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The Challenge of Providing Excellent Customer Service

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For most of the last few months, Britain's regulated telecoms company, BT, has been in the firing line. Customers, competitors, and members of Parliament alike have all complained that BT's rollout of superfast broadband is not fast enough, nor extensive enough.

Others' concerns are more prosaic. Last autumn, for instance, I was driven to write a blog post about the truly awful customer service I experienced when I tried to get a telephone line installed for my daughter.

Hours spent on the phone, promised call backs that never materialised, time taken off work in order to wait in for BT engineers who never arrived—and all the time, direct debit payments were being taken, for a service that we weren't receiving. BT were happy to take our money—yet incapable of providing the most basic of services, a simple telephone line.

The irony, of course, is that BT spends a fortune on advertising and mailshots, trying to win customers, bombarding consumers with offers. And in the case of customers driven to desert the company because of its customer service, one can't help but wonder if it might not be cheaper to simply improve that customer service.

And indeed, influential studies by researchers and management experts such as Fred Reichheld—author of *The Loyalty Effect*—show that it costs around five times more to attract a new customer than retain an existing one.

Despite this, the kind of customer service that I experienced from BT is far from unique: right across huge swathes of business—retail, transport, consumer durables, banking, utilities—huge numbers of businesses generate bad press and complaints through delivering awful customer service.

In one sense, those complaints are good news: market insights from the coal face, obtained at minimal acquisition cost. Free information, in other words—information with which to inform decisions about how to do business better in future.

Better still, it's information with which a business can still influence events. Most complainants don't write or e-mail a complaint once they have decided to switch to a competitor. So when a complaint *does* arrive, there's still a chance to rectify whatever situation brought events to their present pass.

Get it right—and persuade the customer *not* to switch to a competitor—and there's further good news. Because research further shows that customers who complain and receive satisfaction are 80% more likely to stay with a business than those who don't—and that customers who *don't* like the way that they've been treated are likely to go off and tell up to 11 other people of their experience. Or a lot more people than that, in the case of the readership of my blog. Poor customer service is a costly business, in short.

And yet *good* customer service need not be expensive—which is the mistaken assumption that company after company makes. For what did it cost in terms of staff and other resources for BT to deal with my repeated—and lengthy—telephone calls? How much engineers' time was wasted? How much effort was spent on logging—and then not actioning—my repeated requests for BT to fulfil its promises?

Not only does an investment in good customer service avoid these costs, but as Reichheld points out, there's a direct correlation between good customer service and profitability—a correlation that airlines such as Virgin and Southwest Airlines have long exploited. Every 5% increase in customer loyalty, reckoned Reichheld, raises profitability by anywhere from 25% to 100%, a telling statistic at a time when in some industries customer churn exceeds 50% over a five year period.

Fanciful figures? Probably not. It's known that the next vehicle bought by a Porsche, Land Rover or Mercedes owner is likely to be another Porsche, Land Rover or Mercedes. In consumer electronics, Apple holds sway. Granted, factors such as innovative design, build quality, and performance play a part. But the impact of reputation can't be ignored. And a lot of that reputation is down to customer service.

So how difficult is it for a company to excel at customer service? Research by Karl Albrecht and Ron Zemke shows that truly customer-centric organisations exhibit the following characteristics:

* They have a strong vision—a strategy for service that is clearly developed and clearly communicated.
* They 'talk' service routinely.
* They have customer-friendly service systems.
* They balance *high-tech* with *high-touch*; that is, they temper their systems and methods with the personal factor.
* They recruit, hire, train, and promote with service 'front of mind'.
* They market their service to their customers.
* They market that reputation for service internally, that is, to their employees.
* They measure customer service, and disseminate the results internally.

Straightaway, we see the challenge—and also see why customer service is a particular challenge for some of our very largest companies. Whatever senior management might think about the virtues of excellent customer service, and however zealously they bang the drum in its pursuit, they sit atop vast organisations. In terms of the customer service message, there are tens of thousands—or hundreds of thousands—of employees to bring on-side.

And yet, there are shortcuts, or ways of making the goal more attainable. For assuming that senior leadership itself gets the message about the importance of customer service, then even a cursory inspection of Albrecht and Zemke's characteristics highlights the importance of measures and KPIs.

Put another way, as Albrecht and Zemke highlight, in leading customer-centric companies, measures of customer service have a *direct impact* on employees' rewards, promotion, and retention prospects. Moreover, those measures also influence decisions about how many aspects of customer-facing systems and processes will be viewed internally. Should someone in the organisation want to implement or tweak a customer-facing process in a way that reduces cost (good), but adversely impacts customer service (bad), it's not too difficult to imagine them being sent back to the drawing board.

But if measures and KPIs are important, *which* measures and KPIs should organisations use to boost customer service? There's no one simple answer: much depends on the nature of the individual business in question. What measures work best for one business might not be the best set of measures for another: a manufacturer (say) will require a different set of measure from a service and maintenance organisation, and a different set of measures from (say) a parcels carrier.

In each case, the process begins with some fairly basic business process mapping, overlaying on that mapping the customer touch points, and identifying through market research the critical customer success factors that drive customer satisfaction and customer service measures.

Even so, a little thought shows us that, from the point of view of maximising customer satisfaction, two broad types of metrics are critical.

The first group of measures is *time-centred*. At its simplest, this involves asking questions such as how quickly did we manufacture or pick the customer's order? How quickly were we able to despatch it? How long did it take to arrive? How variable is our performance on these measures? What are the trends? How quickly do we respond to customer queries? The golden rule: if it impacts the customer, imagine it as plotted on the x-axis of a chart.

The second group of KPIs is *relationship-centred*. Here, we're again looking at where we are impacting the customer, but the key focus is success-based. Order fill-rate, for example: what proportion of orders are completely filled within the stated lead-time? Or first-time fix rate: how many service calls successfully deal with the customer's repair or maintenance issue on the first call? What is our customer satisfaction score? How broad is our relationship with the customer—do we jointly collaborate with them, and are there a range of senior-level contacts?

Such questions aren't difficult to come up with: with a little thought, you will doubtless come up with many others. Better still, the metrics to translate most of them into hard numbers will be readily available within most businesses' enterprise systems, even if present-day reporting systems don't currently report on them.

Nor is it difficult to imagine that many businesses which don't slavishly obsess over such measures now, will find themselves doing so in the not-too-distant future. Because the world is changing, with the spoils of victory increasingly going to companies exhibiting Albrecht and Zemke's core customer-centricity characteristics.

Put simply, products are increasingly becoming commoditised, leaving customer service as one of the few remaining competitive differentiators. From omni-channel retailing to consumer packaged goods products, and from vehicle maintenance to telecommunications companies, new product paradigms—from ‘click and collect’ to packaged phone, TV and broadband bundles—are providing businesses with new opportunities to engage with customers, but also new opportunities to fall flat on their faces.

Which companies will emerge as winners? And which as also-rans, having fallen flat on their faces? The logic of Albrecht and Zemke is difficult to refute. And in a world where customer-centricity matters more than ever, customer service-based metrics are more than just a box-ticking exercise: in a very real sense, they are milestones on the journey towards long-term survival and success.

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