INSPIRE!

Why Customers Come Back

JIM CHAMPY

ABOUT THE AUTHOR

Jim Champy is one of the leading management and business thinkers of our time. His first best seller, *Reengineering the Corporation*, remains the bible for executing process change. His second book, *Reengineering Management*, another best seller, was recognized by *Business Week* as one of the most important books of its time. Champy's latest book, *OUTSMART!*, shows how to achieve breakthrough growth by consistently outsmarting your competition by identifying six powerful new ways to compete in even the toughest marketplace.

Champy is also an experienced manager and advisor. He is currently the Chairman of Consulting for Perot Systems. He speaks and writes with the authority of real business experience and brings pragmatism to the world of business. In this new series of books, Champy looks at what's working today for high-growth businesses. Champy observes that there is not much new in management, but there is a lot new in business—and a lot to learn from what's new.

AFTER A GRUELING 10-DAY
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THE GUIDE STAYED ON, AND
PARSONS GOT HIS GRIZZLY THE
NEXT DAY.

CHAPTER 5

WHAT COULD BE MORE
INSPIRING THAN SIMPLIFYING
COMPLEXITY?

Inspre! Why Customers Come Back
by Jim Champy (FT Press; $22.99)

Parsons doesn't give up easily, and he usually gets what he wants—be it a grizzly or a successful business.

In 1997, flush with cash after selling his first software company, he launched a company called Jomax Technologies. It floundered. Not yet ready to abandon his idea, Parsons gave the provider of Internet services a catchy new name, GoDaddy.com, and held on. Go Daddy was showing signs of new life when the dot-com crash sent it reeling. Worse yet, Parsons lost heavily in the stock market downturn. By early 2001, as he watched the ailing company eat up his remaining cash, Parsons knew that Go Daddy was going nowhere. What to do?

"I went to a resort in Hawaii to be by myself and make plans," he recalls. "One day I noticed that the guy parking my car was really happy doing his job." It occurred to Parsons that if he tried to keep Go Daddy going and failed, his life would not end. Maybe he'd park cars, but so what? He could still be happy.

Parsons returned to Go Daddy's headquarters in Scottsdale, Arizona, with new determination. In October 2001, cash flow turned positive. It was the beginning of the beginning. Soon Parsons was starring in his favorite role: the man a bad break can't defeat, whether he's stalking bears or starting companies.

For a guy with a never-give-up attitude, it might surprise you to learn that he's a true believer in making things simple for his customers—even if it means that he and his team have to manage extraordinary complexity behind the scenes. At Go Daddy, Parsons pares away the complexity with a business model that relies on the basics: Give customers feature-rich

BOB PARSONS™ 16 RULES for SUCCESS
in business & life in general.

1 Get and stay out of your comfort zone.
I believe that not much happens of any significance when we're in our comfort zone. I hear people say, "But I'm concerned about security." My response to that is simple: "Security is for cadavers."

2 Never give up.
Almost nothing works the first time it's attempted. Just because what you're doing does not seem to be working, doesn't mean it won't work. It just means that it might not work the way you're doing it. If it was easy, everyone would be doing it, and you wouldn't have an opportunity.

3 When you're ready to quit, you're closer than you think.
There's an old Chinese saying that I just love, and I believe it is so true. It goes like this: "The temptation to quit will be greatest just before you are about to succeed."

4 With regard to whatever worries you, not only accept the worst thing that could happen, but make it a point to quantify what the worst thing could be.
Very seldom will the worst consequence be anywhere near as bad as a cloud of "undefined consequences." My father would tell me early on, when I was struggling and losing my shirt trying to get Parsons Technology going, "Well, Robert, if it doesn't work, they can't eat you."

5 Focus on what you want to have happen.
Remember that old saying, "As you think, so shall you be."

6 Take things a day at a time.
No matter how difficult your situation is, you can get through it if you don't look too far into the future, and focus on the present moment. You can get through anything one day at a time.

7 Always be moving forward.
Never stop investing. Never stop improving. Never stop doing something new. The moment you stop improving your organization, it starts to die. Make it your goal to be better each and every day, in some small way. Remember the Japanese concept of Kaizen. Small daily improvements eventually result in huge advantages.

8 Be quick to decide.
Remember what General George S. Patton said: "A good plan violently executed today is far and away better than a perfect plan tomorrow."

9 Measure everything of significance.
I swear this is true. Anything that is measured and watched, improves.

10 Anything that is not managed will deteriorate.
If you want to uncover problems you don't know about, take a few moments and look closely at the areas you haven't examined for a while. I guarantee you, problems will be there.

11 Pay attention to your competitors, but pay more attention to what you're doing.
When you look at your competitors, remember that everything looks perfect at a distance. Even the planet Earth, if you get far enough into space, looks like a peaceful place.

12 Never let anybody push you around.
In our society, with our laws and an even playing field, you have just as much right to what you're doing as anyone else, provided that what you're doing is legal.

13 Never expect life to be fair.
Life isn't fair. You make your own breaks. You'll be doing good if the only meaning "fair" has to you is something that you pay when you get on a bus (i.e., fare).

14 Solve your own problems.
You'll find that by coming up with your own solutions, you'll develop a competitive edge. Masura Ibuka, the co-founder of SONY,® said it best: "You never succeed in technology, business, or anything by following the others." There's also an old Asian saying that I remind myself of frequently. It goes like this: "A wise man keeps his own counsel."

15 Don't take yourself too seriously.
Lighten up. Often, at least half of what we accomplish is due to luck. None of us are in control as much as we like to think we are.

16 There's always a reason to smile.
Find it. After all, you're really lucky just to be alive. Life is short. More and more, I agree with my little brother. He always reminds me:

"We're not here for a long time, we're here for a GOOD TIME!"

www.bobparsons.com

Bob Parsons is not afraid to share his beliefs on the Go Daddy website, **www.GoDaddy.com**. You can see how his "tough guy" attitude—combined with buoyant optimism—got him through the challenges of building Go Daddy and sustaining its market position.

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products, low pricing, and great support from real people located on-site and rigorously trained to solve any and every problem. And Go Daddy's customers just love it; they have steadily expanded the company's market share while lavishing the company with praise.

Hardly a Web site flickers onto your computer screen today without promising to make life easier—whether you're trying to buy a product, do business through the site, or access its Customer Care center—but few live up to the claim. Learning to navigate the typical site often takes hours, and Customer Care representatives can leave customers more confused than when they started. Not so at Go Daddy, where employees untangle the inherent complexities of helping customers register domain names and create Web sites, while also offering a varied palette of Internet-hosting services and e-business software.

Go Daddy isn't like most dot-com companies whose operations are a complicated maze of overlapping responsibilities and wasteful habits. Parsons has aimed his tech knowledge and laserlike focus on what really matters to the management of his company and its interface with customers. He maintains a flat organization, letting well-trained people make decisions without interference from complicating layers of management. The streamlined structure automatically eliminates much of the complexity, and Parsons' insistence on in-house product development and unwavering dedication to comprehensive customer support breaks down the rest.

The success of Parsons' formula is writ large in hard numbers. In little more than a decade, Go Daddy has attracted more than

6 million customers, registered more than 32 million domain names, and built a worldwide market share of 46 percent (impressive, considering there are more than 1,000 registrar competitors). It's a performance worthy of an IndyCar racing champion such as Danica Patrick, a comparison not lost on Parsons and his Go Daddy marketing team—but more on that later.

A DIRT ROAD LEADS TO RICHES

After selling Parsons Technology, his software company, in 1994, the noncompete provisions in the sale agreement required Parsons to retire for a year. He hated it. As soon as his time was up, he told me, "I hired a few very sharp people, started a new company, and got into the Internet stream." He had no vision, no product, no business plan, and no model for engaging customers—really. "Go Daddy was started with no ideas," says the straight-talking Parsons. "I figured we'd just try this and that and see what made money." He believed that he would find a viable product faster from the inside than trying to speculate about one from the outside. Everyone I know, including those with deep pockets, does it the other way.

He called the company Jomax —after a dirt road. "The name didn't matter. It didn't have to. At that point we weren't doing anything." During the next few months, he built Web sites and set up networks and tried out all sorts of ideas. "I learned that it's a whole lot easier finding things that don't work than things that do." Eventually, Parsons returned to his earliest successes as a developer of intellectual properties software.

He created WebSite Tonight, a program to help organizations and individuals build their own sites. That called for a new company name. Someone suggested "Big Daddy," but it was taken. Then someone else, using the "Go" command on America Online, typed in "Go Daddy," and the domain name was available. "We bought it, just as a joke," Parsons says. "The next day we joked to everyone that it was going to be our new name. They laughed, but the name stuck."

While shopping his Web site builder program, Parsons began running into the arcane and complex world of domain name registrars. He was not impressed: "They were overpriced, service was horrific, and their systems were worse." He thought Go Daddy could do it better by attracting customers with low-price domain names and then selling them software to simplify site development. One year and a million dollars later, his system was in place and the Internet Corporation for Assigned Names and Numbers (ICANN) accredited Go Daddy as a *bona fide* domain name registrar. (ICANN is the not-for-profit global partnership that coordinates unique Internet identifiers.)

Go Daddy now registers or renews or transfers a domain name every second. It offers many other services, including Web site, blog, and iPod hosting; e-mail packages and account management; a secure e-commerce program to encrypt online transactions; and both do-it-yourself Web site design and a new customized service. The evolution of its product offerings has been accompanied by increasingly rapid corporate growth. Today the enterprise consists of six sites in three states employing more than 2,000 people, the vast majority of whom work at Go Daddy's Customer Care centers.

These employees are not just any old hired hands, but what Parsons lauds as "really psyched employees." They are psyched because he makes them that way by paying top dollar and offering extra incentives such as Harley-Davidson motorcycles, cars, and vacations (taxes included) in return for delivering the best customer support service in the business and a constant stream of new and improved products from a crack band of in-house innovators.

Try calling the big names of the tech world, and you're likely to meet frustration. You're lucky, Parsons points out, "if you can find somebody to talk to. You get transferred all over the place. You'll never get an answer. Your issues will never get satisfied." In contrast, a call to Go Daddy quickly connects you to a real live person who knows "exactly what you need to know and will handle your situation in spades," he says.

Parsons understands that when technological systems continually evolve and are not necessarily intuitive, "people have to be helped, and they need to have an organization that is going to communicate with them on a one-to-one basis." So Go Daddy does not outsource or offshore its customer support services. His team is on-site and on call 24 hours a day, seven days a week.

Parsons is also a true believer in "invented here." Most of Go Daddy's technology is developed and maintained in-house; nothing is licensed to or from outsiders. As a result, Go Daddy people know all products intimately and can serve customers intelligently. Its IT people are based in the United States, near the service support team members who answer the phones.

If a breakdown or problem occurs, the technology experts are right there to fix it.

Customers have only one telephone number to call and need to speak to just one person, because all Customer Care center employees are trained to handle any problem or customer inquiry—whether it's related to billing, design, repair, or anything in between. All needed help is free of charge. It's the ultimate example of simplifying a customer's life.

It's not only problems that set Go Daddy's Customer Care teams in motion. Salespeople are trained to make the engagement complete by calling every customer to say "thank you" and to answer any questions about a product within a week of its purchase. People don't forget that kind of service, Parsons says. Customers approach him in airports (he's easily recognizable from several photos on the Go Daddy site) and rave about the attention they get.

It's easy to see why Go Daddy's Customer Care teams turn a handsome profit when many of its competitors' operations throw off nothing but red ink.

Nevertheless, I wondered whether the average Customer Care representative could handle the really tough assignments—the ones from people with complex questions who often want to speak directly to the president of the company. No such problems arise at Go Daddy because Parsons has put together a "SWAT team made up of our very best Customer Care reps" to field the high-level questions. They are part of his so-called

Office of the President, and each carries the title Assistant to the President.

Besides handling the knottiest problems, these people perform another vital task: They issue a weekly report listing any new problems or new wrinkles in old ones—"opportunities," in Parsons' parlance. The report goes to management and the in-house product development group, which is expected to engineer fixes within a week, two at most. Its 200 members usually act fast because their incentive pay goes up when the number of complaints goes down.

Simplicity also extends to product development—after a product goes public, a team is assigned to it and never leaves. The arrangement eliminates the usual snafus that arise at other companies when teams move from project to project. Go Daddy developers become intensely familiar with everything about a product, including its problems. Good thing, too, because Parsons requires an update on every product every two weeks.

The rewards and incentives for staff members are the carrot part of what Parsons calls "a fiercely managed company." A firm believer in the define-measure-improve approach, he wields the stick by demanding a daily profit-and-loss statement for each division, every morning. The company has developed its own management information systems that show sales, for example, on an hourly basis along with previous performance.

But a well-managed company that makes great products backed up by equally great service can still flop if too few

people know about it. So unlike Go Daddy competitors that you've never heard of, Parsons has opted to supplement typical Internet and word-of-mouth advertising with traditional television spots that appear during some of the nation's most watched events, such as the Super Bowl or IndyCar and NASCAR racing competitions.

Convinced that nondescript ads designed to please everyone are worthless, he doesn't flinch from edgy but humorous spots featuring people like race-car driver Danica Patrick and Go Daddy Girl Candice Michelle, a *Playboy* cover girl. The intent is to stand out from the crowd—and Go Daddy's ads do. "I'm very ready to alienate 10 to 15 percent of viewers to really get the attention of 85 to 90 percent," Parsons says. "You've got to make yourself known."

Still, he doesn't assume that his controversial spots will automatically sell products. Similar to everything else underlying Go Daddy's enormous success, marketing ploys, including every one of its 900 television ads per week, are measured: "We know within an hour or two if one or another worked," Parsons explains, "and if it didn't, we yank it."

Parsons' determination to simplify complexity shows itself in sometimes unexpected frugality. "When we first got into business," he recalls, "I had more money than brains, so I had really nice offices. Then I saw we didn't need them, and we moved out." Today his office contains two tables; one is used for meetings; the other serves as his desk. Both are cafeteria models that cost a total of $300. A few ratty old chairs complete

the décor. When a staff member tried to replace the chairs, Parsons insisted they be returned.

I asked if his Spartanism was a signal to his team or simply an expression of his personal taste. A bit of both, Parsons told me. It's a reminder of where the company came from, he says, adding that fancy furniture doesn't make money. "It's the people, your systems, your ideology, and your culture that matters."

The mandate to engage with customers by keeping things basic and simple governs Go Daddy's vision and shapes its operations. In the Internet business, Parsons told me, the possibilities are limitless. "You can fly off in a billion directions, so it's really important to stay focused." Wheel spinning has stalled dozens of major Internet companies that expanded into one new area after another, only to discover they weren't doing well in any of them. After spending millions of dollars to get their ill-fated ventures up and running and then trying to sell them to customers, they looked up to see competitors advancing seemingly out of nowhere to overwhelm their core product or service. Parsons avoids that kind of fatal mistake by decreeing that every project or proposal must involve or improve the use of the domain name. If not, Go Daddy stops it dead in its tracks.

Appraising Go Daddy's future, Parsons has his eye on the whole world. About 20 percent of its business is already international, and he anticipates more. Hunting trips in Africa and India have persuaded him that English is a universal language and that GoDaddy.com's audience is international. He predicts

that someday every newborn child will receive a domain name good for a lifetime. He can't wait for the future and all its changes. And why not? He sees Go Daddy as "the on ramp to the Internet."

When I asked Parsons if he thought he could hold off his competitors, he answered with the studied logic of a Marine who served with great distinction in the Vietnam War: "Our generals looked at those rice paddies, and they saw the water was a foot deep. What they didn't realize was that, underneath the water, the mud was 3 feet deep. Not so easy navigating. The same goes for Go Daddy's Internet businesses. They seem easy to get into, but they are really deep and muddy. Lots of companies big and small have tried, and they've made zero impact."

In other words, to its customers, Go Daddy seems to be a straightforward, uncomplicated business. But behind the scenes, incredible complexity exists. However, with his ability to think creatively and his fierce management style, Parsons makes it all look simple.

RULES OF ENGAGEMENT

▶ *Train your eye on customers' unmet needs and quirks.* Parsons ignored tradition by starting a business before he had figured out his market, product, and business model. He tested the Internet waters by simply plunging in to see if he could swim. That's a risky approach—one that I would not normally advise. But Parsons was packing a life

preserver—his keen judgment. He knew instinctively that helping customers solve the complexities of the Internet was an enormous opportunity to be grasped. He could see their unmet needs.

Parsons was right, and, for whatever reason, most of Go Daddy's competitors seemed to lack the same basic understanding of the human condition. New—and even mature—technologies are often difficult for customers to navigate. What technologists and laypeople see as "simple" is not always the same. This divergence creates a rich field of business opportunity for simplifying technology's complexity.

If you choose to take Parsons' approach to building a business, you will be developing your company's competencies at the same time you are out in the market assessing the unmet needs and idiosyncratic behaviors of your potential customers. You will be looking for a match between competencies and needs.

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▶ *High-tech requires high touch.* A naïve view believes that technology-based businesses can be programmed to run on their own. Just create a sophisticated Web site that

anticipates all possible customer questions and problems, and let the customer do the work. For a complex service or product, I have never seen this strategy work.

Parsons quickly recognized that customers who have problems need access to real people. "When it comes to communicating and doing research and conducting business, people love to use the Internet," he told me. "But when it comes to learning to do something and solving problems, people much prefer to deal with people."

▶ *Go beyond the ordinary with service.* If your engagement proposition is based on good service, good just isn't good enough. Your standard of performance needs to be substantially better than that of your competitors to sustain your market position and to get the attention of potential customers.

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Parsons makes it very easy for people to get what they need from his unusually well-staffed Customer Care centers. But he takes his service proposition a giant step further with his Office of the President concept, designating a group of highly trained team members to handle the most complex, high-level questions. And

as Assistants to the President, they carry the weight of importance that exceedingly demanding questioners require.

It is a brilliant strategy for engaging with customers. Real problems get real attention, fast. Customers hang up the phone with an abiding sense that they matter to the company. Relationships are cemented, word-of-mouth spreads, and new business flows.

▶ *Metrics matter.* Parsons didn't invent the idea, but it bears endless repetition. You can't really gauge the efficiency of your company's marketing program, and other operations, unless you closely track the metrics. If you do that, you will also enjoy a significant side benefit called the observer effect, which refers to the changes that occur in certain behaviors when someone is keeping tabs on them. In business, the observer effect occurs when people in the company see what you're tracking. What you measure signals what's important and the outcome you're aiming for. People get it, and soon they are coming up with ideas designed to advance your goals—assuming that you have the right people on the job.

Another side benefit of good metrics is their ability to reveal where performance breakdowns reoccur. If you track breakdowns, you can start to identify the systemic problems in your program that you must fix.

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