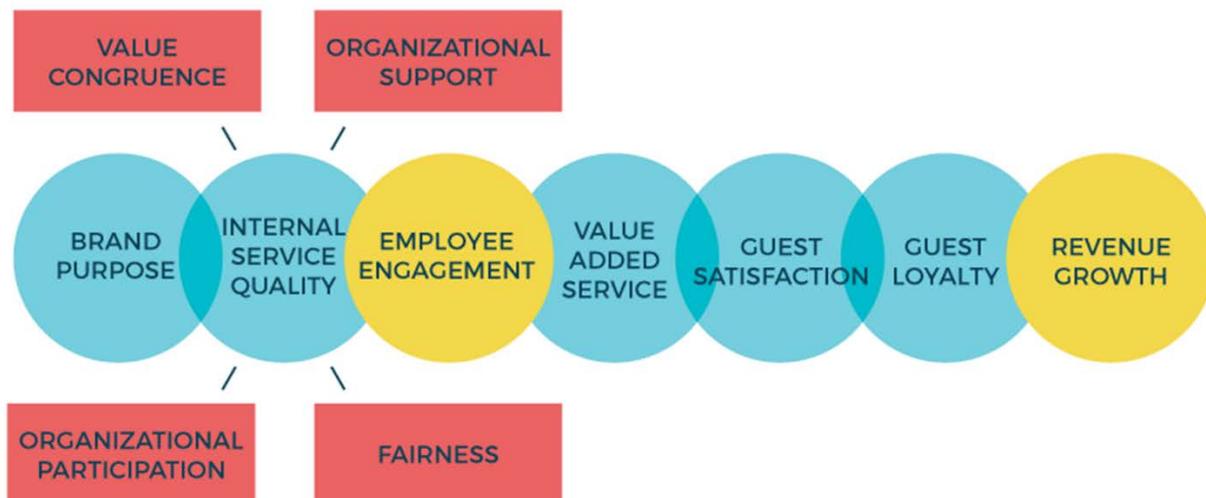


The Service-Profit Chain

The Service-Profit Chain (SPC) is an empirically developed model that has been proven through live business analytics during each of our previous engagements. This model informs how we construct current state assessments. P&PG surveys and interviews are designed to collect actionable data regarding the various attributes of the Service-Profit Chain. Based on needs identified during the current-state assessment, we target specific areas in the Service-Profit Chain (SPC) to ensure alignment across the business.

The SPC is a framework that shows the interrelationships of a business ecosystem, where revenue growth is an outcome of a chain of processes that begin with a clearly articulated shared purpose.



Shared Purpose

An authentic purpose captures the emotion of our existence and provides orientation to the entire organization. The clearly articulated purpose is the title of the brand story and provides a North Star by which to guide the strategic direction of the enterprise. All behaviors, practices and decisions within an enterprise should be aligned to this singular belief.

An effective brand purpose provides meaning to the work of employees and clearly articulates the highest possible good an enterprise will achieve for its customers.

A shared purpose

- Is explicit
- Provides a sense of identity
- Connects a community
- Inspires experiential design for team members & customers
- Acts as a force of differentiation from competitors
- Informs system 1 decision-making
- CANNOT BE INVENTED...ONLY DISCOVERED

Purpose is a strong differentiator for smaller organizations and start-up companies that compete with larger rivals. The more dependent an enterprise is on experiences, the more likely the business will be purpose-reliant.

Discovering a clear and authentic brand purpose is the first step of activating the service-profit chain. Once established, every member of an organization can be oriented and inspired to advance this purpose every day. In order to advance, the structural support and operating ecosystem in which the purpose lives must be adequately prepared.

Internal Service Quality

Internal Service Quality, or “ISQ”, refers to the practices of an organization relative to how team members go about accomplishing their work. Establishing high internal service quality involves creating work conditions that significantly contribute to employee engagement. ***Namely, the attitudes people inside the organization hold toward service of one another.*** Components of ISQ are:

- Purpose & Commitment Orientation (Meaning)
- Leadership Contribution
- Organizational Communication
- Workplace Design
- Job Design
- Candidate Selection
- Personal Development
- Technical Training
- Recognition Programs
- Fringe Benefits

Senior leaders determine the ISQ for their organization, as they enable the development of employees and provide the necessary job resources for team members to exhibit autonomy and mastery.

The culture of every enterprise is built on the people practices that comprise internal services. For high performance organizations, these practices advance the purpose of the enterprise while engaging employees by:

1. Developing *value congruence* between the organization and individuals
2. Exhibiting *organizational support* for individuals and communicating genuine care regarding their success
3. Organizational Participation
4. Fairness

Employee Engagement

Engagement differs from satisfaction in its focus on behavior rather than feeling. Satisfaction is a psychological measure of personal fulfillment. Engagement is defined by activity and indicates the willingness of team members to invest personal resources and discretionary effort for the attainment of business goals.

Engagement can be observed as physical, cognitive or emotional investments and *is promoted when job roles and expectations are aligned with an individual's preferred self-image.*

The need for alignment between the values of individuals and those of their organization make the work of clarifying purpose and commitments mission-critical to build, nurture and sustain high levels of performance.

Tapping the latent potential of a business and achieving transformational levels of performance requires a highly engaged workforce. This is achieved by developing new practices and habits that are extremely intentional in their aim and objective. Intentional people practices will orient the entire organization towards achieving the greatest possible good for customers, support the growth and development of individuals, actively solicit feedback and distribute work and rewards in a fair way.

Value Added Service

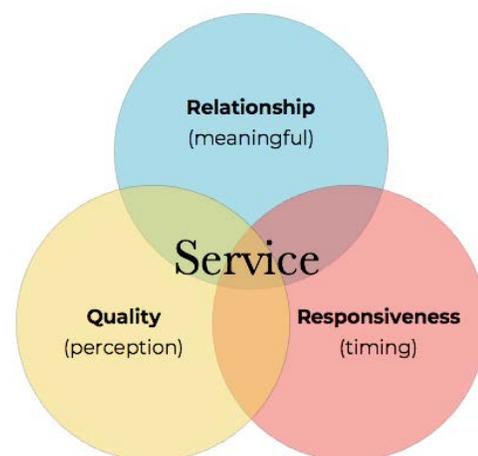
The brand is the customer experience. The perceived value of an enterprise is established by the experiences of its customers and team members, and their interactions with one another.

High-performance organizations build service delivery practices and processes that advance their purpose and reinforce identity. Processes and policies that constrain the ability of an organization to achieve their highest possible good must be eliminated, and practices that advance the fundamental beliefs must be celebrated and recognized.

Bounds of Service

P&PG has developed the “Bounds of Service” model to define value added service.

Effectively, the level to which service can be considered value added and differentiating for an enterprise is dependent on its ability to: 1) develop meaningful relationships 2) be responsive to service demands and 3) impress perceptions of quality upon customers.



Customer Satisfaction

Engaged team members deliver value added service that increases customer satisfaction.

Satisfaction is a measurement that determines how happy customers are with a company's product, service and capabilities. The primary objective for an organization is to codify deliverables that satisfy customers. Satisfied customers develop increased affinity for a brand and exhibit repeat buying behavior to the brands who best serve their needs.

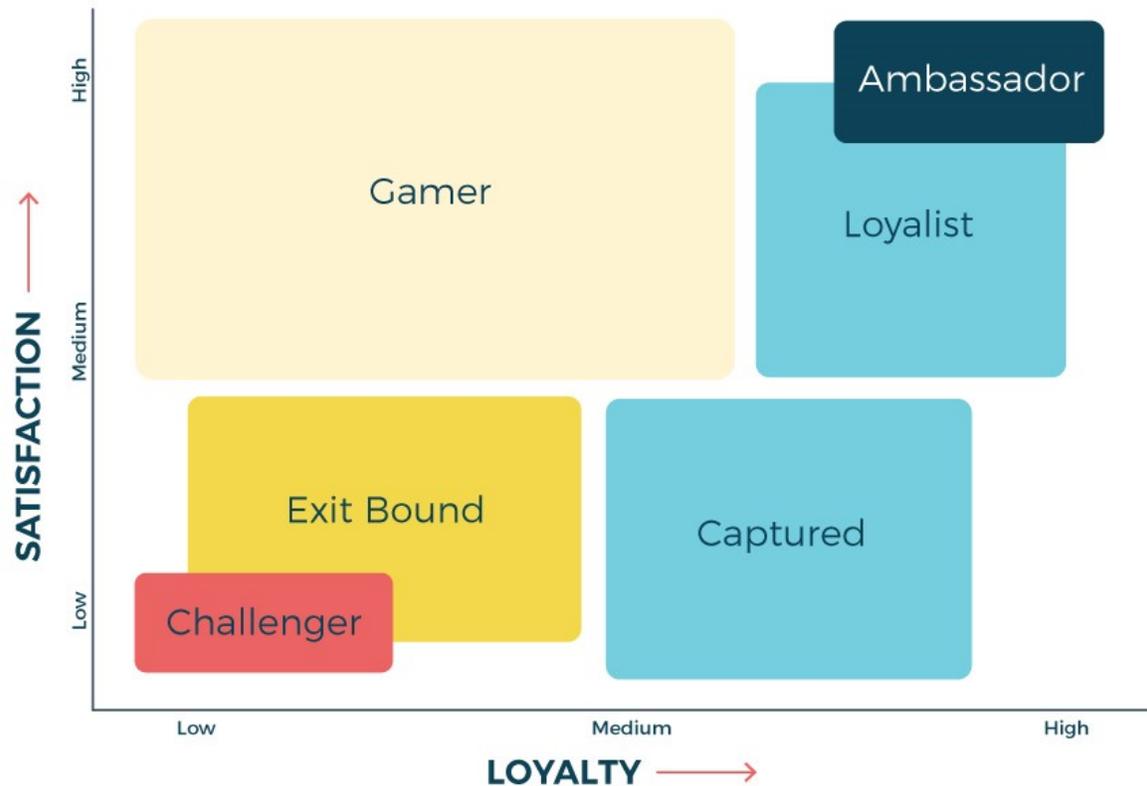
Customer satisfaction is derived from an organization's ability to exceed the established expectations of their customer. The delta between the expected and actual experience of the customer is the primary concern of customer satisfaction. High levels of satisfaction yield elevated feelings of loyalty that set the table for future revenue.

Customer Loyalty

Loyalty is a strong feeling of support that enables system-1 decision making. Loyal purchasing behaviors are established by perceptions and feelings grounded in a customer or client's experience with the people, policies, products and services delivered to them by a specific business.

While the measured impact of customer loyalty on profitability varies depending on industry, there is empirical agreement that loyalty and profitability enjoy a premium relationship to one another. Generally speaking, a 5%-10% increase in loyalty will influence company profits 25%-35%. This means that small increases in customer loyalty can have a significant influence on business revenues.

Elevating client relationships to create brand loyalists and ignitors creates organic momentum and future revenue opportunities. These are the fertile grounds from which future harvests will happen. Intentionally elevating relationships requires high EQ from enterprise leaders and is bolstered by fostering growth and development of EQ within their production and service delivery teams.



Revenue Growth

Revenue growth is achieved when customers exhibit repeat purchasing behavior and/or expand their buying decision to include additional products and services offered by an enterprise.

The Service-Profit Chain is activated by a clear and authentic purpose that explicitly states the highest possible good an organization is built to achieve. The adherence to this purpose then cascades through the organization where structures and practices are developed with the singular intent of advancing this singular belief.

Once properly oriented, individuals within the organization are able to narrow their focus. As the collective consciousness of team members is raised, tacit coordination amongst work teams increases, as does the quality of deliverables and service levels provided to customers.

This system increases the organizational health and financial performance of service-centric businesses by creating loyal team members and customers.

