



Silence isn't Golden – Turning Satisfied Customers into Raving Fans

By Jeffrey S. Shaw, CLU, ChFC, Executive Director, LIC

In *Raving Fans*, Ken Blanchard and Sheldon Bowles astutely observe how modest our expectations have become regarding customer service. We'll accept mediocrity or even poor service as long as we're not inconvenienced too much in the process. Airlines have historically set the standard for low expectations and as a result, Southwest has been able to distinguish themselves for many years in terms of both loyal customers as well as profitability. Mention air travel to most business travelers and be prepared to endure an hour of horror stories about the abuse they have encountered at the hands of their least favorite carrier. The same conversation with a Southwest passenger, however, evokes evangelical recounts of the heroic efforts the company has made on their behalf. The checked baggage surcharge that most major airlines initiated due to higher fuel prices is a good example. In response to the new fee, most passengers simply opted to carry their luggage themselves. This created a mad dash for overhead storage space that is usually insufficient to accommodate the increased number of bags. As a result, the boarding and deplaning processes now take much longer as passengers maneuver to position and retrieve their luggage from various places on the plane and jet ways fill with people forced to gate check their bags due to insufficient space. While fuel prices have retreated from record levels, checked bag fees continue, adding additional inconvenience to an already unpleasant process. Southwest had a field day with these circumstances by not charging a fee and reaping the benefits of an engaged and loyal customer base.

We endure a similar inconvenience every time we fill up our gas tanks and want to pay in cash. In response to a small minority who "fill and flee", most gas stations now require cash paying customers to pre-pay for their gas. These customers are subjected to an unnecessary two trips inside the store rather than just one. Adding further insult to injury, while honest customers are treated as if they were all potential thieves, distracted clerks sometimes forget how much money the customer prepaid, resulting in an unpleasant and unproductive argument at the close of the transaction. This is an example of the horrible reality of punishing an honest majority for the acts of a dishonest few. And just as with checked luggage fees, rather than taking our business elsewhere, most of us simply changed our behavior and use our credit cards, regardless of whether we would have preferred to pay in cash.

Perhaps the most notorious recent example of customer abuse is the entertainment industry's response to the widespread sharing of music via peer to peer networks in violation of copyright laws. Faced with a rapidly changing distribution model that for the first time favored artists and consumers over labels, and powered by a technology that they neither controlled nor understood, record companies began to

systematically sue their customers. While it may be argued that the recording industry pursued a logical and legally sound strategy by pursuing punitive action, what is certain is that they distinguished themselves in terms of exercising extreme short-sightedness and in the end weakened their position in the marketplace. It's difficult to imagine a less compelling business strategy than suing your own customers.

In virtually every industry examples abound of poor customer service that we subject ourselves to on a daily basis with little complaint, creative behavior modification, and no small amount of resignation and stoicism. From unyielding bureaucrats, to bored cash register operators, to unapologetically unknowledgeable sales people, there are many businesses where we've come to expect abuse to the extent that we brace ourselves every time we pick up the phone or walk through their door. And worst of all, we're delighted when our worst expectations aren't realized and we complete a transaction relatively unscathed. Good customer service can often be defined as "service that isn't too bad".

During my first month as Executive Director I polled LIC member companies in an effort to determine how they ranked their various strengths and challenges. By far, the greatest strength cited by the vast majority of companies was their service. This common – and convenient – self-assessment is too often derived from the absence of complaints rather than the confirmation of satisfaction. Unfortunately, low expectations combined with the fact that dissatisfied customers rarely communicate their discontent directly make this assertion difficult to measure and a challenge to confirm. In most instances, when customers have had enough they simply cease doing business with a company. From the company's perspective, they drift away silently. What they tell their friends and family, however, is far from silent.

The Raving Fans concept is the antithesis of what I've just described. In the simplistic style that Ken Blanchard is famous for – his Raving Fans strategy is delivered by a golf-addicted, male fairy godmother who challenges the reader to contemplate the perfect company, both from the perspective of the owners as well as the customers. Blanchard's fairy godmother also provides a number of examples, from a department store whose greeters pin carnations on the lapel of every shopper, to a gas station where the attendants sprint at top speed to pump gas and clean the windshield, to a grocery store with valet parking and a red carpeted entrance way. Surprisingly, many years later, companies have actually put some of these extreme examples in practice. In fact, the Raving Fans strategy has become so popular that it's not difficult to spot companies who have adopted the methodology.

Probably one of the best known proponents of Raving Fans is the Chick-Fil-A fast food franchise. They encourage curious and loyal customers to visit the construction sites of their new locations and invite them to attend a special dinner the night before the official opening. They pass out coupons for free meals to inspire these "raving fans" to spread the word to others. They also take the "fast" part of "fast food" seriously and strive for a 90 second turnaround at the drive-through and 60 seconds at the counter. In addition to special technology to help their employees meet these expectations, they also have special monitors that flash yellow if an order is cutting it close, and red if they go over. In fact, one franchise sponsors competitions among their employees to set records for moving the most cars through the drive-through in a single hour. FYI, the record is 110!

The Raving Fans strategy requires more than just giving lip service to customer service. It represents a cultural commitment that starts at the top of an organization and permeates the entire enterprise in

terms of an investment in employee training, technology, imagination, and focus. The LIC is fortunate to have a Raving Fans fanatic among our own membership. ImageRight – now part of Vertafore – embraced this strategy from the beginning when Don Elias and Mike Jansen started the company in 1992. Given the interest in customer service on the part of LIC member companies, it is instructive to evaluate just how differently a Raving Fans company operates.

But first a bit of background. Don and Mike started ImageRight after realizing that the insurance industry needed a content management system that was based around a file rather than a document. They spent two years developing their system and in 1994 signed up their first customer -- Safeway Insurance – who is still a client today. Growth came slowly at first and four years later they only had ten customers. However, fast forward ten more years to 2008 and ImageRight now has over 450 customers and are a global company on 40,000 desktops all over the world.

Besides their stellar growth, what makes ImageRight different?

Probably the single feature that defines ImageRight the most is their employee Boot Camps. In order to instill the proper passion in their employees and also to be certain that they will be a good cultural fit for the company, everyone is required to attend a “boot camp” type training seminar prior to assuming their duties. And they do mean EVERYONE! Although there may be some minor accommodations made depending upon job descriptions, all employees from senior management to clerical staff must successfully complete ImageRight Boot Camp – a very focused and difficult training lasting anywhere from three to six weeks.

Boot Camp is aptly named as it is intensely grueling. There are daily quizzes, weekly two-hour written exams, and weekly oral exams where current employees are encouraged to participate and challenge the new hires. One of the company’s perks is hosting free lunch for all employees every Friday and, as if the stress of all of these tests wasn’t enough, Boot Camp members are often called upon to create and perform skits during Friday lunches that demonstrate what they have learned!

Tying up new employees for six weeks prior to making them productive is extremely expensive, especially when you consider that the turnover rate for each Boot Camp ranges from 30% to 60%. That’s a hefty number of people who would otherwise have been hired if the company hadn’t determined up front that they weren’t a good fit. However, the corresponding benefit shows up clearly in the fact that the subsequent turnover rate for ImageRight employees is a remarkable 1 – 2 percent. It seems that ImageRight is a difficult company to qualify for, but once hired, their employees don’t ever want to leave. The same can be said for their customers. As of this writing, they have yet to lose a single customer due to replacement by a competitor. That’s a remarkable track record for a company that’s nearly twenty years old.

One of the primary motivations behind the Boot Camp is to make sure that every employee is conversant about all aspects of the company. This stems from their commitment to customer service, which is partially measured by their zeal to answer every customer phone call within two rings. Similar to the Chick-fil-A focus on “fast”, ImageRight developed special tracking software that projects the availability of every employee onto a wall in their customer support department. In this way, if everyone in the department is busy, the call will automatically roll to another available employee – anyone from the President to a programmer might find themselves answering customer questions on

any given day.

Fortunately, their support reps didn't appear to be too busy on the day I visited. Despite their global footprint, ImageRight's customer support department consists of a relatively meager 16 people. The phones remain typically quiet partially because of the company's attention to training and implementation when their system is initially installed. In fact, ImageRight has even studied the psychology of going paperless and has determined that it takes about three weeks for companies to become comfortable with adopting the new process. In response, an ImageRight representative remains physically on-site for a minimum of two weeks at the onset of each new customer relationship to manage the transition. In addition, to ensure that their customers remain qualified and knowledgeable with their products and are always learning, ImageRight hosts a number of "user-group" conferences -- sort of a "content management convention for insurance" -- that brings their customers together in an annual celebration of education and networking that is highly attended and widely regarded.

Another highly unusual initiative that ImageRight undertakes in the interest of developing raving fans is their promise to pay \$10,000 in the event that they miss their implementation deadline. Equally impressive is the fact that they've never had to make good on this bold guarantee!

It's easy to wonder how all of these extravagant expenditures in the interest of customer service can possibly translate into profitability, but ImageRight's growth and financial success speaks for itself. One obvious benefit is the financial contribution of their 100% customer retention rate. Given the huge expense of acquiring a new customer, ImageRight benefits greatly from deriving the most value out of every single customer acquisition.

They also save a lot on marketing and advertising expenses. When your customers are raving fans, their word of mouth recommendation speaks louder than the cleverest campaign. As a result, Vertafore makes the ImageRight client list completely reference-able, even going so far as to post their customer list on their website. They are so convinced of their ability to create raving fans that they encourage both prospects as well as competitors to reach out to their existing customers. Now that's confidence!

In addition to financial measurements, ImageRight tracks the effectiveness of their customer initiatives by religiously monitoring their Net Promoter Score (NPS). This loyalty metric developed by author Fred Reichheld in his book *The Ultimate Question* analyzes the responses to a simple inquiry: "how likely would you be to recommend this company to a friend?" NPS has gained popularity due to its simplicity and its linkage to profitable growth. A score of 15 is about average – a score of 50 is considered outstanding. ImageRight scores off the charts at 74.

I would challenge every insurance company who considers customer service to be one of their greatest strengths to explore the extreme precedents set by the Raving Fans concept. For example, there's always a learning curve whenever new distribution is brought on board. How many companies would consider sending a representative on-site for a few weeks to manage the transition? Or offer a substantial financial guarantee to meet previously agreed upon underwriting or contracting deadlines? Or even more simply, how many companies are so committed to customer service that they will absorb the cost of six-weeks of pre-hire training and significant attrition to make sure that they only hire the very best and most motivated? Or most telling of all, how many companies would be bold enough to

make 100% customer retention a goal?

A leap of faith is necessary to equate the excessive expense commitment required for outstanding customer service with improved profitability and growth, and very few companies possess the considerable courage, commitment, and creativity necessary to build an entire enterprise around this concept. In fact, given the uninspired and mediocre expectations of most consumers, it's easy to argue that the Raving Fans concept may not be worth the effort. After all, airlines, will survive. Gas stations will continue treating their customers as criminals. And no doubt, other industries will take their customers to court in an effort to desperately detain defectors. However, for those companies who truly aspire to achieve something extra-ordinary, Raving Fans just might provide the means to do so – and thankfully, thanks to Vertafore, we don't need a golf addicted male fairy godmother to show us how.