

# WHAT'S THE SECRET?

To Providing a  
*World-Class*  
Customer Experience

John R. DiJulius III



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To what matters most in the world to me—  
my family: Stacy my wife and  
my three sons (and best buddies),  
Johnni IV, Cal, and Bo.

Nothing would have been possible or worthwhile  
without your love and support.

Thank you for the honor to be known as  
your husband and father.



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# Preface

## What's the Secret?

- What's the Secret to why good customer service is so hard to find today?
- What's the Secret to why is it so hard to find employees who know how to deliver it?
- What's the Secret to why companies don't train their people better?
- What's the Secret to why companies don't see the value in providing good customer service?

The next time you are with your professional peers and you overhear a conversation about *Secret Service*, do not immediately start sharing your knowledge of the CIA and the department responsible for protecting the president of the United States. Chances are that is not the *Secret Service* they are referring to.

Although sales for my previous book, *Secret Service: Hidden Systems That Deliver Unforgettable Customer Service* (AMACOM, 2003), have been remarkable, and hundreds of businesses across the world have implemented these systems, the term *Secret Service* still can be confusing to some.

Before you read this book, it is imperative you truly understand the meaning of *Secret Service* as it relates to helping your organization become a world-class customer service organization. Since the release of the book in 2003, the term *Secret Service* and what it represents has evolved and today, *Secret Service* is no longer just a book title or a term but a concept, a strategy that thousands of businesses incorporate as their value proposition, to differentiate themselves from their competitors and make superior customer service their point of difference.

Out of curiosity, I looked up the definition of the Secret Service that operates under the government, and I was shocked at how its definition is so very similar to the customer service version:

*Secret Service:* Governmental service of a secret nature charged chiefly with the protection of the president, responsible for the collection, analysis, and appropriate dissemination of intelligence.

Absolutely nothing to do with my version of Secret Service, as it relates to customer service, right? Actually, by substituting just three words, it fits my meaning of *Secret Service* perfectly:

*Secret Service:* Customer service of a secret nature charged chiefly with the protection of the brand, responsible for the collection, analysis, and appropriate dissemination of customer intelligence.

## What Is *Secret Service* and Why Is It Secret?

*Secret Service* uses hidden systems to deliver unforgettable customer service. These systems obtain customer intelligence and utilize it to personalize the customer's experience, leaving the customer to ask themselves:

“How'd they do that?”

“How'd they know that?”

Secret Service employs behind-the-scenes systems that employees use to anticipate and deliver on the unexpressed needs of the customer, by using a system of *silent cues*, *visual triggers*, and *visual aids*.

Customer intelligence is customer data (i.e., buying habits, purchasing history, referrals, personal preferences, where they live, or work) that fuels secret service.

Secret Service systems allow the front-line employees, of your organization to consistently create a memorable experience through:

- Engaging the customer.
- Personalizing their experience.

- Remembering their preferences.
- Distinguishing between new, returning, and VIP customers.
- Anticipating and delivering on their unexpressed needs.

As a result of providing *Secret Service*, companies:

- Create stronger relationships with their customers.
- Build emotional capital and brand equity with their customers.
- Turn their customers into brand evangelists.
- Make price less relevant to their customers.

To effectively deliver Secret Service, your employees need to act as detectives by collecting customer intelligence and then using silent cues that alert their coworkers and allow them to personalize the customer's experience.

It should be more obvious now why it is called Secret Service, it has:

- Hidden systems
- Customer intelligence
- Silent cues
- Visual triggers
- Detectives

After seeing a few examples of Secret Service actions, you will quickly realize why it can make your company a world-class (secret) service organization.

Secret Service systems should not add cost or complexity to your organization. Secret Service systems are what we call low-hanging fruit; they must meet the following criteria:

1. Low or no cost;
2. Simple to execute consistently; and
3. Make an immediate impact on the customer.

The following are simple examples of how easy, yet powerful Secret Service systems can allow companies to create memorable experiences:

- *Distinguishing between new and returning customers:* This Secret Service system identifies new from existing customers. For instance at John Robert's Spa, returning customers are draped in black capes for haircuts, and new customers are draped in white capes. Every team

member throughout the salon knows this fact and can address our guests accordingly. Thus, the color of the cape is the *silent cue* and *visual trigger*.

- *Anticipating and delivering on customers' unexpressed needs:* A customer purchases a gift card for his spouse for Valentine's Day and the receptionist pulls out several Valentine's Day cards and offers him one to give with the gift card to save him a trip to another store.
- *Personalizing the customer's experience:* In the restaurant industry, by simply asking the question, "What's the occasion?" at the time of reservation, you can trigger a multitude of responses: We are celebrating a promotion, a graduation, an engagement, an anniversary, a reunion. When the customer arrives, the greeter presents him with a special-occasion greeting card and several employees congratulate the customer throughout their experience.
- *Remembering their preferences:* Another one of my favorite Secret Service systems is where a restaurant kept preprinted labels of their top VIP customers. Anytime they came in, their favorite bottle of wine would be waiting for them at their table, with a label on it that read: "From the Private Stock of Tom Smith."

This book is more than a discussion of the problems and warm and fuzzy feel-good customer service stories. It contains the solutions, systems, and answers. It tells how the top customer service companies in the world execute world-class service consistently.

By executing Secret Service consistently, it is possible for your organization to *make price irrelevant*: Based on the experience they receive, customers feel your prices are an incredible value.

Secret Service is a strategy that thousands of businesses incorporate today as their value proposition, differentiating themselves from their competitors and making superior customer service their point of difference.

Because of the *Secret Service* systems we have put into place, we know our guest better than ever. What's more, there is a greater sense of a "heroic cause" within our team. We are doing more than serving our guest; we are helping them enjoy life more in the company of people they care about.

—Bob Johnston, President, *The Melting Pot Restaurants*

We are all about Secret Service. Our clients think it is amazing what we deliver in our Haircut experience, but it is just a part of being a part of Sport Clips and following our system. Secret Service just validated much of what Gordon Logan and Sport Clips has been doing over the past 13 years and most importantly helped us take it to the next level by engaging our whole organization. John's team was a great facilitator of this improvement process and Sport Clips is positioned to do even more in the years to come.

—Clete Brewer, *President, Sport Clips*

As Partner-in-Charge of client service at our firm, Secret Service is paramount. It is what allows us the opportunity to continue to serve our clients, build new relationships, and generate opportunities to assist new clients.

—Mike Trabert, *Partner, Skoda Minotti*



# Secret Service Terminology

**Above-and-Beyond Opportunities:** Random acts of heroism providing legendary service to the customer.

**Customer Experience Cycle (CEC):** The traditional points of contact/interaction a customer will encounter when doing business with you.

**Customer Intelligence:** Customer data (i.e., buying habits, purchasing history, personal preferences).

**Experiential Actions:** A personal engaging experience delivered to the customer, by an employee that makes them say “WOW,” a delightful surprise that the majority of your competitors do not provide. It could be a standard or random (above and beyond) action. It is the reason why our customers return, refer others and become brand evangelists. Examples of experiential actions include using a customer’s name, remembering their preferences, or having their order ready before they placed it.

**Nonnegotiable:** Standards that team members absolutely must deliver, regardless of the circumstances.

**Operational Actions:** Actions that team members must execute to assist in the efficiency of the day-to-day transactions with our customers. Examples of operational actions include cleanliness, dress code, inventory, and lighting. They are unnoticeable to customers and are not the reason customers return.

**Secret Service:** Hidden systems that deliver unforgettable customer service.

**Service Aptitude:** A person’s ability to recognize opportunities to exceed customers’ expectations, regardless of the circumstances.

**Service Defects:** Obstacles and challenges that can occur at any stage of the CEC and that can ruin the customer’s experience.

**Service Vision:** The true underlying value of what your organization brings to your customers, that provides a meaningful purpose for your employees.

**Stages:** The individual contact/interaction points within the Customer Experience Cycle, such as a phone call, greeting, or checkout.

**Zero Risk:** A customer has no risk in doing business with your company because you have service recovery protocols. Regardless of any circumstances, in the end the customer knows your company will always make sure they are happy.



# Acknowledgments

**M**any times, after you give so much toward something—more work, time, and energy than you originally thought—when you are finally done, it can feel a little anticlimatic. Not this time, I can easily say that there have not been too many projects in my life that required the amount of time, commitment, and sacrifice this book has. However, I am finally done, and it feels great. I have given this book everything I had and could not be more proud of the finished product.

*What's the Secret?* has truly been a labor of love that has taken me over five years to complete. It is the culmination of many years of research, exploring, and working with the top world-class customer service companies. Like any great endeavor, I could not have done this alone. I was blessed to be surrounded by an incredible group of people who have inspired me, supported me, and most of all believed in me.

This book would not have been possible without my leadership team in both my organizations, The DiJulius Group and John Robert's Spa. I am so blessed to have so many talented people who have dedicated their professional careers to my vision. People like my wife Stacy DiJulius, Artistic Director; Eric Hammond, Vice President of Operations; my brother Barry DiJulius, COO; my sister Kathy Cheyfitz, Director of Guest Care; and Denise Thompson, Chief Xperience Officer of The DiJulius Group, all lead my companies with so much passion that it has enabled me to focus on this book.

Thanks to all my team members at John Robert's Spa and The DiJulius Group, who daily live up to the heavy burden of being a world-class customer service organization.

I would also like to thank Service Management Group in Kansas City, Missouri, especially Jack Mackey, Vice President of Sales and Marketing

and Andy Fromm, President and CEO, for being so generous in sharing all their time, expertise, and research, which provided me with significant data to support my findings. Also, Darlene Campagna and her team at Direct Opinions in Cleveland, Ohio, that also provided me with key customer measurement research, as well as helping The DiJulius Group in the development of the Company Service Aptitude Test (C-SAT).

Thanks to all the great world-class companies that have repeatedly hired me and my team at The DiJulius Group to help them continue to raise the bar for service excellence. I have to admit, I benefited as well by learning their (organizations like The Ritz-Carlton, The Melting Pot Restaurants, Nemacolin Woodlands Resort, Starbucks, Cameron Mitchell Restaurants, The Cheesecake Factory, Panera Bread, Sport Clips, Charming Shoppes, Progressive Insurance, Chick-fil-A, Westfield Insurance, Service Management Group, Lexus, Nordstrom, Hallmark Cards, Breakers Hotel, and Goodyear Tire) best practices, which in turn allowed me to produce this masterpiece.

I want to thank Heather Thitoff, Director of Training at Cameron Mitchell Restaurants and Melissa Gottlieb, Vice President of Sales at Smart Business Network magazine. They both have been a great resource, supporters of Secret Service, and performed the punishing task of reading and critiquing early versions of this book.

A special thank you to my mentors, who have not only been so generous in sharing their brilliance, but are people I proudly call good friends. People like Verne Harnish, founder of Entrepreneur's Organization, CEO of Gazelles, Inc., and author of *Mastering the Rockefeller Habits*; James Gilmore, coauthor of *Authenticity*; Hal Becker, author/speaker; Fredrick Holzberger, CEO of Fredric's Corporation; and Charles Penzone, President of Charles Penzone Salons.

I also have to thank Matt Holt and his team at John Wiley & Sons who believed in this book.

Most of all, thanks to my family: my wife Stacy, and my sons Johnni, Cal, and Bo, who remained patient, supportive, and always believed in me.



# The Customer Service Crisis



# 1

## The Smoking Gun

*Definitive proof of the return on  
investment in providing superior service*

---

*You can have a great product, but it takes world-class service  
to create brand loyalty.*



**B**ased on extensive research, interviews, and analysis of various businesses, The DiJulius Group has determined the following trends in levels of customer service:

<b>Level</b>	<b>Description</b>	<b>Companies (%)</b>
1	Unacceptable	12
2	Below average	29
3	Average	38
4	Above average	18
5	World class	3

According to this study, 41 percent of companies are operating at unacceptable (1) or below average (2) levels of customer service, while 38 percent of companies are delivering average customer service (3). If you total that up (1, 2, and 3) 79 percent of the companies provide a level of customer service which is average at best. Which leaves us having a good customer experience about one-fifth of the time (level 4) and we only have an exceptional experience with 3 percent of the companies we deal with (level 5).

You can say what you want about who you (think you) are, but people believe what they experience.

—*Jack Mackey, Vice President, Service Management Group*

## In Denial

Think about your business, what level of customer service does your company deliver? Now, from a customer's perspective, reconsider your answer. The sad truth is that the majority of businesses rank their customer service higher than their customers rank them. The following research reveals how much companies are in the dark about the level of service they are providing.

Bain & Company, a business consulting firm, surveyed customers of 362 companies and found:

- Only 8 percent of customers surveyed described their experience as superior.
- Yet, 80 percent of the companies surveyed believe that the service they provided was indeed superior.<sup>1</sup>

How can 80 percent of the companies think they are providing superior service, but only 8 percent of their customers agree with them? Who's right? The customer!

These findings are very similar to those uncovered by The DiJulius Group. Thousands of companies have taken our Company Service Aptitude Test (C-SAT), which is a detailed, self-assessment survey that managers take to find out what level of customer service they deliver. The C-SAT has proven to be an accurate indicator of the company's customer service level.

Prior to taking the test, participants are asked to rate their company.

Before beginning, please select which level you believe best describes your company's customer service:

- Level 1 Unacceptable
- Level 2 Below Average
- Level 3 Average
- Level 4 Above Average
- Level 5 World Class

In this pretest question, approximately 53 percent of participants rate the quality of their service at one to two levels higher than the level determined by the C-SAT. You can take the C-SAT by visiting [www.thedijuliusgroup.com/SAT](http://www.thedijuliusgroup.com/SAT). It is also discussed in detail in Chapter 4, Levels of Customer Service.

## Perception Is Reality

The majority of companies don't realize the level of customer service they are delivering or that their own standards for good customer service are considerably lower than their customer's standards.



### Could *They* Be *Us*?

After I speak about how to improve customer service, several people line up to tell me their personal horror stories, offering me material for my next book. I constantly hear things like, “You wouldn’t believe how bad *they* treated me.” and “Listen to what *they* did.” This begs the question: If all of us agree and nod our heads at how bad they are at customer service, then who are the *they*? The answer is: *They* are *us*! We all can’t be the victims. We need to assess our own businesses and accept that there is a good chance we and our companies are contributing to the crisis in some way.

No one will argue that there is a customer service crisis and that the majority of businesses do not make customer service a priority in their hiring, training, or treatment of their customers. Why is that? The answer: Because providing excellent customer service is a lot of work. It means you have to have systems, processes, hiring standards, training, and service recovery protocols in place. It is much easier for an entrepreneur, who is very educated and skilled at his profession, to open a business, hire some people, and start operating. Many assume that providing customer service is common sense: Just take care of the customer. Most organizations make significant investment in customer service a very low priority and it is the first thing that is cut out of the budget when times get tough, not realizing the major impact it has on the bottom line.

## Customer Service and Its Impact on Sales

Is an investment in customer service really worth it? How does the level of customer service a company delivers truly impact key drivers such as customer retention, sales, profit, cash flow, stock prices, employee turnover, and a company’s vulnerability to fluctuations in the economy and third-party conditions (i.e., gasoline prices, housing market).

### Customer Satisfaction and Stock Prices

In an article from the *American Management Association’s Journal of Marketing*, January 2006, titled “Customer Satisfaction and Stock Prices: High Returns, Low Risk,” author Claes Fornell asks the question, “Does an investment in customer satisfaction lead to excess returns?” The empirical evidence presented in the article suggests that the answer is yes!<sup>2</sup> Let me repeat that:

The empirical evidence suggests that an investment in customer satisfaction does lead to high returns at low risk.

Claes Fornell, is the director of the American Customer Satisfaction Index (ACSI) and a professor at the Stephen M. Ross School of Business at the University of Michigan. ACSI is a leading indicator of consumer behavior, measuring the satisfaction of consumers across the U.S. economy. Extensive research proves that an increase or decrease in customer satisfaction, not only greatly impacts each individual organization, but has a significant impact on the future health of the economy.<sup>3</sup>

Equally amazing, the author's findings suggest that satisfied customers are economic assets with high return and low risk. The study also proved that the leading ACSI companies consistently outperformed the market by considerable margins.<sup>4</sup>

It is conclusive that organizations that consistently deliver superior customer service generally enjoy more repeat business, less price elasticity, higher price points, more cross-selling opportunities, greater marketing efficiency, and a host of other factors that usually lead to earnings growth. These companies also enjoy lower expenditures related to warranties, complaints, defective goods, higher employee satisfaction, and market share. In addition, several research studies find that higher customer satisfaction has a positive impact on employee loyalty, cost competitiveness, profitable performance, and long-term growth.<sup>5</sup>

These findings are consistent with previous studies that revealed that companies with higher levels of customer satisfaction are more likely to enjoy higher levels of net cash flow. Similarly, superior customer service companies typically have lower costs of sales and marketing. Remarkably, a one-point improvement in a company's ACSI score can result in as much as a 7 percent increase in cash flow.<sup>6</sup>

If good customer service translates into all the previously mentioned gains, such as repeat business, future revenue, increased market share, productivity, cost competitiveness, long-term growth, less customer defection, and lower employee turnover, it is logical that these factors will eventually affect stock prices and company valuations. And if that is the case, it would be difficult not to take seriously the notion of customer satisfaction as a real, intangible, economic asset.<sup>7</sup>

## Irrefutable Evidence

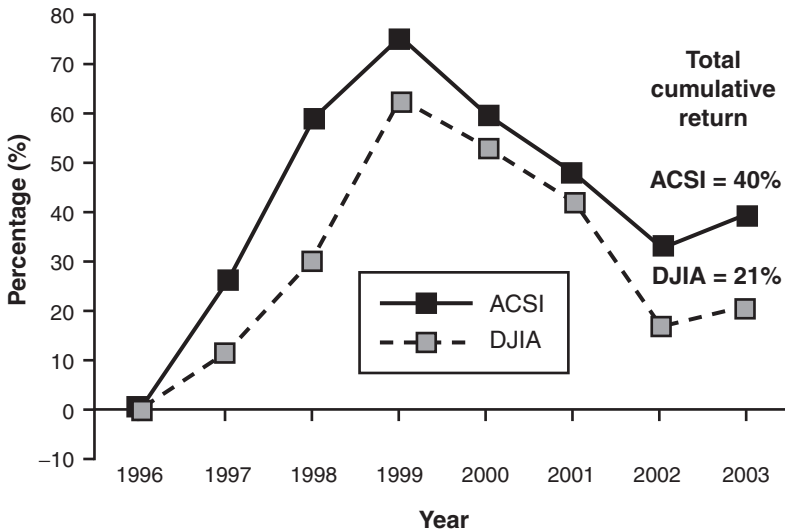
Several studies compared the top ACSI companies against the market with regards to stock performance over six years, from 1997 to 2003, a period where the stock market had both ups and downs, to show the benefits of good customer service. The results were astonishing. While many businesses know the importance of providing consistent superior customer

service, it is unlikely they realize how profound the benefits are. The top customer satisfaction companies (based on their ASCI scores) outperformed the Dow Jones by 93 percent, S&P 500 by 20 percent, and NASDAQ by 335 percent. The results conclusively show that customer satisfaction pays off in up-markets and down-markets. When the stock market dropped in value, the stock prices of companies with highly satisfied customers seemed to have benefited from some degree of insulation. Figures 1.1 through 1.3 show the cumulative returns over time.

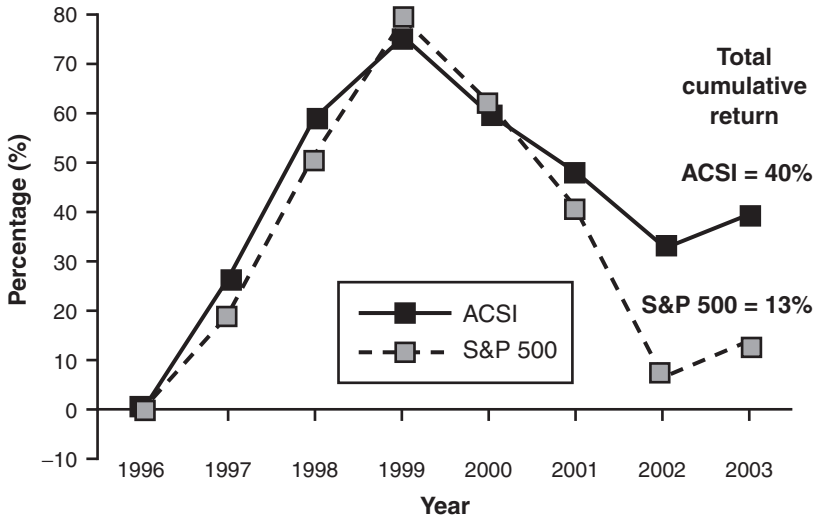
A second study from a different time period, comparing the top ASCI companies versus the DJIA, S&P, and NASDAQ markets had similar results. The ASCI companies outperformed the markets each and every year. Figure 1.4 shows the five-year cumulative results.

No one can argue that these results are extraordinary. There are very few actions or strategies a business can implement, if any at all, that can produce comparable financial results. Firms that do better than their competition in terms of satisfying customers (as measured by ASCI) generate superior returns at lower systematic risk.<sup>8</sup>

To demonstrate the significance customer satisfaction has on the financial success of an organization, Figure 1.5 compares the companies



**FIGURE 1.1** Top ACSI Companies versus Dow Jones (February 18, 1997, through May 21, 2003). From “Customer Satisfaction and Stock Prices: High Returns, Low Risk,” by Claes Fornell, Sunil Mithas, Forrest V. Morgeson III, and M.S. Krishnan, 2006, *Journal of Marketing*, 70 (January), 3–14. Reprinted with permission from *Journal of Marketing* published by American Marketing Association.



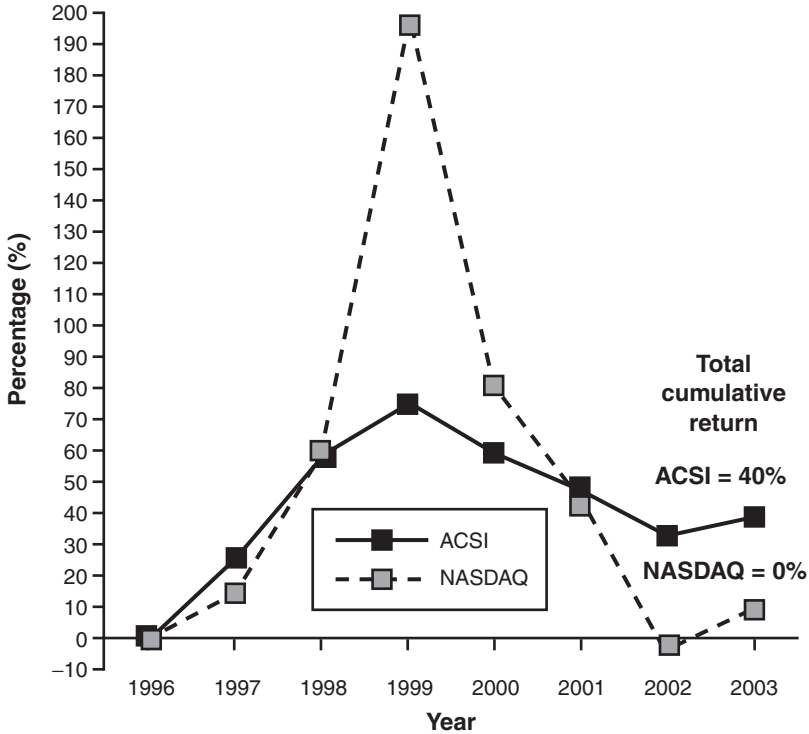
**FIGURE 1.2** Top ACSI Companies versus S&P 500 (February 18, 1997, through May 21, 2003). From “Customer Satisfaction and Stock Prices: High Returns, Low Risk,” by Claes Fornell, Sunil Mithas, Forrest V. Morgeson III, and M.S. Krishnan, 2006, *Journal of Marketing*, 70 (January), 3–14. Reprinted with permission from *Journal of Marketing* published by American Marketing Association.

with the top 50 percent ACSI scores versus the bottom 50 percent. The top 50 percent generated an average of \$42 billion in shareholder wealth, while the bottom 50 percent created only \$23 billion. One point of customer satisfaction translates into 3 percent of market value increase.<sup>9</sup>

In a study done by the Ken Blanchard Companies, 74 percent of companies declared their organizations were highly focused on customer service improvements. However, only 44 percent indicated that they had a formal process for achieving these desired results.<sup>10</sup>

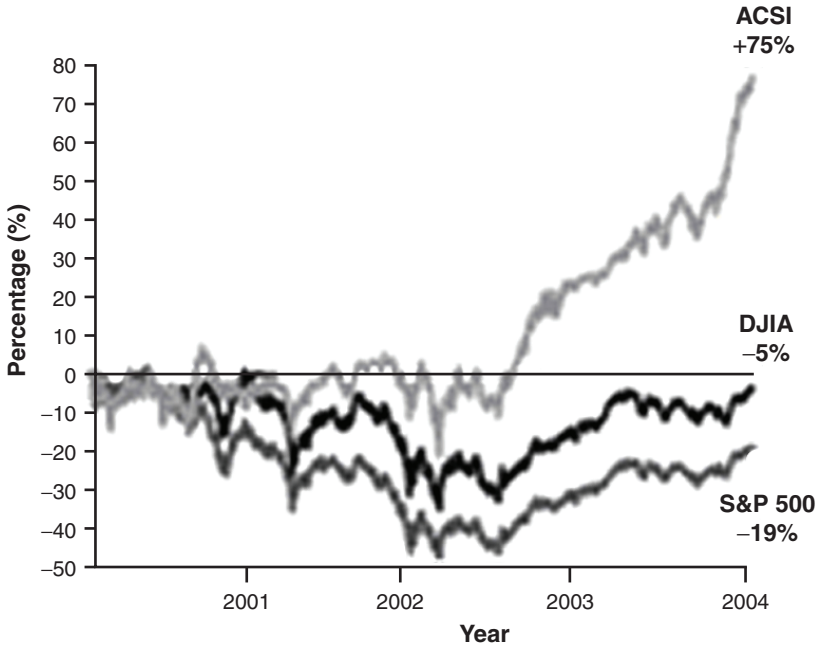
## Stone Ages

Most companies’ financial measurement methodologies for customer satisfaction are extremely misleading and too primitive to be useful. This won’t change unless shareholders, corporate boards, and investors put more pressure on companies to account for intangible assets more effectively. Customer satisfaction should be considered an economic asset on the balance sheet and every executive should know the correlation between the level of customer service their company provides and the bottom line.



**FIGURE 1.3** Top ACSI Companies versus NASDAQ (February 18, 1997, through May 21, 2003). From “Customer Satisfaction and Stock Prices: High Returns, Low Risk,” by Claes Fornell, Sunil Mithas, Forrest V. Morgeson III, and M.S. Krishnan, 2006, *Journal of Marketing*, 70 (January), 3–14. Reprinted with permission from *Journal of Marketing* published by American Marketing Association.

But if customer service is that important, why is it not represented on profit and loss statements or balance sheets? There are line items for advertising, marketing, people development, entertainment, but usually nothing for customer service. Our financial reporting seems to be in the Dark Ages with regards to its omission of factors such as customer service and customer satisfaction. “It is often difficult to translate, accounting doesn’t help. Investment in customer service can’t be capitalized, nor does it show up as an asset. After all, an intangible, feel-good asset such as customer satisfaction can’t be captured on the balance sheet. So spending to improve customer service and customer retention is usually treated as a cost rather than an investment. The result is that those



**FIGURE 1.4** Top ACSI Companies versus DJIA, S&P, and NASDAQ Markets (April 11, 2000, through December 31, 2004). From “Customer Satisfaction and Stock Prices: High Returns, Low Risk,” by Claes Fornell, Sunil Mithas, Forrest V. Morgeson III, and M.S. Krishnan, 2006, *Journal of Marketing*, 70 (January), 3–14. Reprinted with permission from *Journal of Marketing* published by American Marketing Association.

costs are recorded before the benefits of the investment are realized,” says Fornell.<sup>11</sup>

Consider the case of Amazon.com. Their pursuit of a better customer experience has turned out to be exactly right. Amazon estimates they have 72 million active customers, who, in a single quarter, spend an average of \$184 a year on the site, up from \$150 the year before.

Amazon’s return customer business is proof that customer service pays off. With a customer retention rate that consistently hovers around 80 percent, their typical customer is worth about five purchases. By increasing their retention rate to 85 percent, the typical customer will average seven purchases. An increase of only two purchases, right? Well, multiply that additional two purchases by the average purchase price of each order and then by their 72 million users worldwide and it becomes a pretty significant increase. As Fornell points out, “Organizations need to figure a way to apply economic systems that link customer satisfaction to shareholder value.”