

## Governing Energy

### Not Alone

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Recently, we had breakfast at a well know chain of very good casual meals—one of our favorites. Image our luck when the line was short and we were seated quickly. Better than average and we were very pleased.

Not so fast. No one came by to take our order or even offer water, etc.

Nearby, we could easily see several the wait staff seemingly in either a “crew” meeting or chatting amongst themselves. It was not clear. None the less, they were not engaged with revenue producing customers.

Eventually one young man (employee in the organization’s uniform) walked by and we asked him if he knew who would be waiting on our table. “I don’t know” and he said abruptly and walked off! No attempt to “let me see if I can find her/him.”

Eventually our waitress emerged and our breakfast (total bill less than \$25) was quite good—as usual. However, the night before in a very different restaurant we had ‘enjoyed’ the same lack of service.

The day of this writing, I read a blog by a supposed knowledgeable (well-known who will not be outed herein) management consultant that the issue United Airlines had self-inflicted on themselves removing the 69-year-old physician from an airplane recently was a result of their focus on Operational Excellence—Google it and you will find the article. The fact that a flight attendant needed to meet her flight was more important than revenue generating passengers, in retrospective seems ill advised.

Such a business model is always misguided. Operations involves customers! Whether making an airplane to carry (revenue producing) passengers or serving breakfast in a diner. Without the paying customer, there is no viable business model.

It is likely that the airline sector and one carrier in particular have had an “ah ha” moment when it comes to dealing with the one of millions who pay several hundred dollars each in fares. Consultants are fond of saying that firms need “good customers” the so call premium who generate the most profitable business.

If this is true, why even take the others whose marginal profit is low but who increase yield and utilization rates. Could the said airline have been more profitable if it only boarded first class passengers and employees? In the case of United Express Flight 3411 on April 9, 2017 the answer was most likely yes.<sup>i</sup>

However, this would lead to a smaller airline and lower executive bonuses. Will bonuses at this airline be lower this year—probably not.

Will its equity price recover? Probably, but if this is a pattern for disregard for revenue producing customers, expect the potential demise of the firm.

Too strong? Remember MCI, Enron, a host of oil companies and Digital Equipment Company (once the second largest computer firm in the world that completely “blew off the PC”) and the list goes on. Despite the recent mergers and greater economies of scale in the airline sector, we have learned that there is no such thing as “too big to fail.”

Successful Operational Excellence models hold the customer as central to their existence. A well-functioning business with no customers for its products is interesting at best—another Case Study about the absurd.

There appears to be a trend that businesses can “dis” one or a few of its smaller customers with no recrimination. In this author’s opinion, it started several years ago with customer support (long waits on hold and poor communications skills by employees). We are now seeing this behavior on the part of *Customer Facing* individuals at the *Point of Sale*.

Sometimes it may be to a lack of training and/or supervision that causes entry level employees to behave this way. However, it is most likely the culture of the organization they represent. This is definitely the case when the behavior is systemic throughout the organization.

Organizations expend significant resources to attract customers—*acquiring* a new customer can cost five times as much as retaining an existing one.<sup>ii</sup> Operational Excellence models must place the existing customer first!

It is common to complain about crowded airlines, long security lines, etc. with the belief that as individual consumers we can do nothing about it. Rude or non-attentive wait staff in restaurants are another source of irritant.

This translates to only 7 percent of buyers believing that service exceeds their (often low) expectations and only 23 percent that think their business is valued enough for extra service.<sup>iii</sup> When switching costs are low, this can lead to financial disaster for said companies.

*Disruption* is more common than many believe. Management shakeups, recessions, business restructuring, mergers, layoffs, market crashes, etc. are ongoing and common. With most businesses either failing or acquired in less time than it takes a newborn baby to become twenty years old, does it make sense to be so callous about the revenue stream and those that supply it?<sup>iv</sup>

## **How to You Assure that Your Organization is Not Taking Customers for Granted?**

Free [Economic Value Proposition Matrix](#) version 2.0 (Realize the value of your investment)

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More details are available from the author.

## About the Author

Dr. [Scott M. Shemwell](#) has over 30 years technical and executive management experience primarily in the energy sector. He is the author of six books and has written extensively about the field of operations. Shemwell is the Managing Director of The Rapid Response Institute, a firm that focuses on providing its customers with solutions enabling Operational Excellence and regulatory compliance management. He has studied cultural interactions for more than 30 years—his dissertation; *Cross Cultural Negotiations Between Japanese and American Businessmen: A Systems Analysis (Exploratory Study)* is an early peer reviewed manuscript addressing the systemic structure of societal relationships.

## End Notes

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<sup>i</sup> [https://en.wikipedia.org/wiki/United\\_Express\\_Flight\\_3411\\_incident](https://en.wikipedia.org/wiki/United_Express_Flight_3411_incident)

<sup>ii</sup> <http://www.invespcro.com/blog/customer-acquisition-retention/>

<sup>iii</sup> <http://www.cbsnews.com/news/most-companies-fail-customer-service-test/>

<sup>iv</sup> <http://www.washingtontimes.com/news/2016/dec/19/most-companies-dont-last-50-years-but-these-firms-/>