



LEGENDARY SERVICE®

## The Power of Customer Loyalty

Providing exemplary customer service has always been perceived as a way for organizations to gain customer loyalty and improve their competitive advantage. For that reason, organizations are keenly focused on looking for ways to support and even wow their customer base. But often, the ability to do this is dependent upon how well the organization supports not just the individuals tasked with interacting with the customer, but employees at all levels.

The service-quality literature is aligned on the fact that for customer service individuals to serve the customer effectively, the organization must create and maintain a service culture. A recent *Forbes* article stated that customer service is not a department—it is a philosophy to be embraced by every employee from the CEO to the most recently hired.

Employees are much more likely to provide excellent service when the organization clarifies and rewards the behaviors it wants to see. It's also generally agreed upon in the service-quality literature that organizations that offer a stellar service experience have a high degree of focus on the customer as well as an understanding of their customer's needs, wants, and expectations; have developed and communicated a service strategy; have designed customer-friendly service systems; and have well-trained service-oriented people at all levels of the organization.

Organizations that offer a stellar service experience place a high importance on training people at all levels to have positive interactions with their customers

**Ken**<sup>THE</sup>**Blanchard**<sup>®</sup>  
COMPANIES

Consider these statistics and you can see why the ability to offer excellent customer service can set an organization apart from the competition and cement profitability:

- Poor customer service costs US organizations **\$338.5 billion** annually
- **Seven out of ten** buyers have ended a relationship with a company or brand due to poor service
- Customers typically tell **twice as many** people about a bad customer service experience as they do about a good one
- **Seventy-eight percent** of consumers have bailed on a transaction or not made an intended purchase because of a poor service experience
- It takes **12** positive experiences to make up for one unresolved negative experience
- It is **six to seven times** more expensive to acquire a new customer than it is to keep a current one

#### Sources

White House Office of Consumer Affairs

"Understanding Customers" by Ruby Newell-Legner

American Express Survey, 2011

In 2017, researchers at The Ken Blanchard Companies® launched a study to better understand the best practices, challenges, and barriers to providing and measuring exemplary customer service. More than 560 business leaders and human resources and training professionals participated in the study. For a breakdown of the respondent base, see the demographics section at the end of this paper.

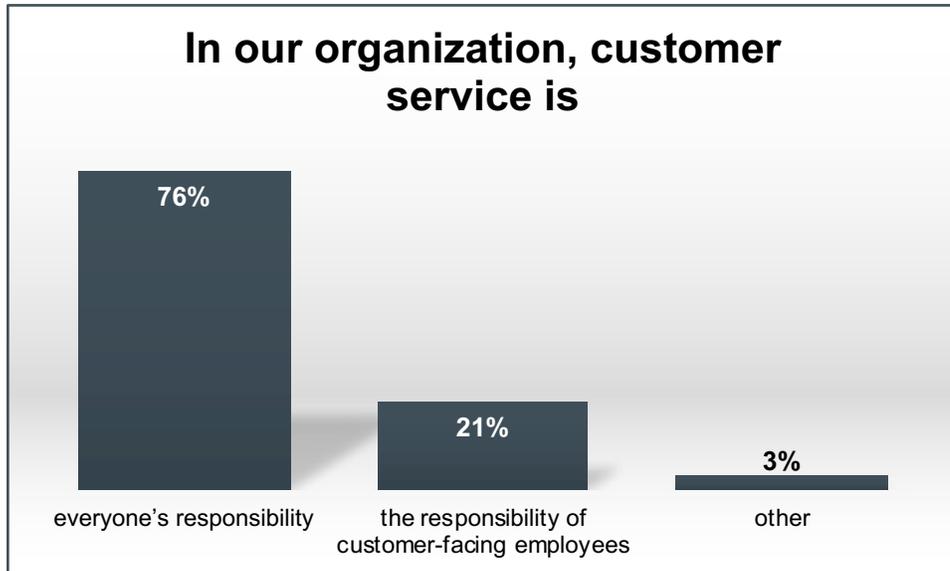
## Findings

Eighty percent of respondents said their organizations were highly focused on improving customer satisfaction and loyalty. Despite this, 24 percent said their organizations provide little training to individuals in customer support positions and almost half said their organizations had not calculated the cost of losing a customer. Sixty percent responded that their organizations conduct customer service or loyalty audits, and 37 percent responded that their organizations did not. When it comes to articulating a clearly defined service mission and a vision of ideal service, organizations fared well. Seventy-four percent of respondents said their organizations have a clearly defined service mission and 67 percent had a clearly defined vision of ideal service.

## SERVICE – WHOSE RESPONSIBILITY IS IT?

When it comes to identifying where the responsibility for customer service lies, most respondents said that in their organizations, service is everyone's job. See Graph 1.

**Graph 1. Which of the following answers best describes your organization's customer service philosophy?**



## HOW OFTEN DO YOU MEASURE CUSTOMER SATISFACTION?

Most organizations are diligent about collecting customer satisfaction data. Thirty-six percent responded that their organizations were constantly collecting and analyzing customer data. Twenty-five percent responded that they conduct a customer service audit annually, 5 percent responded they conduct a customer service audit twice a year, and 6 percent responded they conduct a customer service audit quarterly. Conversely, 12 percent said their organizations never conduct a customer service audit, and 16 percent were not sure how often their organizations conducted a customer service audit, which may mean that data is collected but not shared widely throughout the organization. See Graph 2.

Graph 2.



Measuring customer satisfaction can have many benefits. It provides timely feedback, allows the organization to benchmark progress over time, and shows the customer that you care about their opinions. So, it's surprising that any organization would overlook the opportunity to gain valuable customer feedback. Regarding the 12 percent who responded that their organization didn't measure customer satisfaction, the main reason given was that it wasn't seen as an important strategy. Fifty-five percent responded that their organizations don't feel measuring customer satisfaction would have a benefit. Seventeen percent responded that their organizations simply don't have time to measure customer satisfaction, 15 percent said they don't have the staff, and 13 percent said they don't have the funds necessary. See Graph 3.

Graph 3.

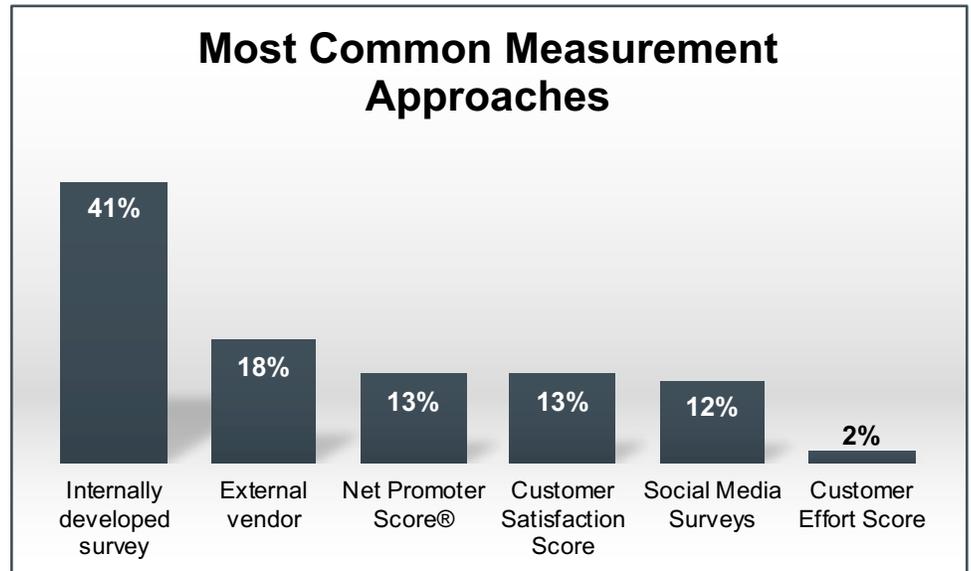


### MEASUREMENTS USED

Organizations use a variety of methods to measure customer service. The most common of these is a survey that has been developed by an internal team. Forty-one percent of respondents said they use an internally developed survey. The second most common approach is to work with an external vendor to measure satisfaction. The third most common option is Net Promoter Score<sup>®</sup>, which provides an index ranging from -100 to 100. Net Promoter measures the willingness of customers to recommend a company's products or services to others. It is used as a proxy for gauging the customer's overall satisfaction with a company's product or service and the customer's loyalty to the brand. Tied with Net Promoter was the Customer Satisfaction Score (CSAT), which is often used in call centers to gauge the customer's satisfaction with an organization's product or service. The fourth most common approach for measuring service is social media surveys. The fifth most common metric is the Customer Effort Score, which asks one simple question regarding how easy it was to do business with the organization. And in addition to using surveys to measure satisfaction, organizations also monitor feedback from testimonials, numbers of referrals, and levels of revenue. See Graph 4.

Most organizations want to see improvements in customer service, yet only 20 percent provide training to those who are tasked with interacting with the customer.

**Graph 4.**



**METHODS USED TO PREPARE CUSTOMER-FACING EMPLOYEES**

Companies often provide training and development for their customer-facing employees to improve levels of service. But there are other viable strategies as well. Respondents stated that while training is the go-to strategy, working to develop a service culture and mindset and employing process-improvement initiatives are also important. What’s interesting about this data is that most organizations want to see improvements in customer service, yet only 20 percent provide training to those who are tasked with interacting with the customer. See Graph 5.

**Graph 5.**



## MOST IMPORTANT SERVICE ISSUES

We asked respondents to rate the importance of a variety of customer improvement issues and to tell us how important they were to their organization. The most important issue is a focus on developing systems and processes that make it easy for clients to do business with the organizations. When organizations have outdated policies and procedures, it can negatively impact the customer experience. Respondents said the second most important issues were improving customer-facing employees' ability to diagnose the customer's needs and issues, and developing a sense of empathy for the customer's feelings and situation. It's key that customer-facing people learn to put themselves in the customer's shoes and develop an authentic sense of empathy for the customer and their situation, especially when attempting to resolve a negative customer experience. The importance of each issue, achieved by combining responses of Very Important and Extremely Important, is shown below.

**Chart 6. Most Important Customer Service Improvement Issues**

Developing systems and processes that make it easy for clients to do business with you	69%
Improving skills to diagnose the customer issue or need	64%
Developing empathy for the customer's feelings and situation	64%
Improving listening skills	59%
Improving problem-solving skills	58%
Understanding the appropriate communication style to use with the customer	57%
Empowering people to utilize their authority to make decisions about how to support the customer	56%
Training people to be polite to the customer	56%
Making product improvements	42%

## About The Ken Blanchard Companies®

The Ken Blanchard Companies is the global leader in management training. For more than 40 years, Blanchard® has been creating the best managers in the world, training over 150,000 people per year. From the award-winning First-time Manager program—based on best-selling business book, *The New One Minute Manager*®—to SLII®, the most widely taught leadership model in the world, Blanchard is the expert in management training across all levels of an organization and is the provider of choice by Fortune 500 companies as well as small to medium businesses, governments, and educational and nonprofit organizations.

To learn more, visit [www.kenblanchard.com](http://www.kenblanchard.com)



### Global Headquarters

125 State Place  
Escondido, CA 92029 USA

From anywhere: +1 760.489.5005

Within the US: 800.728.6000

For a list of our offices worldwide, visit [www.kenblanchard.com](http://www.kenblanchard.com)

## Conclusion

Creating a memorable customer experience is a significant competitive advantage because it's an important method by which organizations can differentiate themselves. A company with excellent customer service is more likely to get repeat business from customers and to have higher customer loyalty than those that don't. But to achieve this, organizations must focus on creating a culture and providing the training to support those closest to the customer as well as those across the entire organization. Providing training on customer service allows employees to better understand the impact their role has on the organization and to develop the ability to empathize and connect with the customer. A company that invests in training shows their employees that they care about continual development and progress. In turn, this can impact the degree to which employees become more engaged in the company and understand how their role can enhance the overall customer experience, thereby boosting profits.

## DEMOGRAPHICS

### Gender

Male..... 54%

Female ..... 45%

### Manager/Non-Manager

Manager..... 75%

Non-Manager..... 25%

### Number of Employees

1–249 ..... 40%

250–499 ..... 10%

500–999 ..... 9%

1,000–4,999 ..... 21%

5,000+ ..... 20%

### Role in the Organization

Individual contributor ..... 21%

Team leader/Manager ..... 21%

Senior manager..... 17%

Department head..... 15%

Executive level..... 26%