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UPLIFTING SERVICE

The Proven Path

*to Delighting Your Customers, Colleagues,
and Everyone Else You Meet*

RON
KAUFMAN

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“UPLIFTING SERVICE: The Proven Path to Delighting Your Customers, Colleagues, and Everyone Else You Meet”

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CHAPTER 16

Service Recovery and Guarantees

You're on the edge of your seat, fingers crossed, teeth clenched. You don't know what's going to happen next. The anticipation is so thick you can smell it, taste it, and feel it. You are watching one of the great comeback moments in a classic movie. Nothing is more captivating than an underdog who triumphs in the end.

Hollywood loves the underdog. It's a formula for box-office riches: the ragtag team that wins the championship, the quirky guy who gets the girl, the unexpected hero who saves the day. This magic formula works in business, too. It's a formula that will uplift you, your customers, and your organization. And it all starts when you are at your worst, in the moment after you've made a mistake. Yes, this building block begins when you are the underdog in the eyes of your customer.

No matter how much you prepare and improve, things will go wrong from time to time. Expectations will drop, customers will be disappointed, and some team members may even feel ashamed. Others, to avoid being blamed for causing the problem in the first

place, might scurry away while pointing a finger at someone else. In some cultures, bad news is unwelcome and denial is the norm. It doesn't have to be that way.

Bouncing Back with Service Recovery

Consider Xerox Emirates, a Dubai-based joint venture of the prestigious global document-management company. By 2006, the company was already a three-time national quality award winner and a leader in market share and profitability. It was well known for operational excellence, but not yet for service excellence. Xerox Emirates wanted to claim that position in the minds of its customers, its competitors, and its team.

The company launched a vigorous service-culture-building program with every team member learning the service principles you will discover in section 4. The first year, its engaging service vision was "Better Than Expected." According to customers' feedback, this vision was successfully achieved. The second year, Xerox Emirates revised the vision upward to "Much Better Than Expected." In the third year, with the service culture strong and supportive, the company turned to occasional complaints as a source of competitive advantage.

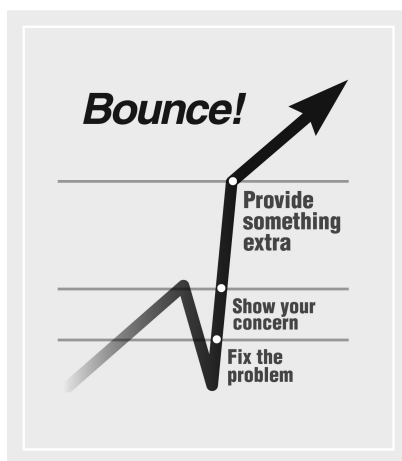
Xerox Emirates already had an in-house service initiative called the Customer Care Management System, a software program for tracking customer complaints. But the thinking behind the system was flawed. "It was used reluctantly," says Andrew Hurt, the General Manager. "Employees viewed the system as a tool for leadership to blame someone for poor service performance. In fact, many feared putting complaints into the system because it could lead to personal recrimination."

Think about it. Would you log a complaint into a system if it might get you into trouble? Xerox Emirates employees were hiding complaints, doing all they could to avoid the system, conveniently forgetting dates and details, quashing the voice of valuable customers who had real problems and needed to be heard the most. The result was a blind spot and a weakness—a misaligned element in the culture.

How would this play out in an iconic comeback film? That's easy, right? In the movie, Team Xerox Emirates would use its shortcomings as an avenue to build up winning strength. In the script, the biggest shortcoming would become the distinctive move that wins the game. And that's exactly what Xerox Emirates did. (Remember the winning kick in *The Karate Kid*?)

“We killed the old system and launched a new program called *Bounce!* as our service-recovery tool,” says Hurt. “Instead of blame and shame, we presented shortcomings as an opportunity to elevate our service. Like a ball dropping, we could ignore it or we can work hard to make it bounce by raising the level of our service much higher than it had been to start. Not only could we learn from mistakes and fix them, we realized that complaints were a great opportunity to surpass expectations because we were being told the specifics of our clients’ frustrations.”

The goal of *Bounce!* is very simple. Imagine a customer's perception of your products and service as if it was a



bouncing ball. The ball originally rests in your hand. When it's dropped, the customer's perception of you is declining. When it hits the floor, the perception has bottomed out—in the eyes of your customers, you are at your worst. If you only fix the problem, that's a basic level of service and the ball comes up a bit. But if you work on the recovery like a special opportunity, you have a chance to bounce the ball much higher. You can surpass your original position with a perception of surprising service—and this opportunity never would have happened without something going wrong.

Your Mission: Find and Solve Complaints

Hurt says that once the team members at Xerox Emirates realized that they had an opportunity to excel—and were assured of management support—they began actively searching for problems. The term *personal responsibility* took on a new meaning. Accolades were given to those team members who discovered hidden customer problems or created innovative ways to recover favor with upset customers.

The *Bounce!* measure of success was innovative, too. After a problem was discovered and recovery action taken, the customer was asked just one question: “As a result of what happened and what we have done about it, are you now more or less loyal to Xerox Emirates?” This question concentrates attention on restoring a customer's confidence in the company. And it caused the company to put an even greater focus on understanding the preferences of each customer. Instead of a standard product replacement or service recovery discount, the company started paying much closer attention to who was actually inconvenienced or upset—and to figuring out what these people valued.

For example, one upset customer had been eyeing a new color all-in-one device, but could not muster the budget. Xerox Emirates loaned him the machine for two months and paid for all the toner used. The customer was delighted—and two months later managed to find the budget. Another frustrated customer supervised a large team of frontline staff. A big box of chocolates courtesy of the company put sweet smiles on them all. And then there was the customer who felt disturbed that no one would really listen to his problems. Managers knew from previous sales calls that he was an avid weekend golfer. After two friendly rounds of 18 holes with company leaders, he felt appreciated and understood.

In each case and hundreds more, the company followed up with this question: “As a result of what happened and what we have done about it, are you now more or less loyal to Xerox Emirates?” You can guess the answer.

Here’s the most interesting part of this comeback story. Because Xerox Emirates managers now focus on achieving the recovery outcome instead of blaming the source of the problem, employees stopped being afraid when things go wrong. In fact, managers praise team members who bring dissatisfied customers to their attention. Rather than ignore customer complaints or try to cover them up, employees see them as opportunities to be recognized and excel. While the number of complaints logged into the *Bounce!* system has increased substantially, the company’s “satisfaction with service recovery” scores have also risen dramatically.

Today, Xerox Emirates is taking this approach even further, sending teams into customer sites specifically to hunt for problems. Unlike a typical quality control audit or satisfaction-confirming visit, the company intentionally seeks the negative. Teams hunt to discover when, how, and why machines break down. Teams focus

on how often and how quickly customers need assistance. Teams focus on problems that could arise with customer communications, delivery, maintenance, and education. They actively solicit complaints from customers—each one is an opportunity to *Bounce!* “This year’s target,” says Andrew Hurt, “is another 300 percent increase in complaints.” How would you like to compete against a company with a recovery policy and a service culture like that?

Building Your Service Recovery System

No one has a perfect record when it comes to delivering service. You will have unhappy customers, and you will receive complaints. With social networking, viral videos, and bad news traveling fast, one angry customer can leave a lasting stain on your reputation. Your recovery policy and practices should be ready.

1. **Get senior management support.** Unlike routine aspects of business, service recovery requires acknowledging mistakes and doing whatever it takes to recover. This often means going outside normal procedures, deliberately bending the rules, and possibly spending money in the process. Therefore, this building block needs understanding and encouragement from the top.
2. **Practice your recovery plan.** When things go wrong is not the time to think about how to recover. The clock starts ticking the moment a problem occurs. SWAT teams are successful because they anticipate scenarios and run practice drills long before something dangerous happens. Run your own scenarios to imagine what could go wrong. Then communicate your plans, test your tactics, and rehearse your responses in advance.
3. **Go hunting for service problems.** Be aggressive and proactive. Create discovery systems that seek out breakdowns and complaints. It may not feel good to spotlight your flaws,

but view service recovery as a disease-prevention formula and you'll catch problems long before they make you sick.

4. Empower frontline staff. Give those closest to the issue the power to make things right. The Ritz-Carlton Hotel famously empowers every employee with a substantial recovery fund to delight guests when something is wrong, without a moment's delay. The analysis and insights can come later. The actions to recover are needed right away. Nothing frustrates an upset customer more than hearing this: "I'd really like to do that for you, but I have to check with my manager first. It should only take a few days."

5. Go for the big win-win! We love great comeback movies because the underdog comes from behind to surpass everyone's expectations. Your recovery strategy should strive to do the same. The goal is not just fixing problems; it's creating experiences that unexpectedly delight. And great comeback stories are the ones people love to share. When your customers win, your company wins, too.

6. Lock in the gains. You can get much better at anticipating new problems, faster at detecting current problems, and create better tools and training to bounce back whenever a ball is dropped. Create a program in your organization where stories of recovery are collected, and service providers are recognized and rewarded. Analyze each story carefully, because some will reveal how to prevent mistakes in the future or delight customers with uplifting service before a mishap ever happens.

Growing Your Business with Service Recovery

Customers who struggle with a service problem have been to a low point with you. And when you recover, they experience

bouncing back. This experience of disappointment followed by relief can actually increase customers' confidence in your service. Why is that? Because everyone knows that problems will occur from time to time. Things break down in life, difficulties arise, and unpleasant things do happen. What we don't know is how any service provider will respond in these situations until they happen.

When a problem does occur and successful recovery follows, you learn something important about a service provider that you couldn't know before. Now you know, from personal experience, this service provider can be trusted to do the right thing when you really need it. This added confidence leads to customers coming back, thereby increasing their value to the service provider. Repeat customers tend to buy more, and often are the first to try your premium offers. These people also recommend you with a real-world legitimacy that cannot be purchased with advertising. Every customer with a problem is your potential admirer and evangelist—when you successfully recover.

An additional upside of service recovery can be found inside your organization. When your organization has a track record of doing the right thing in problem situations, then every member of your team can serve with confidence and pride. Knowing your organization will always bounce back up is a powerful reason to feel good when you are serving, and when you are recovering.

What's the alternative? What are the consequences if this building block remains weak and mired in the problematic procedures of rebates and returns? Team members get frustrated and embarrassed, or, even worse, cynical and resigned. Customers get stuck in negotiations, calculations, and other distractions from the goal. These frustrations turn into unpleasant stories, the bad news that

travels fast, the tales of woe that people always love to tell and often exaggerate along the way. Who listens to these stories? Their friends, your customers, prospects, competition, and anyone else with an interest and an Internet connection or a need to buy whatever it is you sell. That may not be an easily quantified impact, but it's costly to even consider.

How Generous Should You Be?

With so much at stake, how much should you give away? Many companies invest heavily in advertising, promotions, and introductory offers to attract new customers. Yet they resist allocating a generous slice of their budget to service recovery. It seems like money spent on marketing leads to more new sales and profits, while money spent on service recovery looks like profits earned are now being lost. This is a flawed and dangerous way of thinking.

Recovering an existing customer is often much less expensive than is attracting and acquiring a new one. Existing customers have already gone through the process of signing up, logging in, or whatever else it takes to be your customer. They have already made an investment of time and money, and they want that investment to deliver as you promised. When you keep your promise in a recovery situation, loyalty deepens quickly and the lifetime value of customers begins to grow.

Think about it. A young married couple buys their first refrigerator from an appliance retailer, a high-end model from a prestigious overseas brand. The unit is delivered to their home. Everything is fantastic, except a decorative piece of the door handle is missing. The delivery team calls the store, and it is informed that a replacement piece can be specially ordered and would arrive in two to three months. The young couple asks if they could get the

piece from another unit already in the store. But the store manager declines, stating, “Then we’ll have a piece missing from our inventory.” This may sound like a minor flop, but consider the lifetime value of a young couple just starting to buy household appliances. They’ll want a laundry machine, a dishwasher, a microwave, and a vacuum, among other appliances. And every recently married couple knows other recently married couples.

Now imagine the store manager learns of the problem and promises to replace the refrigerator later the same day. And when the delivery team members arrive, they also bring two shopping bags full of tasty treats purchased from the supermarket.

It looks like the profits from the sale of that refrigerator were just spent on groceries, and that is true. But where do you think this young married couple will buy all of their other appliances? How many times will they delight in telling this story to their friends? How often will they recommend this store to others? What mood will they be in every time they visit the store? And how will the store manager and the delivery team feel about their jobs, their company, and their commitment to bouncing back? Giving your customer a little bit more doesn’t mean you lose. In the end, you can gain a lot.

Resources invested in service recovery come back multiplied through the network of people you serve. And some recovery resources cost you no money at all. You can also bounce back by giving people more attention, making personal contact, providing better follow-up, offering additional training, extending an existing warranty, or simply delivering a higher level of genuine concern and care.

Uplifting Service—Guaranteed?

When you know your team and culture can bounce back and recover, take the next step and make it guaranteed. A guarantee is

not only an assurance that things will go right—it's a promise that you will make things right if they ever do go wrong.

Consider the way Lexus promotes its service contracts and guarantees maintenance of its vehicles. Drivers worldwide have come to expect and appreciate that their Lexus service department stands behind their products and will recover quickly whenever a problem occurs. Lexus doesn't know what might go wrong, but it's committed to maintaining a reputation for service as admirable as the quality of its cars. That requires systems, people, and a passionate service culture eager to solve problems and guarantee satisfaction.

There are three key questions to ask yourself when preparing to launch your guarantee.

1. Is Your Guarantee Meaningful?

Just as recovery must be fast to be effective, a guarantee must be meaningful enough to make your customers happy. We've all heard pitches that promise, "If you're not happy, we'll give your money back." That works to sell products, but a money-back guarantee doesn't always work to keep your customers. Imagine you buy a refrigerator and for some reason it doesn't work well. The food spoils, you get sick, and now you're angry. Even if the company gives your money back, will you buy an appliance from that store or that product line again? If a hairstylist gives you a horrible haircut, will you go back to the same salon just because it returned your money? Service guarantees can't just focus on equal bartering. Great guarantees promise if something goes wrong, a customer will experience happiness, not just an exchange or return of value.

Guarantees must be flexible to be effective. Many companies create standard policies for service and product replacement when

things go wrong. But it's important to listen and respond to each upset customer as an individual. For example, a restaurant may have a policy that empowers servers to offer complaining customers a free dessert. That may suffice if a customer is unhappy because he or she ordered salad with dressing on the side, but it came with the dressing poured on top. But what if the hostess was rude, or the waiter spills coffee on a customer's business attire? A piece of cake isn't meaningful recovery in these situations. Greater flexibility and empowerment are required.

2. Is Your Guarantee Easy to Collect?

A guarantee must be easy to invoke, redeem, or collect. Don't make the initial offer if you are going to frustrate your customer with a convoluted process. I recently subscribed to an online service because I was interested in the generous offer. It was priced at a great introductory rate, and the guarantee stated that I could stop the membership at any time. But when I tried to unsubscribe, I couldn't reach anyone by phone. The response to my emails was even more disturbing, asking for "A written letter of discontent stating the reasons why you do not want to continue your membership," with a small disclaimer that read "Your letter must be received and approved four weeks before termination of your subscription."

By contrast, years ago I lived in an area of the world with cold winters and great skiing. I bought a pair of silk long underwear by mail order from L.L.Bean, a company legendary for its service and its lifetime guarantee. The silk was smooth and comfortable, and the underwear kept me warm. Then I moved, and moved again, and found myself 20 years later unpacking boxes in the equatorial city of Singapore. And there were the silk underwear. They were not much use to me now, and not even attractive

because they had holes in the knees and were fraying at the ends. I almost threw them away.

Then I remembered L.L.Bean's lifetime guarantee, and on a lark I put the underwear in a plain, brown envelope and inserted a simple handwritten note: "Please replace these. Thank you." I didn't even have the company's address, so on the outside of the envelope I wrote: "L.L.Bean, Customer Service, Maine, USA." At the post office, I felt foolish mailing back such a ragged piece of clothing. It didn't seem right to send old underwear all the way around the world by airmail. So for just a dollar, I sent them off by sea.

Time passed and I forgot all about it. Life filled with new sports and new underwear. Then, two months later, an envelope arrived from L.L.Bean. Inside was a money order for one dollar and no explanation, just a dollar. I figured they evaluated the old clothing and somehow calculated its leftover value. I shrugged, and laughed, and soon forgot about it.

Another month passed and another envelope arrived. Inside was a brand new pair of long underwear the same size and color as my old ones. Several months later I called L.L.Bean to place a holiday order for some relatives. Chatting with the representative, I told her the story of my underwear. "One thing still confuses me," I confessed. "What was the one-dollar money order for?" She replied, "Before replacing your underwear, we wanted to refund your postage."

L.L.Bean is very public about its promise of satisfaction. They call it "Guaranteed to Last," and it reads like this: "Our products are guaranteed to give 100% satisfaction in every way. Return anything purchased from us at any time if it proves otherwise.

We do not want you to have anything from L.L.Bean that is not completely satisfactory.” This guarantee is simple, meaningful, and powerful! Is yours?

3. Are You Ready to Launch Your Guarantee?

When should you take your promise to the world and announce your guarantee? You think you might be ready, but are not 100 percent sure. Some will recommend you wait, make sure all possible scenarios are covered and systems are in place. Be sure everything and everyone is ready. The problem is—you may be waiting a very long time.

The best time to launch an uplifting service guarantee is when you are close but not yet perfect. The final keys to a stellar performance appear when a show goes live, not in the last stages of rehearsal. A magic sparks to life when your guarantee is on the line and real customers come calling. Problems will appear that you do not foresee, no matter how much you plan. Breakdowns in your system will crop up and lead to breakthroughs, which is exactly what you want. And the cost of early recoveries while your guarantee stabilizes is small change compared to the big change in the quality of experience your customers will enjoy and the excitement your team members feel.

Service Recovery and Guarantees Delivers Lifelong Value

The goal of this building block is not to create one positive experience or one loyal customer. The goal is to create a culture that earns and retains many loyal customers while building pride and problem-solving passion in every service provider. Confidence

is the key. When customers are confident about the service you deliver, they will return, refer, and recommend. When team members are confident about your commitment and your culture, they will work enthusiastically to deliver uplifting service.

Is this building block a good place to invest your time and money? Effective service recovery turns upset customers into loyal advocates. Guarantees turn team members into true believers. The results you gain are worth the effort. And that promise is guaranteed.

Questions for Service Providers

- What are your recovery policies and procedures?
- What can you do to quickly recover when something does go wrong?
- What problems can you anticipate? What solutions can you prepare?

Questions for Service Leaders

- Do your people actively seek problems as opportunities to bounce back?
- Do your team members bring problems to you eagerly or hide them quickly?
- Do you have a robust budget for service recovery? Is it easy for people close to the problem to provide an immediate solution?
- Do you offer a meaningful service guarantee? Should you?

Meet Ron Kaufman

Ron Kaufman is the world's premiere thought-leader, educator, and motivator for uplifting customer service and building service cultures. Ron is the author of 14 other books on service, business, and inspiration.

Ron provides powerful insights from working with clients all over the world in every major industry for more than twenty years. Ron is an inspiration to leaders and managers with his content rich and entertaining speeches, and his impactful, interactive workshops. He is rated one of the world's "Top 25 Who's Hot" speakers by *Speaker Magazine*.

Ron has been featured in *The Wall Street Journal*, *The New York Times*, and *USA Today*. He is passionately committed to uplifting the spirit and practice of service worldwide.

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A breakthrough book
that will surprise, delight, and uplift you,
your organization, and your team.

In *Uplifting Service*, Ron Kaufman takes you on a journey into the new world of service. Through dynamic case studies and best-practice examples, you will learn how the world's leading companies have changed the game, and how you can successfully follow this path to an uplifting service transformation.

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“Ron Kaufman has pinpointed a massive wound in society, and offers a strategy to uplift the world around us. For mankind, it's transformational. For business, it's a clean and clear path to a sustainable competitive advantage. This book is long overdue, and will create a legendary shift.”

Thomas Moran

Director, Customer and Partner Experience
Microsoft Operations



Ron Kaufman, the founder of Uplifting Service, is the world's premiere thought-leader, educator, and motivator for uplifting customer service and building service cultures.

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