

The Role of Branded Services In Creating Differentiated Customer Experiences

To stay ahead of the competition, companies must take customer experiences to the next level. New focus is being placed on branded services as a means to create uniquely engaging experiences across the entire customer journey.

This white paper shows how branded services are a vital strategic tool for differentiating customer experiences, improving customer satisfaction and, ultimately, delivering financial returns.

The New Rules of The Game

The challenge for businesses today is to create branded experiences that cannot be easily copied. Simply improving service delivery is not a long-term strategy for maintaining a competitive point of difference — when one company establishes a new standard of quality, competitors are increasingly quick to follow. Short product lifecycles and high velocity supply chains have long been the norm in electronics, but this time compression is now common in sectors where service is central to the core offering.



THE RITZ-CARLTON

NORDSTROM



Companies such as Nordstrom's, Southwest Airlines, Starbucks and The Ritz-Carlton helped change the rules of the game by devising branded customer experiences. These companies branded experiences to differentiate their offerings from competitors, create premium value and increase customer loyalty. They use every point in the customer's journey to create a sense of uniqueness that separates their company from others. Additionally, it makes it easier for these companies to manage employee actions, deliver on their customers' emotional needs and stage complex multi-dimensional experiences.

The Missing Link: Operational Alignment

Most companies do not have programs in place to link brand strategy to service strategy. Branding is often controlled by Marketing and its communications agencies, while Operations and Human Resources control the service delivery and employee training programs. The means for these groups to work together often don't exist. In a situation such as this, at best, opportunities for strengthening the brand with customers are missed. The worst case is that employee behavior contradicts the brand strategy directly, negating the marketing investment and disappointing customers.

Creating these connections requires CEO level leadership and culture change. Belief in brand building as a holistic endeavor must come from the top of an organization in order to bring together different groups.

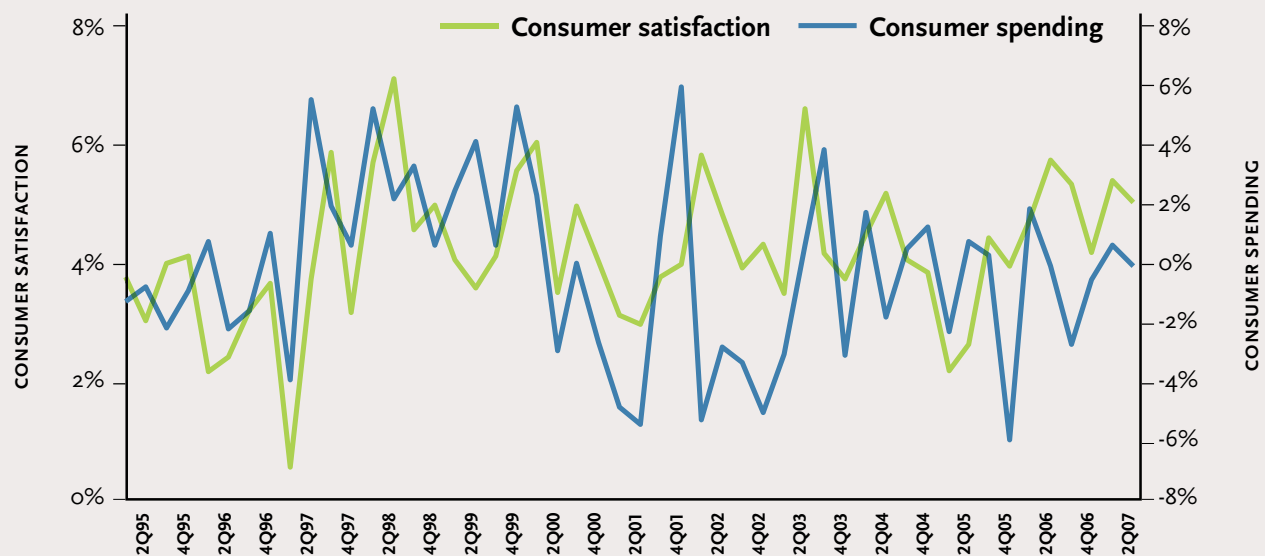
How Do Customers Rate Service?

In many categories, service can be the greatest single contributor to customer satisfaction. A recent study conducted by the Service and Support Professionals Association showed that quality of service is one of the top three buying criteria for the majority of consumers.

What Is The Return On Service?

Research has shown consumers seek experiences that cater to their needs and give them a sense of recognition and satisfaction. Companies that make branded services part of their business strategy are better equipped to consistently provide experiences that satisfy their customers' individual needs. Greater customer satisfaction increases brand loyalty, advocacy and spending. A recent study by the American Consumer Satisfaction Index has made the return on service visible, charting the correlation between higher consumer satisfaction and increased consumer spending.

Consumer Spending (PCE) Growth and Consumer Satisfaction (ACSI)



Sources: Bureau of Economic Analysis of the Department of Commerce, American Consumer Satisfaction Index

Where To Begin? How About Some Coffee?

In a world of instant parity, consumers naturally become less brand-loyal. Back in the early 1990s, when Starbucks completely redefined the concept of a coffee break and coffee shop for American consumers, they were largely alone. But as competitors rushed into the new territory, Starbucks didn't lose their customers. They had made their uniquely branded service delivery a core part of their business strategy. Had they built their brand on coffee quality alone, it's doubtful they would have succeeded with an international expansion and continued domination of the coffee category.

“We are not in the coffee business serving people, but in the people business serving coffee”

– Howard Schultz, Chairman and Founder, Starbucks Coffee Company

Brewing A Culture of Service

Starbucks took the lead by thinking beyond discrete elements such as top-quality coffee, comfortable furniture, great music and Internet connections. They created a branded experience around a story of each location as a welcoming community. And employees were key to bringing this story to life.

“We realize our people are the cornerstone of our success,” said Howard Schultz, Starbucks Chairman and Founder, “and we know that their ideas, commitment and connection to our customers are truly the essential elements in the Starbucks experience.” This was backed up with real actions including pay above the prevailing local levels and health care benefits for all full- and part-time employees. It was reinforced through extensive, on-going training.

Starbucks approached workforce development in a manner as sophisticated as their approach to brand marketing or retail design. And it's easy to see why. A happy, committed employee is more willing to follow scripts and engage people at every step in the customer journey. The Starbucks experience builds loyalty through positive employee-customer interactions: greeting, learning customers' names and drink orders, and small talk. These consistent, positive interactions result in what Starbucks refers to as “routines” in which customers view Starbucks as having an important role in their lives, with most loyal customers returning 18 times per month.



Starbucks' Recipe For Building A Service-Ready Workforce:

1. On-Brand Recruiting

Interview guidelines provide screening techniques that help determine if new employees possess on-brand attitudes and behaviors

2. Employee Immersion

New hires take part in a paid 24-hour “First Impressions” course

New retail managers take part in a 10-week brand-focused management course

3. Employee Communications

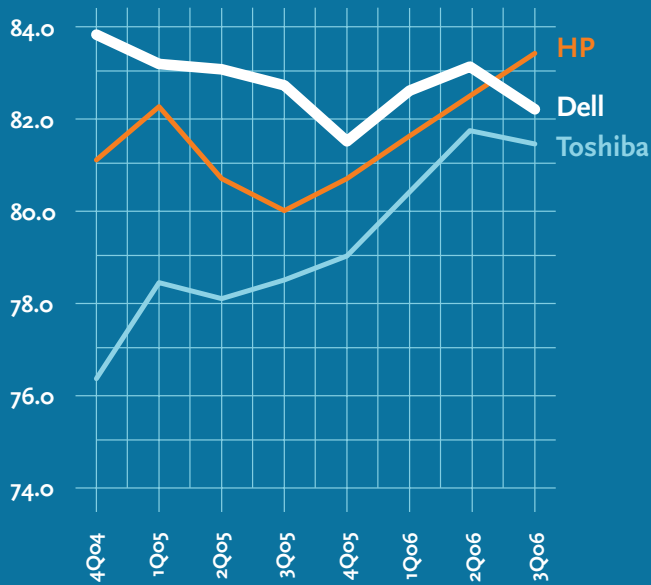
All channels of communications are used to maintain open dialogue – including blogs, newsletters and daily calls from the Chairman to local managers worldwide

4. Employee Incentives

Employees working 20+ hours are eligible for the “Starbucks Total Pay Package” including health care benefits, retirement savings, insurance options and many other perks

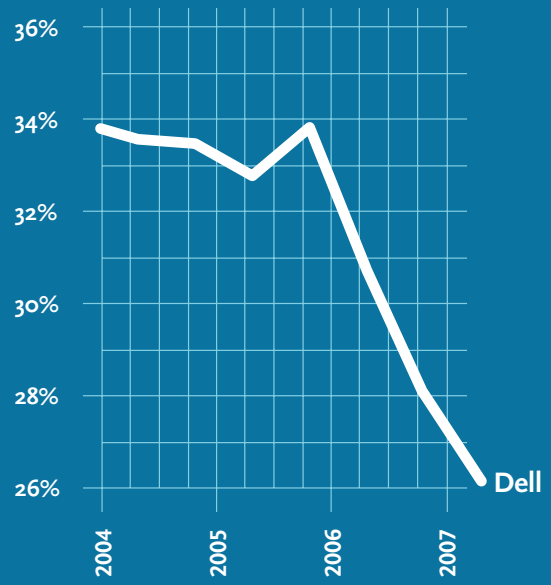


U.S. PC Customer Satisfaction Rating



Source: TBR Weighed Satisfaction Indices

Dell's percentage of U.S. PC Sales



Source: Dell Corporation

Out of Sync: Dell's Fall From Grace

In some cases, companies invest heavily to gain customer insights and craft compelling brand stories, but fail on service delivery. Consider the problems Dell faced when, following a series of cost cutting measures, customer service issues shot up. Disappointed customers ranted on blogs and in the press and customer satisfaction scores plummeted.

Dell had built its brand around a business model of top-tier quality PCs at lower price points. This was implemented through a direct sales approach designed around transactional ease and reliability. This strategy served Dell well with large business customers and technology-oriented consumers who had little need for service and support after the initial transaction. As Dell's customer base expanded to include many more small businesses and less knowledgeable computer users, Dell was confronted with a new set of customer needs and expectations.

These new customers assumed the Dell story of transactional ease and reliability would include follow-up technical support. The growing gap between customer expectations and service delivery created a customer satisfaction crisis for Dell. The result was a significant drop in market share and stock price.

Recognizing that the customer journey has changed, Dell is now undertaking a number of steps including opening new channels such as retail sales at Walmart, opening additional call centers and creating customer advocate teams. While customer satisfaction scores have begun to improve, Dell has not re-established a credible brand story or re-engineered its brand experience. To regain lost share, Dell will need to go beyond cutting prices and opening new sales channels. It will require a fundamental reappraisal of the Dell brand story, service standards and customer experience.

Creating a Branded Service Strategy

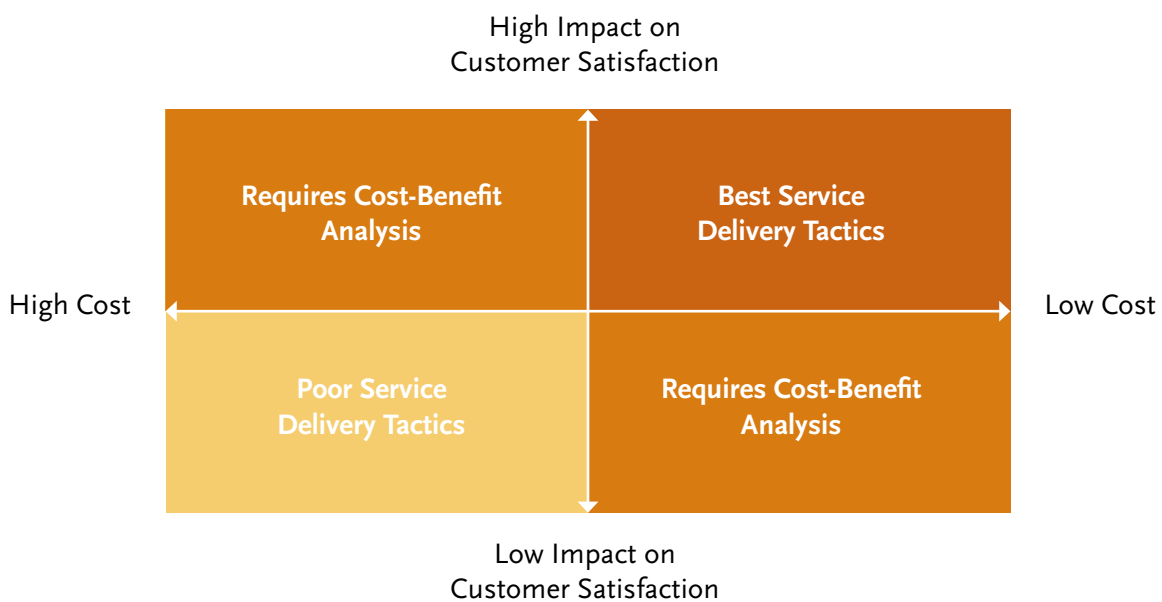
Branded service delivery – a combination of employee actions, product quality and environment – is key to creating unique and ownable customer experiences. The following are three tools that have proven effective for developing relevant and engaging branded services:

Co-creation research: Understanding the right relationship between customers and the brand requires a deep understanding of customer wants, needs and expectations. Traditional research techniques are not able to get at the underlying drivers of consumer behavior. Co-creation research uncovers consumer motivations through a series of projective exercises. Through this technique, consumers are able to share metaphorical language and identify the most significant points of the brand experience. Co-creation research helps define the desired role the brand plays in the customer’s personal or professional life and pinpoints the real drivers of customer satisfaction.

Brand story: Every great brand has a great story to tell. To be effective in all media and forums – from employee orientation to investor relations, from traditional advertising to innovative interactive media – your story cannot be reduced to a single word or limited to a single phrase. It needs to present a relevant metaphor that is grounded in consumer insights and your business strategy. A fully developed brand story is critical to creating compelling services and experiences. Your brand story helps determine details such as the tactics and qualities that service delivery should embody.

Customer journey mapping: Building a detailed customer journey involves mapping out the way customers interact with a brand over time and across points of contact. Through insights gained in co-creation research, this mapping identifies what people are thinking and what they desire at each step along the way. From here it is a matter of developing specific service delivery tactics and messages that present the right portion of the brand story at the right time and place, and through the right media. This powerful tool integrates discrete customer experiences, and drives customers to a desired business goal.

Quadrant Analysis of Service Delivery Tactics:



Bringing The Host Back To Hospitality

In the hospitality sector, product innovations such as wireless Internet and bed design are matched by competitors with lightening speed, keeping major brands at parity. Hospitality companies are forced to think beyond products and features to remain competitive. Days Inn, the leader in the economy segment, recognized the long-term value of branded service delivery. They combined the introduction of a new brand identity with the roll-out of new service standards, heightening differentiation from other hospitality brands and increasing experiential consistency across their portfolio of 1,800 franchised properties.

Starting with co-creation research, Days Inn mapped the customer journey and identified five points where service would best improve customer satisfaction. A wide range of service delivery tactics were generated through brainstorming sessions with cross-functional teams. These tactics were ranked using the quadrant analysis tool (see page 5) based on inputs from market research and a cost-benefit analysis. Service delivery tactics included: pre-arrival e-mails with localized information, techniques for speeding up the check-in process, and new protocols for handling guest problems and complaints.

“Our Days Inn brand identity acts as a brilliant new symbol of the significant changes we made to the guest experience.”

– Chris Trick, Vice President of Marketing, Days Inn Worldwide

Days Inn tracked their new service delivery program through a combination of category-level and individual property-level metrics. At the category level, independent 3rd party surveys measured service at key steps in the customer journey relative to key competitors. At the property level, Days Inn measured customer satisfaction through proprietary Medallia surveys. Properties that scored high earned recognition through the Chairman’s awards, “Sunburst ratings” and other incentives. Properties that performed poorly were provided the means to change, and if unable to comply were removed from the Days Inn system.

Days Inn service training brochure illustrates tactics at all points along the customer journey



It's All In The Details

Branded service programs bridge gaps between employee actions, product quality, marketing and retail environments. Typically, branding programs focus solely on the identification of a company through logos, taglines and graphic motifs. This limited approach neglects a customer's desired interaction with the brand. The ideal role and relationship between brand and customer is defined through a company's service strategy. Service strategy organically brings together different parts of the company, and allows for greater consistency of experience across the entire customer journey.

“We are dedicated to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride and company spirit. This isn't an airline, it's a cause.”

– Colleen Barrett, President, Southwest Airlines

Successful implementation of branded service programs requires a combination of strategic focus and on-going support. Our analysis of service leaders has identified five common characteristics that increase the probability of long-term program success:

Service Credo: The purpose of the service credo is to articulate the desired customer experience in language appropriate for both front-line employees and customers. The Service Credo is similar to a pledge or contract between the company, the employee and the customer. It is used in both employee and customer communications, setting expectations for employee-customer relations.

Service Delivery Tactics: These are the actions, activities, sensory cues and other tangible, replicable tactics that will guide the customer experience at the key points along the journey. They may be as simple as scripting responses to common questions or the language used on signage – or as complex as conflict resolution protocol. Ideas can be generated for each of the key steps in the customer journey, using the Service Credo and Brand Story as inspiration. Market research can help to identify the true value these ideas have to customers. And, as a final screen, a cost-benefit analysis can be used to identify the ideal combination of lowest cost service delivery tactics that produce the greatest improvements in customer satisfaction.

Branded Behavior Training: Orientation and training moves to a higher level when the strategic work provides employees with clear direction, well defined tactics and procedures, and solid, understandable rationale for why things are done in a particular way. Most successful companies do not look upon training as a one-off event. Rather, they use ongoing training programs to reinforce standards and maintain the organization-wide commitment to service.

Reinforcement: Incentives and rewards need to be aligned with the desired behaviors. As the writer Upton Sinclair observed “It is difficult to get a man to understand something when his salary depends on his not understanding it.” Incentives and rewards are an important signal from company leadership of their commitment to and involvement in branded service delivery.

Metrics: The branded service program needs to be measurable to be manageable. Without the right metrics in place it is difficult to evaluate the success or failure of a program. And without that evaluation, the strategic value and benefits will not be visible, making the total return on service unknown.

Distinguishing Service: Coldwell Banker Previews International

Coldwell Banker Previews International is the leading luxury homes realtor, with over 50% U.S. market share. However, growth in the luxury housing market attracted an increasing number of competitors who were able to provide similar services. As part of a larger brand restaging, Coldwell Banker Previews International embarked on an ambitious effort to differentiate their real estate brokers through quality of service. Co-creation research provided insights into the psychology of luxury home buyers and sellers. These insights became the foundation for a new Previews International branded service program.

A Service Credo was developed to help agents understand the desired role Previews International would play in the lives of customers. It vividly illustrated the expectations of luxury home buyers and sellers and set forth the standards of service Previews International agents should strive to achieve.

Co-creation research provided the analogies and real-world scenarios that were instrumental in developing service delivery tactics. That led to developing a set of “service essentials,” which would be adopted by all agents who qualify for the prestigious Previews International program. These service tactics went beyond best practices to include situation-specific guidance. This guidance was framed in a way that allowed flexibility to accommodate the styles and approaches of individual real estate professionals. These service tactics were seeded into the organization through an on-going service training program. This training program was made mandatory for all agents who qualified for the Previews International designation.

Reinforcement of the program relied strongly on peer recognition. Only agents who had undergone the extra training were certified to wear the Previews International pin and carry the Preview International logo on their business card.

Service and The Bottom Line

Branded services can only become a part of a company’s business strategy if nurtured with the same levels of commitment and support as other significant business assets. Over time, branded services have the potential to distinguish a company from its competitors, contribute to greater customer satisfaction and, as result, increase brand loyalty, financial returns and shareholder value.

“Service isn’t something you can turn on and off. It requires a great product, training and giving our associates the tools they need to serve our guests.”

– Bill Marriott, Jr., Chairman and CEO, Marriott International

For more information, contact:

Michael Thibodeau, mthibodeau@versegroup.com

Randall Ringer, rringer@versegroup.com



The Narrative Branding Company

Verse Group® is the independent brand consultancy that combines practical marketing experience with a storyteller’s creativity. Our Narrative Branding® methodology is the only strategic approach for creating brand stories, giving companies the most effective means for engaging and persuading their audiences. We help companies stage their brand stories through visual, verbal and experiential identity. Our multinational clients include: Samsung, Marriott, Coldwell Banker, Dex, Kodak, Days Inn and NXP.

Call us at 1.212.979.7500 or visit www.versegroup.com