



Maintaining the Customer Experience

At this time, the quality of customer experience is declining across business verticals and across sales territories, so say a range of studies by research houses, consultants and vendors. The recession has forced companies to cut the cost-to-serve, while the customer has become more sensitive to service quality in their hunt for value.

But should there be a conflict between the desire to cut cost and the quality of customer experience?

At the first Directors' Dining Club London dinner, the guests discussed the role of customer service in retaining customers in these challenging economic times. Key themes included customer loyalty in 'commodity' markets; service as a marketing differentiator; and the role of service in competitive markets.

The second London dinner, held on March 5th 2009, took maintaining the customer experience as its discussion topic.

Customer experience is at the core of an organisation's business. The experience the customer receives when purchasing and consuming a product or service is an intrinsic part of the offer and is factored into the price. The expectation that a company will deliver a certain experience is explicit or implicit in the customer's decision making. Failure to deliver an experience in line with expectation can be commercially fatal.

Brand legends, such as Virgin or First Direct, are built on a history of delighting customers consistently year-in year-out. And with delight comes customer loyalty and advocacy, the latter being the most efficient form of new sales generation.

Managing customer experience isn't an option. It isn't a management buzz topic. And it isn't a software package you bolt on. Customer experience is your business. It is the trust the customer has in your organisation that you **will deliver** on your brand promises. In short, it is the trust that you will meet (as a minimum) the customers' expectations.

Recession may tempt operations and finance directors to chip away at service commitments with the objective of cutting the cost-to-serve. These service commitments can come in many forms and are often unique to particular organisations. They may include training standards; the use of live agents instead of IVR; agent empowerment to give 'no quibble' refunds; minimum on-hold times, and 24 hours UK-only live agent assistance.

Your company's value proposition is made up of tens, if not hundreds of tiny service commitments that are explicit or implicit to your offer. These commitments also combine to create the customer experience that is central to giving your brand tangibility.

Chipping away at these service commitments changes your value proposition and the customer experience you deliver. As soon as your customer experience moves out-of-line with customer expectation, the risk of customer defection is high.

That is not to say that a change in customer experience can't be a conscious, strategic move by management. For example, a full service airline may decide to reinvent itself as a value, no-frills operator. In such a case, the airline will lose the customers who expect high service levels in return for paying a high fare, but will replace them with customers who have low service expectations to match the low prices.

Service commitments are either contractual or non-contractual. Contractual commitments are explicitly itemised in the offer and the customer can seek compensation if the commitments are not delivered. In contrast, non-contractual commitments are not explicitly itemised, but are no less important to delivering customer experience.

Examples of non-contractual service commitments include: staff attitude and politeness; the time it takes to answer a customer call; the level of training and experience of contact centre agents; the quality of information agents have at their fingertips; the empowerment of agents to resolve customer complaints themselves; the speed of response to email enquiries; the personalisation of service; and recognition of and reward for customer loyalty.

These non-contractual service commitments are at the heart of the customer experience and combine to differentiate offerings even in commoditised markets.

Customer experience legends are built on the delivery of their non-contractual service commitments. But of course each commitment has a cost. And it is these cost items that companies are tempted to cut during a recession to maintain profit margins.

But be warned! Every service commitment you drop gives your customers a reason to switch companies. The more reasons you give them, the higher the risk customer defections will take place.



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Taking a more positive and constructive perspective, non-contractual service commitments should be viewed as investments in customer experience, which in turn should be viewed as an investment in retaining existing customers and maintaining market position.

During a recession, when there are fewer opportunities to acquire new customers, most managers would agree that customer retention is critical. It therefore follows that maintaining customer experience is equally critical.

But as with all investments, they should not be made blindly. Management information should underlie each investment in a service commitment. The following questions should be addressed:

How essential is each commitment? Are we over-engineering service commitments because we don't understand customer needs? Do service KPI's parallel customer experience expectations?

Unnecessary or over-engineered service commitments burden the company with unnecessary cost. Examples of this may include:

- A commitment to using UK-only call centres when customers would be happy with an offshore service, as long as it delivered to expectations.
- Setting a target of answering all calls within 5 seconds, when 90% of customers would tolerate a 10 seconds wait.
- Ruling out the use of IVR in all circumstances, when customers are happy to use IVR as long as it is fit for purpose and added to the performance of the service.

Once you view customer experience as an investment, there must be a quantifiable return on the investment to justify it being made. Understanding the investment return of each service commitment is essential.

No business can afford to deliver a customer experience that is unprofitable. The brand promises you make, the service expectations you generate, and customer experience you deliver must be realistically costed and reflected in your price.

In competitive markets, the winners will be those organisations that can pinpoint which service commitments are required to deliver the optimum customer experience at a particular pricing point.

Achieving optimum customer experience requires an ongoing commitment to understanding your customers through research and feedback.

The challenge of maintaining the customer experience in a recession

The second London meeting of the Directors' Dining Club took place in the Davies private dining room of Gordon Ramsay at Claridge's, to discuss the topic: Maintaining the customer experience in a recession.

The Club members in attendance were:

- ❖ Cormac Connolly, Director of Self Care, Virgin Media
- ❖ Customer Service Director, Multinational Bank
- ❖ Gary Saddler, Head of Operational Planning, Bupa
- ❖ Guy Tweedale, SVP & General Manager EMEA, Jacada
- ❖ Jon Snow, Founder, Call Centre Clinic (host and discussion chair for the evening)
- ❖ Lynne Owen, Head of Sales Call Centres and Retention, First Direct
- ❖ Sophie Rigby, Head of Customer Service, TUI Travel
- ❖ Tim Culling, Operations Director, Zurich

To open the discussion Jon Snow asked an open question to all the Club guests round the table: What does customer experience mean to your organisation?

Sophie Rigby, head of customer service at TUI Travel, led the way:

"For us at TUI Travel the customer's experience is absolutely critical. The customer has just one or two holidays a year and we have to make sure that they enjoy those holidays. And that is not just when they get to their destination, but includes their experience at the airport and on the aircraft. We focus on 'what does the actual customer journey look like' and what are the things that the customer values throughout that journey. We want to ensure that each element of the customer's holiday is contributing in a positive way to their overall enjoyment and satisfaction."

The complexity of TUI Travel's customer journey was picked up by Gary Saddler, the head of operational planning at Bupa:

"When booking a holiday, there are so many elements that can affect the customer experience, some that are directly within your control and some that are outside of your control. For example, you get to the airport and it is an outsourced handler and they have problems with the check-in desks, and then you get on the aircraft and it's not a Thomson operated plane and maybe the food is poor....You (TUI Travel) probably have one of the most complex customer journeys, much of which you can't really influence. I don't envy your challenge in influencing that whole supply chain."





This complexity, arising from a reliance on third-parties to deliver elements of the customer experience, is also found in other sectors. Gary highlighted similar challenges faced by his organisation, Bupa:

"Bupa is a specialist insurance company. We diverged the hospitals last year and so are now reliant almost entirely on third-parties delivering the service for us.

"We can give the customer a brilliant service when they call us. However, if they then go into the hospital and the curtains are torn, or the nurse is surly, or the consultant rude...they complain to us. The customer sees us as the end-to-end service provider but we are not. We have provided them with an insurance policy that has enabled them to have the treatment at a medical facility of their choice.

"Like TUI, we have got that challenge of having to work with our providers to eliminate these types of service issues. Most of the time the hospitals provide a very good service, but the challenge is about maintaining that when you do not have direct control. The question is how can you affect customer experience when you only have direct control over a small part of it?"

Sophie from TUI responds:

"Direct control and accountability is an issue in our business. The way we are addressing this challenge is working with our third-party suppliers to ensure that they have the quality of service aims within their businesses that mirror ours."

Expectation v Experience

"I think there are a few important themes running through this conversation," Cormac Connolly, the director of self-care at Virgin Media interjects. "One is to do with the end-to-end customer journey, and clearly you can't say 'we did a brilliant job on 40% of the customer journey and then fail on the other 60%'. TUI could do a fantastic job at finding me the perfect holiday at the cheapest price, but then if I arrive at my hotel and the receptionist is rude, I will immediately relate that back to the package that you sold me. The end-to-end experience is critical.

"The other point is the brand and the brand expectation. When we put the Virgin brand on a hugely complex company made up of two legacy UK cable companies people's expectations went up straight away. Like when Virgin put their brand on the trains. When people were asked about the customer experience of their train journey, it was found the customer was relating their experience to what they expected a Virgin experience should be. So the brand expectation is critical."

Jon Snow, chairman of the Directors' Dining Club summarises:

"What we are saying is we are linking experience with expectation of experience. And a company's performance with regard to experience is heavily influenced by the expectations the customer has. In a way, it is the expectation of experience that leads us to choose a company to buy from, and then it is the reality versus expectation that is our gauge of performance."

Tim Culling, the operations director at Zurich has a slightly different perspective based on his organisation's experiences:

"That is an interesting point Jon. I think that depends on the longevity of the commodity that you sell. Invariably with a holiday or an airline ticket you are going to realise the benefit of what you have bought relatively quickly. So if I buy a holiday today and I am going to go in 12 weeks, I am going to spend 12 weeks looking forward to it and if my experience is dashed by a bad experience at check-in then that is a really big thing. Whereas, in the world of banking and financial services, what we sell are promises that won't be realised for many years to come. Therefore, in life assurance it is more difficult to plug the end-to-end customer journey, because ultimately the end of the journey is death."

In response Jon Snow poses the question: Are you therefore not relying on your own experience, but on the experiences of others?

"Yes sort of," Tim replies. "But it is in recessionary times like these that it becomes very personal. We sell our customers three different promises: We'll be there if your family need us if you die too soon; we'll be there with a fund so you can live in a manner to which you have become accustomed if you live too long; and if you're too ill to work at any point then we'll be there to ensure you are financially secure.

"And most of the time with regard to these three promises people just let them tick over and pay their premiums. But now people are worrying that they either can't afford the protection, or the fund that they accumulated over the years is not worth 10% of what it was. As a result, that end-to-end experience that was 25+ years long, magnifies into NOW. People are asking us 'what are you going to do about that promise now', not 15 years from now when my pension is due to mature. Our challenge is how to reassure people today that we are going to keep the promises we made them."

Opportunity in service recovery

For brands that rely on third parties for portions of the customer journey, we have seen there is risk to continuity of customer experience. The customer service director of a multinational bank builds upon this point:

"For me recovery in customer service is very important. Going back to the point made earlier about blaming the brand that sold you the product originally even if a failure is another provider's fault...it is the same in credit cards. The vendors that my customers interact with are every single retailer, hotel and restaurant in the world almost, but when your card doesn't work you don't blame the





hotel or the retailer, you blame the card. I can't be in control of every single retailer in the world, but I can be in control of the recovery and how we recover a situation is hugely important to me and is a key differentiator for our brand."

Cormac of Virgin Media concurs:

"That is an excellent point and service recovery is a key opportunity to build loyalty. When you ring up and an agent says they want to help you, you as the customer automatically want to champion that company. We have all been in a service recovery situation, it is when you are at your most vulnerable and it is at that point that a company has a huge opportunity."

Making process changes

Although complaint resolution and service recovery offer opportunities to build customer loyalty and reinforce brand values, the process failures that resulted in the complaint should be addressed.

"If you don't change something within your company as a result of a customer interaction that has gone wrong, then you have lost a huge opportunity," Cormac stresses. "If you just resolve a complaint but don't change any of the business processes that caused the complaint then what a waste of effort."

"Of course you can't make changes on the back of everything that is wrong with your organisation, it is not economic to do that, but you can take a look at the mistakes that have a significant impact on customer loyalty and make sure the processes that result in those mistakes are fixed."

Tim from Zurich adds his industry's perspective:

"I think the things that are wrong with an organisation are upstream of those mistakes. In the world of financial services I think the regulator could do the power of good by focussing peoples' minds on prevention being better than cure. What could we have spotted that could have forewarned us? What were the early warning signs? And how can we avoid it happening again?"

"We carry out very thorough root-cause analysis. Cormac you are absolutely right, we don't undertake a root-cause analysis for everything that goes wrong, but what we absolutely don't do is ignore the big issues and mistakes."

First Direct still leads the way in customer experience

First Direct has been consistently cited as experience leaders by customer studies over the past 20 years.

Jon Snow poses questions to Lynne Owen, head of sales call centres and retention at First Direct.

How has First Direct managed to retain such high levels of customer loyalty and become a cult service brand with regard to customer advocating its service?

"We live and breathe service...it's in our DNA", Lynne responds. "That may sound a little twee, but it is in absolutely everything we do and talk about. We have people who are passionate about customer service and the experience they are delivering. If we recruit the right people and put them through the right training - so they live and breathe the brand - then the brand continues. And we are not a new brand, we have been around over 19 years."

When you recruit for people to join your customer service team, what do you look for?

"We are not necessarily looking for people who have been in banking...we recruit the whole spectrum of ages and backgrounds, but they just have to be the right people for our organisation and help make it a great place to work in. It's not about having a call centre, it's about creating a working environment that brings the best out in people and that includes how we manage people, the recognition we give them, as well as the onsite facilities we have.. All these things come together to make a fantastic place to work that motivates our staff to deliver great service and experience to the customer."

Rewarding positive experience

With regard to KPIs, does First Direct recognise the contribution to customer experience that an agent's conversation with a customer has made?

"We at First Direct do measure customer value in a call. We also measure the other standard KPIs, but we definitely recognise the Wow Factor that the agent delivers."

This move to reward positive experience was picked up by Guy Tweedale, SVP and general manager for EMEA at Jacada:

"From discussions I've been having with customer service heads of major utility providers, for a utility in the current marketplace - with deregulation and the use of switching sites that have resulted in a huge amount of churn between utility providers on a weekly basis - one of the critical success factors for them is to measure how an agent actually contributes to the continued patronage of a customer. It's a customer experience thing!"

"They are all dealing with the specifics differently, but many are moving away from the traditional call centre metrics of average call handling time, first call resolution, satisfaction indexes etc, to measuring which customers have stayed with the business and





continued to pay their bills, and which people within the organisation had touch points with these customers. Rewards are allocated accordingly."

Controlling experience in outsourced call centres

After a wide-ranging conversation about connecting brand promises to customer interactions, Cormac of Virgin Media posed the question, how do you rise to the challenge of getting your outsourced operations to deliver on the brand promises?

Tim from Zurich offered his experience of managing outsourced interactions:

"Good question! We, like any receiver of outsourced services, negotiated a keen price with our provider, but realised after about six weeks that we had outsourced the family silver. So I retained about 10% of the people who knew the tasks that the outsourcer was delivering. We called them 'blue-caps'.

"Our brand colour is blue and we tell them that they are wearing a virtual blue cap and their job is to go in and walk around the outsourcer's call centre – we have freedom of access written into the contract. We quality check and we brand check the interactions that the outsourcer undertakes on our behalf. They never know where the blue-caps will be and when they'll be there.

"This team is an additional overhead, but I get more than payback on it. The outsourcer will only get paid if they deliver the quantity and the customer experience. And we measure that customer experience. This was a new experience for the outsourcer and I think they found it challenging to start with, but they now adopt it as a principle of how they do business."

Final thoughts

Cormac: A huge part of customer experience is process reengineering to remove the things that are really offending your customers.

Sophie: First, you need to have advisors who care and are passionate about customer service. Then you need an open organisation so the advisors feel comfortable about raising issues knowing that someone higher up will do something about them.

Lynne: It's about listening to what the customer is saying and having a mechanism for your people to be able to feed that back in a formal way.

Gary: I think it was Henley who did some research a few years ago and asked what was important to customers? The answer was 'know me and understand me and treat me as an individual not just as a mass market'. And I think we all want to be recognised as an individual.

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