

Improving Customer Satisfaction Using the Three-Hat Service Model

by **Dr Claude Diderich** | innovate.d, Switzerland

Service firms face the challenge of how to best deliver their solutions to their customers. Successful firms implement a cultural model that focuses inwards on specific expertise-based roles and outwards on interacting with customers with a single voice. Roles and responsibilities must be defined from a customer rather than a firm perspective and should align with the customers' perception of service quality.

Alice, a wealthy privatier, felt cold during the night. The next morning, she checked the heating system. It was broken! Not knowing who to call to get it fixed, Alice turned to the family office firm that she hired some years ago to look after her wealth. As she remembered from their last meeting, they had recently acquired a property management company. "Maybe they can help," she thought. She called and asked to speak to her advisor, Bob. But Bob was not in. The receptionist forwarded the call to the property management company. After having explained her problem, Alice was assured that her heating problem would be taken care of. But nothing happened! The next day, she called again. This time she was able to reach her advisor, Bob. But he did not know about her previous inquiry, and he could not get hold of any information that the issue had been taken care of.

If this story sounds familiar to you, you are not alone. Companies faced with such coordination problems often believe that the reason is poor communication and lack of information-handling processes or systems. From what managers have read in trade magazines and heard at conferences, they believe that the challenge they face can be addressed by introducing (or upgrading to) a Customer Relationship Management ("CRM") system. But CRM systems only make the problem worse, as they do not address the root cause of the issue at hand.

THREE-HAT SERVICE MODEL

The three-hat service model is a proven organizational way of aligning roles and responsibilities to deliver services to customers. It assigns clear ownership of customer communication and problem-solving to specific roles.

Green Hat

First, the employee wearing the *green hat*, is owning the customer relationship. Each customer is assigned a dedicated green hat employee, who takes on the role of their program or project manager. In that role, the green hat must be involved in, or at least informed of, any communication with the customer, including any promises made. Green hats must be reachable during agreed-upon hours. The goal of the green hat is not to necessarily solve any customer problems but to ensure that problems get solved to the satisfaction of the customer. They are also responsible for generating new leads and transforming them into opportunities. They need to focus on identifying unmet needs, any distress felt, and sought-after gains. The green hat owns the communication with the customer

and coordinates the relationship between the company and the customer.

Red Hat

The second role, the *red hat*, is one of a subject matter expert. In my example, the family office should have a red hat in charge of identifying what the issue with the heating system is and who could fix it. Red hats communicate either through green hats, or, when more efficient, directly with customers. They also ensure that the customer's assigned green hat is always fully kept informed. The goal of red hats is to solve issues identified by the green hats by applying their own subject matter expertise. Even though red hats may address minor issues themselves, their primary role is coordinating between green hats (and the customers) and the blue hats who are doing the actual work. Red hats, during the sales process, are responsible for proposing solutions to meet the customer's needs identified by the green hats. Their role is transforming opportunities into sales. Customers of red hats, so to speak, are green hats.

Blue hats

Blue hats are where the rubber meets the road. They are operational employees, contractors, partners, or suppliers who address specific needs in their area of expertise. Going back to Alice's heating problem, a team of blue hats would fix the boiler. They would get their assignment from a red hat, who would have been mandated by a green hat to look after the heating system problem. The customers of blue hats, so to speak, are red hats.

Depending on the size and organization of a company, employees may, at different times, wear different hats. For example, in a law firm, partners typically wear green hats, as they are responsible for customer relationships. But most partners are also experts in specific areas of the law. For example, a partner may be an expert in M&A and as such would wear a red hat when it comes to advising customers on specific cases. Blue hats would typically be junior analysts doing the research work and writing case brief drafts.

To be successful, every employee must know which color hat they are wearing at any given point in time and perform the relevant duties. Even though technology may be used to support coordination between different colored hats, it must never become the driving force.

INSIGHTS GAINED

To deliver services to the satisfaction of their customers, companies must clearly distinguish between:

- The responsibility of identifying new customers and managing existing customer relationships—*green hat*.
- The responsibility of selling solutions and delivering promised services to customers—*red hat*.
- The responsibility of producing the services sold to customers—*blue hat*.

The three-hat model is a conceptual model that should be ingrained in the culture of any service company.



Dr Claude Diderich (claudio.diderich@innovate-d.com) is the founder and managing director of the innovation and strategy consulting boutique *innovate.d* in Switzerland. Claude holds a doctor ès sciences and a masters in computer science engineering from the Swiss Federal Institute of Technology in Lausanne and a certificate of advanced studies in strategy from the University of St. Gallen. His areas of expertise include business model innovation, customer-centric strategy development, digital transformation, and problem-solving using design thinking. His most recent book titled *Design Thinking for Strategy: Innovating towards Competitive Advantage* has been published by Springer Nature.

Download as PDF | Subscribe to our newsletter