3 Counter-intuitive Customer Service Lessons Entrepreneurs Should Learn

How a bad experience at a self-styled “luxury” Sydney hotel reminded me of the most important customer service lessons for small business owners and entrepreneurs.

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At about 1 a.m. during a memorable trip I took to Australia, I awoke suddenly in a hot sweat in my hotel room at the Intercontinental Sydney Double Bay. Supposedly among that country’s leading hotels, the Intercontinental bills itself as “Sydney’s Exclusive Bayside retreat,” where guests stay in luxury.

According to the hotel’s website, air-conditioning is one of these luxuries.

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But not on that particular night. In fact, the thermostat in my room was stuck at a stuffy 24 C. (75 F.) degrees. So, I turned the temperature down, but to no avail. When I called the front desk, I was informed that the air-conditioning in the hotel was “functionally off for the season.” Yikes.

Still, I was okay with that, assuming that I’d receive some form of compensation for my discomfort. After all, I was a loyal customer: I had spent over 30 nights in the hotel, in

just the previous year alone. Boy, was I wrong.

Not only was I not offered compensation, but I was told I was "lucky" I wasn't penalized for leaving the hotel early.

The lesson here? Whether you're talking about your local post office, a rental car agency, hotel or of course an airline, you're bound to have a customer service horror story. Don't we all? So pervasive is poor customer service that an entire startup's business model is devoted to getting even with airlines.

For entrepreneurs and business owners, a reputation for poor customer service can cause not only reputational damage, it can actually be fatal. According to NewVoiceMedia, U.S. companies lose $62 billion in revenue every year for customer service missteps and mistakes. And yet, most of these issues are avoidable if handled properly by management at the point of infraction.

Here's how, as a business owner, you can turn customer service blunders into success stories.

Address the root issue immediately. Don't make it about something else.

At the Sydney hotel, I was looking for compensation for a non-functional room. Instead of compensating, management doubled down and made the issue about how it had handled things rather than going after the root cause.

Poor reactions like that to customer complaints abound. When that happens, management's reaction to a product or service deficiency becomes more the issue than the root cause itself. Look no further than the United Airlines passenger-dragging incident of Dr. David Dao in April 2017 to get just a taste of this.

As a business owner, you must immediately address the root problem involved and seek to avoid larger systemic implications of management style and discretion. A good way to do this is to follow the process outlined in *Training* magazine which suggests the following steps: 1. Stay calm; 2. Listen and communicate to the customer that you are doing so; 3. Acknowledge that a problem exists; 4. Clarify the facts of the matter; and most importantly, 5. Immediately offer a solution.

Know the long-term value (LTV) of your customers, and reward accordingly.

As already mentioned, I had stayed at that Sydney hotel more than 30 nights in the previous year without incident. As a customer, my long-term value (LTV), therefore, was extremely high, as I was more than likely to visit the hotel again.

Defined as the estimated revenue a customer may generate over his or her lifetime at any one business, long-term value (LTV) should play a significant role in how customer service missteps are corrected. If a loyal customer complains, smart entrepreneurs and business owners will pay particular attention to making it right; they know that whatever the cost to correct the situation *right now*, they will be paid off over the long term by a happy *returning* customer.

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So, if you're the business owner, when a complaint arises, attempt to immediately understand the customer's LTV through previous or projected business, and craft a response and resolution accordingly.

A good example of this in practice is to examine how casinos owners treat their highest value customers or so-called

“whales.” Casino management goes out of its way to satisfy the whims of these customers and correct the smallest of imperfections for them if something goes awry. This is because the casinos know their investment will be paid off many times over with a customer who is not only bound to come back, but also to refer others who similarly are big spenders.

Nearly every other business category should follow this logic.

The customer is not always right. But offer to make it right anyway.

A time-tested and oft-cited adage of customer service is: “the customer is always right.” Well, I hate to break it to everyone, but this is not always the case.

In fact, the customer may often be wrong, as no one person can be expected to understand the nuances and specifics of any business where he or she is merely a patron. And, for business owners and entrepreneurs, this presents a conundrum: How do you handle a customer who may be incorrect in their complaint?

For guidance, we might turn to Southwest Airlines, a legend in its industry for customer service and loyalty. Southwest’s policy is that the customer may not always be right but front-line employees should always be in a position to *make it right*. For example, when a customer was late to the airport and just barely missed a flight to meet his daughter, Southwest chartered a plane to ensure the customer made it to his final destination. Although the issue was not its fault, Southwest went above and beyond to make things right.

Similarly, as the founder of an advertising technology company, I used to offer free extras all the time to customers who, because they did not specify targeting or budgeting at the start of a project, were unhappy with their results. Even

though the problems that resulted were not my fault, it was my responsibility to make it right.

For a lot of small business owners and entrepreneurs, making something right that was not your fault may sting, both ethically and financially. Yet, making it right can pay enormous dividends down the road, as customers will recognize the lengths you went to do the right thing and will reward you with their never-ending loyalty.

Saving time and money

Ultimately, by quickly focusing on and solving customer service missteps, small business owners and entrepreneurs can come out on the positive side of the opportunity-cost equation and focus their valuable time on scaling their business rather than becoming embroiled in side issues. The easiest ways to do this are: addressing root issues and not making it about management, understanding a customer's LTV and offering to make things right regardless of who was at fault.

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Although I probably won't be going back to that Sydney hotel any time soon, the above points demonstrate how as a business owner you can keep and engage your own loyal customers for a very long time.

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