Are You Wasting Money on Customer S

By John Goodman

Forty years after the first White House Study, service is no better and companies are focusing on the wrong aspects of service.

The more things change, the more they stay the same. The 2015 National Rage Study, conducted by Customer Care Measurement and Consulting, shows that while companies are spending billions delivering customer service via a multitude of channels, they are often doing more harm than good. Soliciting and then poorly handling complaints actually damages the bottom line more than not getting the complaints in the first place. While the nature of consumer problems has changed, consumer behavior and the outcomes have remained very similar over 40 years.

This latest study found that problem rates and negative word of mouth have both increased, while customer satisfaction with problem handling is actually lower than in the 1970s. For serious problems, the telephone is still the preferred channel of complaint by a seven to one ratio. At a minimum, companies lose $202 billion in revenue just from the poor handling of what American households have identified as their single most serious problem in the past year: technology issues.

Technology and Wasted Time

What has changed is the type of problems and what drives customers crazy about service. Technology issues have surpassed automobile issues as the most

Getting Started

Here are five actions companies can take to improve customer service and reduce costs, customer attrition and negative word of mouth:

1. Empower and support staff to assure consistent resolution of customers' top three issues. Ideally create universal CSRs—Harley Davidson has done this in a very complex environment.

2. Educate customers proactively on top three unpleasant surprises they may encounter.

3. Take action on at least one issue raised by the latest survey before you send out the next. Then communicate your action to customers and employees in the invitation to the next survey. You will see your survey response rate go up because customers are assured of impact.

4. Gently solicit complaints in one small geographical or market segment to see how much unarticulated dissatisfaction exists. Make sure CSRs are fully empowered to handle the issues raised.

5. Create a rough estimate of the revenue being left on the table due to less than perfect service. This will win executive buy-in. A good rule of thumb: Half of customer attrition is due to quality and service issues and unmet expectations.

vexing. Cable, smartphone and internet issues now constitute almost half of all most-serious problems. This is probably because we have become so dependent on technology.

Further, it was surprising to find that money is no longer what is most important to customers. The most serious problem that a household encountered had an average loss of $160—not very much. What did provoke customer rage (and lead to the issue being called the most serious) was the time wasted trying to get resolution—a median of five hours! Wasted time is now more important to most customers than money.

Phone trees aggravated customers in a number of ways. First, if there are complex options that confuse the customer, they often chose to opt out, now having an additional complaint—the phone tree. Second, most company's on-hold message tells the customer to go to the website for faster service. Our research suggests that 70% to 90% of customers calling have already been to the website; suggesting they go to the website for faster service is "gasoline on the fire." Third, many phone-tree messages also tell the customer that their call is important to the company. The fact that they are receiving the message confirms that their call is not that important.

Companies are spending and focusing on the wrong aspects of service. Many companies are still motivated by the 1990s Nordstrom story of the clerk taking back tires when the store never sold tires. The theory was that the customer is always right. While this did happen once, it is not necessarily good policy. The real difficulty for customer service executives is that finance executives have also heard the story and surmise that wowing customers is an unrealistic, wasteful concept. A customer experience strategy is needed rather than a few bandages that make executives feel that they are taking action without addressing the hard systematic "dissatisfiers."

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Explanations Beat Money

What customers actually wanted is especially surprising. Most companies assume if they give customers a refund, they'll be happy. Table 1 suggests money, while still important, is not as important as other aspects like an apology, empathy and assurance that the problem will not happen again.

Note that monetary remedies, highlighted in yellow, are lower than many other aspects of the response. When consumers got both empathy/explanations and some monetary remedy, (e.g. refund or other monetary benefits), satisfaction for even serious problems went up dramatically. (See Table 2.)

The Payoff

There are at least three major payoffs if a company solicits complaints and satisfies the customer.

1. **Loyalty is retained.** For serious problems, customers who complain and are satisfied are 23% more loyal than non-complainants. This means that for every four customers satisfied, the company retains as much revenue as wining one new customer. It costs at least five times as much to win a new customer as to retain one, so the cost/benefit of aggressively solicit-

Table 1
Comparison Between What Complainants Wanted and What They Got

Remedy	% Wanted	% Got
To be treated with dignity	93%	32%
Offending company put itself in my shoes	83%	19%
An assurance that my problem would not be repeated	81%	15%
My product repaired/service fixed	80%	25%
An explanation of why the problem occurred	80%	18%
To be talked to in everyday language; not scripted response	79%	29%
A thank you for my business	76%	27%
An apology	75%	28%
Just to express my anger/tell my side of the story	58%	35%
My money back	57%	18%
A free product or service in the future	44%	8%
Financial compensation for my lost time, inconvenience or injury	42%	5%
Revenge	24%	2%
Other	14%	2%

Table 2
Companies Must Provide Both Monetary and Non-Monetary Remedies

Remedies Complainants Got	% Satisfied With Action Taken
Only monetary	37%
Only non-monetary	23%
Both monetary and non-monetary	73%

Table 3
Companies Must Satisfy Complainants to Enhance Brand Loyalty

Uplift From Non-Complainants To...	Percentage Point Increase/Decrease in Brand Loyalty For Minor Problems[2]	Major Problems[2]
Only monetary	+ 18%	+ 23%
Only non-monetary	- 11%	- 6%

ing complaints is quite positive. However, if customers complain and are not satisfied, loyalty drops an average of 6% compared with non-complainants, and the company has incurred the cost of handling the complaint. The lesson: Do it right or don't do it! (See Table 3.)

2. Positive word of mouth is fostered. In addition, much more negative word of mouth is avoided. On average, satisfied complainants told nine people and dissatisfied complainants told 22. Further, 30% posted on a social networking website.

3. Satisfied complainants are much less sensitive to price. This allows companies to charge a premium.

What Not to Do

There are a number of processes that many companies still retain that are obvious "dissatisfiers." As a service executive, helping to highlight and eliminate them will reduce your workload while enhancing overall customer satisfaction.

Don't allow the marketing department to make promises/set expectations that won't be met. Here is an example from the auto industry. Consumers have a 36,000-mile warranty, but still expect the company to pay for most repairs at 50,000 or 60,000 miles. This is because companies are reticent to educate customers on what a warranty means. Our research suggests that while customers are not overjoyed with bad news, proactively educating them on potential surprises actually is a delighter.

Don't create too many hoops for customers to jump through to file a complaint or to prove their worthiness for a refund. Companies that are easy to do business with believe the customer is honest and empower the frontline to rapidly resolve issues. Forcing the 97% of honest customers to run a gauntlet to catch the dishonest 3% is silly.

Don't survey every customer without providing any feedback on what action has been taken based on the results of previous customer feedback. Customers have become very cynical about whether surveys have any impact and are worth the effort.

Don't require staff to follow scripts that are likely to anger the customer. My favorite is requiring the CSR to ask at the end of the call, "Is there anything else I can do for you?" when they have not helped on the original reason for call.

I'll bet your company is doing at least two of the above activities. If it is, you're wasting serious money.

Delivering a Great Payoff at Low Cost

There are many opportunities to empower staff and use technology to inexpensively enhance service:

Simplify phone-tree options. In addition, print the options wherever you print the 800 number. This allows customers to plan which option they want before dialing, resulting in 20% lower opt-out rates and 20% higher satisfaction with your interactive voice response system.

Analyze customer contact satisfaction by issue. This will help you identify transactions where most reps get low scores. Consistently low scoring issues are not the reps' fault but due to a need for improved response guidance/process.

Empower customer service reps on two transactions. Identify two transactions for which the frontline currently has to get supervisor approval and empower them to make their own decision. You will find that they make the right decision more than 95% of the time, and both employee and customer satisfaction will rise, while costs will drop by 50% for that transaction.

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Proactively give extra service. Chick-Fil-A has hired your grandmother to roam the dining area pouring tea, giving away French fries and schmoozing. Her job description is to create microbursts of connection.

Warn and apologize in advance. ServiceMaster apologizes via email in advance for the inconvenience of the hot water heater repair. Just sending the email produced a 20% rise in net promoter score.

Proactively educate customers on how to avoid problems. Welcome letters and onboarding videos and packages are effective tools to prevent problems. But keep the material short. Each video or fact sheet shouldn't require more than 60 seconds to understand.

Take the high road. Tell the customer no when their request is not in their best interest and tell them why. If your logic is clear, after thinking about it, customer anger will turn into delight, and you'll have a customer who knows you care more about them than making a quick sale. CRM

John Goodman is vice chairman of Customer Care Measurement & Consulting. His latest book, Customer Experience 3.0 was published by AMACOM, as was his first, Strategic Customer Service, which is available in Japanese and Spanish. His free ebook, Selling Service and Quality to the CFO and CMO, was published by Salesforce.com at http://bit.ly/1ZnvNGU. Contact him at jgoodman@customercaremc.com or via Twitter @jgoodman888.