Woo, Wow, and Win by Thomas A. Stewart and Patricia O'Connell

Service Design, Strategy, and the Art of Customer Delight

Book Summary

Pleasing customers isn't enough. To delight your customers—to woo, wow, and win them—you must design your service to create memorable, empathetic experiences that meet their expectations and advance your strategy. In *Woo, Wow, and Win,* bestselling authors and business experts Thomas A. Stewart and Patricia O'Connell show how to use service design to create great customer experiences reliably, repeatedly, and profitably.

Drawing on deep research and examples from industries as diverse as airlines and brokerages, hospitals and hospitality, consulting and construction, Stewart and O'Connell show how to apply the principles of service design in ways that uniquely fit your strategy. And the authors demonstrate how to use service design to set customers' expectations—and meet them in every interaction, in every channel, every time.

Woo, Wow, and Win teaches you how to create *"Ahhh"* moments—when the customer makes a positive judgment—and to avoid *"Ow"* moments—when you lose a sale or, worse, customer trust. Whether you're giving haircuts, selling life insurance, or managing an office building, your customers are as much a part of your business as your employees are. *Woo, Wow, and Win* shows you how to enlist them as collaborators in your success—and accelerate growth, innovation, and profitability.

Summary Outcomes:

• Service design is an essential strategic element for every business.
• Excellence in business needs to be built in, not painted on at the end.
• Great service should be free—like quality.
• A strategic program of service design and delivery is sustainable, repeatable, and profitable.

Introduction

Great service is not just a consequence of good intentions, attentive management, and a supportive culture. In fact, cause and effect are reversed: Service needs to be laid into the company's keel, the way performance is built into a BMW or intuitiveness designed into an iPad. The surprising fact is, most companies are not actually designed for service—to provide an experience that matches a customer's expectations, and to deliver it time and again. The reasons for this are complex and partly historical. For now, accept our premise that providing superior service is unnatural in most organizations.

In the last few years, a handful of progressive thinkers, pioneering executives, and scholars have begun to develop ideas and experiment in *service design.* Their thesis and ours is simple: Services should be designed with as much care as products are. We include service *delivery* in the concept, too, because artistry without execution is meaningless. Service design and delivery involve reimagining, recreating, and rethinking the execution of every stage and aspect of customer and company interaction, regardless of what is being sold and regardless of whether a transaction actually occurs. Put another way, service design and delivery—what we call SD_2—is what you do so your customers get the experience you want them to have—every time.

We have come to hold four propositions about service design almost as tenets of faith:
• We believe that the design of a service—what it does and does not do, the experience it creates, the value it delivers—should be an essential element of the go-to-market strategy of every service business.
• We believe that excellence in service, like quality in manufacturing goods, needs to be built in, not painted on at the end.
• We believe that great service should be free, also like quality—that is, that well-designed service pays for itself and then some, by saving you and your customers time and money.
• We have learned and believe that excellence in service design and delivery is the best way to differentiate your company from your rivals, and profitably woo, wow, and win not just customers, but the right customers for you.

Woo, Wow, and Win is presented in three main parts, each of which is a stage in what we hope will be a journey of discovery for you. Stumbles, losing one's way, and switching course are all part of any journey. Our goal is to inspire you to think about how your company can identify critical moments in your customers' journeys—and your own—so that you can better woo, wow, and win customers.

We do not pretend to have discovered fire with this book. Rather, it is about reminding you of the power of fire, and how to harness it.

Setting Out

The Road to "Ahhh!"

Understanding experience from the customer's perspective is where the Road to *Ahhh* begins. We believe that companies that apply the principles of service design will create not just satisfied customers but *strategic* strength: that the Road to *Ahhh* leads to a competitive position others will be unable to match or attack. The topic of SD_2 couldn't be more timely or important. The service sector accounts for about 80 percent of U.S.

economic output and employment, yet the principles of managing these organizations are less known, less studied, and less widely practiced than those of manufacturing.

At the heart of *Woo, Wow, and Win* is our identification of the five essential principles of service design and delivery. Derived from our combined experience working with and analyzing characteristics of successful companies, innovative cultures, and effective leaders, the principles are a way for senior leaders to shape service design initiatives, evaluate proposals and programs, and, above all, bring coherence to service strategy.

1. The customer is always right—provided the customer is right for you.
Deciding which customers you engage with and what you are willing to do for them is a powerful exercise in defining your brand.

2. Don't surprise and delight your customers— just delight them.
A well-designed service is predictably excellent. You delight your customers by meeting their needs within the expectations they have for whatever you are offering, whether those expectations are high or low.

3. Great service must not require heroic efforts on the part of the provider or the customer.
SD_2 should be efficient, effective, scalable, and if not error-proof, error-resistant. That is what makes it reliable— the delightful nonsurprise of the Second Principle.

4. Service design must deliver a coherent experience across all channels and touchpoints.
Simply put, any place you choose to play, you have to play well. And anything you are going to do, you have to do well in every way.

5. You're never done: Anticipate, create, innovate, iterate—and repeat as needed.
The rules for innovation in services aren't the same as the rules for products; companies need to learn service-innovation best practices and harness the power of the new. Looking through the lens of service design, and bearing these principles in mind, it is easy to see how whole industries could be enormously improved by better service design and delivery.

The Service Design Revolution

Today services account for two-thirds or more of the gross domestic product of all advanced economies. This vast sector comprises everything from barbershops to investment banks, from schools to seaports, from hospitals to hospitality; businesses that do not make anything but, instead, move things, sell things, or provide intangibles like advice, insurance, or personal services.

In the United States, four out of five people work in services—116 million, ten times more than work in all the country's factories. As economies develop, so do services; they already account for more than 40 percent of China's GDP, for example.

Service design has a pretty clear starting point: a 1984 article in *Harvard Business Review* by G. Lynn Shostack, called "Designing Services That Deliver." Shostack had long realized that the differences between goods and services had profound real-world implications. Shostack wrote about creating a service "blueprint," a technical drawing, to lay out all the points of contact between a company and its customers, and the links between one stage and another. However, design thinking explicitly rebuts the reductionist approach for a holistic one, a mechanistic mindset for an organic one. That is why we have discarded the metaphor of a service blueprint and replaced it with a map, where there are touchpoints, not points of contact, and where activities take place onstage or offstage—behind the scenes.

Smart service design will examine each touchpoint and make it the best it can be. But the journey as a whole matters more. *Experiences matter. Experiences are journeys. Journeys are designed.*

Service Design and Your Strategy

Strategy is a word so overused it has been nearly bled of meaning. We reserve the term for the major choices companies make and the actions they take to accomplish those ends. Service design, too, is about choice. It is not about offering your customers whatever they want; service design is what a company does so that customers get *the experience the company wants them to have.* It connects strategic intent to customer experience.

You, as a leader, have to understand what the company is, what its strategy is and what your customers care about, and what jobs are toughest to do for them. Then you can know what great service is and apply the design principles that will ensure that you deliver it. It is to those principles that we now turn.

The Principles of Service Design

The First Principle

A customer who does not understand your value proposition, or care what you as a company uniquely promise and deliver, is the wrong customer for you. Service design helps you define your right customer, then arrange the links of your value chain to capture and encourage the customers you want, while siphoning away customers whom you cannot serve profitably or well.

Making these choices is complicated by business's long tradition of living by the adage "The customer is always right." Is she? Only if she is the right customer for you, and only if you have carefully worked out the design that makes you right for each other.

The stats on retention are compelling; clearly, keeping customers matters. But there's a premise hidden behind those stats, and it might not be true: that all those customers are equally worth retaining. Your most valuable customers are those who not only are loyal but who spend more per transaction and from whom you have a significant share of wallet. By focusing on customers with the greatest potential in terms of repeat purchases and large average transactions, marketing and customer service efforts (and costs) can be allocated where they matter most.

Just as you have more than one "right" customer, you very well may not be your customer's only answer. Price, convenience, desperation, necessity, your inability to meet all of your customer's needs (or their unwillingness to rely on only one service provider, which is often good business practice) means you not only have competition for their business but you are being compared, perhaps unfairly, to other service providers.

There are customers you have to say no to. In most cases, saying no to a potential customer is easier than saying goodbye to a current one, because a current customer was, at some point, your right one. Deciding to

part ways with a current client is about acknowledging that something has changed: their needs, your strategy, the chemistry of the parties involved. When you are thinking about saying no, look at why.

Sometimes clients will ask you do to do things you do not have the capability for but perhaps should. If you get enough requests for a service or it is something most of your competitors provide, maybe you should take the hint. One of us worked with a strategic communications firm that barely dipped its toe in the social media waters despite increasingly frequent requests from clients. Even though the firm eventually added social and content capabilities to its offering, it had a reputation for being "old-fashioned," "stuck in its ways," and, worst of all, "out of touch."

The Second Principle

"Surprise and delight" has become a mantra for customer experience. Forget about surprising customers: Just delight them. We know that is counterintuitive. But why, we ask, should doing a good job be a surprise?

While customers may be surprised at the beginning of your relationship, particularly if you are delivering service that is superior to what they got elsewhere, the element of surprise should fade quickly, replaced by the reliability and predictability you have designed in. Continuity and consistency keep you on-brand and on-message. Service design allows you to figure out where your opportunities for delight are and are not, and to create the conditions that enable you to make the most of them.

Empathy and experience are the first steps toward designing delight. Your goal is to understand what purpose your customer has and then design an experience that fits the need. Empathy is a powerful tool in figuring out what matters to your client. Be your customer. Try navigating your website; try getting through to the right person in customer service; try ordering products; booking a flight—and flying coach; shopping in your store. While walking in your customer's shoes, however, it is important to resist substituting your own instincts for what direct observation reveals about customers. Traditional market research can confirm the insights you get from observation but is no substitute for it.

Though reliability is the key to delight, there will be circumstances that even the most meticulous service design cannot anticipate—where events are beyond your control or where customers bring powerful emotions when they come to you. The state a customer is in when he or she receives your service can affect the way it is perceived. While you cannot control the emotion customers bring to the situation, you can often make good guesses about what it might be and design your service accordingly, from guiding your employees' actions to providing an appropriate physical and visual environment.

Customer-facing employees, regardless of pay grade, title, or level of responsibility, may be your greatest resource in your efforts to delight customers. They are the ones who meet customers (whether virtually, by phone, or in person) at a critical juncture in the service process, so they will have a huge impact on your experience score. That is why we're big believers in empowering frontline employees as much as possible.

Delight is not a onetime, unchanging thing. Customers' needs will change, as will their expectations about what great service is. The fact that you're never done is both a blessing and a burden. The blessing is that even though we believe excellence in service design and delivery should be built into your offerings from the beginning, the truth is it is never too late. Because excellence is a moving target, you have the chance to move with it and either catch up with or surpass your competitors.

The Third Principle

Nothing is more satisfying than dealing with a company that really knows its stuff. Both customer and company win when the job gets done well: one call, logical user interface, a single point of contact, flawless execution. Efficient and reliable every time. To deliver service in that way, your organization must be skilled, agile, and conditioned. The customer should never see you sweat, because you're not sweating.

Well-designed and delivered services do not waste time or money—yours or your customers'. This is our Third Principle of excellence in service design and delivery: Great service must not require heroic efforts on the part of the provider or the customer. It is a combination of efficiency and excellence—nothing is left out, nothing is superfluous.

Consider what happens when companies manage to deliver great service without great design—that is, when they place the burden of customer experience solely on the backs of employees, without providing the structure and tools they need. Across the business world, companies celebrate "customer service heroes" who go out of their way to deliver that order, fix that problem, or get that document out in time. Every heroic effort is an indication of an opportunity to redesign work so that you do not need superpowers to deliver superior service.

Or consider the flip side: instances where customer experience is sacrificed on the altar of efficiency. Operations teams—which rarely deal directly with customers— usually are asked to meet specific cost targets, while being vaguely reminded that they should do no harm to customer experience.

Time is money—and customers value their time as much as companies value theirs. If you design service to save customers' time, you may earn the right to receive some of the value you've created.

Service design offers the best way to search out, find, and eliminate occasions when you and your customers put forth heroic efforts. Initiatives to fix these problems are inherently cross-functional, so you need an approach that links departments, especially those offstage and those onstage. Here are three ways to look for improvements in
efficiency and elegance simultaneously.

• *First, eliminate touchpoints.* The biggest gains may come from service redesign that entirely cuts out complicated or annoying stages in the customer's journey. Waiting in line to pay for merchandise is a classic example of a touchpoint from which neither buyer or seller receives value in most circumstances.

• *Second, enable parallel processing* by reordering operations. The need to hurry up and wait—which frustrates both buyers and sellers—can sometimes be eliminated by doing things in a different order.

• *Third, modularize and aggregate.* Unnecessary complexity wastes resources for service providers and customers alike. Consider the efficient elegance of the U.S. Postal Service's Flat Rate package shipping. Since packages are not weighed and the need for customers to fill out labels is eliminated, effort and time are reduced for both customers and postal employees.

The Fourth Principle

Wherever and however you choose to play, you must play well. A retailer that provides a fabulous in-store experience needs a website that is just as good. A hotel that coddles a customer during a stay needs to be equally solicitous if that customer leaves something behind in the room.

To deliver a coherent experience across all channels and touchpoints, service design must meet three requirements:

• *Harmony:* Wherever you engage with customers—in a conference room, on the phone, via an app, through advertising and branding—they should sense they are in your hands. It should feel the same to them. It should feel like you.

• *Integration:* All parts of your organization should play well together for the customer's benefit, making it possible for customers to hopscotch from one channel to another and back again.

• *End-to-end excellence:* You must deliver consistently high-quality work from the beginning of the customer experience to the end and at every point in-between.

The case for consistency seems open-and-shut, but is worth examining because the details yield insights about how to do it right. The first point of the case is that your customers engage with you in many places, sometimes in many places at once. They browse on the Web, then buy in a store. They visit bank branches, ATMs, websites, and apps.

You do not have Web customers and mobile customers, and store customers. You have customers.

Second, platform-crossing customers tend to be especially valuable. According to technology and research firm International Data Corporation, "omnichannel consumers" have a 30 percent higher lifetime value than single-channel purchasers.

Third, you get dinged when you fail. Platform-hopping increases the number of potential *Ow* moments in your relationship: You can aggravate customers on each platform, and also during the handoffs from one to another. A strong part of the organization cannot make up for a weak link: Free checking won't get you off the hook if your branches are shabby and tellers are crabby.

The Fifth Principle

It is no surprise that businesses need to renew themselves continuously, which is why it is startling that many companies in the services sector have no systematic way to think about innovation, whether in new offerings, new processes, new forms of customer experience, or new business models. When it comes to research, experimentation, and science-based progress, services have a lot of catching up to do.

The CEO of a multimillion-dollar truck dealership in Ohio, a family business more than a half-century old, told us: "You'd think innovation is for a manufacturer, but I've come to realize that it is important for our dealership, too—we can innovate things, we can plan better ideas of how to take care of our customers." Services lag in part because of what this truck dealer said: People think of innovation chiefly in terms of new

products and do not recognize the opportunity to innovate and improve along the length of the value chain—or, as we would say, at every touchpoint, onstage and off. Innovation value is created in three arenas:

First, ideation—coming up with a goodly number of ideas of high quality. Valuable ideas can emerge at any touchpoint, anywhere along the value chain. Ask: What can we do new or better at this stage of the journey? What new technologies could change what we are doing *there*? How can we strengthen a critical customer interaction? Where do we make mistakes, force our customers to work too hard, or cause *Ow* moments?

Second, selection—the art and science of picking the best ideas. Service design vastly improves idea selection, because design thinking starts with empathy—putting yourself in customers' shoes to understand their wants and needs, especially those they cannot articulate. "It is not the customer's job to know what he wants," Steve Jobs famously said. Innovators that seek out unmet customer needs and act to be the first to address them outperform companies driven primarily by new technology or by following trends.

Third, execution—bringing the selected ideas into being and to the market. Service design starts with a simultaneous process of visioning and observing—watching customers while imagining what could be—then moves directly to live experimentation. Whenever possible, service changes should be tested "in the wild"—with real customers making real choices to spend real money.

For service companies, innovation needs to become a firm-wide, design-based capability—a platform. You want an end-to-end view of the service journey; the ability to map what's new (or what could become new) at every point on the map; and the ability, then, to see and measure how changes at one touchpoint can create problems or opportunities upstream or down.

Service Design in Action

Designing for Customer Capital Growth: When One Plus One Equals Three

In any transaction, there's a two-way exchange of value: As the seller you get money, your customer gets something in return—a room for the night, a package shipped, a medical test. Each of you puts something in and each takes something away. But ideally you both leave something behind: knowledge of each other's skills and preferences, the option to work together again, the trust on which a relationship is built or flourishes. These are the elements of customer capital.

Though customer capital accrues in all businesses, services are uniquely rich in it, because of the customer's active participation in creating value—even if it is something as simple as telling the barber to take a little more off the sides. What are you doing about your customer capital? Are you leveraging it, as you would any other kind of capital, or are you contenting yourself with mediocre returns? Service design offers specific, demonstrable ways to grow, manage, and profit from consumer capital.

Co-creation, or the idea of working with customers in an explicit way to create value together, is fairly new. Deciding whether, where, and how to tap into customer capital is a fundamental choice you will make in service design and delivery.

Just as customers' ability to talk to and about you has vastly grown, so has your ability to communicate with

them. You can talk to them one-on-one; through groups; join them on the platforms and channels they are using to talk with each other; and, thanks to analytics, you can draw much smarter inferences from their behaviors than you could before. An important form of feedback comes from what we call "peersuasion": customers' influence over each other, especially when it is amplified via social media. Potential customers pay a lot of attention to what your current customers say. When customers tell customers, they are helping you build the confidence that is a key component of customer capital.

Technology, and particularly the app economy, will make co-creative innovation more common, whether companies invite it or not. Your ability to maintain sole control of your intellectual property is seriously compromised in a world of mash-ups and open source software; so when it comes to customers building stuff on top of your stuff, you're better off embracing it than wrestling with it.

Co-creation is not only a powerful tool to improve customer experience; it can become a strategy in and of itself, a way to bring your customers "inside" as your partners in building a more valuable, profitable enterprise.

At its best, co-creation leverages you and your customers' shared interests, needs, knowledge, and skills to elevate your interactions to the level of a delightful experience for the customer and a profitable one for you. It is the recognition that one plus one equals three, that what you can do in concert is more potent than what you can do solo—indeed, it's the recognition that customers are a
source of more than money.

Corporate Culture and Service Design

Corporate culture has many definitions—perhaps the most broadly understood and widely accepted of which is "the way we do things around here." This hints at the inseparable link between culture and service design. Design should determine behavior—what you do at every interaction with customers, what must be done behind the scenes to prepare for those interactions—and behaviour shapes culture.

We advocate creating what we call a service culture. A service culture isn't servile. It is about making sure that *your culture lines up with your customer's expectations and reinforces your ability to deliver on those expectations.* Companies need to create a strong, virtuous circle between service design and service culture— the way things are done, and the way they should be done. By doing so, you all but ensure that you end up with the culture you want.

Cultures do not emerge in a vacuum. They serve a purpose and, generally, come into being in response to stimuli from the boss. A boss who is constantly looking to pin blame on people should not be surprised if a defensive, "don't look at me" culture comes into being. But if dysfunctional cultures are the result of management behavior, so are vibrant, functional ones. If self-preservation is tied to delivering the right customer experience, you are using the power of culture rather than fighting it.

A service-oriented culture demands a specific type of leadership, what we call service leadership. If servant leadership, an idea popularized by Robert Greenleaf in 1970, is about respecting employees, service leadership is about being a strong advocate for the customer as well as employees. Another aspect of service leadership is never being satisfied with the status quo. If you do not have leadership that is always striving for improvement, then you're not going to have the culture of service running through the veins of the firm.

Like so many things, culture is simple but not easy. At its core, service leadership and creating a service culture come down to the people you hire, what you expect of them, and what you want to be known for as a company. What you stand for is a question you have to answer as both a service provider and as an employer. Ultimately, a service culture is about show, not tell.

The Service/Product Connection

When services study manufacturing, it is often to learn how to achieve economies of scale by standardizing offerings (making services more like products) or automating work (making service delivery more like an assembly line). When it is the other way around, it is frequently because manufacturers hope services companies can show them how to increase flexibility, customize, and personalize— without giving up scale economies.

Products or services that have or seek a strong emotional connection to customers need to be especially alert to the impact of value-chain partners on the experience they want customers to have. For manufacturers and their customers, shopping and technical support are emotional as well as practical considerations. The connection works the other way, too, from service to product.

A manufacturer that adds services without understanding the economics, organization, and design requirements has upped the number of ways it can disappoint customers and shareholders alike. The service design map thus becomes bigger. For service companies that deal in goods, like distributors and retailers, it reaches back into the factory and forward into repair and service.

Companies that do not deal in physical goods also have an extended map, often one that involves other service providers. With this large map, the well-designed service company is able to understand the full dimensions of a customer's experience, craft customer expectations more intelligently, and develop ways to work constructively with other companies for the common good of wooing, wowing, and winning customers.

First Steps, Next Steps

We have used the metaphor of the service journey throughout this book. Studying and writing about service design has been a journey for us, too, as it has been for many business leaders, and as it is, we hope, for you. Service design presents an exciting opportunity to explore something that is new to management thinking, new to business practice, new to many business leaders. It was journey of confirmation and discovery, of realization and recognition. Allow us to summarize what we discovered along the road:

• *The way to manage customer experience is to think of it as a journey* that you and your customer take together. This journey has many steps—many touchpoints—each of which is important. Your hope is that the end of each journey marks the beginning of a new one for you and your customer. The customer's repeat business is a reflection of the value that you give and that you create together.

• *Empathy is the starting point of the journey* and must be your constant companion—your Jiminy Cricket—as you design the customer's experience. Empathy allows you to understand what the customer is experiencing, to anticipate even those needs and desires that customers have not put into words, and to translate these into actions through your design and delivery.

• *Empathy must be reined in by expectations you set and meet.* Empathy unbridled can lead you to wanting to do all and be all; expectations keep you and your customer in line. Your ability and willingness to meet customer expectations are powerful indications of whether you do in fact have an actual design to your service.

• *Service design and delivery are a strategic discipline.* Use strategy to determine SD2; use SD2 to execute and reinforce strategy. Your goal is to design and deliver a delightful experience to your customers in arenas where you have the right to win.

Coherence, consistency, and alignment need to be designed into your service offering, or they will be frittered away in the delivery. You must understand which customer interactions are most critical—and get company-wide agreement on the list and empower leaders to enforce adherence to the agreement. You should map and measure customer journeys as a whole, not just at each touchpoint.

• *Responsibility for customer delight belongs to everyone.* In a truly customer-centric organization, everyone is arrayed around the customer and everyone can contribute to the success of the journey you are on together.

In many ways SD_2 is simple, but its simplicity must not hide the fact that it is a never-ending process. You are never done; by the same token, it is never too late to begin.

You are never done because customers' needs and tastes will evolve, as will your own ability to meet them. Ideally one should not widely outpace the other.

It is never too late to begin, but the choice never to begin is a mistake. As more companies become aware of the importance of service design and delivery, as services—many of them largely commoditized—become a larger segment of the economy, as customers have fewer reasons to be loyal and more ways to discover competitive or alternative solutions to their needs, businesses that do not embrace the opportunity to differentiate themselves through design will suffer.

You do the wooing and the wowing, but ideally you and your customer both win.