The cost of not caring for your customers
By Tom Lester
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If you have a complaint with the ferry service between Stranraer in Scotland and Belfast, employees are allowed to spend up to £1,000 to solve the problem for you - without having to obtain management approval.

Stena Line, the Swedish operator, credits the “satisfaction strategy” developed on the crossing with boosting its market share, and it has now been extended to all other Stena routes.

At Siemens in the UK, a “Think Customer” programme reflects the aim of Klaus Kleinfeld, group chief executive, to cajole the electronics company’s 100 or so business units into working together to solve customers’ problems. Mystery shoppers are hired to ensure staff can handle enquiries competently.

At Fujitsu, the “Sense and Respond” approach, also developed in the UK, has been adopted throughout the global company to persuade units to solve customers’ complaints rather than make glib excuses for mistakes and poor service. Customer and staff satisfaction has improved sharply, it is claimed, and IT contract renewals have increased in step.

Such cases illustrate the growing commitment of companies to pay closer attention to their customers and help resolve complaints. They are still a few small voices in the wilderness, however.

Most consumers have personal horror stories of bank letters demanding payment of a non-existing account, helplines that can’t or won’t help and managers who cower behind expensive automated systems.

Moreover, the problem is getting worse, surveys show. Research by Accenture, the management consultancy, found that when telephoning to complain, customers spent on average of six minutes on hold, and spoke to more than two service representatives.

Corporate attitudes to complaining are frequently negative, too. Researchers at Birmingham’s Aston University found that the majority of chief executives regard complaining customers as a nuisance and too demanding.

Yet most chief executives would swear their companies are “customer-orientated”. Customer relationship managers and call centres are common, and attitude surveys will record gratifyingly high percentages of “satisfied” customers, allowing the chief executive to assume that all is well.

Research by Frederick Reichheld, director emeritus at Bain & Company, the strategy consultancy, provides a reality check. He has shown that over the past decade the only reliable guide to customer loyalty (and future purchases) is the answer to the question “Would you recommend [company X] to a friend or colleague?”

Mere satisfaction is not enough to bring customers back, while those who come away vaguely dissatisfied won’t complain, but next time simply vote with their credit cards - and quite probably, tell their friends.

Some sectors are better than others at making sure customers have few reasons to complain. Buyers of high-technology consumer goods often have to climb a steep learning curve to get the full benefit of new products - customers who struggle to connect their new high-definition DVD with the TV set are unlikely to come back for a second purchase.

In constantly churning sectors such as financial services or travel, customers will react quickly against faulty software, poorly trained staff or ill-considered new conditions in the small print. Loyalty in the credit card market is particularly weak as one card is as good as another offering the same rate, and the issuer is only as good as its last offering.

The rise in complaints may also result from companies’ efforts to “manage” the customer relationship in the hope of reducing costs, typically electronically. Automated call-handling systems, for example, often make the error of providing options based on the company’s organisation, not its customers’ problems. Call centres are notorious for poor treatment of staff resulting in high turnover and low expertise. Senior managers designate them as cost centres and judge them by the
number of calls handled and the average times taken to resolve them. Often staff pass on their frustration to customers. Meanwhile, automated accounting systems in shared service centres may issue accounts and pass the non-payers to debt collection agencies without any human intervention.

What is required is not automation, says Stephen Parry, managing director of Transform, the consultancy that devised Fujitsu’s customer-handling procedure. First, he says, the board should understand that the customer relationship is an opportunity for profitable growth, not a drag on the bottom line. Chief executives must remember even when profits are tight that repeat purchases are several times cheaper than new business, and complaints are not a threat but an invaluable source of information and future loyalty.

It is not an easy transition. BT Group, with 19m customers, has to live down an unenviable record for its service dating back to the days of state ownership. Duncan Ingram, managing director of customer services, and Ben Verwaayen, chief executive of the British telecoms giant, are encouraged by the figures.

“Our dissatisfaction rate has been cut by 23 per cent per year over the past three years, and we’re targeted to continue the trend.” Some 14,000 advisers handle 800,000 calls a day: only 0.1 per cent are complaints, says Mr Ingram. Still, that is 800 complaints a day, and the sheer size of the organisation and the growing range of telecommunications services mean that co-operation among all functions is difficult.

“We use root cost analysis to identify the top five complaints every quarter,” says Mr Ingram. “We also focus a lot on ownership. The front-line staff deal with as many problems as they can, and pass on the rest to a second line, but they still own them till they are resolved... But the chief thing is how to avoid complaints in the first place. We have set up a sensing system to try to catch the exceptions and anticipate the problems in any new initiative.”

Once the volume of complaints is reduced, the handling staff can concentrate on creating value for customers and company. Mr Parry finds among his clients that anything up to 90 per cent of customer communications are about “restoring value”, or putting right what should never have gone wrong. Improving products, internal systems, staff training, reward schemes and so on can cut that down to less than 40 per cent.

Alan Gordon, Stena Line’s route director who came up with the scheme for ferry staff, says that he has never had to pay out the £1,000. Where five years ago they expected to receive four complaints for every compliment, now they find they get three compliments for every complaint. In what he believes is a direct consequence, “We carry 60 per cent of foot passengers to Northern Ireland, and 56 per cent of cars.” Whereas many companies are content merely to cut the rate of complaints, careful monitoring of the handling process reveals where products or services can be improved, and how they are best sold to customers.

Charles Reed, customer services director at Nationwide, says that 40 per cent of complainants have been found to go on to consider other products. “They’re your best advocates,” he adds.

For that reason, he strongly opposes any move to outsource the building society’s four call centres. “It is a core part of our business to talk to customers. Our directors regularly meet 100 or more customers in evening sessions, and we record and analyse their comments.”

Yet few companies are as thorough. Call centres remain the poor relation of the organisation, and Mr Parry’s proposal that they should become customer management

HOW TO TURN FOES INTO FRIENDS

- Analyse complaints data by product, channel and process: the subject and frequency of complaints, the information requested and difficulties indicated. Survey customers using the Reichheld question: “How likely is it that you would recommend this company/product to a friend or colleague?”
- Ensure call centre operations are fully integrated, even if outsourced; and judged on customers satisfied, not the number of calls handled.
- Present the results in cross-departmental meetings and explain the need for close co-operation to satisfy customers.
- Pay special attention to IT and accounting systems. There will always be some mistakes, so ensure staff nearest the customers are empowered to remedy them.
centres, with greater responsibility for building and strengthening relationships with customers, seems an even more distant prospect.