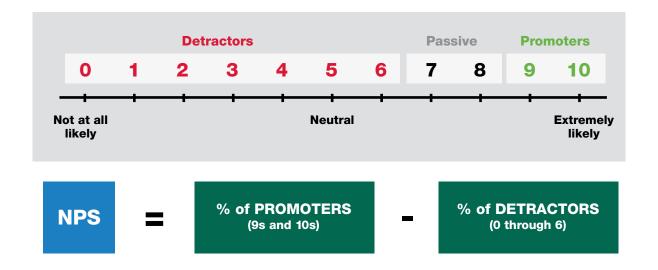
Word of mouth is what makes loving customers an outstanding marketing tool. But finding a way to measure the impact of referrals, both as a percentage of new customers and in total, can be elusive. These suggestions should get you started:

Net Promoter Score

Since the 2003 article by Frederick Reichheld in the Harvard Business Review¹, Net Promoter Score (NPS) has become the de facto customer loyalty metric for businesses of all shapes, sizes and industries. The most compelling thing about NPS is that it focuses on one specific question:

How likely is it that you would recommend [your company] to a friend or colleague?

Calculating NPS is rather simple as well. You simply subtract the percent of detractors (scores 0-6) from the percent of promoters (scores 9-10, see below).



A score of greater than 50 is excellent, although it's possible to have a negative score as well. For a list of scores for common companies and industries, see the Net Promoter Benchmarking page.

Measuring Customer Service 37

Across a wide range of industries, researchers have been able to link NPS with company growth. Although scores vary by industry, leaders in each consistently grow at more than 2 times the rate of competitors with lesser scores.²

NPS is easy to collect, calculate and measure over time. It's a number your team can rally around, aim to improve and celebrate as it goes up.

"How did you hear about us?"

We admit, this method is a bit low-fidelity, but it's also easy for almost any small business to implement. When you earn a customer, find out how they found you and record it somewhere that can be measured on a regular basis.

The goal in measuring answers to this question is to see growth over time in word of mouth categories, such as "from a friend" or "an online review". If you can increase word of mouth referrals from 30-40% in a 6-month period, it's pretty easy to point to customer love as a contributing factor.

Customer Surveys

There's no better way to get inside your customers' heads than to ask their opinion. One guideline you want to have with any survey is a way to quantify the results. Ask for an opinion here and there (via an open text box), but for the most part make your answers multiple choice so you can quantify results easier.

To encourage participation, it's also good to keep surveys simple. Five questions or less is a good milestone to shoot for. You can always sweeten the deal by offering a coupon for a future purchase, or offer something like a \$5 Starbucks Gift Card.

Good times to survey customers:

- ✓ After a completed purchase
- ✓ After a cancellation
- ✓ After an interaction with your support team
- Randomly over the course of their lifecycle as a customer, no more than annually

Measuring Customer Service 39

Getting results from a survey is only half the battle. The critical element from a Whole Company Support standpoint is sharing these results with the team. Then you can come up with goals and milestones that give the team a singular focus.

TAKEAWAYS - Measuring Customer Service

- **1.** Net Promoter Score is a mission-critical customer loyalty metric for your business. If you aren't already, start measuring it.
- 2. Measuring word of mouth referrals is a good gauge of customer love. Sometimes it's as simple as asking how a new customer heard about your company.
- **3.** Surveying people at critical points during the customer lifecycle is a great way to collect and quantify these customer loyalty metrics.

Footnotes

1. Source: "The One Number You Need to Grow" 5

2. Source: "How is NPS related to growth?" 5

41

Case Studies

We've made the business case for loving customers. Now it's time to hear from companies that live it and see the results. Our hope is that their story inspires you to get started today.

Read the Case Studies

New case studies will be added and announced on the Help Scout blog.

Want participate in a case study?

If your business loves customers and works hard at Whole Company Support, we'd like to hear from you. It doesn't matter what help desk you use (we're not trying to market our product) ... only that you care deeply about the things discussed in this resource.

For more information about participating in a case study, email customerlove@helpscout.net.

42



Customer support should be a pleasure, not a headache.

If you love customers then you'll love Help Scout.

Enter promo code **CustomerLove** at signup for an instant **\$25 account credit**.

Start your Free 15-day Trial

Share this eBook with your friends







@HelpScout