The secret to delighting customers? Put employees first

Fernando Beltran
Dilip Bhattacharjee
Harald Fanderl
Bruce Jones
Scott Lippert
Francisco Ortega

2

The secret to delighting customers? Put employees first

3

On a visit to a Disney theme park, a little girl and her mother came to a fenced-off construction site. To her mother's dismay, the little girl threw her favorite Disney doll, Belle, over the fence. When park staff retrieved the doll, it was in a sorry state, spattered with mud, dress torn, hair bedraggled. Attempts to find a replacement in the shop proved futile: Belle had been replaced by a newer model. So the doll was taken first to a makeup artist, who washed her and styled her hair, then to the wardrobe department, which made her a new dress, and finally to a "party" with other Disney princesses, with a photographer in attendance.

Good as new, Belle was returned to her owner that evening, along with a photo album that showed what a great time she'd had during her "makeover." Later, in a thank you letter, the girl's mother described the moment of Belle's return as "pure magic."

What motivates employees to go above and beyond the call of duty to provide this kind of a memorable customer experience? It's not magic, but method. The theme park team didn't consult a script or take instructions from their manager. They did what they did because Disney has created a culture where going the extra mile for customers comes naturally.

Such devotion to customer service pays handsome dividends. Companies offering an exceptional customer experience can exceed their peers' gross margin by more than 26 percent. Emotionally engaged customers are typically three times more likely to recommend a product and to repurchase it themselves.

Delivering an exceptional experience consistently is especially important in a world where customers interact with a brand at many different points – in

" **Companies offering an exceptional customer experience can exceed their peers' gross margin by more than 26%.** "

person, through social networks, online. Analyses reveal that performing well across these *customer journeys*[1] is linked with greater market success than individual touchpoint performance. Companies that had a 1-percentage-point lead over their peers in key customer journeys typically enjoyed a 2-percentage-point advantage in revenue growth. In addition,

---

1   Read more: "The Truth About Customer Experience," *Harvard Business Review*, September 2013

companies that deliver excellent customer journeys increase employee satisfaction and engagement by 30 percent.

Yet corporate initiatives to improve customer experience struggle to make a tangible difference where it matters most: at the front line. Call center agents read from rigid scripts and get paid for keeping calls short rather than for resolving complaints. Websites try to drive upsell rather than help customers find what they're looking for.

In our experience, the best way for companies to create emotional connections with their customers is by ensuring that every interaction delights them. To do that, you need more than great products – you need motivated, empowered people at the front line.

Great customer experience and how to create it

Creating great customer experience comes down to having great people and treating them well. Looking after your people makes them feel more engaged with your organization and more committed to your service goals. But how do you put principle into practice? We've found that the best companies adopt four habits.

1. Listen to your employees

If you want your employees to take good care of your customers, start by taking good care of your employees. Treating them respectfully and fairly goes without saying. But go a step further, and get personally involved in tackling their issues and needs. Ensure you have formal mechanisms for employees to express their concerns, either at regular open meetings, through anonymous channels such as internal surveys, or via an ombudsman. Then take

" **Companies that had a 1% point lead over their peers in key customer journeys typically enjoyed a 2% point advantage in revenue growth.** "

Obstacles to excellence

Companies know how important it is to deliver an outstanding customer experience. So what's standing in their way?

One stumbling block is a tendency to rely on short-term gains. Many improvement efforts deliver quick wins that are soon eroded as new feature X or policy Y becomes an industry standard, much as the introduction of wi-fi on planes created a temporary advantage for early movers until the rest of the airline industry followed suit.

Another obstacle to excellence is the tendency to adopt a piecemeal approach to company service. Companies identify a specific problem, fix it, and then – if the fix works – see an improvement. But they are addressing the symptom, not the disease. As soon as one flawed customer interaction is fixed, another one crops up. The best companies address problems systemically, before they even arise.

Finally, for a large global corporation, delivering an excellent customer experience every time without fail requires a huge effort involving thousands of employees across dozens or hundreds of locations. Tackling such a complex challenge is more than many organizations can handle.

action. Communicate what you are doing and how long it will take, and involve the employees themselves in the solution.

When the Hong Kong Disneyland Resort first opened in 2005, for example, its cast members – Disney's term for employees – had to pick up their costumes from attendants before starting their shifts. With up to 3,000 cast members arriving at once, waiting in line

created delays and frustration. Leaders responded by introducing self-service kiosks, where cast members could simply pick up a costume, scan the tag and their ID, check the screen display, and walk away. Having a smoother start to their day enabled them to focus their energy where it belonged: on guests. So effective was the new approach that Disney subsequently rolled it out to all its theme parks and cruise ships. Not only does it make cast members' lives easier; it has resulted in significant savings in inventory counting and maintenance.

Or take BCI, a Chilean bank that acts on its belief that happy employees take better care of customers. It holds regular meetings for staff to voice their problems and needs. More importantly, having listened, it acts. When auditors complained of stiffness and eyestrain, the bank commissioned an ergonomic assessment of their workstations. When new recruits in the legal department said it took them a while to find their footing in their new positions, BCI set up additional briefing sessions.

Clearly there are limits to what management can do, but by taking tangible action to address employees' concerns, you demonstrate the strength of your commitment to your front line.

2. Hire for attitude, not aptitude – then reinforce

If you want friendly service, hire friendly people. Put another way, you can train for skill, but you can't train for attitude. JetBlue, a perennial leader in customer satisfaction, has embedded this conviction in its front-line hiring process. To recruit individuals with a natural service bent, it uses group interviews. Watching how applicants interact with each other enables the interviewer to assess candidates' communications and people skills to an extent that wouldn't be possible in a one-to-one setting.

Best Chevrolet, a large auto dealership in Massachusetts, is another believer in "hiring for nice." Since adopting and sustaining this approach over several years, it has seen a rise in employee retention and a flow of testimonials from satisfied customers, not to mention a customer-satisfaction rating more than 10 percentage points above the industry average. It also racks up a 69 percent retention rate of customers who still return for services five years after purchase, compared with an industry average of 40 percent.

Having hired people with the right attitudes, leaders need to ensure they reinforce the behaviors they want to see. Although Disney hires people to pick up trash, everyone in the organization knows that they share responsibility for maintaining a clean and pleasant environment. Asked why he was picking up paper in the restroom, one leader replied, "I can't afford not to." Leaders' actions are visible to all, or as Disney puts it, "Every leader is telling a story about what they value."

3. Give people purpose, not rules

To ensure consistent execution across all their operations, large corporations need to define standard operating processes. However, rules and guidelines go only so far. Front-line employees participating in infinitely varied customer interactions won't always find the answers in manuals. Besides, mechanically following a script saps interactions of authenticity. Instead of detailed lists of process steps, the best companies supply front-line staff with common purpose backed by clear quality standards.

Common purpose – a succinct explanation of the customer experience you are trying to create at an emotional level – motivates employees and gives their work meaning. They choose to go that extra mile through personal passion, not passive compliance. At Disney, for example, common purpose – "We create

> **After aligning on a common purpose, an organization needs to make it concrete through a set of quality standards: priorities that guide front-line staff in delivering the desired customer experience.**

happiness" – figures in the first day of training for every new recruit at every level. When cast members rescued Belle the doll from a muddy puddle in a construction site, they knew their organization's purpose was to make her owner happy; their job was to do everything they could to bring that about.

When BCI was defining its common purpose – developing trust-based customer relationships that last a lifetime – senior leaders kicked off the process, and then cross-functional teams stepped in to craft it, in a collaborative effort that built ownership across the business.

Defining a common purpose is one thing; living it, however, is another. The bank's leaders like to tell a story about a lottery winner who was looking for a bank to entrust with his prize money. When he visited a BCI branch, he was impressed to find that employees didn't just try to sell him products but made an effort to identify and satisfy his needs. Explaining why he chose BCI, he said its employees struck him as genuine. By living the company's values, they had earned his trust without even realizing it.

After aligning on a common purpose, an organization needs to make it concrete through a set of quality

The secret to delighting customers? Put employees first

7

standards: priorities that guide front-line staff in delivering the desired customer experience. BCI employees follow four quality standards: safety (fulfill commitments with transparency and competence); closeness (get to know your customer and connect emotionally); diligence (promptly advise and execute responsibly with agility, ease, and simplicity); and image (project the values of BCI in each action and location).

When people are trusted to do their job and given clear expectations rather than an instruction manual, they feel more valued and empowered – qualities that can't help but show in the customer experience they provide. In the first year of BCI's program to improve customer experience, satisfaction among its retail banking customers rose by 33 percent.

4. Tap into the creativity of your front line

Giving front-line employees responsibility and autonomy creates a sense of ownership that inspires them to do everything they can to improve the customer experience. When they see a problem, they fix it without waiting to be asked.

The best companies recognize that front-line staff are also a rich source of customer insights. They can help leaders understand what customers want – and how to provide it – without the time and expense of market research. To get the most value from these insights, organizations need to build good "plumbing": robust channels to get information up the hierarchy to leaders who can act on it.

Consider Wawa, a U.S. convenience-store chain based on the East Coast. Knowing that its store managers understand local customers' needs better than any desk-bound analyst ever could, it grants them considerable latitude over what they sell.

One enterprising manager decided his customers would welcome a coffee bar and more fresh food options. When customer traffic and profits soared, head office noticed and quickly dispatched a team to investigate. On their return, the team explained how the manager had boosted sales and presented a plan for rapidly replicating the innovation across other stores in the network.

How do you do it? Show you genuinely C.A.R.E.

So what does it take to deliver a consistently top-level customer experience? Sadly, there is no short cut to becoming best in class. Most companies take years. But there are four things you can do to get off to a good start:

Clarify. Before you embark on a customer-experience transformation, put as much effort and rigor into understanding your employees as you do into understanding your customers. Treat interviews, surveys, and suggestion boxes as important sources of information. Combine the input you receive with customer satisfaction scores, business metrics, and employee churn rates to isolate the issues that matter most to your employees and your business.

Align. Define a common purpose that encapsulates what your organization stands for, and make it the emotional pivot around which all your employee and customer strategies revolve. Forget slick marketing campaigns; instead, use common purpose to rouse your people to action on the things that count. Make sure all your leaders are 100 percent on board. Without their commitment, communication and implementation will soon break down.

Reinforce. Even the best customer-experience program is of no use unless leaders put their commitment into practice by being role models for the behaviors they want employees to adopt. Seeing leaders acting in a new way encourages employees to

"*Forget slick marketing campaigns; instead, use common purpose to rouse your people to action on the things that count.*"

follow suit and makes common purpose a living reality within the organization. To help the changes stick you need a systematic reinforcement program combining training, coaching, and 360-degree feedback mechanisms. Develop metrics to track how employees are performing, and intervene when necessary. Training and coaching should evolve over time as the needs of employees and the organization change.

Empower. Clarity about expectations plus freedom to act equals an empowered front line. Establish quality standards to ensure your people make real-time decisions that are consistent with your common purpose. Then support your quality standards with behavioral guidelines to shape your desired customer experience and enable your staff to measure, coach, recognize, and reward one another in their day-to-day work. Armed with this framework, they'll be able to handle every customer encounter in a way that expresses your company's vision and values.

• • •

Technological advances have made it much easier for business enterprises to understand customers on an individual basis. Even so, engaging with them is still largely done by people at the front line, through personal contact. The continuous relationship of trust with customers that companies seek to nurture is built one interaction at a time. That's what your people are hired to do. So to create an emotional bond with your customers, start by engaging your employees.

McKinsey & Company and Disney Institute collaborate to provide customer experience transformations to a portfolio of global clients.

Fernando Beltran (Engagement Manager, Disney Institute) designs custom solutions for clients who are looking to create long-term, sustainable, positive transformation within their organizations.

Dilip Bhattacharjee (Associate Principal, McKinsey & Company) works with clients across sectors on frontline customer experience transformations.

Harald Fanderl (Partner, McKinsey & Company) is a leader of the customer experience practice with deep experience with customer experience transformations.

Bruce Jones (Programming Director, Disney Institute) oversees the team that develops content based on Disney's core business principles, strategies, and best practices.

Scott Lippert (Customer Experience Expert, McKinsey & Company) serves clients on frontline operations transformations.

Francisco Ortega (Partner, McKinsey & Company) is a leader of the customer experience practice with focus on operations and performance transformation.