

'It made me take notes, which I can use as guiding principles for the future'
NEERAJ KAKKAR, CO-FOUNDER, PAPER BOAT



THE NEW RULES OF BUSINESS



GET AHEAD
OR
GET LEFT
BEHIND

RAJESH SRIVASTAVA

RULE 1

Love Your Customer, Serve Your Customer

There is only one boss. The customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else.

—Sam Walton

Neeraj Kakkar, founder of Paper Boat—a ready-to-drink beverage made from traditional recipes—was on a flight. When he spotted a lady holding a Paper Boat pack in her hand, he was elated. But what he witnessed next horrified him. She was struggling to open the cap. Finally, in desperation, she used her mouth to force it open. Neeraj was appalled about a customer being forced to exert herself this way. He resolved to solve it at the root itself so that, in future, customers do not have to undergo this frustrating experience.

This led to the creation of a cap that is so user-friendly that it can be opened with two fingers. There is a simple lesson in this. Kakkar exhibited compassion towards his

customers. He not only felt one customer's pain but acted upon it¹.

Many companies go one step further. They strive to keep customers' interests ahead of their own. Amazon, for one, represents this style of decision-making. The company started off as an online bookseller. It encouraged its readers to write reviews and also give ratings for the book. Naturally, some of the reviews were negative. This prompted a customer to shoot off a letter to Jeff Bezos: 'You don't understand your business. You make money when you sell things. Why do you allow these negative customer reviews?'

'And when I read that letter, I thought, we don't make money when we sell things. We make money when we help customers make purchase decisions,' said Bezos.²

Jeff Bezos kept the customers' interests ahead of Amazon's.

A few companies have raised the bar even higher. They strive to safeguard customers' well-being and welfare even before their own. Let me share an example of this from my own career, when I was working as president of J.K. Helene Curtis.

One day my secretary walked into my room, looking alarmed. 'There is a caller from Ahmedabad who is threatening to lodge a police complaint against us,' she said.

'What happened?' I asked her.

¹ 'Neeraj Kakkar & Shripad Nadkarni, Paper Boat, The New Rules Of Business 2.0 Episode 2', Youtube video, 36.30, posted by Founding Fuel, 22 September 2016, <https://www.youtube.com/watch?v=jvSmbLJGriU&t=1391s>

² Adi Ignatius, 'Jeff Bezos on leading for the long-term at Amazon', *Harvard Business Review*, <https://hbr.org/2013/01/jeff-bezos-on-leading-for-the>

'Sir, he refuses to give me the reason. He insists on speaking to a senior person.'

'Put him on,' I told her.

I took the call. The caller asked me, in an aggressive tone, about my designation.

'I am the president of the company,' I informed him.

'I don't care who you are,' he said and continued his tirade. 'I am going to the police station to file a complaint against your company!'

'Why?' I asked him.

'My family and I could have been killed!' he roared.

Puzzled, I asked him to explain.

'I bought your company's room freshener and placed it on the car's dashboard. When I reached home, I parked the car and was walking to my house when I heard a loud thud. I turned and saw it had come from my car. When I went closer I noticed that the room freshener had burst,' he explained

I immediately realized what had happened. If an aerosol can is exposed to direct sunlight, it can explode. In the car, the can was exposed to direct sunlight. So it burst.

'Was anybody hurt?' I asked him.

'Nobody was hurt but they could have been,' he said.

I was relieved. 'Has any damage been caused to your car?' I asked

'Yes,' he said, his voice rising, 'the windscreen is damaged.'

'Don't worry,' I said. 'Our sales representative will get it repaired.'

As soon as he heard this, he asked in a calmer tone, 'When will your sales rep come?'

'Soon,' I said. 'But may I share something with you?'

‘Yes,’ he said. He was more receptive to me now that his problem had been addressed.

‘You should not expose an aerosol can, including a room freshener, to direct sunlight. It is likely to burst. Every aerosol can carries this warning,’ I informed him.

‘I am sorry,’ he said contritely. ‘I did not read the instructions.’

Although the fault lay with the customer in this case, I took the decision to bear the expense of repairing the windscreen.

All three stories point to a fundamental rule of business. The customer’s well-being and welfare are the top priority of a company, overriding even its own welfare.

The Rule in Operation

Let us analyse how lessons from these stories are operationalized.

Steve Jobs was a charismatic business leader. He disrupted music, personal computing, animation and retailing industries. Have you ever wondered how he took decisions? I hear many of you say that his thinking and decision-making process were surreal and beyond our capacity to grasp.

I too thought this way till I understood his philosophy. He believed that everything starts with a great product. ‘My passion has been to build an enduring company where people were motivated to make great products.’ he said.³

³ Jennifer Magnolfi, ‘Why Apple’s New HQ is Nothing Like the Rest of Silicon Valley’, *Harvard Business Review*, 26 June 2017, <https://hbr.org/2017/06/why-apples-new-hq-is-nothing-like-the-rest-of-silicon-valley>

Based on this insight, I surmised that Steve Jobs took decisions by posing one question to himself and his team:

- Will it make Apple a great product for customers? If yes, green-light it. If not, junk it.

The cumulative impact of many big and small decisions focused on making Apple a better product was that Apple customers were handed an amazing experience that enriched their lives. In 2018, Apple was crowned the world's most valuable company.⁴

Let us now evaluate Jeff Bezos' decision-making process. After all, under his watch Amazon has disrupted retail industry.

Jeff Bezos too would be intuitively posing 'one question' to himself and his team while making decisions:

- Will it reduce friction in the shopping process and improve the shopping experience?⁵ If yes, green-light it. If no, veto it.

You may be wondering whether such a simple question can deliver results on the ground. Let me share with you a partial list of initiatives Amazon has introduced which have reduced friction in the shopping process:

⁴ Lucinda Shen, 'Here Are the Fortune 500's 10 Most Valuable Companies by Lucinda Shen', *Fortune*, 21 May 2018, <https://fortune.com/2018/05/21/fortune-500-most-valuable-companies-2018/>

⁵ Geoff Colvin and Ryan Derousseau, 'Jeff Bezos's War With Friction', *Fortune*, February 2, 2017, <https://fortune.com/2017/02/02/jeff-bezoss-war-with-friction/>

- **1-Click** ordering is an easy and fast way to order that saves time.
- **The Amazon Dash** button lets customers reorder household items by the simple process of pressing a button.
- **Amazon Echo** allows customers to place an order on Amazon using voice command.
- **Frustration-free packaging** makes it easier for customers to open parcels.
- **Amazon Go** does not have checkouts, thereby facilitates faster shopping.

Let us finally evaluate how Zappos, a shoe and clothing online retailer, acquired by Amazon in 2009, takes decisions. It, too, has framed one question which the team refers to while making decisions:

- Will it make our customers happy? If yes, go ahead; if no, trash it.

‘The company’s service representatives know they can do whatever it takes to meet that goal—without having to get approval from their superiors. So they will refund defective products and replace them for free, send flowers to a customer who says, “Mom is sick,” and spend as much time on the phone as necessary to resolve a problem.’⁶ Zappos finds a place among Fortune’s list of 100 best companies to work for!⁷

⁶ George Stalk, Jr. and Sam Stewart, ‘Avoiding Disruption Requires Rapid Decision Making’, *Harvard Business Review*, 23 April 2009, <https://hbr.org/2019/04/avoiding-disruption-requires-rapid-decision-making>.

⁷ ‘Zappos Makes FORTUNE 100 Best Companies to Work for List!’ Zappos, 16 January 2014, <https://www.zappos.com/about/stories/zappos-makes-fortune-100-best-companies-to-work-for-list>

Steve Jobs, Jeff Bezos and Zappos intuitively leaned on one question—which I call ‘1 Central Question’ (1CQ)—to make decisions.

When decisions are taken by referring to one lodestar (read: 1CQ), then there is consistency in decision-making and this has the power to put your company on the path of success.

Does 1CQ Deliver Results?

For that let me share a parable of the Fox and the Hedgehog. The fox knows many ways of trapping the hedgehog—chasing it, pouncing upon it, ambushing it or mounting a gruella attack. Every time it faces defeat and withdraws with its spout prickled by spines. This is because the hedgehog has mastered one art to perfection: of defending itself.

The moral of this parable was succinctly summed up by Greek poet Archilochus: ‘The fox knows many things, but the hedgehog knows one big thing.’

Does the moral have any relevance to modern business?

Jim Collins, in his book *Good to Great*⁸ points out that organizations are more likely to succeed if they identify the one thing that they can do best—their ‘Hedgehog Concept’.

By framing 1CQ you will identify your, ‘Hedgehog Concept’ which will help you not only in defending but growing your business.

How Can You Frame Your ‘One Central Question’ (1CQ)?

Always keep the customer at the centre of decision-making and frame the question in such a way that whenever it is

⁸ Jim Collins, ‘Good to Great’ (Harper Business, 2001)

answered, it will further the interests of customers, not the company. The irony is that when the companies continuously take decisions in customers' interests, customers reciprocate by displaying a cultish loyalty towards the business.

A word of caution: if you frame a question that appears to be favouring customers on the surface but surreptitiously serves the company's narrow self-interest, then this strategy may backfire.

For that, let us get Mark Zuckerberg into our discussion. He seems to have intuitively formulated 1CQ which seems to be focused on serving customers but ends up serving company's interest.

- Will it get more users on the Facebook platform? If yes, implement the decision. If no, shoot it down.

The game plan is simple: get the maximum number of users on the platform, which acts as bait to attract advertisers. In 2018, 98 per cent of FB's revenue came from advertising. This in turn boosted its valuation.⁹

Zuckerberg's 1CQ is in favour of Facebook (henceforth, FB) to help it maximize its revenue, which in turn would boost its valuation. It does not seem to favour customers. Blindly answering the 1CQ has landed FB in hot water and attracted bad press.

⁹ Tony Silber, 'Facebook Ad-Spend Growth from National Marketers is Slowing, Intelligence Firm's Data Shows', *Forbes*, 31 December 2018, <https://www.forbes.com/sites/tonysilber/2018/12/31/facebook-ad-spend-from-national-marketers-is-slowing-intelligence-firms-data-shows/#13647a661591>; Note for Facebook Revenue: Fortune 500, <https://fortune.com/fortune500/facebook/>

Building Relationships with Customers

In addition to framing a 1CQ, to love and serve customers would require you to build a deep relationship with your customers. Let me share with you strategies required for building and deepening relationships with customers:

- **Be compassionate towards customers:** In 2003, Ratan Tata, then Chairman of Tata Sons, noticed a family of four on a scooter: the father was driving it, a child stood in front holding on to the handlebar, while the mother rode pillion with another child on her lap. This sight evoked compassion in Ratan Tata and he posed a question to himself: could one conceive of a safe, affordable and all-weather form of transportation for such a family? This led to the development of Nano, the world's first affordable car. For various reasons, it was withdrawn, but it earned global acclaim for being an innovative solution.¹⁰
- **Keep customers in mind while taking a decision:** Do you feel that it is difficult to implement this strategy? Draw inspiration from Amazon. At their meetings, a seat is left empty for the customer who is an absent presence.¹¹ It is a silent reminder that decisions need to be made in the favour of the customer.

¹⁰ Saurabh Sharma, 'How a scooter on a rainy day turned into Ratan Tata's dream project Nano,' *Business Today*, 14 April, 2017, <https://www.businessstoday.in/current/economy-politics/how-a-scooter-on-a-rainy-day-turned-into-ratan-tatas-dream-project-nano/story/239035.html>

¹¹ John Koetsier, 'Why every Amazon meeting has at least 1 empty chair,' *Inc.* April 4, 2018, <https://www.inc.com/john-koetsier/why-every-amazon-meeting-has-at-least-one-empty-chair.html>; George Anders,

- **Act with alacrity on customer feedback:** Dissatisfied customers can email Jeff Bezos directly and he'll forward the message to the right person—with one dreaded addition: ‘?’

Brad Stone writes in *The Everything Store: Jeff Bezos and the Age of Amazon*:¹²

When Amazon employees get a Bezos question mark e-mail, they react as though they've discovered a ticking bomb. They've typically got a few hours to solve whatever issue the CEO has flagged and prepare a thorough explanation for how it occurred, a response that will be reviewed by a succession of managers before the answer is presented to Bezos himself. Such escalations, as these e-mails are known, are Bezos's way of ensuring that the customer's voice is constantly heard inside the company.

- **Repose trust in customers:** I have always trusted my customers. Let me give you an example. As head of a company, I had a rule that all customer complaints should come to me. In the early 2000s, the internet had not evolved; most customer complaints were received through telephone or letters sent by post. I made it a point to acknowledge every complaint.

'Inside Amazon's Idea Machine: How Bezos Decodes Customers', *Forbes*, 4 April 2012, <https://www.forbes.com/sites/georgeanders/2012/04/04/inside-amazon/#4d8bc0096199>

¹² Brad Stone, *The Everything Store: Jeff Bezos and the Age of Amazon* (Little, Brown and Company, 2013)

In fact, I wrote a personal letter to every complainant along the following lines:

I wish to apologize for the bad experience you may have had with our product. We are taking steps to ensure that you do not face the same problem in the future. As a gesture of gratitude, I am taking the liberty of sending you a gift hamper containing our company's range of products. I hope they live up to your high expectations . . .

I would get my sales representative working in the complainant's area to deliver my letter along with a gift hamper at the address mentioned in the letter and also collect the offending product so that we could analyse it at our R&D centre.

My team members advised me against pursuing this strategy. They said that by admitting our products are defective, we were offering opportunities for legal cases to be filed against us. I would counter that objection by pointing out that at no point had I admitted that our product was defective; I was merely apologizing for the unsatisfactory experience our product may have offered.

The other objection of my team was that if the word spread that we give a gift hamper to every person who sends a complaint, many people would misuse our generosity. Of course, I admitted, some people may misuse our generosity, but that number is likely to be small. At this point I posed a counter-question to my team: to prevent a small number from misusing

our generosity should we penalize genuine customers who make the effort to bring our shortcomings to our notice?

By the way, I did not come across a single case of misuse of our generosity. I have always believed that when we trust people, they become more trustworthy.

- **Be sensitive to your customers' sensibilities:** We should not expect customers to change their habits to suit our requirements. On the contrary, we should make products keeping our customers' sensibilities in mind. Take McDonald's for instance. In most parts of the world, Big Mac stands for a beef patty. But for many in India, beef is taboo. Bowing to customer sensibilities, McDonald's launched McChicken Burger and the Maharaja Mac, which use chicken. In addition, they launched a plethora of vegetarian options such as McAloo Tikki Burger and McSpicy Paneer Burger.
- **Go where customers want you:** Usually, when I shop, I have to physically walk to a store and then carry the merchandise home. But when I shop at Flipkart, I realize it is always close to me. In fact, it is in the palm of my hand. I have to tap a few times on my smartphone and voilà, the merchandise is delivered to my doorstep.

For my eye check-up, I had to travel to my optician's clinic. But Lenskart's optician visits you at home at your convenience; it also offers you a choice of frames for selection. Who is growing? Traditional stores or online retailers? Traditional opticians or Lenskart? The answer is obvious.

- **Ask Customers for suggestions on how best to serve them:** Let me get Marc Benioff, the CEO of Salesforce to weigh in on it. 'In 2008, Howard Schultz returned to Starbucks as CEO, after being out of that role for eight years. The company had lost touch with consumers, and Schultz was determined to fix that. The first thing he did was create an app that asked customers how they thought the coffeehouses could be improved. The company consolidated the top ten responses and put them to a consumer vote. Then it implemented the top five fixes. The process engaged customers in the turnaround and helped restore revenue growth.'¹³ Take a leaf from Howard Schutz playbook and ask your customers for suggestions of how you can serve them better. They will not disappoint you.

Empowering Your Employees to Take Decisions

I was travelling back to Mumbai from Dubai. Since the security check at Dubai airport mandates that we remove metal items, I put my pen and watch in my cabin bag.

When the flight was to land in Mumbai, I retrieved my pen and Titan Nebula watch from my bag. I noticed that the glass cover of the watch was missing. More disappointment awaited me. Upon putting it on, I felt a biting sensation on my wrist. When I turned the watch over, to my horror, I found the bezel-steel case which sits at the base of a watch,

¹³ Brian Gallagher, 'United Way's CEO on Shifting a Century-Old Business Model', *Harvard Business Review*, September–October 2018, <https://hbr.org/2018/09/united-ways-ceo-on-shifting-a-century-old-business-model>

was also missing. To complete my misery, the watch had stopped working.

How could this happen? I recollected that before going to Dubai I got the battery of the watch replaced at an authorized Titan showroom in Belapur, Navi Mumbai. The mechanic had been able to open the watch but was not able to close the steel case. It required specialized instruments. I was requested to come the next day and collect the watch. As I looked at my wrecked watch now, I intuitively felt that the answer lay at the authorized store in Navi Mumbai.

I took the trouble of visiting the store again. The store manager, Vivek, greeted me with a smile. He listened patiently to my issue. During this period, not once did he let his smile slip. He did not dispute my allegations but requested me to hand over the watch so that he could get it examined by his technician. After a quick consultation with the technician, Vivek informed me that they would order the glass and steel case from the company, but it would take fifteen days to arrive. I had no option but to agree to Vivek's suggestion.

When the spare parts arrived, he called to get my approval for the total cost of the repair. But he said that his boss had given his approval to reduce the cost. And then Vivek said that since the problem had occurred under his watch, he would penalize himself: he would bear a significant part of the cost.

I was amazed. A company employee was willing to offer money from his own pocket to assuage a customer's dissatisfaction.

I visited the store to collect my watch. As promised, the watch was in working condition. But I insisted that Vivek contribute nothing to the cost of the repair. I felt that his behaviour itself was sufficient compensation.

This incident offers an important learning. Occasionally, service is bound to fail. The acid test is how quickly it recovers. Nothing infuriates a customer more than being told, 'I will have to check with my boss and then revert.'

Vivek took decisions on the spot to defuse the situation. In short, he 'empowered' himself to take decisions due to which the service recovered quickly. In the process, he converted a dissatisfied customer into a brand advocate.

You may be thinking that employees like Vivek are rare. In fact, you may not be lucky enough to have even one in your organization. More importantly, you may be wondering if this level of commitment towards providing service can be inculcated in every member of the organization. Seems implausible?

If you don't know of them already, let me introduce you to the Mumbai dabbawalas (lunchbox-delivery men), who have won world-wide acclaim in achieving the Six Sigma level of service delivery: 3.5 incorrect deliveries per million deliveries. The dabbawalas have managed such a high rate of success despite the fact that they do not have formal academic qualifications, nor can they converse in English or use technology.

Harvard Business School did a case study on them and global companies study their way of working to gain insight into what enables them to deliver a Six Sigma level of performance.¹⁴

The dabbawalas' high level of performance can be attributed to the fact that they do not see their job as a courier

¹⁴ Stefan Thomke and Mona Sinha, 'The Dabbawala System: On-time Delivery, Every time', Harvard Business School, 2010, <https://hbr.org/product/the-dabbawala-system-on-time-delivery-every-time/610059-PDF-ENG>

service delivering food to the right address. If they did, dabbas would get lost with monotonous regularity. They look upon the person to whom they have to deliver the dabba (lunchbox) as God; for them, delivering the dabba to that person is akin to serving prasad to their deity, Lord Ganapati. If you were entrusted with the responsibility of delivering offerings meant for the god you worship, what would be your level of commitment? Casual? Or would you do everything in your power to make sure the offerings reach in time?

The dabbawalas also believe that delivering food is akin to delivering medicine to the sick. Consider yourself. If a loved one was in the hospital and you had to deliver the medicine that would help her recover, how would you act? Casually? Or do everything in your power to deliver the medicine, at any cost and as fast as possible?

Mumbai dabbawalas can deliver a Six Sigma level of performance because they have discovered 'purpose' in their job. This purpose motivates them to impose restrictions on themselves: they do not have their own lunch till they deliver the last dabba.

What Should You Do to Love and Serve Your Customer?

- **Spend time framing your 1CQ:** It should be framed keeping the customer at the centre of decision-making. You and your team should refer to it while making big and small decisions.
- **Build strong relationships with customers:**
 - Be compassionate towards them.
 - Keep customers' interests ahead of the company's.

- Create products that are sensitive to customer sensibilities.
- Repose trust in customers.
- Empower your employees to make decisions regarding customer service on the spot.
- Never forget to tell your customer that you value the business that they bring you.
- Look upon customer complaint as feedback that reflects a larger malady. Industry folklore suggests that if twenty-five people have a bad experience with your product, only one person will take the trouble of writing to the company about it; but each of those twenty-five customers will speak to approximately twelve people about their bad experience. In this age of social media, they even post about their negative experiences. All these result in bad buzz for the business.
- Never stop surprising and delighting customers.
- Help your employees assign a higher purpose to their job.

If all this sounds complicated, remember this golden rule: in every situation do what is good for the customer. Period. Your business will always be in fine fettle.