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LEADERSHIP & BUSINESS PODCAST

EPISODE 186: CHRIS CARACCI – BUILDING CUSTOMER LOYALTY

Chris Caracci

Who are you hiring? If they don't already have a propensity for delivering a great experience, and they do that through their attitude and their behavior. If they already don't have a propensity for that in their own personality, it's very difficult to train.

Female Speaker

From William & Mary in Williamsburg, Virginia. This is Leadership & Business, produced by the William & Mary School of Business and its MBA program. Offered in four formats the full-time, the part-time, the online, and the executive MBA. For more information, visit wm.edu.

Ken White

Welcome to Leadership & Business, the podcast that brings you the latest and best thinking from today's business leaders from across the world, sharing strategies, information, and insight that help you become a more effective leader, communicator, and professional. I'm your host, Ken White. Thanks for listening. Think of your favorite brand. Maybe it's Apple, Bose, Domino's, Netflix, Jeep, whatever your favorite. Most likely, the quality of the product is excellent, but that's not enough to make you loyal to the brand. According to our guest today, there are two other important elements that lead to brand loyalty. The environment where the product is delivered and the quality of the customer service. Chris Caracci helps organizations build customer loyalty. He spent years at the Disney Institute, working with clients across the world. Today, he teaches at the William & Mary School of Business and continues to help businesses and organizations with their loyalty creation initiatives. He joins us to talk about building customer loyalty. Here's our conversation with Chris Caracci.

Ken White

Well, Chris, nice to see you. Welcome back.

Chris Caracci

Thank you.

Ken White

It's nice to have you on the podcast again.

Chris Caracci

It's great to be back. I'm happy that I could do another podcast with you and talk about another great topic in service and loyalty.

Ken White

Yeah, and this is certainly what you do. This is certainly your wheelhouse, so to speak. How important is service and good service to consumers in America today?

Chris Caracci

For the American consumer, it's very important. You don't find that everywhere in the world. But for Americans, they rank service up there with product quality. So even if they're buying a product of the highest quality, they still want an experience, a service experience around that product that matches the quality of the product. So I always tell my students, when I'm teaching them about experiences and product quality, that those are the two things that every industry experiences. You have a product that you're selling, and then you have the experience surrounding that product's sales, surrounding that product's delivery, surrounding that product's servicing as it goes through the product life. And those two things accompany every single transaction that we have as consumers. Whatever it is we're buying, it doesn't make any difference. And what I have found in my 30 years with Disney is that people really crave a quality service experience. Your product can be one that they can buy somewhere else. Somebody's copied it. If you're like any organization, somebody, if you have a great product, somebody's trying to duplicate it somewhere. They want the quality of the experience because they can feel that. They often will assume this is always the case with Disney because of the brand of Disney. The brand already speaks to a high-quality product. So consumers and customers will come if they come to one of our parks or if they purchase one of our products, or see one of our films. The assumption is it's already going to be good or great because it's Disney, and they have high-quality standards around their products. What they crave, though, is the experience around the delivery because that's not so much something that they can assume is going to be good. And they compare that with everything else in their lives. When they can go out, whether they're buying dry cleaning or they're buying a meal at a restaurant, or they're going to a film, they can look at the quality of those products, but they also want to experience how that's going to be delivered to them and sold to them. And that often is the deal breaker when it comes to a person going back and purchasing that product again or purchasing from that same organization again. They will often, as we have discussed many times, Ken, they will often settle for a less-than-quality product to get a higher level of experience. And that at least is the case with American consumers.

Ken White

But it's nice for a place like Disney to have A+ on both sides of the fence, right? The product and the experience?

Chris Caracci

Well, it's the secret sauce.

Ken White

Yeah.

Chris Caracci

It is that thing that, while Disney left us, always pay attention to your experience because your experience matters. And he had such intentionality around paying attention to detail, the smallest of detail, both around product quality, obviously, but also around experience quality, which means that as a business, you have to invest in the experience as much as you invest in the product. And if you don't, then they become imbalanced. And consumers feel that right away. You go in, and you are expecting a high-quality product, which you can get. You see in front of you that the experience is less than stellar, and they walk away going, hmm, I don't know if we'll do that again. I don't know if we'll buy that again. I don't know if we'll buy that from the same vendor again. They're making decisions because of the impact that the experience has on us.

Ken White

So, where do you start with your organization? You want to embed this service ethos in the culture. Where is step one?

Chris Caracci

Step one is it's in your people primarily. Service is delivered through your product, through your setting or your environment, and through your people. But the vast majority of the delivery is through your people, whether that is face-to-face delivery or voice-to-voice delivery, or keypad-to-keypad delivery. We spend a lot of time there because we know that's at the beginning of the great service experience. And the great service experience is what fuels the loyalty. Loyalty is not generated from average experiences.

Ken White

Right.

Chris Caracci

It's from great experiences. So knowing that, and we've known that for a very long time at Disney, especially from Walt Disney, is we have to invest in our people. And that's going

all the way back into that process to who are we attracting to work for us in any capacity? How are we attracting them? How are we recruiting them? And then all the steps following that. How do we interview for attitudinal fit? How do we interview for service fit? How do we place you in roles where we get the highest and best use of your people skills? And I say that, and sometimes it sounds like, well, you know, we can hire anybody. We're desperate for labor. Let's just hire somebody, and then we'll train them to deliver great service. And I would say, well, yes and no. Right. Who are you hiring? If they don't already have a propensity for delivering a great experience? And they do that through their attitude and their behavior. If they already don't have a propensity for that in their own personality, it's very difficult to train.

Ken White

Yeah.

Chris Caracci

So Disney and we've talked about this before, Ken. Disney tries to make sure that it filters out that portion of the population, which we know is about 15% to 20%, at least of the American population, that doesn't have that propensity. They see things negatively. They don't have good outlooks on most things. They kind of live in this gray world that doesn't make for much happiness. And we try to, Disney tries to, at the very front end, filter out that individual because otherwise, if it lets them through, even though they may have the skill sets we're looking for from technical skill sets, we're letting in our door something that we're going to be dealing with their entire career because they'll never have that propensity to the level we want them to. So they'll be, I don't want to say untrainable, but there'll be a difficult training target for us. And we'll spend vast amount of resources trying to change them to the place we want them to be.

Ken White

And we all know them, we know who they are, whether we work with them or they're a part of the organization with which we're doing business, right?

Chris Caracci

Exactly. I joked that we're a part of our family, that 20% exists as part of our families, and we know who they are.

Ken White

Has that 20% changed over generations, over time?

Chris Caracci

No, I haven't seen that. We haven't seen that it roughly fluctuates between 15 and 20. And that's enough for us to know that in the hiring process, we have to have that radar on to be able to detect that kind of personality. A lot of people try to talk their way through that. If they're part of that 20%, they try to talk their way through that. But we've got very keen people who are doing our training, or not our training, but our hiring and recruiting. And they are looking specifically for that because they know it's an uphill battle if we hire those people.

Ken White

But that's a great amount of work and effort. That hiring and investment, basically.

Chris Caracci

A lot of investment. So there are layers of vetting that we put all of our potential employees through, candidates for employment through because we're looking for that fit. It's a behavioral fit. It's an attitudinal fit. If we hire that individual, and most of our 99% of our hires are that individual or that kind of, if you will resume that we're looking for, that will help us, then when we come to the onboarding process, and we start onboarding them to what does great customer service look like? What does your attitude need to be when you're speaking to people face-to-face or voice-to-voice? What are the things that you need to be doing to engage them and send them messages that are friendly messages accommodating messages? We can train the people who have a propensity already for that kind of personality that we can train them much more easily, and they're much more adaptable to than the structures that Disney has around service. So that is our goal. So to have a classroom full of those people is a joy because you're not fighting a few individuals in the room who just don't want to go along on the journey or who just are. They don't believe what you're saying, and we don't have time for that. We want to have a classroom full of people who are. And it's interesting when we talk about that personality type. You find that propensity for service in certain professions more than you do others. You find it in teachers, you find it in people who go into education, you find it in clinicians like nurses and therapists and physicians to a certain degree. It's an attitude of, well, I want to help people. I want to help them do better. I want to give them a good experience. And those are the same kinds of people we're trying to hire.

Ken White

Again, a major investment, but for Disney, it shows that it pays off.

Chris Caracci

It pays off.

Ken White

We'll continue our conversation with Chris Caracci in just a minute. Our podcast is brought to you by the William & Mary School of Business. The world is changing like we've never seen before, and that means change for business and your role in it. You can sit on the sidelines and watch things evolve, or you can be a part of creating the future. If you want the tools and education needed to succeed in the years ahead, we invite you to consider the MBA program at William & Mary. Wherever you happen to be in your career, William & Mary has an MBA program for you. The full-time, the part-time, the online, and the executive MBA all taught by the number one-ranked MBA faculty in America. Take charge of your future. Check out the MBA program at William & Mary at wm.edu. Now back to our conversation with Chris Caracci.

Ken White

So how does that get to what you call loyalty creation? Where's that bridge?

Chris Caracci

As we just spoke about, the product quality, the three things that impact service the most are the product quality, the environment where it's delivered, and the level of service. So if I take one of our parks in Florida as an example, at Walt Disney World, the Magic Kingdom Park, there is a setting there, obviously, that people are entering into as consumers. There are lots of people, thousands of people working in that environment. And then there are processes that are behind the scenes that are driving every single interaction. So in a very real sense, what that might look like is I have an employee who works in the custodial department at the Magic Kingdom. Their primary functions, their tasks, are to keep the place clean, so they keep the ground clean, they empty the garbage bins. That's their primary function from a job perspective, but from a purpose perspective, which is all around the experience perspective. They're taught these are the top ten interactions that, in your role, you're going to have with our guests today. And they're going to very specifically say when somebody comes up to you, and you're going to get this because you're very visible with people in the street doing your work, the top ten questions are somebody comes to you, and they need directions, how do you react? Somebody comes to you, and they need to find the restroom facilities. How do you react? Somebody comes to you, and they have an emergency, a medical emergency, or something. How do you react? So what we do, and our guests never see this, but we are actually not scripting, but we're creating scenarios for every one of those questions. And we're intentionally teaching those to our employees, our cast members because the right answer is when somebody needs directions, I don't know, that's the wrong answer because that's not what they want from you. And that's part of the experience. If you don't give them directions because you're not informed and prepared, and you're not willing attitudinally to take a moment from your work to stop and help them, then they stand there with their map, they still don't have an answer to their question, and they have to find somebody else to ask.

Immediately that is a ding on the experience. Right? And they haven't paid a premium amount of money to come into the park that day to get an average experience like that or a no-answer experience. I'm sorry, I don't know. That's not valid. If you take your entire experience environment around anything it is you're selling, Disney or anything, and you dissect it down to, this is what we need to know, this is what our people need to know. Attitudinally this is how they need to approach it when they're talking to somebody on the phone, or they're talking to somebody face to face, or they're problem-solving with a customer, whatever that is, the more information that they have coupled with their propensity for delivering service anyway because that's their personality type. You couple those two things together, and you have a winning service experience. And that has nothing to do with any individual product. That example of somebody who's in the park that day and they're just trying to get from point A to point B, right? Maybe to experience a different product, but point A to point B, now they just need some direction. So it's almost at the periphery of the individual experience. It's a large circle that goes around everything. And for Disney, and this drives completely into creating loyalty. That experience begins with the first contact that that customer has with the organization. So it may be a phone call to make a reservation to stay at one of Disney's hotels. And then it goes all the way through to those repeat visits that the guests may have at the other end to a lifetime, really is what we're trying to do because Disney's business is a generational business. We not only want to win you over as an advocate. As a promoter. As promoter scores would call it. A promoter for our business. But we then want you to pass that on to your children and to your grandchildren and to your family members. Whatever that family is of yours. However, you define that. Because then it keeps moving generation to generation. And we have another opportunity to turn those people into advocates for the business. And that advocacy is really what drives the loyalty. Loyalty is two things. Always two things. It's the customer's willingness to come back and repurchase whatever that is or reexperience. And the second part of loyalty is the intent of that person to recommend. And often what happens with Disney, because it is a premium priced product, is that a family or an individual might be able to come and experience like our park products in Florida maybe one time, two times in their life because it takes a lot.

Ken White

Sure.

Chris Caracci

It takes a lot of resource to be able to do that. We want to make sure that that's a stupendous time for that particular guest and their family or whatever that looks like. But even more so, we want to make sure that they walk away and they talk well about their experiences. And that is the intent to recommend. The intent to recommend is the thing that I think that a lot of people who sell product and service, they don't think enough about. When this person walks away, how many other people are they going to talk to

about their experience? And now, they can get on social media, and they can tell thousands of people with a click of a button. I had a great time. The experience was fantastic, or the experience was okay, the employees weren't very knowledgeable, or even worse, this happened, which was disaster, and then this happened, which was disaster, and nobody fixed that disaster. And then there was another disaster. They can talk about that in a click of a button. And that's driving that loyalty factor because if somebody listening to that is hearing a less than stellar story, then they're thinking about whether or not they even want to come experience for the first time. So that loyalty generation is critical for us and creating those advocates in our customers who, even though they may not come back or don't come back that often, they talk about us continually because they're Disney advocates, right? They love the brand. They love the stories. They love the products. And that's what we try to turn every customer into. Now, things happen. We're not a perfect organization. Things happen. But we have found in our own metrics at Disney that when we can recover successfully when there is a breakdown in the service experience, often if we recover, that person will rate their experience higher than if they never had a problem to begin with, which is a very interesting statistic, right? If we recover well because often in that recovery, the recovery is so well designed and so intentionally cared for that the person comes away and goes, wow, I wasn't even asking for that, but Disney did that, and I wasn't expecting that. It's an all very unexpected experience, which is part of the experience, and the recovery happens, and the person walks away, and they're more of an advocate now than they were before. It's a strange thing, but it happens. Yeah.

Ken White

That's our conversation with Chris Caracci, and that's it for this episode of Leadership & Business. Our podcast is brought to you by the William & Mary School of Business, home of the MBA program, offered in four formats the full-time, the part-time, the online, and the executive MBA. Take control of your future. Check out the William & Mary MBA program at wm.edu. Thanks to our guest, Chris Caracci, and thanks to you for joining us. I'm Ken White, wishing you a safe, happy, and productive week ahead.

Female Voice

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