

CUSTOMER MANAGEMENT

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UK customer care

- still ineffective and costing business billions

PLUS

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STRATEGY AND PRACTICE FOR THE CUSTOMER-DRIVEN ENTERPRISE

CUSTOMER MANAGEMENT



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call handling of a leading business firm

STRATEGY AND PRACTICE FOR THE CUSTOMER-DRIVEN ENTERPRISE

Strategy and Practice for the Customer-Driven Enterprise

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Why we must strive for excellence in order to survive and prosper

The Cover Story in this issue of Customer Management makes for some sobering reading. What is believed to be the largest and most comprehensive study into customer care ever conducted in the UK - involving more than 11,000 consumers - has revealed more than four in five households are unhappy with service levels they receive relating to products and services across all sectors.

The research, conducted by the Customer Care Alliance, an independent organisation sponsored and supported by a number of companies specialising in providing customer care support services, used the same resources as the benchmarking White House Study in the US. It therefore has a comparative element, and the UK's performance as judged by consumers does not hold up very well at all. While 81 per cent of UK households are unhappy, only 45 per cent of US households are. Is this because the typical UK customer is more demanding and less easily pleased than the typical US customer? - I think not.

The potential impact on our businesses of this disturbingly high level of dissatisfaction is more serious now than ever before. The research shows that people are now more likely to complain - and more likely to take their business elsewhere. Customers have after all got all the money, and the research estimates that revenue of a staggering £11.9 billion is at risk each year if those customers extremely or very upset with their experience do indeed decide to take their business elsewhere.

Perhaps unsurprisingly most common causes for complaints were poor product and service quality, unsatisfactory service levels, and a failure of the product or service to meet expectations. One of the most important findings - and one that could be addressed quickly by customer service leaders - is that many customers were actually looking for little more than a simple apology, or explanation for the failure, but did not get one.

The message behind this research is simple. Being complacent about service levels is going to become more and more damaging to an organisation's health. Those organisations prepared to make a genuine commitment to customer care performance have a fantastic opportunity to increase market share and profitability - at the expense of their less customer-focused competitors.

Here at Customer Management we firmly believe in the need for organisations to strive for excellence and in the translation of that excellence directly to the bottom line of profitability. This is one of the reasons that Customer Management's publisher Quest Media organises the Customer Management National Customer Service Awards. This Awards programme, which is far and away the largest and most prestigious of its kind in the UK, is now open for entries and full details of how to enter can be found in this issue on p43.

The more we focus on achieving high standards - and these Awards do just that - the more chance we have of not just surviving, but prospering too. Food for thought.

STEVE HURST

www.customermanagementonline.com

UK customer care

- still ineffective and costing business billions

The latest and most comprehensive study yet undertaken into British customer service shows that in spite of customer management excellence being recognised as a key business benefit many organisations still fail to deliver even basic customer care. John Kemp reports exclusively for Customer Management magazine

During my more than 20 years in the customer service industry, I have regularly quoted from the findings from 'The White House Study into Complaint Handling in America'. Even if you have never read this benchmark research, I guarantee you have heard of and possibly quoted some of the findings that include - 'a dissatisfied customer tells ten others about their bad experience', 'it costs five times more to get a new customer than keep an existing one' and 'a well handled problem can build more loyalty than no problem at all'.

This study, conducted in the late 1970's, estimated that only four per cent of customers with a problem complained to the organisation at fault. The key message it delivered was that effective customer service pays and there were significant financial returns to be made by encouraging customers with problems to contact. This led to considerable investment in the customer care industry with the establishment of free phone numbers, call centres and customer relations departments. More recently, organisations have continued this investment in CRM technology and automated and out-sourced contact centres.

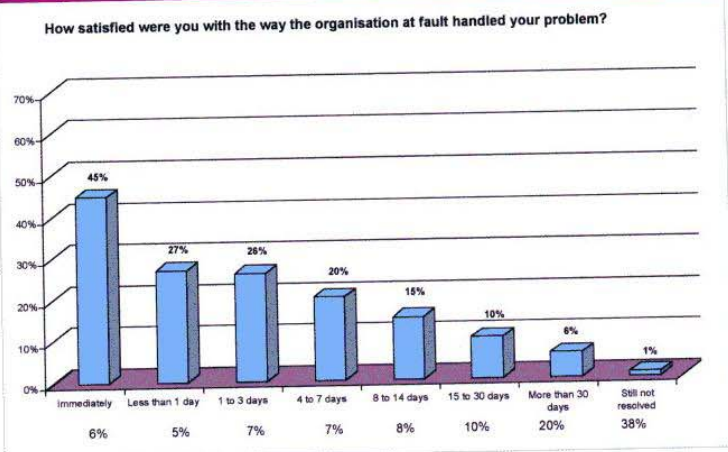
Investment in technology not working

But is this investment working? If I contact my bank or utility company, why do I have to wait at least ten minutes before I can speak to someone on the telephone or have to send my letters by recorded delivery to ensure I get a reply? Why did I have to take my holiday company to court before I could get a satisfactory resolution to a serious problem experience? The answer is, I believe, that ►

TABLE 1 - IMPACT OF ACTION TAKEN ON OVERALL SATISFACTION AND WILLINGNESS TO RECOMMEND

Satisfaction with action taken	Satisfaction with organisation	Willingness to recommend organisation
Satisfied (11%)	76%	60%
Mollified (39%)	22%	17%
Dissatisfied (51%)	4%	4%

CHART 1 - IMPACT OF RESOLUTION TIME ON SATISFACTION WITH ACTION TAKEN ON MOST SERIOUS PROBLEM





Based on the cost of the products or services responsible for problems provided by respondents extrapolated to the population of the UK as a whole, it is estimated that revenue of £11.9 billion is at risk each year if those customers extremely or very upset with their experience decide to take their business elsewhere

The sad fact is that, despite the millions of pounds invested in customer service centres and complaint handling, British businesses - in general - still provide unacceptably low levels of care. The obvious financial imperative to retain the goodwill and loyalty of existing customers still seems to be missed by many senior managers who may prefer to concentrate on acquisition rather than retaining the goodwill and loyalty of existing customers



many organisations, despite considerable investment in technology, still fail to deliver basic customer care. Not only is this hacking off customers; it is seriously undermining loyalty and future profitability.

I do not think my experiences are unique but I needed quantitative data to back up my perceptions and quoting research that was over two decades old lacked credibility. That is why I have been working with the Customer Care Alliance, an independent organisation sponsored and supported by a number of companies specialising in providing customer care support services.

This alliance includes the same researchers responsible for the original White House Study and has already conducted an update of this study in the US. I joined them to quantify the state of customer

care in the UK and to conduct what I believe is the largest and most comprehensive study into customer care conducted this side of the Atlantic.

Almost 11,000 respondents contributed to this Internet based survey that examined customers' experience across 35 industry sectors. Using the latest web based survey technology provided by Surveylab we were able to make a comprehensive survey very user friendly and easy to complete. The results provide a comprehensive overview of the state of customer care in the UK today.

In this article, I will be providing an overview of some of the top-level findings but, in the longer term, plan to produce industry specific reports that will focus on individual sectors. It is also planned to repeat this study so that it becomes a regular barometer of service delivery standards and customer perceptions and expectations.

Four in five households unhappy with service levels

The study found that problem experience was a regular occurrence with 81% of British households (compared to 45% in the US) experiencing an average of 3.5 problems with the products and services they consumed during the past twelve months. Of these, 63% said that they were extremely or very upset with the experience and 85% complained to the organisation responsible – a considerable increase from earlier research.

Problem experience varied between industry sectors but the three most common issues were: product or service did not meet expectations (41%); poor product or service quality (34%); and unsatisfactory service (unrelated to repair) (29%). Problems were costly to the customer. Nearly half (46%) reckoned they lost time over the incident and 43% were out of pocket financially.

Most contacted by telephone (70%). Over a third (37%) still wrote a letter and 35% made contact in person but only 17% used email. This varied between industries with, for example, 66% of Eating out problems being addressed in person and 94% of Utility customers contacting by telephone. Many used more than one channel because, on average, it took 3.8 contacts to resolve their most serious problem.

Only 11% of respondents reached resolution within one day with 30% waiting more than 14

TABLE 2 - COMPARISON BETWEEN WHAT CONTACTORS WANTED TO GET AND WHAT THEY GOT IN RESPONSE TO THEIR MOST SERIOUS PROBLEM

What respondents were looking for and what they received	% Wanted	% Got
An apology	49%	30%
An explanation	45%	23%
Product repaired/service fixed	28%	15%
All my money back	19%	8%
An assurance that the problem would not be repeated	32%	7%
Some of my money back	16%	7%
Free product or service in the future	8%	4%
Financial compensation for my lost time/inconvenience	14%	3%
Just to express my anger/tell my side of the story	12%	2%
Revenge – make them pay for the hassle/inconvenience	3%	0%
Other	7%	8%

Note: Respondents could select more than one option so results exceed 100%

days. A further 38% felt that their problem was still unresolved. The impact that time had on satisfaction is shown in Chart 1 on p10. Considering the need for multiple contacts and the time it took to reach resolution, it is not surprising that only 11% of those who complained were completely satisfied with the action taken. This compares to 18% in the US. What is particularly important is that this small segment demonstrated massively higher levels of satisfaction with the organisation concerned and was much more likely to recommend it to others. Table 1 on p10 compares satisfaction with the action taken to overall satisfaction with the organisation and willingness to recommend.

Commercial organisations performed better than the public sector. The Clothing and Small electrical appliance industries had the highest levels of satisfaction with action taken (40% and 36% respectively), followed by Eating/drinking out at 26% and Hotels at 21%. Central government performed the worst with only one per cent being satisfied with the action taken to resolve their problem with Local government not far behind at six per cent.

A thought-provoking finding from this study was that many customers were looking for little more than an apology or an explanation but still did not get one. Many companies appear to be concerned that their customers are only interested in compensation but this study suggests otherwise. Table 2 on p12 shows what customers wanted and what they received.

Revenue of close on £12 billion at risk

Based on the cost of the products or services responsible for problems provided by respondents extrapolated to the population of the UK as a whole, it is estimated that revenue of £11.9 billion is at risk each year if those customers extremely or very upset with their experience decide to take their business elsewhere.

The good news, however, is that whilst customer care is consistently bad, most organisations have nothing to fear from continuing to treat their existing customers poorly. But those prepared to improve their customer care performance have an outstanding opportunity to increase market share at the expense of their less focused competitors.

The sad fact is that, despite the millions of pounds invested in customer service centres and complaint handling, British businesses - in general - still provide unacceptably low levels of care.

The obvious financial imperative to retain the goodwill and loyalty of existing customers still seems to be missed by many senior managers who may prefer to concentrate on acquisition rather than retaining the goodwill and loyalty of existing customers. ☐

FIVE KEY CONSIDERATIONS FOR ORGANISATIONS SERIOUS ABOUT CUSTOMER CARE EXCELLENCE

1. If more than three-quarters of customers are experiencing problems with the products and services they consume, what are organisations doing to improve product and service quality? How effectively are they listening to their customers and using such feedback to improve their offering to avoid future problems? An effective customer care strategy should incorporate an efficient customer feedback channel designed to prevent future problems occurring.
2. Time to resolution and number of contacts necessary has a direct impact on satisfaction and future loyalty. Processes should specifically aim to minimise response times. In the call centre industry particularly, recent cost cutting has seriously undermined resolution times and increased multiple contacts. This short-term gain must ultimately undermine productivity as well as customer satisfaction and loyalty.
3. Many customers only want an apology or an explanation but are unlikely to get either from an automated telephone system. Providing an efficient and human point of contact is likely to be more cost effective in the long run in terms of both operational productivity (reduced repeat contacts for example) and ultimate customer satisfaction and loyalty.
4. Over recent years, there has been a huge investment in technology and systems but this does not appear to be improving customers' perceptions and expectations with the organisations they deal with. CRM systems in particular, whilst great at capturing information about customers, are not very effective at resolving their problems. There is a serious need to review strategies and processes with particular emphasis on what is important to the customer rather than the organisation. In particular, more emphasis needs to be placed on people rather than technology. It is an old but still very relevant saying that 'people buy people first'.
5. Internet-based contact channels still appear to be in the minority despite the growth in electronic communication. Considering this study was fielded via the Internet the fact that so few used this channel to contact organisations suggests that such channels either do not exist, are poorly promoted or hard to use. Forward-looking organisations should give urgent attention to the promotion and development of efficient service via e-mail and the web.



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