

Chapter 2

Customer intelligence

Introduction

The lifeblood of any organisation is the information it generates about its customers, and the test of organisational longevity is how it then uses this to inform the strategy making process. Organisations today demonstrate a greater willingness than previously to listen to their customers (whoever they may be) and employ a variety of means to achieve this. Many work with traditional research techniques and these may include standard surveys and focus groups. Others, however, go beyond a traditional approach in their search for more innovative ways of learning about their customers' needs and expectations. The understanding generated through these approaches enables the organisation to get underneath their customers' skin in ways that provide ever deeper insights into their unarticulated needs, desires and behaviour.

This level of 'customer intimacy' is, many would argue, a necessity in the highly competitive marketplace in which the majority of organisations find themselves operating. Most managers would agree with the view that customers have become more demanding and sophisticated. Customers often have quite precise expectations of the products and services they are seeking and have become bolder in making their requirements known. Management theorists describe the customers who populate today's markets as knowledgeable and active. And as business journalist Alan Mitchell points out in his book, *Right Side Up*, they are 'aware of the rules of the game'. For the organisation, these increasing levels of marketing literacy mean that it has to work harder to acquire and, moreover, to

retain a customer's business. The process starts with building effective mechanisms to capture customer feedback and then using it to drive changes to products, services and ways of doing business.

This process forms the first vector of the service excellence model. It is the initial stepping-stone to achieving customer focus that brings with it profit and growth. When a customer 'does business' with an organisation, a process of mutual exchange takes place. The customer gains the benefits they want for the costs they are prepared to withstand (and these are not simply price but may include convenience factors, such as how much personal information they have to give up and how far they have to travel to get what they want, etc.). For its part, the organisation has costs to bear relating to the creation and delivery of the product or service, and will be seeking to make a profitable return that may go beyond monetary benefit.

This chapter examines the ways in which organisations build their knowledge and understanding of their customers' needs and expectations, and how customers perceive the performance of the organisation. This information provides an essential foundation on which the organisation can build its offer to customers and affords an insight into the changes in products and services that customers may be looking for. It helps provide insight into customer motivations to buy and can supply knowledge and understanding of the competitive frame within which the organisation operates. This information can be leveraged through the process of segmentation, which works to portion the market and identify the most profitable sectors (however they may be defined) on which to concentrate the organisation's resources. This process is essential as it enables the organisation to be confident about the market in which it operates, providing the answer to the simple but strategic question, 'What business are we in?'

This chapter

As with the other four chapters directly focusing on the vectors of the service excellence model, this chapter is structured around the five key statements that appear in the self-assessment questionnaire that forms the backbone of the Service Excellence Awards. These are:

- We encourage and act on feedback from customers.
 - We understand the drivers of customer satisfaction.
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- We are recognised as innovators in our market.
- We build long-term profitable relationships in our chosen markets.
- We monitor and track customer retention and repurchase intention.

The role played by each statement in developing customer service excellence is explained and then demonstrated through case studies of two previous Awards winners: Woburn Safari Park (retail and consumer services) and Rackspace Managed Hosting (business-to-business).

We encourage and act on feedback from customers

Service Excellence Awards winners strive to take an ‘outside-in’ approach to strategy development, as opposed to an ‘inside-out’ one, and this starts with having in place mechanisms to collect customer feedback that deliver real insight into customer needs and expectations. Although insight is derived from the obvious, it is not the same as fact. It is the capacity to penetrate deep into customer motivations and enables the organisation to define the value customers are seeking from *their* perspective.

In essence, these organisations seek to develop a dynamic, listening competency. Many do this by employing traditional market research methods, while others make use of more contemporary procedures. Others go further still by utilising a wide portfolio of market sensing techniques, and this palette of options is considered next.

Traditional and contemporary market research

As the staple method of insight generation, market research aims to answer fundamental questions about what makes customers ‘tick’ so that managers can refine existing market practice. Organisations usually seek to answer the ‘who, what, where, when and how’ questions through quantitative research, such as surveys. These routinely involve large numbers of respondents, who may be chosen on a quota basis to create a statistically representative selection of the larger customer population, and can be administered in a variety of ways – through postal questionnaires, online, by telephone or face to face. Regardless of how the data is generated, it is as well to remember that quantitative research essentially deals with averages: it tells managers what the average customer wants. To generate more meaningful

insight into customer needs, and to uncover the answers to the 'why' question, managers are increasingly turning to a greater use of qualitative approaches.

Qualitative research today is characterised by the use of focus groups, in-depth interviews and mystery-shopper type exercises. These methods involve asking comparatively small samples of respondents questions about what they do and think, and listening to and interpreting the response. The output of this type of research is exploratory, or diagnostic, in nature; respondents are not meant to be representative of the larger population, but are intended to reflect the profile of known or desired customers.

Both of these approaches to market research are based on an assumption that customers can – and are willing to – articulate their thoughts, feelings, beliefs and behaviours. Organisations wanting to make breakthrough developments are rather more concerned with understanding latent, unarticulated customer wants and desires. To meet this demand, researchers have added observation-based methods to their toolbox. These include detailed assessments of customers' behaviour through ethnographic techniques that essentially watch and record customers in their own environment. The Woburn Safari Park case study at the end of this chapter illustrates an innovative way of achieving this that deeply impressed the judges in the 2003 Awards.

Market sensing

Service Excellence Awards winners tend to adopt a wider approach to market sensing however. They take advantage of the benefits of customer relationship management (CRM) installations that are able to generate highly detailed analyses of customer behaviour through the capture of customer data at various points of interaction. This reliance on IT systems is then augmented in some organisations through insight gleaned through frontline staff that is then fed back into the system. Making this work consistently requires open channels of communication within the organisation.

A very effective way of monitoring customer satisfaction is to encourage and collect complaints and compliments. Best practice organisations systematically record, review and use these pieces of information to drive changes in products, services and ways of doing business.

While each of the research approaches outlined here offers part of the solution to better customer intelligence, no one technique delivers

the absolute answer. Managers today increasingly adopt what is known as a bricolage approach to customer understanding. This pieces together investigative and interpretive methods drawn from different disciplines, that is, a mix-and-match approach. Customer understanding is not, however, a matter of simply linking together different research techniques but is rather more an organisational attitude of mind. Those who are able to prove that 'this is the way we conduct business' or 'listening to customers is a part of our culture' are best placed for success, as their advantage comes from having a dynamic approach to collecting and acting on customer and market data that is a part of their culture and systems.

We understand the drivers of customer satisfaction

An 'outside-in' approach to strategy development means eschewing a reliance on management intuition to 'know' customers and 'understand' what they are seeking, and developing instead a curiosity about seeing matters from the customer's perspective. In some cases, that can mean seeing things from the customer's *customer's* perspective. In each of these cases, the organisation is attempting to understand the exact nature of the value the customer (or end-user) is seeking.

This concept of value is crucial to customer intelligence and is best envisaged as a set of concentric circles (see Figure 2.1). In the centre

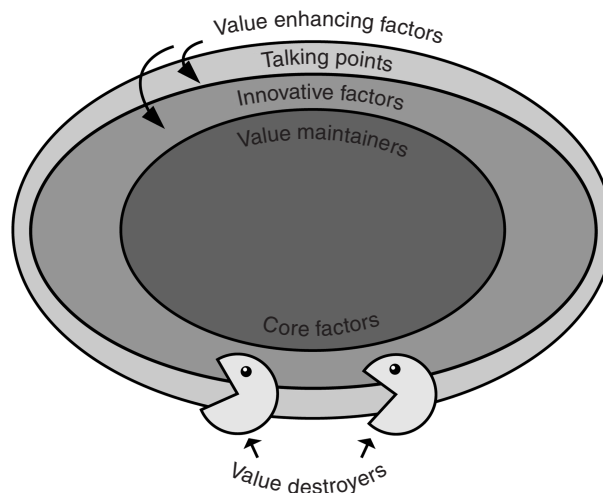


Figure 2.1 The value concept. Source: *New Consumer Marketing*, Susan Baker, 2003 (Wiley)

are the factors that maintain value for customers. These are the 'hygiene' factors, or the core features and attributes that all competitors must offer to be considered players in a particular marketplace. Surrounding these are the 'value enhancers'. These are the key discriminating factors that set the organisation apart from competitors in the eyes of customers. Occasionally, these factors may be 'adopted' by customers and become talking points, creating great word-of-mouth marketing. Organisations offering value enhancers will build market share quickly, rearranging the competitive forces in the marketplace as they do so.

The third set of factors to be identified through customer intelligence systems are those that diminish and destroy value in the customer's eyes. Put simply, these are the 'turn offs' for customers. Once identified, these order losers should be eliminated from the offering.

Having identified the various components of value that factor in the customer's perception of value, the organisation then needs to understand their exact meaning for customers. These may be described by customers in terms of the features and attributes of a product or service, but managers need to understand precisely the nature of the benefits that these features and attributes deliver. In some cases, they may offer higher level, intangible benefits that satisfy certain personal values or business goals (see Figure 2.2). This is where customer satisfaction surveys need to be focused if they are to pick up meaningful data.

Customer intelligence, then, enables the organisation to define value from the customer's perspective. It provides a means of identifying underlying sources of customer motivation. This needs to be set within the wider socio-economic environment so that organisations are alert to trends that may impact on customer motivation. It is also important that organisations appreciate that perceptions of value shift over time and what were once value enhancers with a certain group of customers can quickly become the hygiene factors. Organisations that fail to appreciate this can find their customer satisfaction ratings take a nosedive.

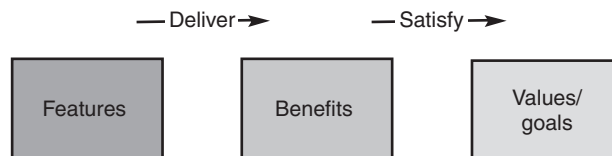


Figure 2.2 The means-end model

We are recognised as innovators in our market

The way to drive up customer satisfaction ratings is to continually innovate not only what the organisation does, but also the way in which it does it. Innovation in service excellence is about creating new solutions that are acknowledged by customers as offering real value. Organisations that achieve this can point to a link between innovation and customer satisfaction and sales.

The word innovation comes from the Latin *innovare*, meaning to renew or alter, and it provides an organisation with a way of creating new value-producing resources or endowing existing ones with an enhanced potential for yielding profit. It is the result of a complex set of processes, involving organisational learning, culture, leadership and management style. This contrasts with popular accounts of innovation that focus on the 'heroic inventor' and their inventions. Much of the academic writing on the innovation process similarly separates invention from innovation, or creativity from its commercial application. The traditional model of innovation is represented as a sequential one, where the process passes through phases of idea generation, invention, research and development and application through to diffusion. It has, however, long been recognised that this linear model is over-simplified and that innovations emerge as a result of a complex, iterative process.

The high failure rate of new product and service launches is well documented and where success does occur, many sectors are characterised by incremental rather than discontinuous, or radical, breakthroughs. Research from Insead Professors Kim and Mauborgne suggests that products and services offering only incremental improvements are likely to generate lower sales and substantially less profitability than truly pioneering innovations. They use the term 'value pioneers' to describe organisations who succeed in managing processes that make competition irrelevant and who create new markets by focusing on what value needs to be produced. For example, Virgin Group is an organisation that has demonstrated time and again how to bring radically new products and services into the marketplace without being the first to market in a particular sector. The company's understanding of the value-adding factors that matter to consumers has enabled it to successfully operate in markets where it has taken on established giants in a 'David versus Goliath' battle for consumer loyalty. For this reason, Virgin has gained a reputation as a challenger brand.

Many organisations mistakenly believe that adding more technology to a product or service will result in value-adding innovation. However, what customers want from technology is new or enhanced value that will extend their abilities and provide them with greater ease of use and convenience. Successful new-to-the-world innovation succeeds because it represents a genuine breakthrough in delivering a value proposition that is based on a deep understanding of the nature of the value customers seek. It is intricately bound to the process of customer intelligence.

We build long-term profitable relationships in our chosen markets

In best practice organisations, customer intelligence is turned into marketing action through the process of segmentation. By segmenting customers into groups sharing the same or similar needs on the basis of value (*their* definition), an organisation can assess where it ought to most profitably focus its resources. And where these customer groups can be tracked over time, this information can be used to refine strategies for relationship management. This approach typifies organisations that take a mindful approach to their market and contrasts with organisations that accept any customer is a good customer.

Much of the current discussion about segmentation is informed by a somewhat mechanistic approach and is characterised by the use of scientific and rational language, which focuses on the way in which the organisation should segment its market, that is, chop it up into manageable chunks. The reality of today's consumption-led economy is that customers themselves unwittingly form loose groups whose members seek the same or similar sets of value factors. In other words, customers segment *their* market and form subgroups with *their* own sets of requirements. As a consequence, the language now associated with segmentation is more to do with creativity and insight, as organisations wrestle with the challenge of finding a means of exposing these segments of customers and defining the value each is seeking.

By leveraging customer intelligence through the process of segmentation, an organisation can be confident about the market in which it operates. It provides an answer to the simple but strategic question 'What business are we in?' Today, too many organisations still define segments in terms of the products and services they offer. Personal financial services companies with a poor reputation for customer

service, for example, typically take this product-driven approach, defining segments as 'endowment policies', 'savings bonds' or 'savings accounts'. They fail to understand the kinds of value customers need and expect, such as the desire to save for retirement, to support a child through university or simply to have peace of mind.

Customer databases built up through loyalty card schemes, such as those provided by the major supermarkets, can provide a rich source of information on customer motivation. However, it should always be remembered that a segmentation analysis built solely on this sort of data can only reflect the motivations of existing customers. It becomes a *database* segmentation and not any form of *market* segmentation. Meaningful segmentation analysis takes into consideration different types of data. However, the effective use of CRM systems can enable an organisation to take a dynamic approach to segmentation. Tesco, with its successful Clubcard scheme has a database of over 10 million UK households and is said to be able to distinguish thousands of serviceable segments. This analysis is used to drive the business, so much so that David Reid, Tesco's deputy chairman, has claimed that 'If you took our loyalty cards away from us, it would be like flying blind.'

We monitor and track customer retention and repurchase intention

Best practice service excellence is underscored by a compelling business philosophy that promotes the establishment of long term, mutually trusting and profitable relationships with customers. Known as 'relationship marketing', it evolved as a response to the constrained economic environment of the 1970s and a series of oil crises. The consequent economic downturn, followed by high inflation at home, had a serious impact on customers. Buyer motivations reflected a combination of prudence and sophistication not seen before.

Supplying organisations responded by re-examining what they were offering to customers. To increase product appeal, differentiation and value for money, many augmented their product offerings by incorporating a service element. This spawned the development of services marketing as a business function. In mature markets where the rate of growth had slowed or even stopped, it became more difficult for organisations to pursue a strategy of gaining market share. With the pool of new prospects diminished, marketing attention

focused instead on retaining and growing existing customer relationships. Consequently, 'customer loyalty' became a priority, and its strategic importance remains to this day.

The shift in marketing emphasis from customer acquisition to customer retention became enshrined in the principles of relationship marketing. Unlike transaction marketing, relationship marketing recognises that transactions are not isolated events but that they take place within a live and continuous context of engagement – in other words, a 'relationship' between buyer and seller.

Measures of marketing success then turned from numbers of customers (market share) to share of customer expenditure (share of 'wallet') and potential customer value (customer lifetime value). The work of Bain consultants Frederick Reichheld and Earl Sasser was seminal in demonstrating the large impact on profitability of small increases in customer retention rates. Further research showed the increasing profitability of customers the longer the relationship lasts, and added strength to the argument for a relationship marketing approach. Towards the end of the 1990s the development of IT-driven CRM systems offered the promise of implementing relationship marketing effectively. The theory behind CRM is that managing customer relationships is an integrated business process involving the consolidation of individual customer data from multiple sources to create a mutually valuable proposition.

The potency of relationship marketing and CRM is demonstrated by the fact that they have been adopted across both the commercial and not-for-profit sectors. This is because the core of a relationship marketing approach is that customers are recognised and their previous history is remembered. For commercial organisations, working at a high level of sophistication, this enables them to predict retention and repurchase intention, and assess the financial impact of these. While not-for-profit organisations, many of whom operate in the public sector where reuse of services is not wanted or needed, nonetheless find they are able to work successfully with the principles behind the philosophy. The Dental Practice Board and The Veterans Agency are offered as cases in point here, in Chapters 3 and 6 respectively.

Summary points

- An outside-in approach to strategy development enables the organisation to define the value customers are seeking from the *customer's* perspective.
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- No one research tool or technique provides absolute customer intelligence – organisations need to blend a portfolio of methods in an ongoing process.
- Organisations need to understand how customer value is made up: the elements that maintain value, the value enhancers and the value destroyers.
- Innovation in service excellence is about creating new solutions (in *how* the organisation does something as much as *what* it does) that are acknowledged by customers as offering real value.
- Customer intelligence is made actionable through the process of segmentation, which helps the organisation answer the question ‘what business are we in?’
- Service excellence is underscored by a compelling business philosophy that promotes the establishment of long term, mutually trusting and profitable relationships with customers.

Further reading

Wendy Gordon (1999). *Goodthinking – A Guide to Qualitative Research*. Admap.

David Smith and Jonathan Fletcher (2001). *Inside Information*. Wiley.

Malcolm McDonald and Ian Dunbar (1998). *Market Segmentation: How To Do It; How To Profit From It*. Macmillan.

Best practice cases

Introduction

The illustrative cases in this chapter have been selected for demonstrating best practice in generating customer intelligence and the way in which this is used to drive customer service strategies. Woburn Safari Park (overall winners of the retail and consumer services sector in 2000, highly commended in 2002 and overall winners again in 2003), is a part of the Woburn estate in Bedfordshire. The case relates how Chief Executive Chris Webster has led a turn around in the prevailing culture, which has seen the staff’s passion for the animals extended to customers. Woburn Safari Park is now as much a centre

for conservation and education as a popular tourist resort. The business has grown dramatically over the past decade and has at the heart of its strategy making a commitment to generating meaningful customer intelligence. As the management actions during the crippling foot-and-mouth crisis reveal, there is also an entrepreneurial spirit at large which enables the organisation to turn adversity to advantage.

The second case study focuses on Rackspace Managed Hosting which manages the servers that keep hundreds of web sites running smoothly for customers who sit in the UK, Europe and as far away as India. While Rackspace's staff rarely meet their end-users, they nonetheless have a passionate commitment to providing the highest possible standards of customer service. So much so, that the organisation has trademarked the name it gives to this process – Fanatical Support. Not surprisingly the outcome is outstanding levels of customer satisfaction, low churn rates and spectacular business growth. Driving this is a desire on the part of 'Rackers', the name staff give to themselves, to understand their customers' every need and the company employs a number of techniques for ensuring this insight is captured and communicated around the business. In 2003 Rackspace was awarded the Learning Organisation Award.



Woburn Safari Park

Introduction

Woburn Safari Park has won a Service Excellence Award three times in four years, demonstrating an extraordinary consistency in impressing several sets of judges. Originally opened in 1970 as a franchise by the Chipperfield family, this popular visitor attraction has journeyed along a curve of initial novelty, through an extended period of commercial doldrums, and into a new era of renewed success as a leading exemplar of environmental conservation.

The Park's mission is no longer about showing the public a collection of exotic animals: the proposition for the twenty-first century combines a great day out with awareness of environmental issues. Woburn Safari Park has come a long way from its original circus industry founders – and is establishing new standards of customer insight and service.

The need for a turnaround

The concept of a safari park in the depths of the gentle English countryside was novel and entrepreneurial in its time. But greater access to foreign travel, alongside advances in the way the natural world is presented to audiences on television, have made what was exotic everyday. At the same time growing awareness of ecological issues, and mankind's relationship with the plants and animals with which we share the planet, has changed public perceptions of nature as a spectacle to be tamed and contained for our amusement. In terms of hard metrics, visitor numbers declined as the attraction aged. The Chipperfield franchise came to an end in 1993, and Woburn Abbey's custodians appointed Chris Webster as the Park's new leader.

With his background in the military and in marketing, Webster quickly saw a connection between low staff morale and customer dissatisfaction. Staff attitudes seemed to be inward-facing, with little sense of team objectives. Each keeper was responsible for looking after his animals and felt no need to acknowledge or understand his colleagues' roles. A 'blame culture' was evident, as was the feeling that visitors were simply a nuisance who disturbed the animals. While the staff's overriding concern for the animals was valuable and well intentioned, it was not aligned with the Park's commercial interests. The decline in visitor numbers also threatened the very existence of the attraction, and therefore the animals' long-term well-being. The poor state of staff morale also led to problems in keeping the team up to strength.

Webster began the Park's climb back to effectiveness by communicating the vital bond between visitors and animals. He showed Woburn's people that without a serious focus on customer care, the future of the animals at the Park was being put at risk.

Webster's analysis of the Park's state showed that the product offering – the Safari Park experience itself – was not meeting customer needs. Customer expectations had risen since 1970, with customers

now more sophisticated and demanding. They were also more ready to compare the value for money they received at Woburn with alternative family activities.

Putting the 'WOW factor' back into the business

Woburn Safari Park was seen as tired and overpriced when compared to competing forms of entertainment. The average length of customer stay was only 2.5 hours. Webster's research also made it plain that each customer was looking for a good day out. The product desperately needed to connect with customers and deliver that elusive 'WOW factor'.

The Park's turnaround began with a renewal of the staffing strategy. Staffing levels were ramped up and recruitment shifted to values-based selection criteria. Selection focused on people who were confident in customer-facing roles while sharing a passion for animal welfare and conservation.

A programme of cultural change was launched in order to break down barriers among existing staff and show them the importance of customer care. Gradually a 'can-do' culture took over at Woburn, with each employee encouraged to interact with the customer and become a kind of walking information post. Team members also developed their cultural awareness and sensitivity to help them interact more effectively with visitors from all backgrounds.

Reorienting the team towards respect for people as well as animals was the first step in rebuilding the attraction. But connecting with customers takes more than mere recognition of their existence. The Park's management also had to find out what its customers wanted of the attraction, and how the Park's existing and potential capabilities could be marshalled to deliver the 'good day out' people wanted of Woburn.

The importance of segmentation

A series of focus groups was run to discover customers' wants and needs. The focus group programme was supplemented with annual visitor surveys. Internal staff surveys were established to ensure the team's insights and ideas were added to the data. The Park also used mystery shoppers to glean detailed customer experiences in a controlled format.

Chris Webster next appointed a Marketing Manager to lead the task of better understanding customer motivations and targeting the market more accurately. A segmentation scheme was soon in place, allowing the business to decide on its priority targets for the Park's regeneration. Tight resources meant management had to focus on those segments that would provide a speedy and high return. A key target was children under 12 and their families – including grandparents. Local community groups and schools were also identified as prime target segments.

As the Park's experience with segmentation has grown, the team has become more sophisticated in using it. Micro-segmentation has created special price offers for mothers with children visiting after school hours, as well as half-price tickets for local people. Such initiatives serve the dual purposes of attracting visitors and generating positive word-of-mouth recommendations. Micro-segmentation analysis also identified opportunities to attract non-traditional visitors who might otherwise not experience the Park. Older visitors with time on their hands and travel concessions are one key group, while parents with children who have left home represent another group. The Park can develop relationships with these groups in visits outside of the school term-time peak season, when staff have more time to interact with them and the Park's atmosphere is calmer. Above all, using segmentation helped the team appreciate the diversity of modern family structures and leisure pursuits. These insights enable the team to develop family activities with genuine appeal to prospective visitors. Woburn's offer is now firmly built around concepts of customer drivers, rather than a simple show-and-tell.

Innovation in strategy development

Woburn continues to exploit new channels of communication with its customers. It has run an interactive web site since 2001, allowing the Park to continue its education goals beyond the physical visit as well as engage in extended dialogues with customers. The web site attracts an average of 859 visitors per day, each of whom spends an average of 6.16 minutes at the site. The web site acts as an effective sales channel, allowing customers to buy tickets online. Currently 13 per cent of visitors leave an e-mail address with the Park as their preferred method of communication.

Changes to the Park's approach to customers are also reflected in its product portfolio. The Safari Club scheme allows members to visit the Park whenever they like during the year. Members also receive a Safari newsletter informing them of the latest upcoming events at the Park. The Park's Safari Lodge has been opened up to customer bookings for parties and corporate events, making Woburn Safari Park a multi-purpose destination. But the animals have not been forgotten amidst the changes. Members of the public can now adopt an animal, helping to pay for its care and welfare. The Park also runs special days centred around animal care and behaviour themes, such as elephant washing and keeper shadowing.

One of Woburn's most innovative ideas for involving customers is the Junior Board. As the development of environmental awareness is central to the Park's vision, and the environmental awareness of children currently outstrips that of the older generation, it makes sense to give children a voice in the running and future of the park. Children are also of course key customers, and significant influencers on families' leisure activity decisions.

Members of the Junior Board are recruited from the children in the Safari Club and annual ticket holders. An Educational Officer, who is also a qualified teacher, interviews potential board members, most of whom are around age 11. The Junior Board meets twice a term and is used as a focus group for idea generation. Board members visit other attractions and leisure destinations to benchmark the experiences against Woburn's offering. The Junior Board also chooses an environmental project to support and raise funds for each year. The young Board members are naturally curious, direct and vocal – and a great source of inspiration beyond the reach of traditional market research techniques.

The results of the new customer-focused strategy speak for themselves. Visitor numbers nearly doubled from 173,000 in 1992 to 330,000 in 2000. Turnover quadrupled over the same period. These remarkable achievements were key to the Park's Service Excellence Award for 2000.

The challenge of competitive threats

But the market – and nature – are no respecters of awards. 2001 saw major challenges in the form of convincing competition and the national epidemic of foot-and-mouth disease. As Chris Webster

says: 'Other wildlife attractions are not our only form of competition. We are competing against all forms of leisure activities. Even the shopping centre in Milton Keynes has become a form of leisure activity.'

Nearby Milton Keynes is also home to Gulliver's Kingdom, which attracted visitors away from the Park when it opened for business. A popular television docusoap made at Whipsnade Zoo similarly enticed a number of visitors away from Woburn. The millennium celebrations and the considerable media attention given to London's Millennium Dome also depressed Woburn's visitor numbers. Meanwhile government restrictions intended to contain foot-and-mouth disease led to the closure of the Park for 13 weeks. The Park opened a retail outlet in Milton Keynes to keep the attraction's name in the public's consciousness.

The Park's reopening gave the team the opportunity to collect visitors' home postcodes, partly to satisfy foot-and-mouth regulations and partly to improve Woburn's geodemographic model of the customer base. The Park continues to grow its understanding of customers through data collection. Of the total 740,000 customers who visited during 2002/2003, Woburn has records for 30,000. This collection shows it is possible to convert casual visitors into members of a community. All visitors are invited to complete a survey at the exit gate, rating what they have experienced during their visit.

Chris Webster sees plenty of room for growth in Woburn's business, and recalls the downturn of 2000/2001 as a temporary setback. 2002 was the Park's best year ever, with a total of 417,000 visitors and turnover of £5.3 million. Return on Investment for 2002 was calculated at 31 per cent, and staff received a profit-related bonus of 10 per cent at Christmas. Membership of the Safari Club increases by 30 per cent per year, while group bookings have seen a 25 per cent increase. The Park has been able to increase its peak entry price by £1 without customer resistance.

The role of vision

Webster believes the key to the Park's long-term success lies in the words of its vision: 'The challenge is to become the leader in the conservation sector.' He notes that the British public is becoming more environmentally aware, but is not yet on a par with other European nations. Wildlife attractions in the Netherlands, for example, attract on average around 700,000 visitors per year, from a smaller population

than that of the UK. Webster conducted a study tour in the US and discovered that Americans tend to be more in touch with nature than Britons. He believes Woburn needs to engage with the public at a deeper level in order to emulate the more significant role that outdoor attractions play in the Netherlands or in the US. Part of this mission is to promote the view that outdoor activities help children learn vital skills for adulthood, through the emotional and physical challenges of interaction in a natural setting.

Meanwhile day-to-day life at the Park continues to offer authentic, customer-focused experiences. It is the millions of small 'wow moments' that combine to create a robust, living brand. All staff are empowered to respond to customer disappointments by offering them alternative experiences, ensuring visitors not only remain satisfied customers, but become enthusiastic advocates of the Park. Written complaints halved after the cultural changes took hold. A recent survey found that 64 per cent of active customers would visit the Park again, and 76 per cent would recommend Woburn as a destination to others.

Generating deeper insights

Woburn's team have confirmed the grass roots success of their customer strategies, and gathered further fuel for change, through a 2002 research study dubbed Vision Experience. This project included personal sessions with 200 individual customers and 200 family groups. It also included a 'tagging' exercise, in which 20 families were continuously monitored during their visit to the Park. The information gleaned by Vision Experience was detailed and precise, revealing clear areas for improvement. For example, the study showed that customers tended to spend 45 minutes in the Park's restaurant, but an hour on picnics. This is vital data for the remodelling of the Park's catering approach. The study also produced a model of traffic flow through the Park, identifying bottlenecks and leading to a rethink of the miniature railway. Bottleneck areas are now targeted by additional live demonstrations from keepers, so that waiting time is converted into valued customer experience.

The close connection between attending to customer needs and changing the Park's offering is a virtuous circle, and a process rooted in practicality. This approach chimes with another strand of Webster's vision: that of offering an alternative to the 'hyperreality' of modern

theme parks. While high-tech theme parks can impress with manufactured experiences, the spread of technology in our lives makes real nature all the more precious. Webster feels that as the number of animals living in the wild continues to decline, places like Woburn Safari Park will become vital resources. With human society continuing to squeeze the space available to untamed nature, a well-managed and conservation-sensitive location such as Woburn becomes an important haven. Combining this ecological mission with the goal of providing a truly special family day will generate strong and enduring consumer appeal.

Work is underway to connect this vision with a stronger Woburn brand. 'Woburn Safari Park is more than just a business,' says Chris Webster. 'It has a responsibility to put something back into society.'



Rackspace Managed Hosting

Introduction

As the technical barriers to market entry in high-tech industries fall, the commercial bar continues to rise. The hosting market is one such business area where the apparent price of joining the fray shrivels in the face of the efforts needed to stand out from competitors. Hosting computer systems for business customers might look at first sight like a commodity business, but it is really all about customer service. Sheds full of servers, humming quietly and turning an efficient revenue turbine while the owners sleep? Think instead of the people who rely on those servers for the health of *their* businesses: people who have entrusted a key part – and often the only part – of their business infrastructure to a team who claims they can do it better than anyone else. Rackspace is a hosting solutions company that majors in people as well as machines, winning plaudits from industry admirers and delighted customers alike.

The importance of the human touch

Rackspace's customer intelligence strategy begins at the company's web site. While many commercial web sites offer interactive features, these are often limited to form-filling. Rackspace has a proactive chat facility that connects visitors directly to a Rackspace team member. Any visitor to the site is likely to see a window pop up with a friendly welcome typed in real time by a named individual. The visitor can then engage directly in conversation with the team member. This means that Rackspace customers and prospects can interact with the company in an unstructured way, using informal language and without having to navigate the company's site. It is also a very powerful way of giving the company a human presence. The chat window immediately reassures the visitor that Rackspace is staffed by real, live human beings who are there to meet customer needs. The web site attracts around 8000 visitors per month, and the company aims to chat with most of them. Rackspace tries to turn 25 per cent of those conversations into sales leads.

If customers need further reassurance that Rackspace has a material presence as well as a virtual one, they are welcome to visit the company's data centres. Customers can see the facility and chat to the people on the team. This creates a long-term image of the company in the customer's mind, which can then be reactivated during subsequent interactions over the phone. The company holds a sales event once every two months, to which the team invites its top customers plus a selection from the rest of the customer base. Events have included yachting at Cowes, meals in top London restaurants, and the send-off of Concorde in October 2003. 'People drive hundreds of miles just to have a drink with us,' says Dominic Monkhouse, Managing Director of Rackspace.

Fanatical Support

The key to Rackspace's differentiation is what the company calls Fanatical Support. Rackspace people are highly motivated towards satisfying customer needs, and exceeding them wherever possible. Customer David Wilkinson of Avenida Technologies is a fan of Rackspace's fanaticism. 'They're fabulous – my first recommendation in hosting solutions,' says Wilkinson. 'I don't enthuse easily, but when I do ...'

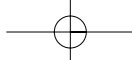
For example, my server crashed a couple of months ago. They spotted it, diagnosed a motherboard failure and had it fixed and up and running within around 40 minutes. I never even noticed until they emailed me to tell me.

This kind of proactivity ensures that Rackspace's service has a legendary quality that is constantly renewed by positive customer experiences. It also enables the company to maintain a learning posture towards its customers, since it is not reliant on customer complaints as a driver of the relationship. And the genuine warmth felt by its customers for the company infects every aspect of the enterprise's activities, right the way through to sales. 'You know that what you are selling is genuinely the best out there,' says Sales Executive Jen Bagshaw. 'When we say 95 per cent of our customers are delighted with our service, we know it's true. We all see the evidence.'

So what is Fanatical Support? 'A customer service program so unique, we trademarked it!' according to the company's web site. In practical terms, Rackspace is upfront in its belief that reliable servers, secure data centres and plentiful bandwidth are not the key to hosting enterprise-class web sites and applications. Rackspace regards hosting primarily as a service, not just a collection of technologies. The Fanatical Support philosophy reflects the company's goal to bring responsiveness and value to everything it does for its customers. The Fanatical Support experience kicks in at the moment a Rackspace team member answers the phone and begins to interact with the company, and extends through every point of interaction.

But Fanatical Support is not a basket of warm feelings. It also contains some very tough guarantees. For example, Rackspace guarantees 100 per cent network uptime. In case that isn't clear, they confirm that 'this amounts to 0 seconds of downtime per month'. Rackspace undertakes to identify and fix hardware failures within 1 hour, as customer David Wilkinson found out. And it goes without saying that Fanatical Support is available from live team members 24 hours per day, seven days per week.

Each customer is assigned a dedicated Fanatical Support team to manage the daily operations of its hosting environment. Each team works with only a handful of customers so that team members become familiar with each customer's specific system set-up and can quickly identify and resolve issues. The company has 350 employees across the group, the majority of whom are directly involved in providing Fanatical Support. As the business continues to grow and gain experience its skills and knowledge base also grow, meaning that Rackspace's value to its customers continually increases.



Segmentation strategy

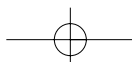
The support team structure reflects Rackspace's segmentation strategy, which Monkhouse says is 'constantly a work in progress'. Continuous exploration of customer needs and preferences drives the segmentation. The current model has four groups. The first is for virtual hosting customers. These customers resell domains or run applications or e-commerce sites on behalf of other parties. The second group is for 'dedicated business'. These customers use Rackspace as a turnkey IT facility, running their facilities from Rackspace-supplied control panels. Most customers in this group tend to be hobbyists or startup enterprises – a distinction which tends to blur creatively in the Internet business. Dedicated business customers are highly price-sensitive.

The third segment represents Rackspace's core business. These customers buy managed hosting from Rackspace. They have their own servers, and Fanatical Support as standard. They are assured human contact whenever they need it. Rackspace does not use automated phone response systems. 'There's none of that "press 2 to commit suicide" stuff,' says Monkhouse, poking fun at the obstructive systems some customer services organisations have put in place.

Rackspace's fourth customer segment is enterprise customers. There is clearly an overlap between managed hosting customers and enterprise customers. But customers are considered to belong to the enterprise group according to their own purchase decisions. Buying added value services promotes managed hosting customers into this category. The key to this group's definition is therefore not the size or reputation of the customer's organisation, but the demonstrated value they put on their IT infrastructure.

Maximising customer satisfaction

Rackspace regularly undertakes in-depth research on its customer base. A study carried out in 2003 focused on the demographics of 1000 EMEA customers, and built a valuable picture of the typical customer – yielding results that would never follow from intuition. For example, the study showed that 85 per cent of the UK client base was not the end-user of the systems hosted at Rackspace. In other words, these customers held the relationship with Rackspace but were not the ultimate beneficiaries of the facilities. Such customers



tend to be IT services businesses in their own right, selling into specific vertical markets. They tend to have around 50 people, be run by people around 35 years old, and have a value proposition centred on Internet technology. The nature of these businesses means that losing their online presence at any time can damage their reputations and their revenue streams.

Rackspace's research, backed up by its day-to-day conversations with customers, shows that its customer base is technically savvy, and often nursing bad experiences from hosting companies. Forty-five per cent of customers have used a competitor so, as Monkhouse puts it, 'they know the grass isn't greener elsewhere'. A staggering 50 per cent of customers arrive as a result of word-of-mouth recommendation. Many customers start their relationship with Rackspace with a sense of relief, having sat out the tail end of a contract with an unsatisfactory competitor, and already interacted with Rackspace people before they could take up the service.

It is at these crucial changeover points that Rackspace sees the pain its competitors cause to customers, and the compelling value of its own customer service principles. One example is a competitor's inability to offer changes to firewall policy outside normal office hours: Rackspace customers can implement their changes at any time they wish. Rackspace and its customers know that 'normal office hours' is a redundant concept in a connected, globalised business environment. The hosting industry's use of contract periods tends to bottle up customer dissatisfaction and poison relationships in organisations who do not put customer service first on their list of priorities.

Rackspace is proud of its customer satisfaction rates, noting that 99 per cent of customers are either 'satisfied' or 'very satisfied'. But Monkhouse does not see the numbers as any reason for complacency, and detects several areas for action. 'I'm happy with people who give us a five,' he says, 'and I want to turn fours into fives. Ninety-seven per cent of customers say they'd refer us. But when it comes to action on a referral, you need a five-person. Repurchase intention and referral rate can go higher if we target those fours.'

One aspect of increasing customer satisfaction at this micro-level lies in subtly reminding customers of the Rackspace benefits they enjoy, but may not have noticed. For example, customers report that they want named account managers – even though they already have named account managers. As a consequence, the company has altered its hold message to include a reminder that all Rackspace customers have a named contact. Enterprise customers also have a named technical contact, who calls the customer once a week with a

proactive review of the account, containing advice and suggestions for changes or upgrades.

Another route to increasing customer satisfaction is to act on customer needs, even where a perfect solution cannot be put in place. For example, a number of the surveyed customers agreed that it would be helpful to know who in Rackspace speaks their mother tongue. The company is now offering its people's language skills to customers, so that a speaker of, say, German will see a link to a German speaker when she goes to Rackspace's web site. There is no pressure for the customer to activate the link, nor does Rackspace make any promise to cover every language group used in the countries of its EMEA area – which extends from the UK to India. But the facility is another sign of the company's helpfulness, and a further expression of its human composition.

Rackspace has embarked on a programme of asking its customers to make referrals, rather than hoping referrals will come around. A symbolic gift campaign – a specially presented jar of coffee – is followed by a phone call.

Customer retention strategies

At the other end of the customer life cycle, Rackspace pays careful attention to retention. Although the company offers a range of contract periods, the typical customer is on a 12-month agreement. When the contract reaches the 9–12 month period, the revenue is at risk. This is the contract's 'horizon'. The customer will have typically used a high degree of support in the early part of the contract, while his systems were bedding in, being tested and modified. This high-touch period is likely to decline at around 3–5 months. This means Rackspace has to target customers for signing a new contract in the 6–9 month window. Monkhouse believes that if you can get customers to buy something in this crucial period, they are unlikely to 'churn' – leave for a competitor.

The team therefore calculates what it calls 'value buckets' for each customer. These allow the account managers to see what Rackspace is prepared to give a customer in order to keep him on board. The value buckets are based on the customer's profitability, which is in turn calculated from their revenue versus the amount of support they have used. This strategy allows account managers to 'save' customers through offers valued by the customers. As Account Manager Sam

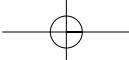
Stiborski says: 'People are often just looking for an acknowledgement of their loyalty'.

Rackspace's awareness of the critical repurchase window, and the flexibility it gives itself to delight customers at this crucial time, let it turn potential customer losses into 'wow' experiences. For example, one customer who experienced downtime of 8.5 hours had misunderstood the nature of their contract, believing the company was managing a backup strategy for them. Rackspace put in around £1800 of free support to fix the problem, and added a month's free hosting. It then recommended the customer move to having a second server to mirror their core server, so they would be able to continue running their applications if a fault occurred again. Rackspace's value bucket for this company showed they could give this server to the customer for free – an additional, and welcome, surprise. 'Our evangelists are the people who have had a major failure with our team going through hell to fix it for them,' says Monkhouse.

Customer intelligence is an important ingredient in Rackspace's rapid success. The UK business grew from four people to 30 in two years, hitting a turnover of £5 million from a modest start. The speed of growth is connected to Rackspace's low churn rate: at 1 per cent, it is far ahead of the best competitor's score of 2.5 per cent. Low churn is achieved through intimate engagement with customers, and a determination to do whatever it takes to delight them.

Going the last mile

Reflecting on the success Rackspace is enjoying by using committed customer service principles, it is hard to understand how their competitors survive. Dominic Monkhouse believes most of the company's competitors are stuck with the misapprehension that they are IT businesses rather than service businesses. He also believes that great customer service organisations begin with passionate people. Writing in *Computing* magazine about the difficulties of recruiting, Monkhouse said: 'I hate to say it, but too many techies fit the nerd role. They spend too much time in a darkened room with only a computer for company. And they cannot offer the level of reassurance or comfort that is expected when they are required to speak on the phone with a distraught customer. If you hire extraordinary people, and commit to investment in their development, they will enjoy their job and be prepared to go the extra mile.'



In the computer networks world, 'the last mile' is the term given to the local phone connection – a bottleneck impeding the growth of the connected business world that is now being replaced by broadband solutions. But from the service-oriented viewpoint that rules at Rackspace, the last mile is the extra mile its team will run to ensure the company's customers continue to experience excellence. And this is the mile that counts.

