

INTRO & E-CHAPTER 1

From Tired to Inspired



JIM CHAMPY
INSPIRE!

WHY CUSTOMERS COME BACK



FROM TIRED TO INSPIRED

J I M C H A M P Y

Jim Champy is one of the leading management and business thinkers of our time. His first best seller, *Reengineering the Corporation*, remains the bible for executing process change. His second book, *Reengineering Management*, another best seller, was recognized by *BusinessWeek* as one of the most important books of its time. Champy is also an experienced manager and advisor. He is currently the Chairman of Consulting for Perot Systems. He speaks and writes with the authority of real business experience and brings pragmatism to the world of business.

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Jim Champy revolutionized business with *Reengineering the Corporation*. Now, in *Inspire!* he's doing it again. In an era of commoditization and ever less loyal customers, he shows you how to keep customers coming back. Drawing on dozens of original case studies from companies in a variety of industries, new and old, Champy reveals how to define a consistent value proposition your customers will be passionate about—and will *stay* passionate about. Once again, James Champy has given businesses actionable solutions to the most challenging problem they currently face: making customers stick. In this chapter, see how one great company creates customer-stickiness. We hope it helps you do the same.

THIS IS THE SECOND BOOK IN A SERIES OF COMPACT VOLUMES ON THE KEY TOPICS OF STRATEGY, MARKETING, MANAGING PEOPLE, AND OPERATIONS. TAKEN TOGETHER, THESE VOLUMES DELIVER THE MOST CURRENT INTELLIGENCE AVAILABLE ON HOW TO SUCCEED IN TODAY'S BRAVE NEW WORLD OF BUSINESS. THAT'S BECAUSE THEY ARE ROOTED IN THE ACTUAL EXPERIENCES AND INSIGHTS OF A SELECT GROUP OF COMPANIES THAT HAVE FOUND NEW AND BETTER WAYS TO INNOVATE AND GROW IN SPITE OF OUR CHALLENGING ECONOMIC ENVIRONMENT.

INTRODUCTION

In *Outsmart!*, the first book of the series, I drew metaphorically from Charles Darwin's theories of survival:

- ▶ Species always breed beyond available resources.
- ▶ Those species with favorable variations have a greater chance of survival and pass on their variations to their offspring.
- ▶ Adapted species force out weaker ones, producing whole new species.

Applying these theories to business, Darwin might say that companies tend to breed beyond their available pool of customers; that companies with innovative strategies have a better chance of survival; and that such companies force out weaker rivals, creating whole new business models.

Outsmart! describes and analyzes the strategies of successful, fast-growing organizations. *Inspire!* picks up where *Outsmart!* leaves off, showing how these kinds of organizations have been able to increase their market share.

All of the companies described in this series have passed through a rigorous filter: They've grown more than 15 percent a year for the past three or more years. My initial assumption was that businesses expanding at these rates must be doing something right—and worth knowing about. My research has confirmed that assumption, as the examples in this book will illustrate.

I did not begin this project expecting to find a single driver of extraordinary growth, a single source for great strategies, or a single formula for retaining customers—nor did I find such. But all the companies in *Outsmart!* and *Inspire!* do share a set of special traits. I consistently found these similarities:

- ▶ Company-wide ambition for steady growth and stellar performance.
- ▶ Intuition valued above tradition.
- ▶ Focus on markets the company can serve best.
- ▶ Decisions driven by customer needs.
- ▶ Risk calmly accepted as necessity.
- ▶ Innovation viewed as everyone's business.
- ▶ Behavior governed by culture, not imposed by rigid rules.
- ▶ Work is taken seriously but is nearly always fun.

The companies in *Inspire!* share one additional trait: a fidelity to long expressed beliefs. These companies remain true to themselves. They consistently uphold their own values in their products, services, and actions. They are what they say they are—that is, they are authentic. You will find more about authenticity and its particular importance today in Chapter 1.

You will also experience the quality of authenticity in each company described in this book. And you will see that these companies have a purpose that goes beyond merely selling their product or service. Simply put, they have a higher calling. I hope they will inspire you, just as they have inspired their customers.

LIKE A MILLION OTHER HOPEFULS, BEN POPKEN ARRIVED IN NEW YORK ON A GREYHOUND BUS FROM HIS NATIVE DENVER AND GRABBED THE FIRST AVAILABLE JOB—BICYCLE MESSENGER. SURVIVING MANHATTAN'S BRUTAL TRAFFIC, HE EARNED ENOUGH TO BUY A DECENT SUIT AND SNAG A SAFER JOB—GOFER AT AN ONLINE MARKETING FIRM. IN HIS SPARE TIME, HE WROTE ONLINE SATIRES OF FOOLISH ADVERTISING CAMPAIGNS.

CHAPTER 1
FROM TIRED TO INSPIRED

In 2006, Popken posted his barbs at Consumerist.com, which carries the tagline “Shoppers Bite Back.” He impressed Nick Denton, the blog tycoon who runs Gawker Media, and owner of Consumerist. Denton quickly hired Popken as Consumerist’s editor.

Under Popken’s direction, Consumerist has become a powerhouse. Each day, it showcases approximately 30 new complaints sent in by readers: This company refuses to cover a repair to my laptop, which is still under warranty; that business won’t let me cancel my deceased brother’s phone contract; these manufacturers have reduced the size of their products but not their price (Popken calls this widespread phenomenon the Grocery Shrink Ray).

Such entries, along with advice for coping with laggard call centers and other corporate failings, attract more than 15 million visitors a month. Consumerist is frequently cited by mainstream media, including *The New York Times*, *The Wall Street Journal*, and *BusinessWeek*. It’s also high on the list of major bookmarking sites such as Digg.com, and its multiple links with other blogs spread its contents across the Internet. Many companies, including Dell and Sprint, regularly monitor Consumerist and quickly respond to comments about their products and operations.

In his person—and in the nature of his Web site—Ben Popken is a poster child for the genesis of this book. He and Consumerist are emblematic of a seismic shift in the marketplace—a basic revision, even reversal, of the buyer-seller relationship.

Customers of every age and income watch business with doubting eyes. The bigger and costlier a full-page advertisement, the less seriously people take it. Many routinely mute television commercials or, thanks to digital video recorders, simply fast-forward through them. Millions sit in constant judgment of sloppy companies, as if they were jurors wearing signs emblazoned “We Will Not Be Fooled.”

Accessible information abounds. The Internet is a cornucopia of consumer intelligence, enabling anyone to learn far more about companies and their products than the businesses ever imagined or intended. Customers can easily research any company’s labor practices, carbon footprint, fair trade policies, and charitable contributions. They can get the latest details about products by checking out blogs such as Consumerist or comparing notes with other shoppers on social networking sites.

If you have any doubts about the changes transforming the marketplace, hear this: A recent study by market research firm Yankelovich found that more than half of adult Americans believe they know more about the products and services they shop for than the salespeople in stores. In another study, 51 percent of respondents said that the most trusted source of product information was “a person like themselves.”

A RECENT STUDY BY MARKET RESEARCH FIRM YANKELOVICH FOUND THAT MORE THAN HALF OF ADULT AMERICANS BELIEVE THEY KNOW MORE ABOUT THE PRODUCTS AND SERVICES THEY SHOP FOR THAN THE SALESPEOPLE IN STORES.

How does all this affect your business? In one sense, it means that you no longer fully control your company's image and message—your customers do. But in another sense, it means that you can vastly improve your image by changing your behavior in ways that will be noticed and appreciated faster than ever. The Web empowers customers, but it also empowers companies.

Where did today's knowledgeable, independent consumer come from? Constant social interaction via cellphone and computer has led people to search out consensus. They're team players, forever seeking advice from and offering advice to a long list of correspondents, and sharing their life experiences in blogs and instant messages. They're distrustful of information from outside their circle and will go to great lengths to avoid traditional advertising messages.

The new skeptics have their own ways of finding out what to buy and their own expectations of how companies should behave. For businesses to scoff at such views is counterproductive. If you suspect it's time to resurrect that old cliché "The customer is always right," you're on the right track.

To compete in today's environment (is there really any choice?), businesses need a radically different strategy. You won't find it in those business schools that are mired in orthodoxy, and management theory has little to offer. Yet the needed approach already exists and is being field-tested in the real world—out in the marketplace where smart, imaginative people are learning to cope with the new reality. And thrive in it.

I have been working to identify these people and their companies. You'll find many of them in this book, along with concrete, practical advice on how to apply their discoveries. You'll also find new vocabulary. Most of the words marketers use to describe their connection to customers are now lifeless or irrelevant. We need an active verb to capture the spirit and substance of whatever must be done to regain customer loyalty. The verb I've chosen—*inspire*—conveys the act of breathing life into something moribund and igniting latent energy to help it soar. With this meaning, I expect businesses to inspire people by offering products and services so authentic and transparent—and so in tune with today's customers' best instincts—that loyalty follows, not just once, but for lifetimes.

IT'S NOT JUST A CAMPAIGN

Companies have traditionally thought of marketing in terms of a campaign: Get your product defined, segment your audience, appeal to each segment, craft the messages, select the advertising medium, and go for the customer.

That approach is insufficient to inspire today's customer. You must start thinking in terms of mutual interest and a common cause, not the hype and spin of a conventional campaign. You must be seen as an advocate for goods and services truly worth buying and using. You must promise value and excellence. And if you don't deliver, your business might not last long.

As you will soon learn, all of this book's new strategies for attracting customers have the aura of a reform movement.

They don't just sell; they inspire. You will read about companies breaking into new territory, energized by leaders who fervently believe in the worth of their work. Some of their products and services are radically new, not just incremental improvements to what customers can already find. These companies challenge the cold calculations of their industries and plow new ground.

Such efforts don't take shape overnight. It takes clear analysis and solid preparation, plus drive and spirit. So as you begin this book, you might want to consider the following four questions:

- ▶ *Is your product or service really new, and does it go beyond making what already exists in your markets only slightly better?* A “me, too” product that's a little less expensive won't cut it in the market for very long. You must deliver something really new or substantially improved.
- ▶ *Does your approach appeal to your customers' values?* It's one thing to deliver a tangible good. But turning it into something that inspires customers requires broad support to build a business of any scale. A truly inspiring strategy is based on beliefs that engage sufficient customers only if those beliefs are widely shared.
- ▶ *Are you prepared to challenge accepted industry assumptions?* All the companies in this book broke the rules of their industry in some way. Their courage paid off, but risk was implicit in what they did.
- ▶ *Do you have the persistence to stay in the game?* You can't build a business that inspires customers in weeks or months—it takes years. Some of the companies in this

book achieved early success, but it took years for them to hone their business models so that they could be assured of the continued customer loyalty.

If the answer to all these questions is “yes,” this book is for you. In the chapters ahead, I describe companies that have seized the opportunity to inspire their customers. From these examples, I draw lessons that are applicable to organizations of every kind and size. Those lessons include

- ▶ *You can inspire by presenting your company or your products as allied to a compelling cause.* The opportunities are substantial, although you must proceed with care. Never risk any hint that you're not acting in good faith. The slightest appearance of hypocrisy on your part is likely to unite both sides of the cause—believers and detractors—in trying to sneer you out of business. Chapter 2, “What Could Be More Inspiring Than a Crusade?” describes how Gary Hirshberg, founder and CE-Yo of Stonyfield Farm, the world's largest producer of organic yogurt, avoided those pitfalls by using his product as a forthright messenger for environmental causes.
- ▶ *People everywhere feel more stressed by running short of time.* Combine convenience with low price, and you inspire customers with a winning sales formula. Chapter 3, “What Could Be More Inspiring Than Convenience with Economy?” is about an authentic crusader for convenience—Zipcar, the Boston-based car-sharing company that now serves carless city dwellers from San Francisco to Toronto. Zipcar targets a specific neighborhood, parks cars within a seven-minute walk,

and makes sure that local member-customers never lack wheels. Its convenience includes free insurance, maintenance, and gasoline. You can also choose among diverse models, from a VW to a BMW, all equipped with GPS and XM Satellite radios. The company never stops elaborating on its convenience pitch, constantly surprising, delighting, and, yes, inspiring its customers.

- ▶ *Even the most customer-focused companies often overlook the bad habits of their distribution partners.* An example is when the Big Three automakers allowed slick dealers to alienate would-be customers. Chapter 4, “What Could Be More Inspiring Than a Trusted Channel?” explains how companies and their partners can forge creative relationships that captivate customers and boost profits for all concerned.

Success depends on whether you and your partners are willing to understand and share your business models for everyone’s benefit. By following that inspired and inspiring formula, MemberHealth, an Ohio company helping the elderly with drug discounts, transformed itself into the fastest-growing company in the United States. In just three years, it became a Medicare Part D prescription drug insurer, with revenues that soared 20,000-fold to \$1.24 billion. Founder Chuck Hallberg did it by finding and partnering with organizations that his competitors largely ignored—the 63,000 mom-and-pop pharmacies that serve smaller communities.

- ▶ *For all its contributions to our pleasure and well-being, technology has its discontents.* Many people have trouble

learning to use new gadgets, and everyone encounters technical problems from time to time. Trying to get help can be trying in the extreme—wasted hours struggling to use self-help directions, and more wasted hours waiting for a customer service representative to pick up. Companies that engage with these customers in the most simple and direct manner have a major advantage over their competitors.

In the online world, Go Daddy, the inspiring company highlighted in Chapter 5, “What Could Be More Inspiring Than Simplifying Complexity?” specializes in making the complex simple. It sells low-price domain names and software to make it easy to set up Web sites. Customers contacting its call center can dial one number, receive immediate help, and pay nothing for the extra service. If the first respondent can’t handle the customer’s problem—an unusual occurrence—higher-level technical people stand ready to solve it. The company is so dedicated to simplifying operations that it assigns a team of experts to take permanent custody of every major new product. Everyone knows who specializes in what, thereby eliminating the long delays in other companies when people flit from one product to another while customers fret, fume, and age.

- ▶ *Not a day goes by without bleak news of yet another company collapse or scandal.* Public confidence in business is at a historic low. But that very fact presents a little-recognized business opportunity. Consumers are looking for companies whose products and behavior they

can trust. To inspire them, your company has to be seen—and be—a paragon of honest products and transparent dealing. Everything is open to customer scrutiny, from your charitable contributions to your personnel policies. The customers you attract with honesty tend to be particularly picky. It's essential to follow any changes in their desires and tastes—take your cue from them.

You might also take your cue from Honest Tea, an uncommon enterprise based in Bethesda, Maryland, that is now America's biggest purveyor of organic bottled tea. As Chapter 6, "What Could Be More Inspiring Than Honesty?" reports, Honest Tea started out as a glint in the eyes of a Yale University business school professor and one of his students. They discovered that, except for water, every naturally sweetened drink on the market at the time was loaded with the equivalent of 10 or more teaspoons of sugar—an invitation to diabetes, obesity, and problem teeth.

The two founders created a drink that used a higher grade of tea and far less sugar. They put their signatures on the bottle, vouching their honesty in all things—a promise they have kept, however much it hurt. For example, the labels were at the printer when they found that the sweetener in a brand new drink they'd called Zero actually added 3.5 calories to each bottle. Government regulations allowed rounding labels and ads for anything less than 5 calories to 0, but the founders changed the name. And in the long run, they found that honesty has been the most rewarding policy—financially and emotionally.

- ▶ *We often hear about a promising new product that never takes off because it doesn't really match the needs of the target customers.* One way around that potential disaster is to design a product or service that precisely fits one or more of your own needs—start out by targeting yourself as your own customer.

It would be hard to find a more inspiring example of this approach than the moving story of Two Little Hands Productions, a mixed-media company based in Midvale, Utah, that is the subject of Chapter 7, “What Could Be More Inspiring Than Being Your Own Customer?”

When Rachel and Aaron Coleman discovered that their one-year-old daughter, Leah, was deaf, they taught her American Sign Language. Leah's vocabulary and reading skills soon far exceeded those of children her age with normal hearing. Rachel's sister, Emilie Brown, and her husband, Derek, decided to teach their son, Alex, to sign so that he could converse with his cousin. When Alex was just nine months old, he began signing back, more than a year before Brown expected to be able to communicate with her baby. As you'll see, greater personal challenges awaited the Colemans. But out of the sisters' hardships came the realization that they had an insight they could share with others, and make a profit along the way: Parents and children can use sign language to communicate at a much earlier age than children can talk. The sisters made a video showing parents how to go about it, and then more videos. Within a few years, Two Little

Hands had revenues of more than \$3 million, all because the sisters were able to use their own experience to inspire their customers.

- ▶ *Your best salesperson is a customer who is so pleased with your product or service that he or she can't stop praising it to the world at large.* But getting such volunteer marketers to pitch for your product or service is no small feat.

It takes great patience and perseverance to inspire a corps of selling customers. Those are qualities that Ed Fisher has in abundance, as Chapter 8, “What Could Be More Inspiring Than Enthusiastic Customers?” shows. It took him years to develop his Big Green Egg ceramic barbecue grill, based on an ancient Japanese utensil, to the point that it met his own quality standards. It took more years for him to connect with and gather the many thousands of loyal, talkative customers who have spread the word about the Egg far and wide. In addition to the loving care customers receive at the call center and in responses to their mail, biggreenegg.com features a forum where hundreds of Eggheads, as they call themselves, share cooking tips and recipes every day.

- ▶ *Knowing which parts of your legacy to keep and which to jettison is crucial to reviving a former highflier that has fallen back to earth.* You'll bore your customers, not inspire them, if you can't figure out how to change while staying the same—and that's doubly true for a company with one foot in sport and one in fashion.

Jochen Zeitz, the man who has brought German sports-shoe maker Puma back to life, first performed old-fashioned triage on his loss-ridden, debt-burdened patient, cutting employees and manufacturing costs by moving production to Asia. Then, with the company back on sound footing, he set about designing a strategy that would inspire customers to form long-lasting bonds with Puma. Chapter 9, “What Could Be More Inspiring Than the Rebirth of Cool?” traces the path of a makeover that has allowed the company to hold onto and even embellish its reputation as a producer of shoes for serious sport—Olympic sprinting sensation Usain Bolt broke records wearing golden Pumas—while also attracting a new following among fashionistas taken with the edgy styles conceived by a stable of trendy young designers.

By focusing on “sports lifestyle,” a new term coined by Zeitz, Puma has moved into contention for third place behind market leaders Nike and Adidas without ever bloodying itself in the sneaker war. It performed this feat by expanding the playing field beyond athletic shoes to include auto-racing suits, driving shoes, sailing clothes, and other sports apparel that appeals to upscale customers. Zeitz says his strategy is to lead, not follow. And by fusing fashion and performance, Puma has lifted its gross profit margin above 52 percent. How’s that for inspiration?

AUTHENTICITY IS THE MOTHER OF INSPIRATION

Many companies profess appealing values, typically in the form of catchy slogans. But the slogans are often superficial and keep changing, negating any aura of inspiration, much less sincerity. Inspirational companies are quite different. What makes them special is their fidelity to long-expressed beliefs. These companies remain true to themselves. They consistently uphold their own values in their products, services, and actions. They are what they say they are, at all times—they are authentic.

Authenticity is the key to nurturing a solid customer base. You might get the first order by fooling a customer once, but forget any further business unless you strive to deliver the quality you profess to offer. Authenticity pays.

AUTHENTICITY IS THE KEY TO NURTURING A SOLID CUSTOMER BASE. YOU MIGHT GET THE FIRST ORDER BY FOOLING A CUSTOMER ONCE, BUT FORGET ANY FURTHER BUSINESS UNLESS YOU STRIVE TO DELIVER THE QUALITY YOU PROFESS TO OFFER. AUTHENTICITY PAYS.

Unfortunately, the word *authenticity* means little to many contemporary managers, who might use the word but don't grasp what it takes for a company to behave authentically.

The issue of authenticity goes well beyond a product or service. It also applies to how a company acts in all ways and in all

relationships. In business, authenticity is the highest form of integrity, and those who lack it had best choose either a character transplant or a career change.

A company is always tested when confronted by a decision that pits sticking to its values against maximizing its profits—that's the moment of truth.

Business history provides ample examples of authentic behavior. They include Johnson & Johnson's 1982 decision to remove potentially contaminated Tylenol from shelves at huge financial loss (but high moral gain) to protect the public and uphold its own values. More recently, the S. C. Johnson Company has demonstrated unusual commitment to environment-friendly products and manufacturing.

A company that emphasizes authenticity challenges itself to behave accordingly. If you drift from your expressed values today, the Internet's morality police are very likely to nab your reputation.

The other challenge that an authentic company faces is keeping true in all its actions as it grows. This challenge is more relevant today as companies become global, with dispersed operations involving hundreds of people making thousands of decisions that present moments of truth or untruth. The only prescription I have for dealing with this phenomenon is to be very explicit about your company's beliefs, values, and practices—and not tolerate any variances. I have often heard the argument that a country's culture should allow for different corporate behaviors, but that argument cannot be sustained if you want

to be true to one set of corporate values. Local cultures can help you determine local differences for products and how you go to market in different regions, but local cultures should not be an excuse for allowing deviant behavior to undercut your authenticity.

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Of all the qualities and characteristics that I have described both in my previous book, *Outsmart!*, and in this book, authenticity might be the easiest quality to adopt—if you have the courage to be honest about your business. It starts with being clear about what your company stands for and then aligning behavior with your beliefs. And being authentic can actually make business life easier. When you're clear on what you value, the answers to tough questions become clearer. And you will keep your customers because they trust you.

Authenticity also illuminates a company's sense of purpose. It literally shines a light on what a company aspires to do. And authenticity underlies much of what the inspiring companies in this book have accomplished. You can do the same. It begins with your willingness to seize today's huge opportunities and to inspire those millions who yearn to be inspired themselves.

OTHER *INSPIRE!* ELECTRONIC CHAPTERS AVAILABLE

If you enjoyed this chapter, check out the other chapters available:

From Tired to Inspired
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