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Implementing Lean Marketing Systems

An Uncommon Way of Thinking about Service Design

Guest was Anne Morriss

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Anne Morriss is the best-selling co-author of *Uncommon Service: How to Win by Putting Customers at the Core of Your Business* (www.uncommonservice.com).



She has spent the last fifteen years working to unleash social entrepreneurs around the world.

In 2007 Anne founded the Concire Leadership Institute, a consulting firm that helps leaders to surface and remove performance barriers. She works with organizations throughout the Americas on strategy, leadership and institutional change. Her clients have ranged from Fortune 50 companies repositioning in global markets to public sector leaders working to transform national economies.

As a senior advisor with the OTF Group, Anne partnered with the World Bank to promote entrepreneurship and innovation in forty developing economies. Her career has included leading the campaign finance team for U.S. Representative Marty Meehan, and acting as the South American Director for Amigos de las Americas, an international NGO that promotes community health and leadership development in Latin America. She now serves on the boards of directors of GenePeeks, Inc., and Innerscity Weightlifting, which works to promote achievement among urban youth.

Anne holds an MBA from Harvard Business School and a BA in American Civilization from Brown University. She has lived and worked extensively in Brazil, Ecuador, Mexico, and the Dominican Republic.

Transcription of Podcast

Joe Dager: Welcome everyone! This is Joe Dager, the host of the Business 901 Podcast. With me today is Anne Morriss. She is the best-selling co-author of, "Uncommon Service." She has spent the last 15 years working to unleash social entrepreneurs around the world. Her consulting firm is Concire Leadership, where she works throughout the Americas on strategy, leadership and institutional change. Anne, I would like to welcome you and could you fill in a few more details to the introduction and tell me about your consulting firm, Concire Leadership?

Anne Morriss: Sure Joe, it's really great to be here. Concire is an organization. My co-author and I, Francis Frey, who's at Harvard Business School, started this consulting practice about five years ago, specifically working with companies who are interested in competing on service. We also get calls from folks who are having service problems. We're particularly excited about mission-driven companies, hence, the emphasis on social entrepreneurs. We work across industries, across sectors - public, private. We're excited about people who want to build something and make a difference out there in the world.

Joe: Why did you write the book?

Anne: Essentially, we wrote it because it was our observation that service is much worse than it should be. We live in a world where lots of organizations want to deliver great service. We work with managers all the time, who are committed to it. Customers, as we know, are hungry for it, and yet, our service experiences are still overwhelmingly negative. In pursuing this question, what became clear is that past excellence is not necessarily intuitive. It's not about trying harder, deciding the customer is always right. It's more about making careful design choices and very deliberate trade-offs. There are some surprising rules and pitfalls along the way. We wanted to get some of those

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insights out in the world because we think; basically, the world is ready for it.

Joe: Well, you really believe then service is uncommon.

Anne: That's our take on it. Essentially, great service is rare. It doesn't have to be. We think these are the big, bad barriers to delivering the kind of service that people want. We believe that those barriers are actually closer to pebbles and that they're pretty easy to remove. The other piece of it is that we really have to get this right here in the US, and increasingly, around the world. Our economy, right now - 80 percent of our GDP is tied to services. 80 percent of the jobs we're creating are in service industries. The majority of our service experiences are still overwhelmingly negative. We essentially have an economic mandate to get this right.

Joe: We use the word, "service design" in the world. Could you define what that means to you?

Anne: We break it down in a pretty specific way. We argue that there are essentially four parts to a service model. The first piece is the offering, essentially; the service attributes that you're optimized for. It's, of course, important to figure out what those are going to be, based on a deep understanding of customers. That's probably the central piece. Then, there are the levers that make that possible. First is the employee management system. Then, there's a funding mechanism, funding strategy. Last, you have to figure out how to manage and train your customers. It's employees, customers, capital and that all comes together to create the offering. That's how we break it down.

Joe: We're going to talk about what you call, "The Four Service Truths" but first tell me, is service really about the people or the process?

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Anne: I think it's both. It's really how the people and processes come together. The other way we try to frame it is what we call the "excellence equation," which is excellence equals design times culture. You have to get both of those pieces right. One without the other doesn't work. To your question, one way to think about it might be, combine the blend of the people and the processes is what makes great service or any service possible.

Joe: Well, you start out with the four service truths in the book. The first one you talk about is you can't be good at everything. I come from a world of continuous improvement. Where people, process and products are looked at to be improved. Do you think that's changed?

Anne: I think that's one interpretation of that kind of thinking; I think can be a barrier to excellence. What I mean is if you're managing based on red, yellow, and green, in the sense of identifying where you're great and where you're bad, and then, if you spend your management attention just focused on the reds, sometimes, those reds - and this is tied to our four service truths - are the very things that are making the greens possible. What we argue with this truth number one, in order to excel at the things your customers value most, which is our definition of excellence, you need to make trade-offs on places that customers value less. Those are the tradeoffs, often, that make excellence possible.

Joe: Interesting approach because it's very much like an appreciative inquiry approach, isn't it?

Anne: I'm very intrigued by all of your work and interest in that area. I think it's absolutely right. I think the focus on really exercising your strengths and figuring out what choices you have to make to be able to really unleash those strengths is absolutely consistent with that movement.

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Joe: I found your workbook on your website very intriguing because emphasizes that right out of the block. Can you tell me a little bit about that workbook?

Anne: Live on our website, anyone, can download it, intended to be a complement to the book and help people take the ideas and apply them to their organizations right away. We put that tool up there, and it's great to hear that you thought it was helpful. It walks you through - the tool itself spends a lot of time on this truth number one - and walks you through how to think about where you should excel, and how to think about how you're performing compared to your competitors and what your customers value most. It's a process we call, "attribute mapping." We help companies do it all the time, but you don't need us, you can absolutely do it on your own. Read the book. Download this tool. It's a pretty specific process that we have seen work really well when companies are trying to get their heads around, "OK. We're exhausted. We're not excelling. We know we have to make some choices. We know we have to invest our resources more strategically. How do we even think about where to be great and where to be bad?" This is a framework that I think can be helpful in that process.

Joe: Just frame it right. It's OK to be bad at some things is what you're saying.

Anne: It's absolutely necessary to be bad at some things. Your resources aren't unlimited, and so, you've got to optimize. You have to invest them rationally and strategically. To deliver excellence in the places customers care most about, you need to conserve your energy elsewhere. That's our basic message. You must be bad in the service of great, but to get there, to your point, you have to really understand your customers at a deeper level than I think most organizations understand their customers, right now.

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Joe: Because if you think you're real good at something and your customers don't, you're really in trouble, then, right?

Anne: Exactly. That's a position many organizations find themselves in. They're haphazardly good and bad at certain things based on legacy or based on the strengths of the team, or often particularly, young organizations, the strength of the founders. When talking about start-ups, often the strengths and weaknesses of the company ends up reflecting the personalities of individuals who started with them. Our message is be more thoughtful and strategic about it, and base it on the priorities of your customers.

Joe: The other truth that rang true with me and I'll have to mention here that when I picked up the book, I was going to glance through and take notes from it and try to help me with the workshop. But what ended up happening is I ended up spending the evening reading it the whole thing.

Anne: I love that. I love it!

Joe: It's a great, easy read, but it's not a read that you're not going to go back to.

Anne: Thank you.

Joe: The next service truth there is "Someone has to pay for it." We talk a lot in Service Dominated world or Service-Dominant Logic™ world from Lusch and Vargo, where the value is in the use of the product. One of the things that happens in that world, as we make a transition from a product to a service focus, we're switching from a tangible to an intangible world. The things that we are giving away free to sell our product now are actually the things that have value because our product has been commoditized. I thought that number two service truth, "Someone has to pay for it," addressed that.

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Maybe I'm wrong in thinking that, but does that really address movement from that tangible to an intangible world?

Anne: It's such a wrenching process and an important journey for some many companies. So many companies are going through it right now -- some of the most competitive companies in the world. GE used to sell light bulbs. Now, they're providing energy solution, if you look at the profit-drivers in that company. The same is true for IBM. Those companies are on a big learning curve, right now, in terms of figuring out, what does it mean? We would argue it changes everything! It changes every part of your model. You have to think about the four pieces of a service model. We're talking about in our world view; it's very different depending on services whether you're selling products or selling services.

The importance of culture, it matters more in services. The funding is harder in services. To your question, Steve Jobs can go into his secret phone lab and come up with the perfect phone. Most of the value of that phone is embedded in the product itself. But, when you're selling services you have to involve customers. You have to involve employees in a very intimate way in the value creation process. All the rules are new and different.

Now the funding mechanism is a lot harder. It's easier for us as consumers to pay more for something tangible that we can touch and feel. That's why Starbucks charges you a lot for that drink that's sitting on the counter even though a big part of the experience is the beautiful space, and the comfy chairs, and this third space that Howard Schultz envisioned that was just as nice if not nicer than your living room, and filled with beautiful people, and inspiring in terms of your productivity.

It would be absurd to put meters next to those chairs. It's a lot easier to charge five dollars for a cup of coffee. That's one of the challenges that service companies have to wrestle with when

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you're talking about this kind of intangible value that you can't drop on your foot. How do you get people to pay for it?

Our basic message is you need pricing that's simple, transparent, and fair. The other piece of it is that the answer might not be to charge your customers more. You may have to figure out other ways to fund it.

Joe: Let's just go into this fourth-service truth? You talk about that concept of customer operator, and that's one way to allow that, the dollars to come down and to have them pay for it, right?

Anne: Absolutely. Some scholars argue it's the very definition of a service. It's that customers aren't just consuming the value that you and your employees are creating. They're actually co-producers in that value. Sometimes it's very simple. Sometimes it just means they have to show up for a haircut. In some companies, customers have a big role to play in operations. There's a company out here called Zipcar, which is one of those new car sharing services, just did an IPO. They're having a great run. They ask customers to do an extraordinary amount of work. If you're a Zipcar customer you have to clean the car, you have to gas it up. You have to make sure it's in exactly the right spot at exactly the right time for the next customer.

Hertz or Avis in their traditional models wouldn't dare let customers play all those roles. They have a fleet of cars for when we screw up and don't return them on time. They have a fleet of employees who are making sure that cars are clean and ready to go. Those kinds of active, what we call customer operating roles, you see more and more, particularly as companies rely more and more on self-service as a way to deliver great service without necessarily charging customers more, which can definitely work.

Finally back to your question. That can definitely be a part of the funding mechanism. If it's customers who are doing work instead of your employees then that's effort that's not necessarily on the

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payroll, but you, of course, have to be very, very thoughtful about the design of those rolls so that we as customers actually want to perform for you.

Joe: In this era, I should say of collaboration and customer user experience, when you say the customer must be managed, it sounds like backward thinking. It's like we're trying to manipulate the customer. What do you mean exactly by, "managed?"

Anne: What we're basically trying to communicate there is in many ways customers as a source of labor are very similar to your employees. In some business models like take eBay, they're playing all kinds of roles that employees would traditionally play. In some ways, you have to manage them in the same way you would manage your employees. In many models, you have to train them. In many businesses, you need to be more thoughtful about the customers you choose, just like you would interview employees you need to interview customers. Particularly in some service businesses where customers play a really active operating role. Closest model you have to thinking about how to get customers to behave and that's probably, again, too negative a frame on it, is this same approach you're using to your employees.

Joe: But to a certain extent we've been doing this a long time. I've been making trips to the salad bar for a long time?

Anne: Absolutely. That's a great example of where you're happy to do it because you're going to get a better salad than if you tried to tell an employee all of your very specific preferences. In some cases, bringing your customers on to the team is a great way to deliver even better service. We are very happy to go to the airport and use those well-designed airport kiosks because we can channel all of our idiosyncratic choice preferences about where we want to sit. It moves faster; we don't have to deal with

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an employee at 6:30 in the morning when we would rather not have any human interaction. It works beautifully.

But go to a grocery store self-checkout line. Those experiences are horribly designed. In many cases, those lines are asking us to do more work than employees, all of this elaborate anti-fraud systems that they have added to that experience.

We're completely untrained. If you just look at the faces of the people in those lines, there's an incredible amount of anxiety. The only reason anyone is in those lines is because the other full service lines are backed up. Essentially the standard is, you have to make your self-service model even more appealing than your full-service model, a readily available full-service model.

If you can get over that bar, then it's a fantastic way to deliver better service at a lower cost, and that's really the Holy Grail on the funding side.

Joe: I think that's a good example, because 99.9 percent of the time that you use the self-service at the grocery store is because it's empty?

Anne: Right, exactly. It's because you don't want to wait another 20 minutes. But in most cases, it's a miserable experience. Most grocery stores right now are ripping out those lanes, and they're experimenting with other self-service models that actually do improve the experience where you get a little wand, and you can scan products as you put them into your basket. It also allows you to track how much money you're spending as you go through the store, and that's a great example of a self-service model that is better than the alternative where you're just throwing stuff in your cart, and you have no idea how much money you're spending. You've got to give us a reason to want to work, and you've got to make it easy for us to work in the context of a service organization. And if you can get there, it's a beautiful thing.

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Joe: Would you explain, between let's say the checkout lane and the kiosk is; it's really about segmentation a little bit. The people that use the kiosk are your frequent flyers, the people that want that extra information that is given in the kiosk.

Anne: Definitely. Segmentation is a huge part of it. It is part of that deep customer learning, and it requires a level of insight into your customers and insight into your business model, and knowledge of, who are your most valuable customers? Who are your most profitable customers? Who do you want to optimize your model for? If it's more than one segment, then how do you create multiple service models in the umbrella of one organization? That's another approach. But, essentially, you got to know who you want to target and what they care most about. If you have that insight then you can design a model that reliably produces excellence.

Joe: Is this is the idea of co-creation and open innovation without thinking that your customer is going to come in there and design your product for you?

Anne: Absolutely it's a balance. One company we studied called Threadless that gave customers a huge amount of realm to participate in the business. It started with letting customers design their own T-SHIRTS shirts and that ethos were pulled into the entire organization. Well, they got stuck; they were a young company. When they wanted to sell the company, customers were up in arms about some of the exit strategies that they were thinking about, because they felt a great sense of ownership.

The same thing happened to eBay. Earlier in the game they changed the color of their feedback stars. It was pretty simple marketing decision from red to blue or something like that. There was a full on customer rebellion because customers were so involved in co producing the value here. Again eBay customers

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are doing everything, the retailing, and customer service, and they are delivering the products.

They were outraged, and I think if companies who want to partner with their customers in this really intimate way have to be prepared to involve them very respectfully in company decision making. For some companies and some cultures, that's not a realistic option, and we encourage those companies to keep customers at more of an arm's length in the co-production game.

Joe: So not everybody is ready for this game?

Anne: Not everybody is ready for it, and not everybody should do it. I think there is a huge range, and I think it's important to figure out where you are in that scale. But if you are going to put your customers to work, they are going to want something for it, and that may include decisions relating how you run your business.

Joe: We'll go back to the fourth truth; a customer must be managed, but the third truth is "It's not your employees' fault." This takes a special type of employee to work within this culture. Doesn't it?

Anne: Definitely. Our big message here in truth number three that just says 'it's not your employee's fault', is that you have to design a management system that sets the average employee up to casually excel. That's the goal. We phrase the truth this way to really send the message home that it's your responsibility, as the designer of the system, as the manager, as the owner. You are responsible for your employees' performance. If it's not working in a consistent way, then there's usually a systemic problem.

Often, it's that the jobs we're designing, particularly for front line service employees, are very, very difficult to do, and increasingly difficult to do. In many cases, the solution is to redesign and simplify those jobs.

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Joe: In sales and marketing, one of the ways you look to increase sales, is to go and hire the competitor's superstar. Is that a failed strategy?

Anne: No. We believe in a worldview where talent matters. I think what we would argue is that it's very risky to build your business around superstars. The chance that you're going to be able to produce reliable excellence over the long-term are lower if you're depending so heavily on exceptional performance from exceptional people all the time. I think if you can, if you have very high end, where you have the resources and hire and train, figure out how to retain the best of the best, maybe you're an exception to that rule. But for most organizations, the path to reliable and predictable excellence is designing a system where average employees can excel.

Joe: Being from the Boston area, Red Sox fan, I would assume...

Anne: It's not reliable if you just hire the superstars.

Joe: Yeah... We go back to that Moneyball thinking.

Anne: No, I think that's a great example. And to your point, Joe, the philosophy that he brought to that team really optimized the things that were most important to winning baseball games. He made very strategic tradeoffs on the things that, which he actually looked at the data, were less important in terms of drivers of success. I think it's a philosophy that obviously, based on the book, absolutely works, and in business as well, and in particular, in services businesses. You can't be great at everything. The predictable outcome in that scenario is exhausted mediocrity. We see it all over the place, in all kinds of organizations.

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Joe: This really is making sense. I understand that values and uses of the products; I have to expand on my use in the service area but how do I start?

Anne: We would start with really daring to be bad. We would start, where we start in the book, the first truth, giving up the fantasy that you can be great at everything. I would send you the website to start, download the tool and start with an attribute mapping process to get the insight you need to optimize the model in a strategic way. Another way in for this stuff is making sure your pricing is really palatable. As you said, it's not intuitive for many customers to pay more for intangible value. You really have to figure out how you can get it because it certainly costs you to deliver that value. You have to figure out how to get it paid for.

If I were going to pick one action as a place to begin, we often send managers out to the front lines. I love the show Undercover Boss. It's a fantastic example of the often transformational experience of really standing in your employees' shoes for a day, a week, whatever it is. Get out there and if nothing else, ask your employees about the last few times they haven't been able to deliver the level of service they wanted, and what was getting in their way.

If there's one message that I would leave your listeners with, it would be if you're interested in improving service, then go out and ask your employees that question. What's getting in their way? I guarantee that you're going to learn something that's going to improve your business.

Joe: I think it's interesting, because when I ask people to try to create a customer experience map, a lot of them struggle with that. They even struggle, sometimes with creating the old adage of a sales cycle and mapping out the customer's reactions to each. It is really a difficult thing for most of them.

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Anne: We found that too, in our work, that a lot of companies don't know questions like what do your customers care most about? What are they experiencing? Where is service breaking down? What are the patterns? I think if you are in the game of wanting to compete on excellence, there's no way to get there without knowing the answers to those questions.

Joe: I go to a car dealer. Let's say he's out not there making much money on the car. He's making it on the financing, the service, and all these other things. I go to another retail store, and I'm getting this add-on and this add-on. All the add-on things can be a turn off. There are all these additional things, but that's part of all these intangible things that they make their money on. Is there a better way of doing that? Have you found that other different ways, maybe from your experience, on how to approach this better?

Anne: I think some of those pricing models violate our sense of fairness and transparency as customers. We get lured in by the sticker price, and then basic service shows up, and these are higher numbers than we expected. We're stuck in that room, and we don't totally understand, and we don't totally understand the different scenarios. I think in mortgages; this is the case. Sometimes in a lot of financial services products, this is the case. I think that those are not winning models over time; I think customers get frustrated. I think there's an opening for business models that are competing on fairness and transparency, and customers invariably gravitate towards those areas.

I think in terms of funding strategies, charging your customers more for better service is one model. Obviously, there's tons of precedent, and obviously it can work. Where we push people is to think creatively about other ways that they might find a better experience.

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Zappo is one of our favorite company examples; we talk it about a lot in the book. They have legendary service. Call centers time their employees on how quickly they can get on the phone. Zappo's call rate is a badge of honor, how long you can stay there. I think the limit was eight hours, and when we visited that call center, they were very proud of their ability to take care of customers. They're excelling in the front-line experience in really magnificent ways.

One of the ways that they free up the resources to pay their employees to staff the phones 24 hours a day, and stay on as long as they want and deliver free shipping is by running a very lean back end operation. They decided that as a company that they are going to invest heavily in this front-end, and run as efficient a back end operation as they could.

They also spend, compared to their competitors, almost nothing on marketing. The service is so good that the word of mouth buzz that gets created essentially eliminates the need to spend anything else, to spend anything on marketing. They see marketing and services as essentially fungible categories in the budget.

It's another way to think about this. Most people think of service as a call center, and the alternate worldview can be very powerful, and can be very, very effective from a competitive standpoint.

Joe: If you had to choose just one take away from your book, what would it be?

Anne: I would say that great service isn't this mysterious and elusive goal. It's a product of careful design and delivered tradeoffs. It's possible for any organization with the stomach to make hard choices.

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Joe: In my summary of this conversation, I go back to my water well analogy. You don't find water by digging sideways; you find it by digging deeper. It's all about knowing your customers better, and providing better service.

Anne: I would absolutely agree with that. There's no path to excellence that doesn't go through a very deep understanding of your customers, absolutely.

The only piece, I would say, is figuring out very strategically what kind of environment you want to create from an organizational, from a culture standpoint, is also an important part of the game. Customers are wild and wonderfully unpredictable, and no handbook or policy can anticipate all of our disruptive behavior. Culture tells you what to do in those moments. Culture tells us what to do when the CEO isn't in the room, which is, of course, most of the time.

Joe: I think that's a great point, Anne, because I think that people just have to have a clear vision of who you are, stealing from Simon Sinek; why you do something, and it will make your reaction so much easier.

Anne: One way to think about culture is the assumptions that guide decision making. As an organization, you have enormous amount of leverage over the assumptions that your employees are making. As human beings, we're looking for signals. We just consume the signals of culture all the time. One of the most important cultural leverages you have is your Blackberry, in the sense that you are the guy in charge. When do you put down these tools of destruction and actually pay attention to what people say?

As human animals, we are very sensitive to signs of status. That's a huge one, organizational culture today, with all of these very distracting tools. You can be very deliberate, as a leader, in

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signaling status, and that's what your employees are paying attention to.

Joe: What's the best way for someone to contact you?

Ann: Our website is the best way, and my email address is amorriss@concire.com. C-O-N-C-I-R-E. Send me an email. If you didn't get that, go to the website, which is uncommonservice.com. It's the name of the book, and we love engaging with people. We're excited to get these ideas out there. Please, don't hesitate to track me down.

Joe: I think it was a great book, and I'd like to thank you very much for your time today, Anne. I look forward to learning more about Uncommon Service.

Anne: It was a pleasure talking to you. Thank you, Joe.

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What others say: *In the past 20 years, Joe and I have collaborated on many difficult issues. Joe's ability to combine his expertise with "out of the box" thinking is unsurpassed. He has always delivered quickly, cost effectively and with ingenuity. A brilliant mind that is always a pleasure to work with." James R.*

Joe Dager is President of Business901, a progressive company providing direction in areas **such as Lean Marketing, Product Marketing, Product Launches and Re-Launches. As a Lean Six Sigma Black Belt**, Business901 provides and implements marketing, project and performance planning methodologies in small businesses. The simplicity of a single flexible model will create clarity for your staff and as a result better execution. My goal is to allow you spend your time on the **need versus the plan.**

An example of how we may work: Business901 could start with a consulting style utilizing an individual from your organization or a virtual assistance that is well versed in our principles. We have **capabilities to plug virtually any marketing function** into your process immediately. As proficiencies develop, Business901 moves into a coach's role supporting the process as needed. The goal of implementing a system is that the processes will become a habit and not an event.

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