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FOR PUBLIC AFFAIRS STAFF

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SUBJECT Tom Peters On Management

DOUG RAMSEY: Up next, Tom Peters on management.

TOM PETERS: Businessmen really live in an unfair world. It's an unfair world because customers are people. That is, customers are emotional, irrational, driven by their minute-to-minute, second-to-second, day-to-day concerns. In other words, customers are normal.

Let me give you an example of it. I was working awhile back with Don Burr, the Chairman of People Express, and we were talking about this whole issue. And he said, "You know, let me tell you what it means in the airline business." He said, "It means coffee stains on the flip-down tray in the airline suggest to the customer that we don't do our engine maintenance right."

And boy-oh-boy, is that ever the case, no matter where we are. In fact, I've said, and I really believe quite deeply, that as disparate a pair of companies as McDonald's and IBM both have a single distinctive strength above all others, and that is they are the world's greatest wiper-uppers of coffee stains. They will not let you catch them with a coffee stain on the tray, and then form the association with the bad engine maintenance.

Now, there are two choices. You can hear that story and you can wring your hands and gnash your teeth and say, "What an awful world we live in," or you can say, "Wow! What a fantastic opportunity it presents." And let me tell you what I mean by that.

A friend of mine that I work with in Cupertino, California, 59 years old, born in Salt Lake City, been skiing since he was five years old, when we were talking about this issue, he

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said to me, he said, "I can give you the perfect illustration of the good side." He said, "The good side is," he said, "I've been skiing for over a half a century. I've probably skied darn near every resort in the world." And he said, "Only one resort that I know of -- it's in the Sierras in California -- at the head of the lift line, right before you get on the chair lift, they've got a dispenser with a Kleenex box on the top of it. And you can take a Kleenex and wipe your goggles off while you're on the chair lift." He said, "I can't tell you how many of my so-called sophisticated friends refer to the whole darned resort as the Kleenex-box resort."

And that's what it's all about. It's the cumulative memories of little Kleenex-box incidents.

Jan Carlson is the managing director of the SAS Company. Scandinavian Airlines has been a true turnaround story. In a depression in the airline industry, they went from losing 10 million a year to making 70 million a year on $2 billion in sales. And the focus -- all that, by the way, came out of the hide of Lufthansa and Swissair, which makes it an even more significant accomplishment. The focus was tiny little service improvements.

And Carlson has a metaphor that I'd like to leave you with. He says, "Look," he says, "SAS has 10 million passengers, customers a year. Each passenger comes in contact with five SAS employees, on average, from the time that he makes the reservation till the time the baggage handling is done." He said, "Therefore, SAS is 50 million moments of truth per year, 50 million unique opportunities which we have to distinguish ourselves from each and every one of our competitors in a remarkable and memorable fashion."

And boy-oh-boy, let me tell you, it's not sort of --when we talk about the irrationality of the customer, I don't mean the unsophisticated buyer. Just a few days ago I was with the head of research and development at Johnson & Johnson, the epitome of the rational man, and we were talking about this. And he remembered when he had bought a little piece of equipment 20 years ago from a super-producer. The equipment had given him fits. The company had been rude to him when he'd sent them a letter, and so on. He said, "You know," he said, "I know it's stupid, but 20 years later I still carry that memory around, and we still don't do very much business with that company."

It's an unfair world, for worse or, if you're McDonald's or IBM, for better. The Kleenex opportunities are just what it's all about.

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