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Maintaining the customer experience

Stinting on customer service is a common and sometimes costly response to tough economic times. By managing the customer experience more rigorously, companies can maintain quality while still saving money.

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The challenging economy is putting consumer companies such as airlines, banks, and retailers in the difficult position of cutting back the service levels that customers have come to expect in recent years. These companies are closing retail locations, reducing hours of operation, and making do with less staff in stores and call centers. Meanwhile, faced with rising costs, they are also increasing prices, either overtly or through fees. As a result, our customer experience research shows that satisfaction scores are reversing the upward trend of the past few years and actually dropping in a number of industries.

So it's not surprising that most executives think compromising service levels is a mistake. When we interviewed senior executives from 11 leading service delivery companies, all but one agreed that improving the customer experience is growing in importance to their companies, customers, and competitors.

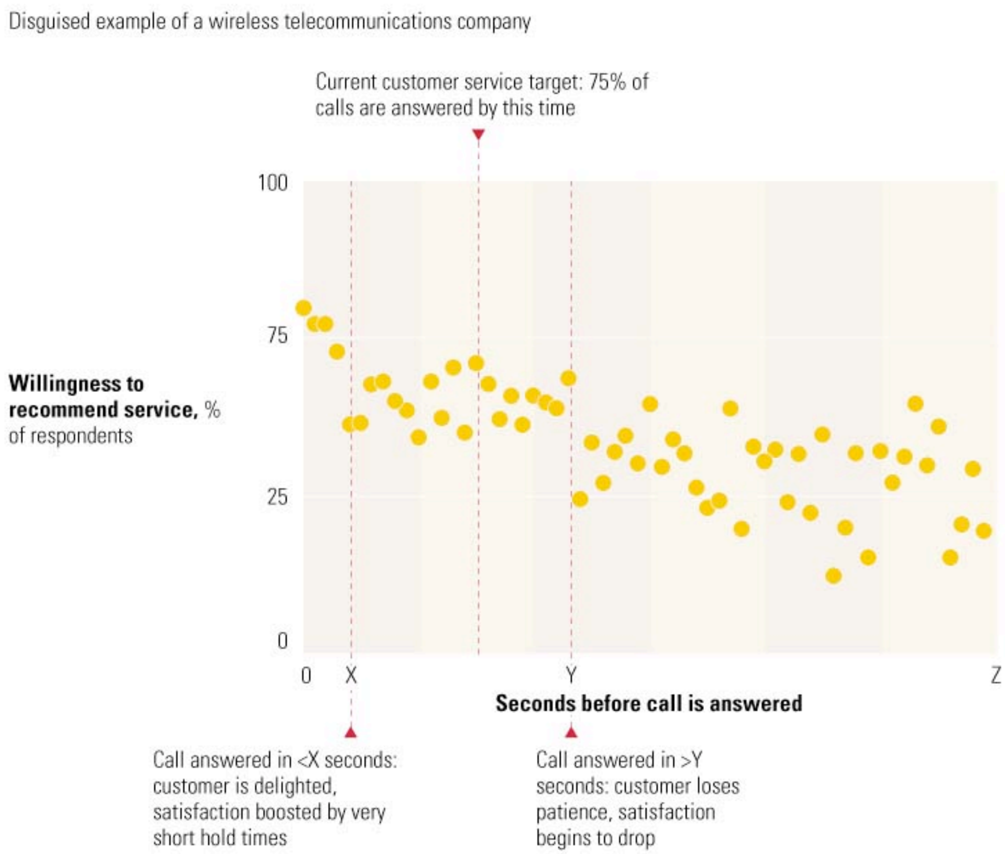
How can consumer businesses make necessary investments in service while facing the pressure on revenues and costs? Our review of the companies with the best customer service records in ten industries suggests that one key is to minimize wasteful spending while learning to invest in the drivers of satisfaction. Specifically, companies should challenge their beliefs about service and test those beliefs analytically. Many will discover that long-held but seldom-reviewed assertions about what customers really want are wrong.

Consider service levels, specifically average time-to-answer, which is one of the most common metrics used in call centers. Service levels—often based on regulation or historical precedent—are set by call-center managers and then used to calculate staffing requirements. But service levels are challenging to maintain and costly to improve: raising them by 10 percent requires much more than a 10 percent increase in staff.

Companies that closely manage the customer experience have taken a rigorous approach to resetting service levels and, in some cases, are saving money without degrading them or customer satisfaction. In short, these companies have carefully measured the "breakpoints" to find their customers' true sensitivity to service level changes. One company, a wireless telecommunications services provider, found that its customers had two breakpoints at *X* and *Y* seconds on a call; answering the phone immediately (less than *X* seconds) produced delight, while leaving customers on hold for longer (more than *Y* seconds) produced strong dissatisfaction (exhibit). Although customers were fairly indifferent to service levels between *X* and *Y*, the company's average time to answer was only loosely managed between these two points.

EXHIBIT

The breaking point



The company considered raising service levels to the “delight breakpoint” or reducing them to just above the “patience threshold.” Customer-lifetime-value economics pointed to the second option: relaxing service levels but guarding against crossing the patience threshold. The drop in customer satisfaction was negligible, but the savings in staffing were significant, and the company ended up saving more than $7 million annually—much of which was reinvested in improvements to its problem-resolution process.

This scenario isn’t an isolated example. The same principles apply to setting up a new account, scheduling an appointment, answering a nonurgent e-mail, or having customers wait in line. In our experience, most companies that analyze their service levels carefully find that some wait times have become more important to customers than others and that overstaffing to hit service targets that customers don’t care about is costing them money.

A second variety of overinvestment that we often see involves capital and technology. In one example, a bank scrutinized a costly ATM upgrade aimed at improving the user interface and adding screening barriers around the machines to enhance user privacy. An analysis showed that the equipment was moderately important (driving 5 percent of overall satisfaction). Yet more mundane factors—the existence of enough ATMs and the consistent availability of cash in all machines—were not only about 50 percent more important to customers but also perceived by customers as a bigger problem for the bank. Consequently, the bank pulled the plug on its capital plan for ATM upgrades and redirected those funds into addressing accessibility issues and cash-out conditions.

Other good places to look for potential overinvestment include marketing campaigns (for example, offering to move a customer to a cheaper rate plan regardless of whether the customer says cost is a problem) and excessive use of bill credits and adjustments. The business case for these "customer delight treatments" can include unrealistic assumptions about how they will increase customer referrals and retention. And often, there is no business case.

Finding these savings requires rigor in customer experience analytics: the collection of customer-level data, matching survey responses to actual behavior, and statistical analysis that differentiates to the extent possible between correlation and causation. It also requires a willingness to question long-held internal beliefs reinforced through repetition by upper management. The executive in charge of the customer experience needs to have the courage to raise these questions, along with the instinct to look for ways to self-fund customer experience improvements. Sophisticated companies that figure out what matters most to customers, eliminate the investments that don't matter, and finance the ones that do will thrive—and may find themselves, when the economy returns to normal, with fewer competitors.

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