Communicating with Customers

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Advertising through paid media has been the dominant form of marketing for most large companies for over a century. The logic has been simple. Communicate the benefits of the product to customers and count on the resulting increase in awareness, knowledge, and evaluation to lead to higher sales. This formula has been the key to the creation of countless successful brands. Today, however, in a world of hyper-competition, parity products, and consumer overexposure to advertising messages, it is widely recognized that marketers need to go beyond the conventional formula. Alternative marketing services such as direct mail, online advertising, and branded entertainment already account for a greater share of marketing budgets than traditional advertising.

There is more at issue though than the need to spend more on other forms of marketing communications. There is certainly a need to invest in alternative media, interactive advertising, and the like. But there is a bigger challenge. Advertising alone, no matter how sophisticated, may not be sufficient to ensure that consumers are highly engaged with a brand. We believe that companies need to expand their view of communications beyond advertising to customers. A company needs to give equal weight to communicating with customers. By communicating with customers we mean listening to customers about their concerns and talking to them about these concerns. In short, we mean having the kind of conversations with customers that they want to have. This applies not only to companies like retailers who by their nature already have extensive contact with customers but also to companies that may now have contact limited to call centers and the like. Consumers may want to have conversations even more in the latter case.

It will always be important to get the product’s message out to customers. The effectiveness of even the best advertising will be limited, however, if customers feel cut off from the company, talked to but not listened to, unable to interact with the company. Consumers may be receptive to what the advertising message promises but they increasingly will also want specific commitments as to what they can expect in dealing with the company and, surprisingly, what the company expects from them. Even the clearest of advertising promises (such as “always the lowest price”) needs to be coupled with two-way communication in which the company commits to listening to customer issues and responding to them.

The challenge is not just to deploy the tools of Customer Relationship Management (CRM). Call Center technology and the like may be useful, even necessary, but they are not sufficient. The challenge is not merely one of handling customer questions and complaints. Nor is it just a matter of the organizational alignment of company functions (Kaplan and Norton, 2006). It is about truly connecting the organization as a whole to the customer. Companies need to project their advertising into the activities of the internal organization. Companies like Starbucks, Apple, Whole Foods, and Nike are already showing that customers find the experience of truly interacting with a company highly engaging. Having a company communicate with you is becoming an essential part of a positive customer experience. In our view, both traditional and alternative approaches to advertising need to
Companies need both an Advertising Strategy and a Commitment Strategy.

A Commitment Strategy must be inside out. The aim should not be one of simply communicating internally with employees. The goal is to engage the employee, so that the organization itself becomes a medium of communication with consumers. The goal is to surround the product or service with a communications experience that engages the customer. A Commitment Strategy comes most naturally to companies such as retail, service, and business-to-business companies that sell products through intensive sales and service interaction with customers. Yet we emphasize again that a Commitment Strategy may be needed even more where consumers may not feel that the company has any natural or existing avenue of communication with them.

Developing a Commitment Strategy to parallel your company’s Advertising Strategy requires thinking more broadly about communications. CRM and internal (company to employee) communications can play important roles but the challenge is to make customers feel that the company is truly communicating with them. A Commitment Strategy must engage both employees and customers.

In this chapter we provide a design framework for thinking about communications in this way. The framework treats a company’s operations as a network of commitments. It focuses management attention on employee-to-customer conversations and employee-to-employee conversations about customers. It leads to employees making commitments to customers and then to employees making commitments to each other to fulfill those commitments to customers. Advertising tells consumers about how the company’s product offers better benefits than its competitors. A Commitment Strategy applies to what employees say and do in interacting with customers about this. L. L. Bean thus goes beyond promising customer satisfaction to a commitment that any item can be returned for full value or replacement at any time with “no questions asked” in the communication experience. “No questions asked” is good example of what we mean by a commitment. Good Commitment Strategies go well beyond simple examples such as this, however.

First we will describe some companies on the cutting edge of using commitments to manage communication with customers. We do this in some detail in order to convey better the meaning of commitments and their power in communications. Then we will present our framework for designing a Commitment Strategy. Last, we will relate this specifically to conventional internal communications programs and more generally to integrated marketing. As we will see, having a Commitment Strategy as well as an Advertising Strategy can become an important part of implementing an integrated marketing strategy for a brand. As described by Malthouse and Calder (2005), such a strategy can turn CRM tactics into strategically driven marketing contact points.

Managing Communication through Commitments

A commitment, first of all, transforms communication between the company and the customer into a conversation. The brand message no longer lives just in the mind of the customer but becomes part of the conversation between customers and front-line employees. If the commitment is, as most successful ones will be, a conditional one, where the customer has certain responsibilities as well, this conversation will create a relationship between the customer and the employee. The explicit commitment to the customer will have a personal flavor. Both the customer and the employee will feel obliged to fulfill it, not just for
its own sake, but also for the sake of the relationship. We honor most commitments we make because we care about and respect the people to whom we make them.

Second, when there is an explicit commitment, a virtuous circle begins. Employees not only take pride in fulfilling the commitment but also tell the customer when they have done so. Customers explicitly acknowledge the fulfillment with gratitude. That gratitude in turn makes for more enthusiastic employees who take more initiative to earn more thanks.

Third, and most important, fulfilling the commitment to the external customer sets up a communications discipline that runs through the entire organization. Instead of having front-office and back-office people focused on their own processes in order to achieve company objectives, commitment-based companies have front-line employees asking back-office employees for commitments to complete work at a certain level of quality and by a certain time. The work does not satisfy a general competitive standard, but satisfies the external customer. Most of today’s internal corporate conversations, even those in high performance companies, are filled with justification, defensiveness, and silo-focused reports. These conversations should be more about commitments to the customer.

A handful of companies are leading the way in these three regards. Some examples worth looking at closely are Lloyds TSB Scotland, Pacific Trust in San Diego, and John Lewis in the UK.

**Commitments at Lloyds TSB**

Lloyds TSB Scotland is exemplary in deploying the concept of commitment and developing a customer communication experience around a series of commitments made by customers and employees. In 2001, Lloyds TSB Scotland offered its direct mortgage banking to brokers in the Scottish market. The bank confidently expected the Direct Mortgage Unit to have sales of £70 million for its first year, but eight months after its launch, it looked as though it would be lucky to hit £50 million. Worse, with less than 1% of the mortgage market, the sales team was reduced to “begging” for business. Brokers viewed the mortgage unit as the lender of last resort for their sub-prime clients. Lloyds TSB Scotland had an average of 95% loan to value.

To find out what he could do to change this, Norrie Henderson, Head of Mortgages, studied mortgage brokers in the Edinburgh area. The Scottish mortgage market is unusual in that Scottish homebuyers make no-contingency bids on homes before having mortgage approval or any prior financing. So most buyers use a mortgage broker to secure a mortgage loan quickly. Consequently brokers are harassed into making lots of follow-up calls to lenders to whom they have submitted applications in order to satisfy anxious buyers. Henderson found that the brokers were in a classic bind. They wanted to go out and make more sales, but they were constantly servicing their current nervous clients. Worse, with most of the lenders, there were frequently additional calls for information long after it appeared that the application was complete. This confusion around the completion of applications produced much anguish among buyers and brokers alike. Lloyds TSB Scotland was considered among the worst in requiring additional information and lots of follow-up.

To turn his business around, Henderson decided to make a distinctive commitment to the brokers in Edinburgh, one that could be linked to an advertising message, but which would also be an explicit part of the unit’s conversation with brokers. The commitment had to be one that would speak to the anxiety the industry created for both brokers and borrowers. Although back-office staff chafed, Henderson instituted the commitment that brokers would receive a “good as gold” decision on a short, preliminary mortgage application
within three hours of submission. The “three-hour” commitment meant that Lloyds TSB Scotland would be bound by the decision unless it later discovered a misrepresentation of facts in the full application.

Henderson advertised this commitment to a target group of brokers in the form of membership in a club for brokers sponsored by the bank, which he named “The Spearhead Mortgage Club.” The result was an immediate upsurge in applications. But then applications dropped off. Henderson engaged in a second round of interviews with the brokers. He asked if they were satisfied. Many said that they were not because their loan applications had been rejected. But when he asked them if they had received an answer in three hours without making follow-up calls, the brokers agreed that they had.¹ The rejection rate was high, because the brokers were still using Lloyds TSB for their high-risk applications. At this point, Henderson saw that his commitment was one-sided and easily taken for granted. The commitment needed to be expanded to include a reciprocal commitment by brokers to submit applications that represented the broker’s actual mix of business. The bank would commit to a speedy decision on the application but it would ask that Lloyds TSB get a “fair share” of the broker’s total business and a “fair mix” of the business, not just small, risky, high loan-to-value mortgages. “Fair share” and “fair mix” constituted commitments on the part of brokers.

At this point the commitment worked as a two-way communication experience. The conditional “three-hour” commitment drove Spearhead Mortgage Club growth exponentially. Thirteen months from the start of the Spearhead program, mortgage loans were £350 million, well exceeding market growth. The loan to value ratio went from 95% to better than 75% and average loan size increased by 40%. The growth continued. In 2004 mortgage lending was up 42%, and it was attracting other lending (up 27%) and growth in account balances (up 19%). Market share went from under 1% to 13% in the first 13 months. Lloyds TSB Scotland Direct Mortgage Unit enjoyed better than 150% CAGR in mortgage lending from 2001 through 2005.

Commitments at Pacific Trust Bank

The Lloyds TSB results are no fluke. In San Diego, California, the community bank Pacific Trust grew from $43 million in assets in 2001 to $318 million in assets in 2006 (a 49.2% CAGR), increased its number of branches by 33%, and is getting much more public attention than its size would warrant. Hans Ganz, the flamboyant CEO, is emphatic that he differentiates his bank on its customer communication experience. Like Lloyds TSB, he set out to relieve an anxiety felt by most banking customers. Surveys and focus groups show that banks are often seen as a necessary evil. Consumers think that banks gouge customers with hidden fees and service charges. Many bank customers feel their bank treats them with indifference, or as wrong until proven otherwise. No matter how many years a customer has kept money with the bank, the minute the customer is in need of credit, the bank may well abandon them. Banks keep the customer’s business by making it hard for them to switch. Conventional bank advertising does little to overcome these anxieties.

Hans Ganz instituted commitments designed to break the hold of the typical perceptions of banks on both his staff and customers. The first commitment met with little internal resistance but caused quite a stir in the market. Ganz promised to pay customers $50 to leave if they were not satisfied after six months. He wanted to upset all notions of consumer bondage. He composed the basic commitment himself: “Give us six months. We
guarantee you'll be completely satisfied with our service or we'll give you $50 to leave.²
Notice that, as with Lloyds TSB, the bank had to request the behavior it wanted. It had to
elicit a commitment from the customer. If a customer decided to collect the $50 and leave,
Ganz had one requirement: “All you need to do to receive the $50 guarantee is provide us
with a brief explanation on how we failed to provide the service quality that you deserve.”³
The commitment was paralleled in advertising as shown in Figure 1, below.

Building on the “$50 to leave” commitment, Ganz also changed the tone of the
conversations bank employees and customers had. Bank employees committed to
conversing in a hardworking, friendly, neighborly way. For instance, they called out “Hello”
the minute a customer walked in the door. Though advertising is modest, it parallels the
commitments. The bank boldly displays signage (in-store) that says:

You have the right to expect good service. We're all human, so you shouldn't
expect perfection. But, when mistakes happen, you should expect timely
correction of problems, to be made whole, and to be treated well in the
process.⁴

When was the last time you heard bankers openly admit to making mistakes?

These commitments caught the attention of customers and the press, but they were
insufficient to create a completely new communication experience. Ganz knew he had to
make a commitment that would emphasize to everyone throughout the bank that each was
responsible for communicating with the customer. One Monday, he announced to his senior
management team and his branch managers that he wanted them to publish their private
cell phone numbers and invite customers to call if they were ever dissatisfied with the bank.
The response was immediate and negative. The vice presidents and branch managers felt
as though he was asking them to give up their private lives, their spouses and their families.
They said, “Why don’t you do it?” and he said he would and that he and they would go even
further; they would all list their cell phone numbers on the bank’s website. It’s at:
http://www.pacifictrustbank.com/info/ServiceTeam.html. With the commitment that
customers could call the bank’s President, vice presidents and managers on their private cell
phones, Ganz fundamentally changed the communication experience. The bank’s
advertising messages built on the “call the President” commitment with copy such as: “Do
you know of any other bank where customers with a problem are encouraged to pick up the
phone and call the bank's President? Can customers with problems at other banks get past
the branch manager?” More than the promise of personal service, there is the commitment
to it. During the first couple of weeks, Ganz received a number of calls, mostly from people
who just did not believe the promise. Now, a few years into the promise, he says he receives about three calls per month.

The commitment has changed everyone in the bank. As SVP Branch Operations, Rachel Carrillo, puts it, “No one on the front line wants to receive a call from the president or branch manager saying that a customer has called with a problem.” With the telephone number commitment and a little coaching, the front-line staff learned quickly that a friendly, caring attitude was the best way to communicate with customers and stave off calls to their bosses.

What about the back-office functions though? In the past, front-office employees blamed back-office folks for mistakes. The back-office folks replied that the front-office people did not know what they were doing. Ganz and his senior team decided to look at this problem just as if it were one between staff and external customers: How could he turn issues and complaints into commitments that would facilitate communication?

Ganz made all employees responsible for turning their complaints into requests or offers. If the back-office staff did not think that the front-office employees knew the details necessary to provide a service, then the back-office staff was responsible for designing and delivering a training program to the front-office people. Likewise, if the front-office staff felt that the back-office staff had created overly burdensome procedures, they were to request that a back-office person spend time in the front to figure out a solution. The “training program” and “spend time” commitments were the start of a virtuous circle. Both front- and back-office employees became more flexible by virtue of their commitments. Commitments affect the entire corporate culture in this way.

Commitments at John Lewis

John Lewis, the U.K. retailer, has a marketing approach similar to the up-market service promise of Nordstrom’s in the U.S. John Lewis, however, also commits to its customers that it is “never knowingly undersold.” This commitment appeals to customers because it relieves them of the responsibility to shop around and check prices before making a purchase. Beyond this commitment and the promise of the brand comes a behind the scenes commitment that all employees, “partners” at John Lewis, check the prices of local competitors to discover “undersells.” Bonuses are awarded to partners who find products sold at lower prices at local retailers. And if a customer spots a lower price at a local retailer, the store manager immediately lowers the price for all customers. These interlocked commitments may seem straightforward but they are not because John Lewis must apply this commitment to a wide range of up-market products that might well be discounted at other stores. Thus buyers have to focus not only on the usual criteria for product selection but also on acquiring merchandise that discounters will tend not to carry and other stores will be less likely to discount. Additionally, the “never knowingly undersold” commitment ultimately not only touches buying strategies but also departmental budgeting, displays, training, compensation, and virtually every other aspect of the business. The commitment shapes the entire John Lewis corporate culture.

As with Lloyds TSB Scotland and Pacific Trust bank, John Lewis’s chairman, Stuart Hampshire, tells his customers what he wants from them. He wants customers who care about workers’ conditions, using environmentally sensitive materials, treating others with respect, and dealing with retail employees who are treated with respect by their employer. Although John Lewis will never knowingly be undersold, it does not cater to customers who care only about “getting a bargain.” John Lewis promises superior service and commits to
keeping the customer from having to shop around to compare prices. It asks the customer for a commitment for something in return and makes this commitment clear. The “never knowingly undersold” commitment itself is linked to the condition that customers must care about others.

John Lewis customers take both sides of the commitment seriously. We have repeatedly observed participants in focus groups say that they like the service promise but enjoy shopping at John Lewis because they feel a strong sense of dignity there. Notice in the consumer quotes below how the reciprocal commitments color the entire shopping experience.

“I shop at John Lewis for carpets, not Carpets Plus. I don’t have to worry about comparing prices. I know that John Lewis has only quality goods. And John Lewis gives me a price guarantee.”

“At John Lewis, the sales associate always takes me to the product if I ask a question. I get treated with dignity. At other places, the sales associate will just point.”

“John Lewis is my favorite store because the sales associates really care about getting me just the right product, even if it is one that is not as expensive as the one I wanted when I came in. And I can be sure the price is right.”

“I know that John Lewis wants me to care about how it treats the world. I do.”

**Designing a Commitment Strategy**

There are four key steps in designing a Commitment Strategy to complement your advertising. Since the communications process is cumulative and ongoing, think of these steps as iterative.

1. **Identify specific commitments that follow from the overall brand promise advertised to customers.** The brand promise may be more or less well developed but it will ordinarily always imply some commitment. A good way of thinking about this is to consider what anxieties a customer could have about the promise or perhaps even about the general product category if the promise is a very general one. What might customers worry or wonder about? What might they need to know? What might they want to inquire about? Commitments address such anxieties.

2. **Map out the commitment conversation that customers would ideally have with front-line employees.** It is critical to view the commitment in terms of a conversation with the customer and to map it out as a two-way communications loop. The goal is to design the commitment conversations that you want to happen.

3. **Map out the network of commitments that will connect front-line employees with other staff.** Work backwards to identify the chain of conversations that will need to happen if the basic commitment to the customer is to be honored.

4. **Monitor customer satisfaction with commitment conversations and the overall communications experience.** Remember the initial problem with Lloyds TBS Scotland where the original “three-hour” commitment needed to be modified to include the reciprocal “fair mix” commitment. It is crucial to obtain feedback on whether the commitment is working as it should be or is breaking down.

Let's examine this logic in more detail.
Identifying Commitments

All non-trivial brand promises generate some consumer anxiety. With Lloyds TSB, the idea of shorter turnaround was very appealing but brokers and their clients feared that they would be less likely to secure the loan. Hans Ganz knew that most bank customers feared that banks make offers to get their business and then gouge them six months later with hidden fees. John Lewis knew that retail customers worried they might be duped into paying super-high prices by the promise of superior service.

The most difficult part of constructing a commitment is to answer the anxiety inherent in the brand promise. Norrie Henderson and Hans Ganz excel at this. Three guidelines serve them well. (1) Design as though you trust your customers. (2) Make a bold commitment that clearly faces one dimension of the anxiety. (3) Make the commitment measurable: “We’ll provide a decision in principle within three hours.” “We will pay you $50 if you leave us after 6 months.” Make the initial promise bold and clear. Later, you may need to make other commitments if you need to take up another anxiety as with the example of publishing private cell phone numbers.

Do not forget the need for reciprocal commitment. Many marketers find it difficult to state the behavior they want from their customers beyond purchasing behavior. Norrie Henderson asked for what he needed to compete successfully: a fair share of the brokers’ best customers. Hans Ganz asked for an explanation on which he could act. Stuart Hampshire of John Lewis asked for customers who will genuinely appreciate his corporate values. Such reciprocal commitments rebound to the benefit of customers as well. John Lewis customers take pride in shopping at John Lewis.

Often changing the brand or designing a sub-brand is key to bringing out a commitment. It is important that the commitment be made manifest and tangible in order to create an actual communications experience. To embody the “three-hour” commitment as something concrete, Henderson named the club of brokers he created “Spearhead” and sent invitations to join on specially made arrows featuring the broker’s corporate colors. These were mailed in specially branded Lloyds TSB’s tubes. Henderson also staged events around these invitations such as archery contests. A typical launch mailer invited targeted brokers to an introductory archery event where Henderson explained the mutual commitments. It is important that commitments take concrete form.

Commitment Conversations

Conversations around commitments solve two of the biggest problems companies have: (1) sales teams promising whatever it takes to make the sale and (2) service representatives who act like compliance police as in, “You did not enter your customer number correctly.” With well-coordinated commitment conversations, customers and front-
line employees spend time talking about how they could make things better and not lodging complaints, arguing over what was promised, or playing GOTCHA.

But since commitments need to made by the whole workforce, they need to evolve. Most of the time, it is best to test new commitment conversation designs with small customer segments. Conversations generally need to be refined based on actual front- and back-office practice. For instance, Lloyds TSB back-office staff collected historical information about where homes were selling, the types of customers, sizes of mortgages, trends in down payments, and so forth. As front-line employees started talking to the brokers about their mix of business, they found that they could usefully draw on this information. Hence, the back-to-front office conversation about trends became standard.

Thus one of the most important things in the entire process is the ongoing redesign of commitment conversations. Once a company makes and starts living up to a commitment, a revolution occurs. Both customers and employees will expand the original commitment into a larger one. Norrie Henderson discovered that the true heart of his revolution was not the “three-hour” commitment itself. Rather it was the change in the role of the underwriter. Most banks keep their underwriters from ever speaking to a client or a client’s representative. Underwriters protect the bank from risk. Henderson had his underwriters explain their decisions and offer alternatives by speaking directly to the brokers. It is critical to evolve commitments emerging from conversations into a “core” commitment by the company. Hans Ganz discovered that customers wanted trustworthy, responsive, neighborly conversations with bank employees. The core commitment became treating every customer as a close neighbor. John Lewis’ core commitment is fast becoming employees who get carried away getting inside the customer’s head and finding just the right product and explaining why it is the right product.

We now turn to the design of commitment conversations as a way of implementing the commitments that have been identified.

The Commitment Loop: The Basic Design Tool

We turn now to mapping out commitment conversations and networks of commitments. Mapping is a powerful design tool for creating and understanding interconnected conversations where people make offers and commitments and then fulfill them. Carefully aligned commitment conversations enable employees to make responsible commitments to customers and to ask for certain behaviors in return. Commitment conversations should be designed to follow the phases of a commitment loop, which is the basic atom of any network of commitment conversations. The loop shows how to make commitment conversations operational. Loops are connected together to map the network of commitment conversations necessary to take complex action.

A commitment conversation starts with an external (or internal) customer and a performer, who is the key employee in the conversation. These roles are defined within the conversation, and the performer in one conversation can be the customer in another. A unit manager might ask the CFO for a report on her purchasing spend. Although she is less senior in the organization than the CFO, she functions as the internal customer to the CFO who will be the performer. On another occasion, the CFO could ask the manager to submit her annual budget, in which case the manager is the performer and the CFO the customer.

The commitment conversation goes through four phases in the loop between the external or internal customer and the performer: preparation, negotiation, making it happen, and acknowledgement. Three of the four phases end with an action-oriented speech act--
request, promise, or declaration. We will exemplify the four phases and the typical speech acts with a readily appreciated example of how the conversation loop generally works at Starbucks.

**Preparation:** Normally, Starbucks customers prepare to make a request by thinking about which beverage they want to design and what the Starbucks people call it. They check to see if they have the money and the time to drink it and then walk into the closest Starbucks. When the Starbucks staff person beams a huge smile at you and says, “Do you want your regular today?” you know that you have someone tuned in to your interests. “I’d like a vente black coffee, not my normal grande.” With that request, the preparation phase is complete.

**Negotiation:** The negotiation phase begins with a simple, strictly win-win negotiation. “Would you like something to eat? The scones are great today. Also, we have a free sample of our new holiday drink.” The scone might appeal or trigger another idea for a snack or remind you that you have a scone-loving friend back in the office. In general, negotiation brings in considerations of the larger context on both the customer’s and the performer’s side. “Just the coffee, please.” “It’s coming right up.” Thus negotiation phase ends with the promise from the performer.

“It’s coming right up” could be a disinterested prediction, and at many businesses it is. “Your package is in the mail. I can give you a tracking number if you’d like.” But at Starbucks baristas and counter people promise fulfillment. They typically take responsibility for making sure that you get your drink in a reasonable amount of time at reasonable quality and compensate you if you do not.

**Making it happen:** “Did you say you wanted foam?” “No thanks.” Conversations in the making-it-happen phase involve new insights that arise in the process, new offers the performer can make, new desires that the customer has. “Here is your skinny grande cappuccino with two shots and cinnamon,” the counter person or barrista says after making it happen. That declaration or report completes phase three. And in many organizations, that’s the end of the conversation.

**Acknowledgement:** At Starbucks there is almost always a follow-up. “I’ll see you later.” Or “Have a great day.” These valedictory acknowledgements are not just niceties. They are ways of finding out if the customer is satisfied. If the customer looks or sounds dissatisfied, the employee will ask, “Can I get you something else?” In most cases, the customer simply says: “Thanks very much.” The declaration of gratitude, an acknowledgment, leaves the barrista feeling better about her work and the customer feeling better about life.

Conversations designed to follow this loop draw customers and performers into relationship with each other, even in such a simple transaction as purchasing coffee. Obligations are expressed and felt. When that happens, communication takes on a personal character which companies often value but find hard to achieve. The loop as a design tool gets at this by including among the conditions of satisfaction a statement of the style with which the conversation takes place. At Starbucks, baristas and cashiers make commitments in an uplifting manner.

With this understanding of the basic commitment conversation loop, let us turn to implementing commitments through linked loops. (See Figure 3 for a schematic representation of the commitment loop.)
Designing the Network of Commitment Conversations

Let’s examine how Lloyds TSB Scotland used networked commitment conversation loops to fulfill the commitments it identified, first with the “three-hour” response commitment and eventually with the core commitment of having underwriters help brokers solve problems. The steps Norrie Henderson went through are typical and illustrate the design process well.

After interviewing his broker customers, Henderson began his internal diagnosis by mapping the key commitments that his managers made to him. He began with managers in charge of marketing and advertising. Henderson’s initial diagnostic map appears in Figure 4.
Starting with the marketing managers, Henderson noted that the company’s advertising focused on the clearly established brand attributes, vigorous, powerful, and fast, attached to the Lloyds symbol, the Lloyds black horse. Ads showed the horse with various voiceovers about particular products. The Direct Mortgage unit sought to match the overall brand’s 4% share, but was struggling to hit 1%. The advertising promises of brand benefits simply were not having their carry-over effect to direct mortgages. Nevertheless, the commitment conversation with marketing still focused on broad brand themes. Henderson realized that he was not asking marketing or the ad agency to acknowledge the results or examine their assumptions. Henderson drew dashed lines in the acknowledgement and preparation phases while noting that the central commitment of the conversation was wrong.

Next came the commitment conversation of the relationship managers. Since they did not negotiate with Henderson or with other internal managers, he drew a dashed line for negotiation and performance to indicate that it was deficient. Since he did talk to the relationship managers about how they were doing in sales, he left the acknowledgement line solid. He concluded that the relationship managers were promising whatever would get the sale, which was usually impossibly fast processing times. Henderson characterized the conversations of the relationship managers as desperate.

Since the agreement of a broker to apply required another step, Henderson mapped the conversation of a third group who dealt with the brokers. The sales support team helped the brokers complete the application. The sales support team issued the one-size-fits-all application to brokers and resentfully chased the broker and customer to complete the supporting documentation (the packaging). They saw their role as efficient processors. But since the brokers needed help evaluating whether certain documents and information satisfied the requirements, sales support took time out from their compliance work to help. Henderson indicated this deficiency in understanding of their role with a dashed line in their performance phase.

Note that in Figure 4 all of the above commitment conversations occur in the upper left quadrant of the map. In the context of the entire network of conversations, all three are about Preparation. It is useful to capture this higher-order structure by labeling the quadrants of the graph as Preparation, Negotiation, Making It Happen, and Acknowledgement. The overall structure thus follows the phases of the individual conversations. This is often useful in organizing the network of conversations in a map. Thus, after considering the three Preparation commitment conversation loops, Henderson turned to the Negotiation quadrant.

He discovered that very little negotiation actually occurred. His underwriters and sales support teams had come up with a one-size-fits-all mortgage application form that, once complete, would enable--or so they thought--fast underwriting decisions. Lloyds TSB Scotland sought speed by cutting negotiation with the brokers. But since the brokers and their clients found the one-size-fits-all application burdensome and confusing, they made frequent complaints to their relationship manager. The relationship managers could do little more than harass the sales support team into helping the brokers out. The sales support team did not have a recurrent commitment conversation with the relationship managers. So the relationship managers were reduced to begging the brokers to be patient and begging the sales support team to help. That was the negotiation that took place. Henderson represented this with a detached, floating loop in the Negotiation quadrant.
In the Making-It-Happen quadrant, Henderson saw the most important commitment was for underwriters to review applications and make decisions quickly. The underwriters made their commitment, however, to do this to the head of credit, whose commitment to the bank was to maintain a safe risk profile. He did not promise speed, flexibility, or an interest in growing market share. Hence his underwriters were conservative and slow. They frequently demanded complete applications even when they would not use the missing data. They did not explain their decisions, not even to the extent of telling relationship managers what changes in the application, such as increasing the equity, would enable acceptance. Rather, when a loan was borderline acceptable, they would issue an acceptance with complex conditions. Henderson characterized the conversations around the underwriters’ promise as aloof and risk-averse. The underwriting obscurity led to slowness both in issuing letters of acceptance and also in cutting the check. The team that issued the checks had to be sure of compliance with the conditions. Thus, the conditions turned the other performers into nervous compliance checkers.

Henderson had no recurrent follow-up with brokers to check their level of satisfaction or collect feedback on what could be improved. Thus, there was no conversation loop in the Acknowledgement quadrant.

Overall, Henderson’s diagnostic map showed a classic manufacturing bureaucracy: almost all sales and production with little listening or care for the customer, no real negotiations, no real acknowledgement. Looking at all these commitment breakdowns, he made five critical observations.

1. The whole conversational process was trying to respond to the broker’s desire for quick decisions. That promise was one brokers did appreciate.
2. But since sales support, relationship managers, and finance determined what would count as quickness by their own lights, they ended up creating huge inefficiencies from the brokers’ perspective.
3. Henderson needed to have all critical commitments in the process made to him. Key elements of the process worked like autonomous nations.
4. Other than the relationship manager’s initial conversation with the broker, all the other conversations were in one way or another about compliance. That had to end.
5. As a commitment process, Henderson’s implicit central commitment to the brokers was to run a mortgage processing shop not a service organization. No wonder the business was failing to meet its goals.

Two challenges screamed out from the diagnosis: (1) Relationship managers had to able to make a reliable commitment to brokers regarding speed. (2) Henderson had to obliterate all the follow-up that kept brokers from going after more business and made the Lloyds TSB back office into compliance checkers. Consequently, he changed his central commitment to the broker community. He committed to simplifying the brokers’ businesses with fast, no-need-to-follow-up mortgage loans.

Working out from the new, provisional core commitment, Henderson saw that three key problems caused delays and follow-up calls: the all-purpose application, the complicated packaging, and the uncommunicative underwriters. To remedy the situation, he drew on one of the fundamental principles of commitment-based design: Structure commitments on the assumption that people tell the truth. He asked, “how much information did the underwriters really need to decide whether they could approve a loan?” Henderson’s underwriters came up with about a half-dozen questions, which if answered fully and truthfully, could enable them to make a decision and then issued a slimmed-down application form.
On the basis of the new questions, Henderson refined his core commitment to the brokers. He committed to a mortgage loan decision within three hours of submission of the answers to the questions. No follow-up needed! Moreover, unless the supporting information showed misrepresentations in the original answers, Lloyds TSB would honor that three hour decision. It was as “good as gold.” See Henderson’s first redesign in Figure 5.

The redesigned network of commitments solved the problems Henderson diagnosed. He accepted a commitment from marketing and its agency to promote a special sub-brand, “Spearhead,” on both quickness and accuracy. The new commitment conversation with marketing was one of continuous invention. Relationship managers agreed with Henderson to sell the “three-hour” mortgage commitment in exchange for a fair mix of business from the brokers. Where there had been no negotiation, Henderson inserted the most important conversation in the whole transformation. He told the underwriters to talk to the brokers directly and explain their decisions. The underwriters also agreed to support the business goals by finding ways to approve mortgages within the risk model and within the three hour time period. This conversation was both tough-minded and inventive.

Once the broker, the broker’s clients, and the underwriter agreed on the mortgage terms, the sales support team went back to work helping the broker complete the necessary packaging. The conversation was about help and not compliance.

Last Henderson insisted that relationship managers recurrently get back to the brokers to discuss the level of satisfaction on both sides and to find ways to help each other succeed in the business. To everyone’s surprise, the brokers started to call up the relationship managers to check on the relationship manager’s satisfaction with the business.
The style of conversations became responsive in contrast to the earlier compliance-oriented style. In fact, as described earlier, an even stronger core commitment evolved out of this.

Several months after ramping up the program, underwriters found themselves engaging in conversations with brokers that no one ever expected them to have. If the decision was “no” for a £100,000 loan, the broker might negotiate and say, “What if my client put more money down?” The underwriter could come back immediately and say, “I could approve an £80,000 loan for this property.” Similarly, the underwriter might suggest a longer term, a zero-interest product, or even another financial institution that would accept the higher risk. Even when the answer was “yes,” brokers and underwriters engaged in conversations over where they were seeing lots of business.

When Henderson learned how highly the brokers valued this conversation, he developed a training program for the underwriters to increase their skill in conducting them. He also changed the core commitment that Lloyds TSB made to the brokers. The company committed to finding the best mortgage deal for brokers and providing them with valuable information to improve their businesses. The final map of the Direct Mortgage Unit’s network of commitment conversations appears in Figure 6. You can see that all conversations are aligned around promoting and supporting the underwriter’s conversation with the brokers.

How well did this Commitment Strategy work? We need only look at the competitive situation. Other banks have made competing advertising claims, one has even promised a 20-minute decision. But Lloyds TSB has kept growing its market share based on its attention to actual commitment conversations.
Commitment Conversations over Time

One needs to constantly adjust both the internal and customer-facing commitment conversations in response to feedback. When Hans Ganz published the cell phone numbers of his branch managers, he found an unexpected change taking place. As more customers called and got to know the branch managers, those managers started to take their branches more seriously. They started acting as owners and demanded that they be able to develop their own promotions to fit their market area. Ganz responded to this (internal customer) feedback by making this happen. No branch can be without a children’s play area, a change machine (for fast deposits of all that change that mounts up at home), and a clear line of sight from the counter to the doors, enabling staff to greet everyone who walks in. But each manager can choose his or her monthly promotions in accord with the branch’s neighborhood.

Commitment conversations inherently open a two-way chain of communication that extends into the corporate culture and its values. Employees do not need to be told what customers think because they are linked to customers. The company does not need to preach that customers matter because employees make personal commitments to them. At Lloyds TSB relationship managers learn about the brokers’ businesses as the brokers learn about how to succeed with Lloyds TSB. The culture has changed so that underwriters have, improbably, adopted entrepreneurial, deal-making values. At Pacific Trust, Hans Ganz loves asking customers, “How are we doing for you?” You frequently hear customers answer, “You’re the best bank in the world.” You can be sure that if he repeatedly failed to hear these magic words, he would find a new commitment.

As we have tried to suggest, a good Commitment Strategy, like a good Advertising Strategy, can have a cumulative effect. At John Lewis, partners have become famous for their product knowledge. According to Simon Fraser and Andrew McMillan, who are in charge of the customer experience at John Lewis, their partners love to teach their customers. They are mavens. Who would have guessed that “never knowingly undersold” would lead to a kind of product maven culture? It is typical, however, that, as customers show gratitude, employees show more enthusiasm and change in response.

The discussion above was intended to illustrate the process of designing a Commitment Strategy and to convey some of the richness of looking explicitly at commitment conversations. The Appendix at the end of this chapter presents a more systematic explanation of how to use the commitment mapping design tool.

The Role of Internal Communications

Almost all companies of any size already have an internal employee communications program or perhaps even a large department devoted to this function. How does a Commitment Strategy bear on this? Presently internal communications in most companies focuses on explaining to employees what is going to happen and why it is the right thing to happen. It might portray a current problem, but it will almost certainly describe a bright future.

Recently there has been a trend toward opening up internal communications. John P. Kotter, a leading thinker in the area, emphasizes the following. Keep it simple; use metaphors, analogies, and examples; use many different forums (large group meetings, memos, newspapers, posters, informal one-on-one talks); repeat, repeat, repeat; walk the talk; address seeming inconsistencies, listen and be listened to. And in the best cases,
internal communication is more likely to involve listening carefully to employees. But on balance we think it is fair to say that the communication is still more top-down.

As our examples have shown, a Commitment Strategy, while not necessarily inconsistent with conventional internal communications, looks at communication in a different way. With a Commitment Strategy internal communication is more the conversations employees have with customers. It focuses on commitment conversations. Thus, in a commitment-based company, leaders and managers do not spend time in every meeting justifying the corporate vision or strategy and then laying out how to fulfill it. They give enough background to what they are thinking to make requests of their employees. Leaders negotiate with employees, then, in order to get into action. Employees realize that in accepting a request, they will be shaping the idea in action. And as the employees and their leaders acknowledge what worked and what did not, they will be reshaping the idea for another go around. At the end of a commitment-based meeting, an employee does not say, “I get your vision and endorse it” (or more quietly, “I’ll wait until this one blows over”). The employee commits to making something happen.

All this is not to say that some of the activities typical of conventional internal communications cannot be useful for a Commitment Strategy. Take celebrations. Celebrations already play an increasingly important role in corporate life. Celebrate wins! But in most places wins are defined in terms that the financial community would appreciate, lower costs, higher rates of customer satisfaction and retention, and sometimes such intangibles as increased morale. In contrast, at John Lewis each store has to generate three legendary stories each year about an employee helping a customer with a product. These are celebrated with videotaped re-enactments. John Lewis even has its annual film festival where the legendary stories are judged.

In a company that links its internal communications to a Commitment Strategy, the company and its leaders must constantly observe and report on how commitments are kept, and then help to celebrate them.

Commitments and Integrated Marketing

We began by arguing that advertising alone may not be sufficient for success in a changing marketing world. A Commitment Strategy turns an advertising promise into a commitment conversation that consumers can experience in their interactions with a company and employees can experience in their interactions with each other. One of the authors recently had a service interruption with his Internet connection. A call to the provider resulted in the usual telephone tree nightmare. On finally navigating this, a representative came on the line and began by reading a script explaining how much the company valued customers and wanted to provide good service. The customer was then told that he should wait a day or so to see if service resumed. After considerable protesting, a supervisor came on the line and, after more protesting, said that she would call back after checking with a technical representative. She probably tried, but was unable to reach this person or resolve the problem, but in any event, she did not call back. The customer had to call and start over with another representative. And so on. We find that such experiences have become symptomatic. Consumers are quite simply becoming sick of companies that are not able to communicate with them.

Advertising cannot remain above this. Internal communications cannot remain oblivious to this. The solution is not about more or technically better CRM. Advertising and internal communications need to be integrated with a Commitment Strategy for employee-
customer and employee-employee communications. This strategy needs to be highly concrete and action oriented. In our view it should ideally be designed around a specific set of commitment conversations that deliver on an overall core commitment that the company is making. That core commitment should be integrated with the advertising promise. From an integrated marketing point of view, commitment conversations with the customer represent contacts or touchpoints of a different kind than traditional ads and both should be integrated with advertising into a seamless marketing plan. Once Advertising Strategy is integrated with the Commitment Strategy, employee touchpoints become the way a company validates and makes concrete the brand promise conveyed by advertising.

Commitment conversations are also important from an integrated marketing perspective because they inherently lend themselves to and even often require customization. In the commitment conversation process, of preparation, negotiation, making it happen, and acknowledgement, customers invariably will be treated in a more individualized way. Malthouse and Calder (2005) describe why such customization is important for branding. It is through contacts in which consumers are treated in a more subsegmented way that marketers can build a relationship brand. To have customers experience a brand as similar to having a relationship with someone is a great goal of marketing. A Commitment Strategy thus not only makes the brand promise more concrete it also can help to create a relationship experience with the brand.

We emphasize one other closing note. As we have said a Commitment Strategy lets the consumer experience the advertised brand promise. It also can change how consumers regard the advertising itself. Consumers who experience commitment conversation contacts may actually become more engaged with advertising. They realize the advertising is about something they are experiencing in their lives. Commitment can even create its own buzz that causes consumers who might not otherwise be affected by the advertising to engage with it. No doubt John Lewis customers engage more with its advertising because of their in-store commitment conversations with sales partners. And these customers make other noncustomers notice John Lewis’ high-service advertising message by telling stories about their commitment conversations to other people.
Notes

1 We thank Richard Flinn and David Singh for their personal reflections on the follow-up meetings with brokers, November 25, 2005. We also thank Don Sull for his analysis.

2 http://www.pacifictrustbank.com/products/guarantee.htm

3 http://www.pacifictrustbank.com/products/guarantee.htm

4 http://www.pacifictrustbank.com/products/guarantee.htm

5 Article by Stuart Hampshire published in Retail Week in May 2006.

http://www.johnlewispartnership.co.uk/Display.aspx?MasterId=4b9ceba8-9f69-4dc3-a86a-0cad0d41aa38&NavigationId=562


8 Kotter, 120.

References


Appendix
Guidelines for Mapping Commitments: Basic Map, Diagnostic Map, and Redesign Map

**Basic Map**

1. Draw a main loop in the middle of the page. Draw cross hairs to divide the page in four parts with the loop in the center of the page. Write “Preparation” in the upper left hand corner quadrant, “Negotiation” in the upper right corner, “Making it Happen” in the lower right, and “Acknowledgement” in the lower left.

2. Identify the main customer for the business activity. This customer is usually an external, paying customer. Identify the customer by the segment name (“mass affluent”) if applicable.

3. Identify the role of the individual who is the main Performer. That is the person, generally the business-line leader, in charge of all the key activities for selling and delivering the product or service. Map from the perspective of this key performer.

4. Write inside the central loop the tentative commitment the key performer makes to the customer. Ideally this commitment should reflect the advertised brand promise. Characterize the style of communication (e.g. in a neighborly style). The general form is: “Take care of a customer concern within a timeframe in a certain style.”

5. From the perspective of the key performer, jot down on a scratch pad the top 10 to 12 commitment conversations necessary for a sale. Once inside the map, if a new commitment conversation comes to mind, eliminate another on the map. Note that some key conversations will remain implicit: tacit hand-offs or inexplicit expectations (sales notifies marketing of changes in customer behavior). Give these tacit commitments voice but do not clutter the map.

6. **Preparation Quadrant**: Ask who or what incites the customer to contact your business. An ad created by the agency? A business developer? Sales? Draw conversation loops for each of the critical conversations, no more than three, and write the commitments inside. The loop representing the conversation farthest from the actual customer request should be farthest from the center. The one where the request is made goes closest to the center. Add the roles of the performers on the right side of those loops and the external customer or the internal customer on the left. Leave the customer space blank if the activity just happens automatically or by habit. Likewise, if the commitment is vague, write your best guess in red.
7. **Negotiation Quadrant:** Ask who responds to the customer’s request and determines how the business will commit to fulfill it. Sales person? Sales manager? Specialist engineer? Project manager? The loop closest to the center shows the commitment made to the customer.

8. **Making-it-Happen Quadrant:** In order to get the job done, what are the three main commitments made by various people and to whom are they made? Complete loops for the three key conversations.

9. **Acknowledgement Quadrant:** Identify the performer who asks the customer to declare satisfaction or dissatisfaction. This conversation is often initially missing. Marketing surveys and customer service do not count. How is this conversation connected to other conversations internally?

**Diagnostic Map**

10. Some diagnostic judgments have already been represented in the basic map: red commitments indicating vagueness and missing customers. Examine each of the 12 loops outside the main loop and ask whether there is a clear request, a clear commitment, a clear report that the work is done, and an acknowledgement by the customer of satisfaction or dissatisfaction. Draw red lines where the conversation phases are weak, black where they are clear. Look out for quadrants such as negotiation and acknowledgement where conversation may be missing. (Annual reviews typically do not count as acknowledgement of a particular request’s fulfillment.)

11. Next, diagnose the alignment of commitments. Write alignment diagnoses in call-out boxes. Consider the following:

   - **Preparation Quadrant:** Do the commitment conversations add up to exploring the customer’s concerns behind the request? Change the style in the central loop to match the style of listening to the customer.
   - **Negotiation Quadrant:** Do various commitment conversations add up to the customer and performer brainstorming the best solution together? If not, then the commitment in the central loop is the delivery of a simple product or service, not a solution, valuable experience, or strong brand promise.
• **Making It Happen Quadrant:** Do the commitment conversations add up to staying in touch with the customer, supplying updates, and finding out about changes? If not, revise the central commitment to say the product or service is standard.

• **Acknowledgement Quadrant:** Do the commitment conversations add up to treating the customer as the boss and seeking closure on the activity while creating openness for others? If not, then the style of the central loop will have to be official, bureaucratic, or cold.

**Redesign Map**

12. Generally, the redesign comes from looking at the core commitment and comparing it with the brand promise. Most leaders want their business to add higher value than it does in fact. Write the new central commitment consistent with the brand promise in the center.

13. Make appropriate changes in the 12 commitments around the core commitment so that they are in alignment with the core commitment and phase goals: make sure that Preparation yields a well-defined request, Negotiation is win-win, Making It Happen is responsive to change, Acknowledgement has the key performer, or a real representative, listen to the customer.

14. Change the performers as necessary

15. Create more tightly linked commitment conversations by making the key performer the stand-in for the external customer where possible.