

# Friday 16<sup>th</sup> May 2008

The American Chamber of Commerce in New Zealand

Sponsored by Carlson Marketing and

Supported by New Zealand Trade and Enterprise

Present  
Don Peppers

Peppers and Rogers Group & 1to1 Media



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# ***Hey! There's a Person in There!***

## ***Turn Your Brand Message Into a Brand Mission***



**Don Peppers**

**Auckland**

**16 May 2008**

# Do your employees love your brand?

- Do they enjoy telling friends and relatives what company they work for?
- Do they go out of their way to defend your brand from criticism or attack?
- Do they enjoy their careers with you?
- Would they buy your brand for their own personal use, even at its full retail price?

# How John Toppel helps build HP's brand

- Toppel spends every Saturday at a Santa Clara electronics store, extolling HP to customers
- He coaches consumers in how to get the most out of their HP products
- Weekdays he visits schools and universities, recruiting new HP employees



# John Toppel *loves* the HP brand

*“I feel like I have two marriages: a wonderful marriage at home for 36 years and a wonderful marriage at HP!”*



# But HP does not pay John Toppel a dime!

- Toppel retired from the company four years ago
- He is one of thousands of HP retirees who have **volunteered** to support the brand, without pay



**HP's goal:  
40,000 retiree volunteers**

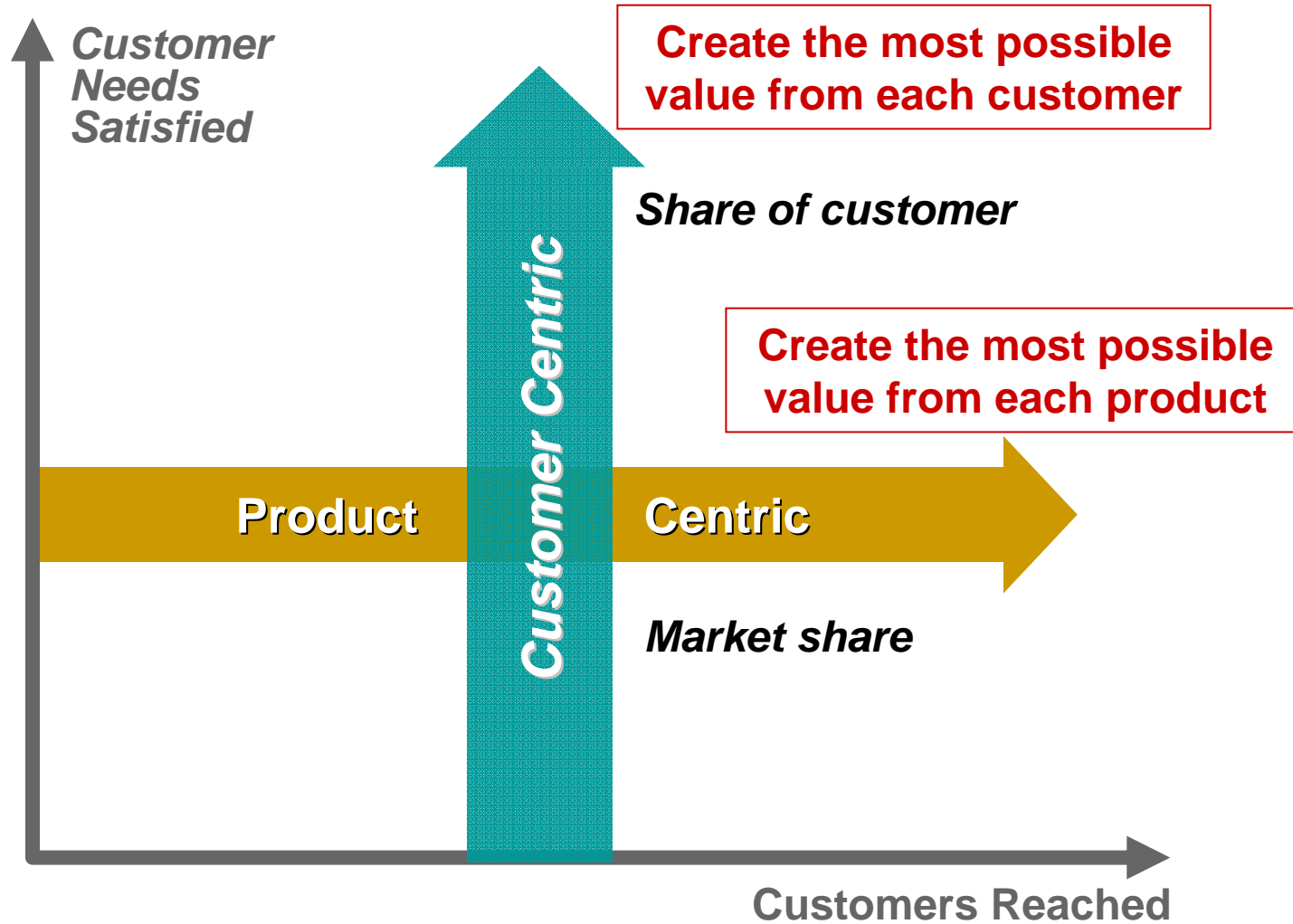


## HP's secret: A strong and positive "culture"

- Every company has a culture, whether you manage it or not
- "How things get done around here"
  - What your people do when no one is looking
- What we'll show today:

***A successful brand requires a culture of engaged employees***

# We now compete in a different dimension



# Customers create value for a business two ways

**First, they generate current-period sales and costs**

**But second, they change their intent to buy, or  
their *likelihood of creating future value***

***Suppose a customer calls you with a complaint...***

# Balancing between short term and long term

Attempts to increase current income affect a customer's lifetime value, and vice versa

- Marketing too aggressively can damage lifetime value, while
- Improving service to boost lifetime value costs money currently

**Taking a balanced approach  
is critical**

# Unlike products, customers have memories



**How you treat car parts in a factory today will have no effect on what they cost you tomorrow**

**But how you treat customers today has everything to do with their value tomorrow**

# The “Goldfish Principle”

Some species of tropical fish have no territorial memory



A business focused solely on current transactions has no *customer* memory

But with no customer memory, a company’s actions can appear *irrational* or even *hostile* to the customer

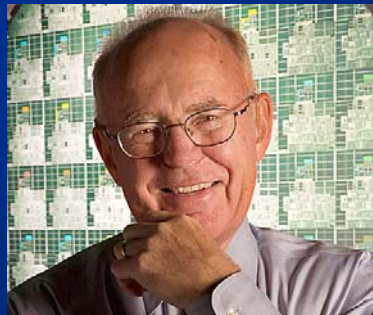
# Remembering customers creates value



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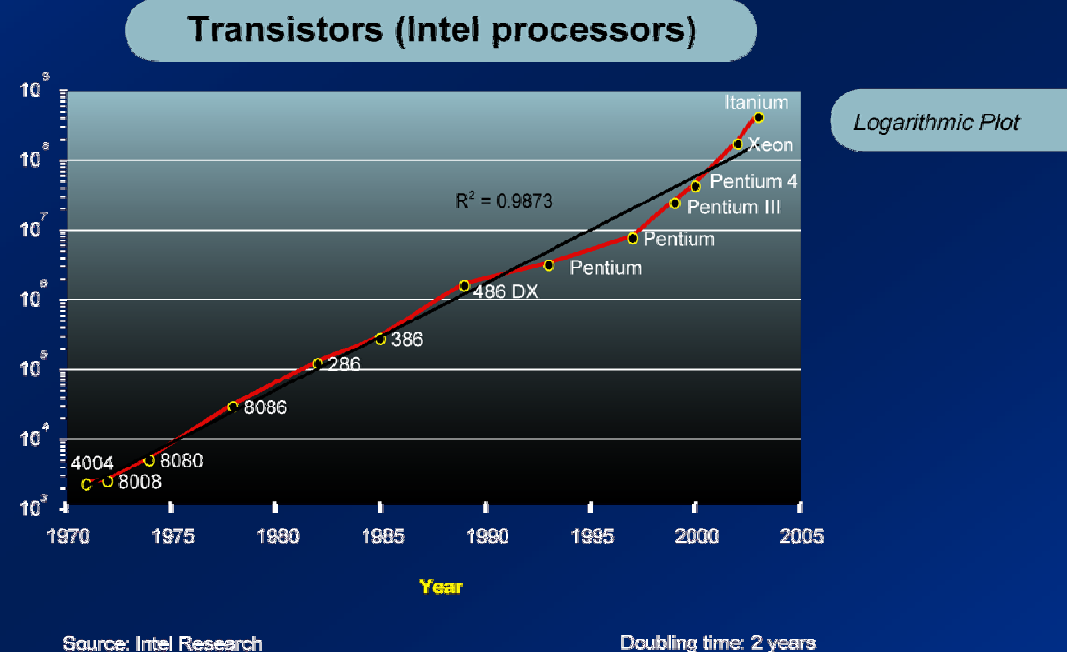
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# And now along comes Moore's Law...



Transistors  
per chip

- Three technologies:
  - Customer databases
  - Interactivity
  - Mass customization



Customer relationships have become practical for *any* business!

**Now ask yourself the most basic question:**

**Why does a customer choose you instead of one of your competitors?**

Two marketing professors asked thousands of business executives this question...

Answers in all industries are remarkably similar:

*“...trust, confidence, strength of customer relationships...”*

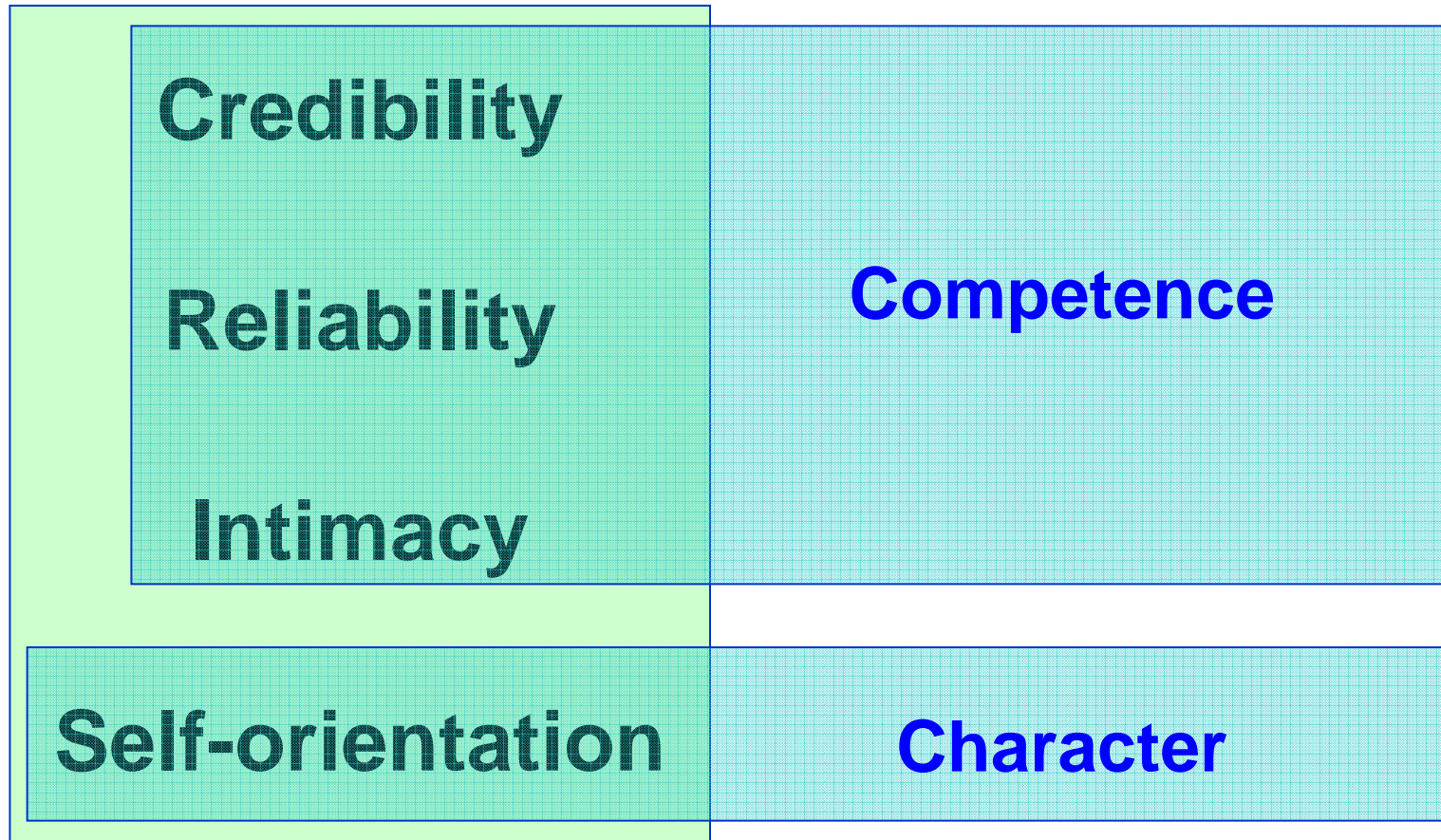
# And consider your customer value proposition

**A customer creates the most value for you  
when you create the most value for him**

**But when does this happen?**

**Creating the most possible value from  
customers requires you to earn their trust**

# The components of customer trust



-- Charles Green,  
*Trusted Advisor*

-- Steven M. R. Covey,  
*The Speed of Trust*

# Acting in the customer's own interest



*“Treat the customer the way you would want to be treated if you were the customer.”*

- Forrester survey rated USAA highest in “customer advocacy”

**“the perception by customers that a firm is doing what’s best for them and not just for the firm’s bottom line”**

- According to Forrester, customer advocacy is...

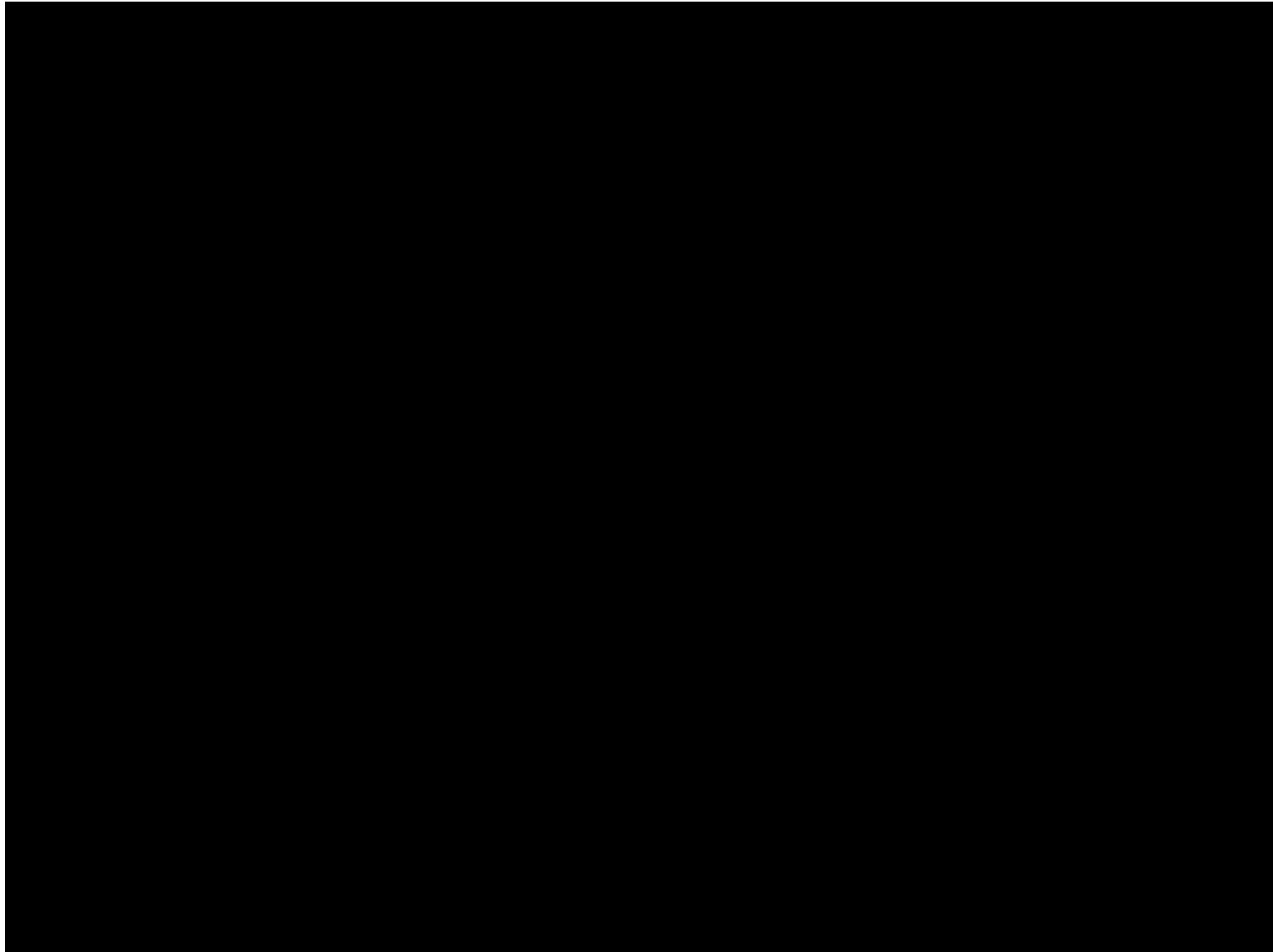
- “...the best indicator of whether financial services companies are able to achieve cross-sell success to a customer base”

**“Firms that score highest, such as USAA, are considered the most for future purchases of products and services.”**

# What does it mean *not* to be self-oriented?

- It means being ***customer-oriented***
  - You have to take the customer's point of view
- The customer is not interested in your store or your product or your people or your brand
  - ***The customer simply wants his need met***
- So don't just speak your product language, speak the ***customer's*** language

# Can you speak the customer's *language*?



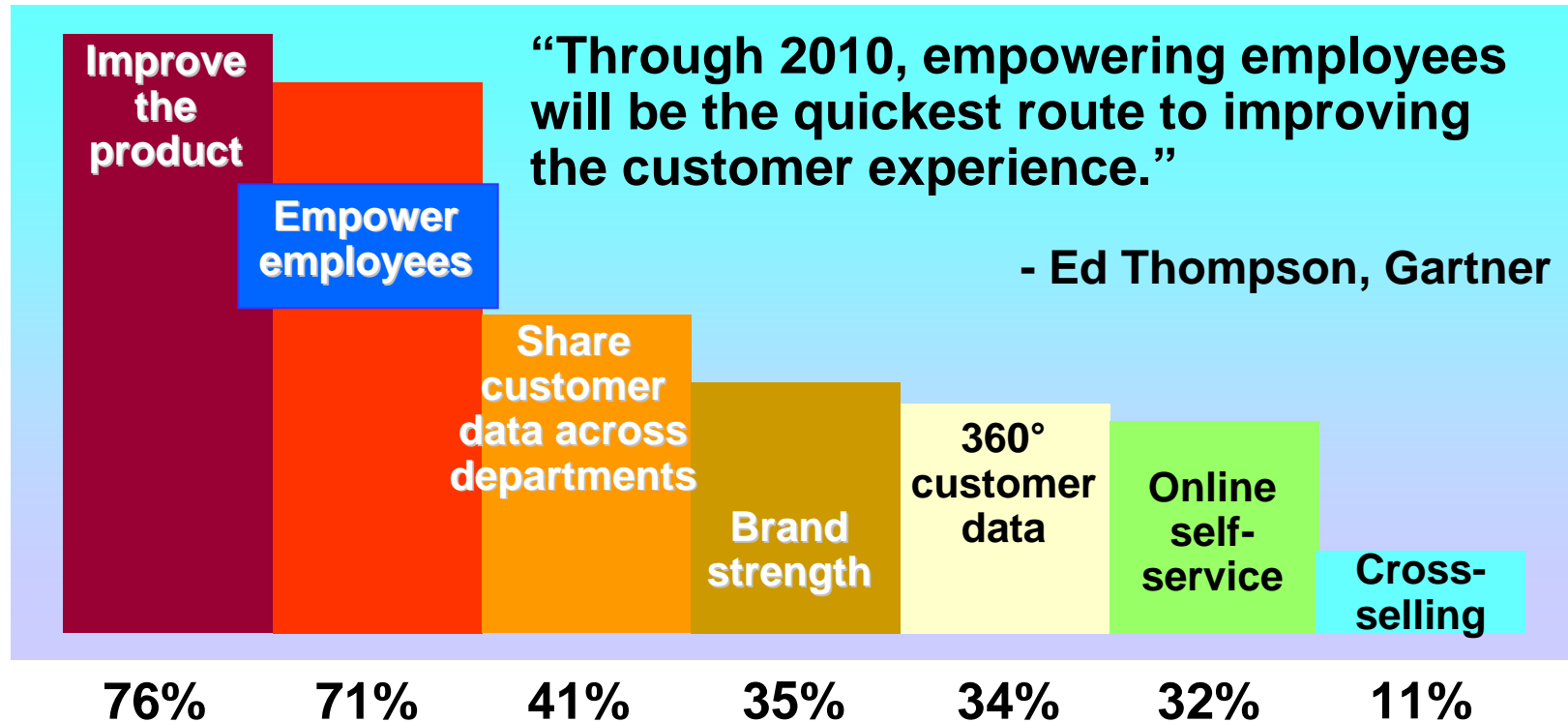
Remember: *Incompetence* also destroys trust



# How to destroy trust through incompetence

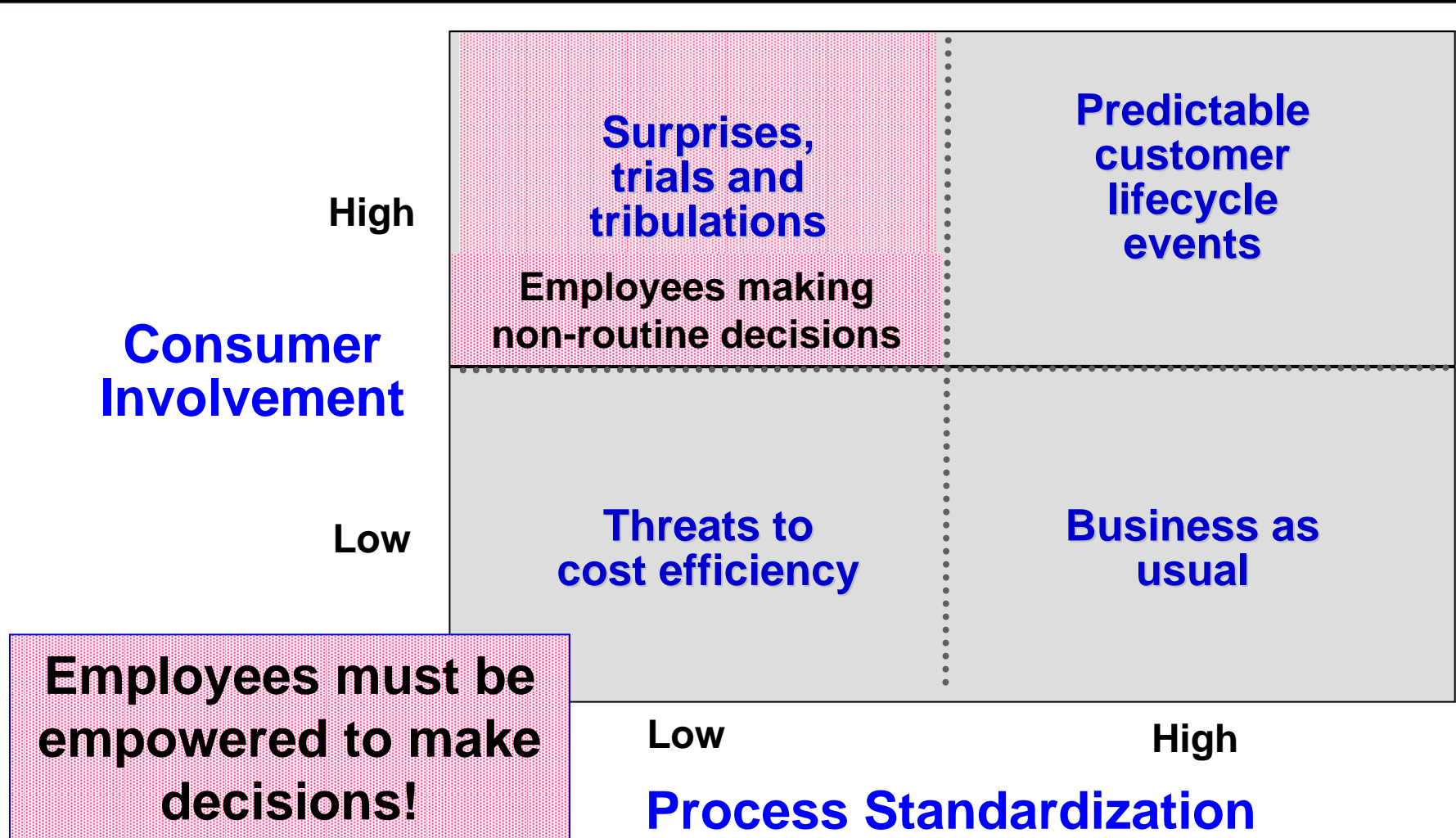
- **Make the customer tell you personal details and preferences over and over again**
- **Treat all customers exactly the same**
- **When customer calls IVR, ask for account number, then when he speaks with a rep...**
- **Offer to sell the customer a product he already bought from you...**
- **Encourage customers to use the Web by hiding your phone number...**
- **Give customer contact people no authority to deviate from strict financial policies...**

# What customers say they want from companies



Richard Lee and David Mangen survey: “Customers Say What Companies Don’t Want to Hear”

# Moments of truth: routine and non-routine



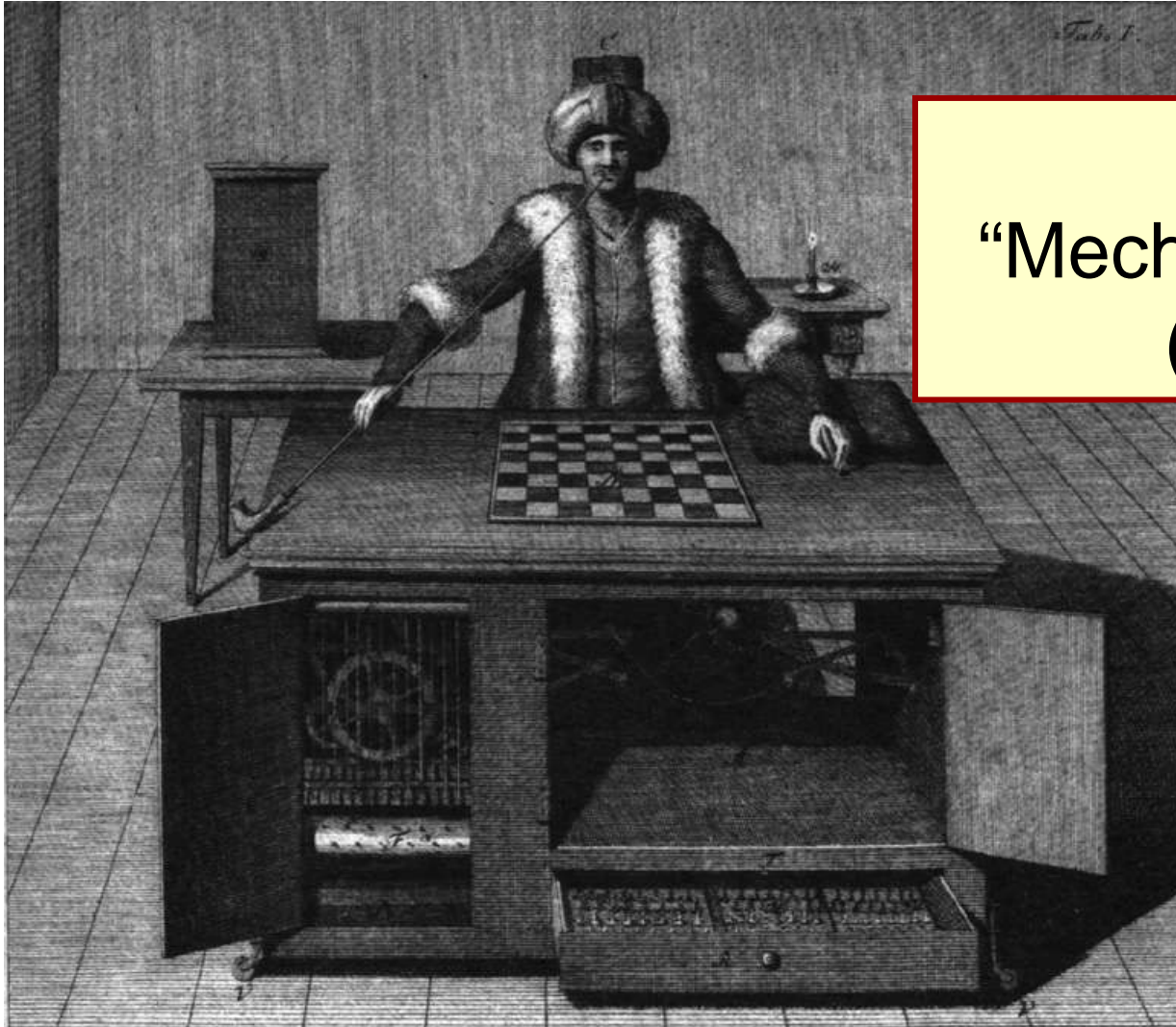
# Technology is undermining hierarchies

- Employment structure is changing rapidly
  - Production jobs (~20% of all jobs) and transactional jobs (~40%) and are being automated or outsourced
  - ***Non-routine decision-making jobs*** (~40%) require employees to deal effectively with ambiguity
  - Non-routine jobs are growing twice as fast
- Unanticipated situations, creative issues, matters requiring judgment or enthusiasm

# Computers will *never* be able to do everything



# The *real* secret to a great brand...



The  
“Mechanical Turk”  
(1769)

# There has to be a person in there...

- Your employees need to be
  - **Engaged** in their work and
  - **Enabled** to accomplish their mission
- How would you write a rule that requires employees to “delight” customers?
- Instead, you want:
  - **Self-organizing employees**

# How to engage your employees

- According to the Hay Group, there are four requirements for engagement:

**1. *Confidence in the organization's leaders***

**2. *Collaboration and collegiality***

**3. *Development opportunities***

**4. *Clear and promising sense of purpose***

Source: Hay Group, 2006

# Job requirements: judgment, creativity, passion

- You can analyze X-rays in India, but bedside manner happens...at the bedside
- You can automate how a sales call is recorded and reported...
- ...but no computer can look into a prospect's eyes and decide whether to press for the sale
- You cannot prescribe what employees should do in situations that you cannot predict
  - You have to **empower** your employees to act

**Great to empower your employees, but...**



**...will they do the right thing for the business?**

## This is a serious issue...

- 60% of American employees don't trust their bosses to communicate with them honestly
- Only 36% of employees believe their leaders "act with honesty and integrity"
- ***76% of employees have seen unethical or illegal conduct on the job in last 12 months!***

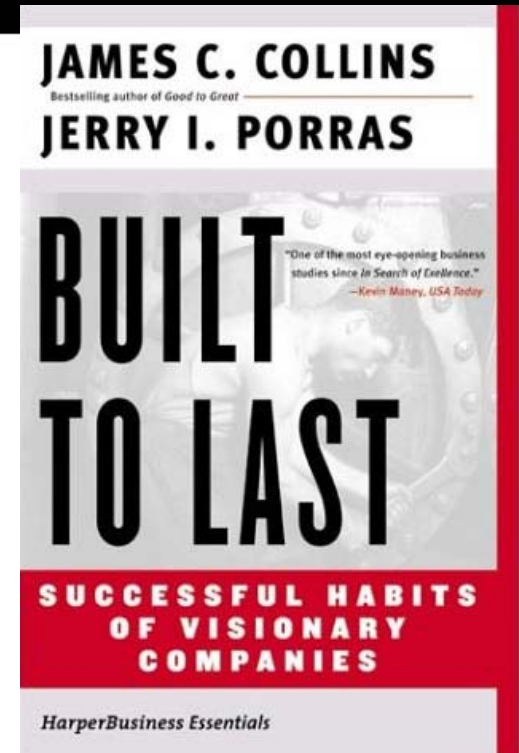
# Corporate culture is more important than ever

- As technology continues to undermine rules and organization charts, corporate culture becomes critical
- A culture based on customer trust ensures that your people will create value with their decisions
  - Whenever two or more employees meet to discuss a problem or issue of any kind...
- Acting in the customer's own interest will sometimes have short-term costs
  - But the long-term value created will usually be greater

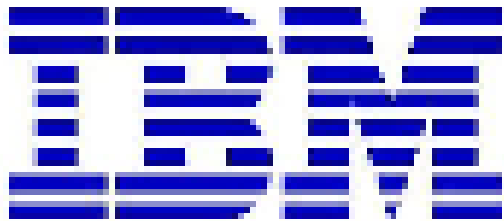
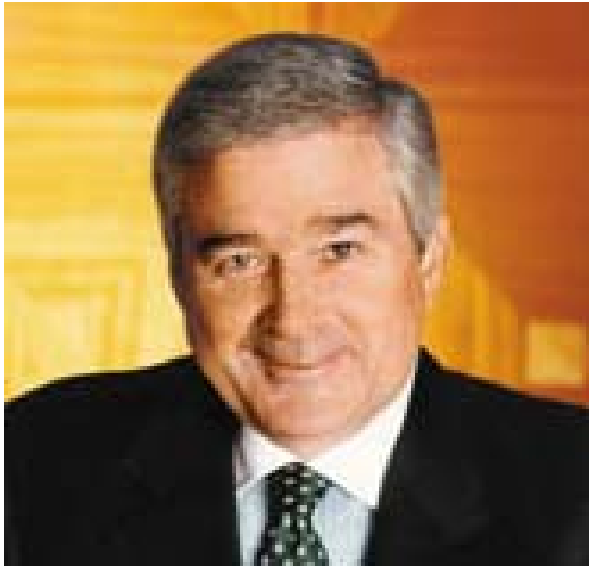
# Corporate culture trumps business process

What Jim Collins and Jerry Porras found...

- **All** their “built to last” companies have extremely strong **cultures**
- 3M, Wal-Mart, J&J, HP, IBM, Marriott, GE, Walt Disney, Nordstrom, Sony, Amex, etc!



## According to Lou Gerstner:



**“Until I came to IBM, I probably would have told you that culture was just one among several important elements in any organization’s makeup and success—along with vision, strategy, marketing, financials, and the like....I came to see, in my time at IBM, that culture isn’t just one aspect of the game—it *is* the game.”**

- Globally, Toyota operates 580 companies and manufactures in 58 factories outside Japan
- It sells cars, trucks, parts and other products in 170 countries
- “Just-in-time” provisioning requires that units and employees have autonomy
  - Decisions must be made by people on the scene
  - In this kind of environment, innovative ideas are highly perishable

Source: *Economist*, 19 January 2006

# At Toyota, culture is a deliberate act



- What holds Toyota together, according to senior executives, is a **strong corporate culture**
- Every worker, no matter how far down the production line, is a “knowledge worker”
  - **Everyone** is asked to think creatively about improving his particular corner of the organization

Source: *Economist*, 19 January 2006

# An underlying culture based on *trust*



- The Toyota Way requires a great deal of trust
  - Management trusts employees
  - Employees trust management and each other
- Suppliers trust Toyota to “do the right thing”
  - A 1997 fire at a Tier One supplier threatened to shut down Toyota’s production
  - But then a network of suppliers fixed the problem themselves, with little or no direction from Toyota!



**Scotiabank**

## Managing the culture

- **Largest international bank in Canada, 51,000 employees in 50+ countries**
- **1000 branch locations in Canada, four call centers, 2100 ATMs**
- **But the bank had marginal customer satisfaction – rated #4 domestic bank**
- **Needed to improve employee interactions with customers**

- **Employee incentives to improve service**
  - Multiple layers – executives to contact personnel
  - Incentives for training completion, service improvement, policy adherence
  - But also: Incentives for solving customer problems in an exceptional way
- **Overall implementation required a year’s worth of training and process improvement**



**Scotiabank**

## The result

- **Soon Scotiabank was #1 in customer satisfaction...**



**...elevating the whole customer experience**



# Culture is better and more effective than hierarchy

- W.L. Gore is one of the world's most consistently innovative companies
  - Primarily known for Gore-Tex line of fabric
  - Unique culture involving small, multi-discipline teams
  - On Fortune's "100 Best Companies to Work For" list every year since the list began in 1984
- According to one Gore employee:



**“...if we are not efficient at a plant, if we are not creating good earnings for the company, the *peer pressure* is unbelievable.”**

# A *productive* culture requires the right mission

- The ***definition of success*** needs to be correct
- A strong but misdirected sense of mission will simply lead to faster failure
  - Enron employees had a strong sense of mission...
- ...but the “smartest guys in the room” are now the “smartest guys in the prison”



# A culture of customer trust drives many leading firms



The Ritz-Carlton®



## And integrity has no elastic properties...

- No one ever has just “some” integrity
- If your brand mission is to earn and keep the trust of customers, then
- Trust is also more likely to characterize other relationships, as well
  - Employees trusting managers and each other
  - Vendors, stakeholders, investors, clients...

So if *customer trust* is your brand mission...

...you'll not only have a more profitable company, with more productive people...

...you'll have a *better* company!

# Peppers & Rogers Group

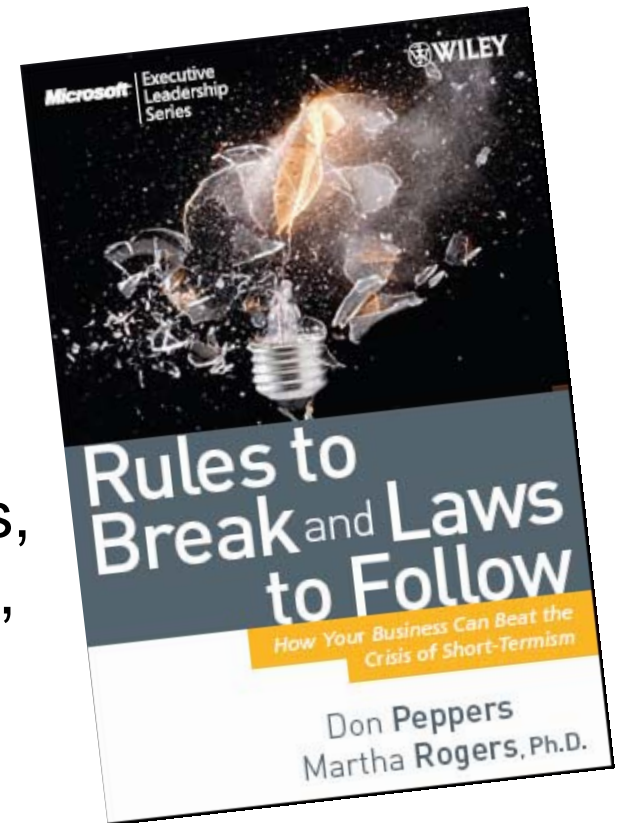
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