Great Clips®

Driving Organic Growth through Customer Focus

By Jim Tincher, Principal Consultant

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Overview

“At every level in the organization, if people don’t understand what’s going on face-to-face with the customer, it doesn’t matter what else you’re doing.”

That’s the advice of Rhoda Olsen, CEO of Great Clips. It’s the same strategy that has driven 30 straight quarters of same-salon revenue growth. But it wasn’t always that way.

Back in 2005, “We thought we were a pretty customer-focused organization, as everyone does,” says Olsen. But that year sales and customers dipped for the first time in history. This wake-up call showed Great Clips they needed to better understand the current state of their customer needs. After conducting significant research, they discovered their brand wasn’t very well-defined and category confusion was significant. Customers had a difficult time distinguishing Great Clips’ value proposition from other salons.

This discovery led to a renewed focus on understanding the customer experience. The company introduced regular research to identify how Great Clips could make a difference in the salon category. More importantly, it showed the leaders that they personally needed to get in front of their customers and franchisees to develop a personal understanding of the customer experience. This immersion led to the development of three brand standards that were shared with and articulated by employees at all 3,000 franchise locations:

- Comfort
- Freedom
- Connection

Spend any time with a Great Clips stylist or franchisee and they easily articulate these three standards. In addition, Great Clips regularly checks in with their customers to evaluate their progress, categorizing all feedback – calls, Tweets, complaints and compliments – by how they impact these three brand standards.

These standards also help prioritize customer experience improvements. In 2011 the company implemented significant upgrades in each standard, including:

- **Comfort**: Great Clips has a renewed emphasis on Smiling. As Olsen commented, “We always knew the stylist’s greeting was critical to Comfort. But last year I was at a focus group and heard a customer talk about her stylist’s smile, and how important it was to her. That’s when I realized that we never articulated this need to smile. We just took it for granted!” Great Clips now includes a focus on smiling in their stylist training. Many service companies take the smile for granted, but Great Clips emphasizes its importance.

- **Freedom**: Short wait-times are central to Great Clips’ Freedom value proposition. In 2011, customer requests led the company to develop an online check-in option to let customers see the current wait time at nearby salons and put their name on the waiting list before they even leave their home. They can do this online or from an Android or iPhone app.

- **Connection**: Customers want a consistent experience at any Great Clips salon. The company is developing “Clip Notes” to record what a customer wants in a cut, allowing stylists at all of their 3,000 locations to better serve the customer. Live in Phoenix, but need a cut in Boston? No problem – they understand your style.
How Does Great Clips Keep Current with Customer Needs?

The Customer Intimacy Model measures a company’s 360-degree view of the customer, incorporating traditional Market Research, deliberate customer-facing Experimentation, in-depth Analytics, and Customer Immersion processes. Great Clips has a strong overall approach, utilizing aspects from each quadrant.

Olsen argues that keeping a current view of the customer is one of the greatest challenges of a customer-focused service organization. Her focus on the customer experience is evident from Great Clips’ comprehensive approach.

Market Research – Using Multiple Methods to Learn

Great Clips uses a battery of research to help understand their customers, including focus groups, point-in-time surveys, social media monitoring, salon audits, secret shoppers and annual brand surveys. All these help define the current customer experience and guide development strategies. Olsen personally reviews much of the research. “The success of more than 1,000 salon owners and 30,000 stylists depends on our ability to stay in tune with how well the Great Clips brand is serving customers across North America,” notes Olsen. Focus groups help the company understand customer needs, whereas audits, secret shopping and brand surveys help to measure the current state of the customer experience in each of 149 markets.

Analytics – Monitoring the Real-Time Customer Experience

Great Clips does not field regular Net Promoter Score (NPS) or satisfaction surveys, preferring to use customers’ actual behaviors to tell Great Clips how they are doing. If a customer does not return, that communicates far more than any survey response. “NPS and Satisfaction surveys are great additions if you don’t have customer data. But we focus on behaviors, because what customers say they will do is often different from what they actually do,” says Olsen.

To feed this need for analytics, Great Clips has implemented real-time monitoring of wait time and repeat visitors down to the customer and salon level. “We identify each individual customer, and separate them into first-time visitors, first-return visitors, and multiple-return visitors.”

Each salon is measured on the percentage of customers that return – if this figure dips, they know there is an issue. Great Clips has quantified the impact of wait time on return visits. The odds of customers returning to the salon drops quickly if they wait more than 15 minutes on their first visit. As a result, Great Clips can now monitor wait time at any franchise at any time of the day.
Customer Immersion – Not-So-Undercover Boss

Great Clips’ hunger to understand their customers goes beyond analytics. According to CEO Olsen, “The biggest risk we have right now in running a customer-focused organization is getting buried in data. It is easier to review analytics than to leave the office to work directly with stylists and customers.”

Great Clips keeps current with the state of their customer experience by immersing their executive team in their customers and their 3,000 nationwide salons. When I asked Olsen if she ever considered an “Undercover Boss” approach she laughed, saying “I can’t cut hair!” She overcomes this limitation by visiting 500 of her franchise locations every year. “Each time I am in a market for a local meeting or conference I make it a point to stop by 8-10 salons while I’m there. It is so easy to get buried in this fun and exciting stuff [at the corporate office], but we need to get out there.”

Her approach is straightforward. She walks in as a typical customer and waits for the greeting. She gets a haircut if she’s due; otherwise, she tells them she’s “from corporate” (they often think she’s in accounting), and talks to the stylists and the customers about their experience. If business is slow she’ll sit in the back room with a few stylists to listen to their ideas and feedback.

Olsen encourages her executive team to do the same, and salon visits are central to her executive development program. “Our executive staff should know how to run a salon. They should spend enough time out there that they understand what a franchise has to go through to get that salon to do what we need.”

Great Clips combines their salon visits with their focus group results and franchise teams to develop numerous customer-inspired changes. Olsen rattled off a number of these, from new products to wait screens at the entrance. Wait screens are computer monitors that display the current queue of customers. “The wait screens are a great example. They came directly from our customer [requests], and fit under our Freedom brand standard. Customers want to know how long they have to wait, and this gives them the comfort of knowing where they are in line.”

Strong Testing Process

Great Clips tests any product or experience change before it goes live. Olsen articulated a very deliberate process of testing through franchisees. Every concept begins with customer feedback, and is brought before franchisees to determine whether it belongs in the limited product or service portfolio.

Bed Head hair spray and Ladibugs were two examples Olsen referenced. In each case, stylists recommended these products based on customer requests. The need for Ladibugs lice treatment served a particularly thorny issue. Rather than referring an impacted customer to a pharmacy, stylists can now offer an at-home product for purchase in the salon. Adding the Ladibugs lice treatment, removal and prevention products provides an immediate solution with minimal customer embarrassment.
Great Clips follows a customer-focused testing process. A Product Task Force made up of customer-facing franchisee employees and corporate representatives conducts and reviews each test. As Great Clips offers a relatively narrow set of products, significant customer demand has to exist for the product to move forward. Most products are removed before ever entering the full test process; Olsen estimates that another 30 percent are removed in this final phase. By making product testing a franchisee-based process, Great Clips ensures products have real customer demand.

Great Clips tests all concepts, from lobby chairs to their online check-in system. In this example, the company introduced the process in a handful of locations early in its development, holding regular calls with each franchise to verify the customer experience was right before expanding it to the next stage. They stayed with their original year-long testing plan despite strong pressure from franchisees to accelerate the process. The company knew they had only one shot to make the correct experience, and took the time to get it right.

While their testing process is good, it is probably their weakest link in the four categories. While all introductions go through testing, a more deliberate introduction would help ensure that all customer needs are making it into the process. Olsen acknowledges that the original demand is often lost in the process, making it impossible to close the loop. Efforts to improve onboarding would complete this otherwise-impressive approach.

**My Take**

Great Clips takes a very broad approach towards understanding customers – offering a more comprehensive review than many companies twice their size. While their market research and analytics programs are thorough, it is their Customer Immersion approach that is particularly impressive. Olsen acknowledges that it is a constant effort for her team to keep in front of customers – it is too easy to review data and focus on day-to-day pressures. In fact, this was her final advice on creating a customer-focused culture: “Don’t get buried in the data, but stay in front of the customer. The temptation is so great to believe that the data and technology can give you good enough information that you don’t need to be out on the front lines.”

It is hard to argue with success. Great Clips continues to grow while their competitors shrink, and their customer focus is central to this achievement. As a result of their efforts, last year the company experienced their largest same-salon sales increase ever – incredibly difficult to do after five years of uninterrupted growth. Great Clips, led by customer-focused CEO Rhoda Olsen, has hit on a winning formula for customer engagement.
Jim Tincher  
PRINCIPAL CONSULTANT  
612-747-4021  
jim@heartofthecustomer.com  
Twitter: @JimTincher

Jim has more than 20 years of experience in driving customer engagement from small business to Fortune 500 companies. Jim’s expertise has led to engagements as far-reaching as developing consumer tests at Best Buy, creating a Customer Insights capability at UnitedHealth Group, and consulting with clients ranging from global fast food giants to utilities to international manufacturing and service companies.

Over the years he has designed a retail store window in Manhattan, consulted with the Assistant CFO and the Treasurer of McDonald’s corporation, built a full-size family room, kitchen and home office in three stores, and spoken in front of thousands of employees about such diverse topics as creating a consumer testing approach, engaging employees around their healthcare, and building a customer-centric organization.

Jim is a dynamic speaker, passionate about building a world-class experience that results in customers who come back time and again. Learn more at Heart of the Customer.