



From the desk of Dr Ian Brooks



Customer Service in New Zealand *What NZ companies are doing well and poorly.*

The main thing

To succeed in business you must have profitable customers who stay with you a long time. Having loyal customers is not enough. They must also be profitable customers.

This may seem like common sense but it isn't. It makes sense but it is not common sense because:

- Very few companies know which of their customers are profitable.
- Not many track customer retention.
- Only a small percentage know what share of their customer's business they have and how that varies from year to year?

The goal

To have profitable customers who stay with you a long time, your goal must be to create the kind of experience that will:

1. Persuade your customers to purchase your products and services.
2. Encourage them to keep their business with you.
3. Interest them in buying more from you.
4. Motivate them to tell others about you.

The reality

Are companies both in New Zealand and around the world able to create that kind of experience for their customers?

The answer is a resounding, no!

Results from studies around the Western world show that large numbers of customers are very unhappy with how they are being treated. What is staggering is not what upsets customers but the number who are upset. For example, 90% of British consumers who made a complaint last year were unhappy with the way the complaint was handled. Another study showed that 82% of people who used a call centre said they had to wait too long. In that same study, 77% complained about having to repeat their story to different people, and after all that, 70% said they did not get their

problem solved.

A global study showing that customer satisfaction with airlines is at a 15 year low and another British study where only one out of eight companies gave service their customers rated as excellent. Call centre customers are not that generous. In a recent study, not one customer surveyed said they had had an excellent call centre experience. Fifty percent described the service they experienced as poor or very poor. Companies appear to perform just as poorly responding to emailed sales leads. Fourteen percent of such emails are never answered, and the companies that do respond take on average four days to send a standard automated response.

A New Zealand banking survey found that approximately half of all bank customers had a problem with their bank last year. Only about half of these people thought it was worth complaining to their bank and of those who did complain, only 42% were satisfied with the way their complaint was handled. Indeed, at the time of the survey, 44% still had not had their problem resolved.

A New Zealand study by Rainger and Brunton[1], showed that 42% of New Zealanders changed suppliers last year because of poor customer service. More alarmingly, a significant percentage of customers said customer service is deteriorating in New Zealand. One customer was even reported as saying that the level of service is so bad that, "you can understand how people become violent!"

The present study

The model

The model used to assess the ability of New Zealand companies to look after their customers is the model used in the Customer 1st programme. This model, designed by Dr Ian Brooks and staff at Telarc, identifies 5 processes containing a total of 32 activities considered to be essential to providing customers with a great experience, not just once, but consistently over a period of time. [2]

The five processes are:

1. Customer experience and order fulfilment (8 activities).
2. Effective staff management (8 activities).
3. Managing results to drive improvement (6 activities).
4. Effective leadership (4 activities).
5. Entering your customer's world (6 activities).

Methodology

Companies were assessed by trained reviewers using the model outlined above. The review process included interviews with senior and middle managers, frontline staff and customers.

Companies who scored a 4 or a 5 on the 5-point scale were considered to be excelling in that activity. To achieve a rating of 4, the activity had to be performed systematically and customers had to say it was being done very well. To achieve a 5, the activity had to be performed systematically, customers had to say it was being done very well *and the company regularly reviewed and improved its performance in this area.*

Companies scoring 0, 1 or 2 were considered to be doing poorly. A score of 0 means the activity was not being done at all. A score of 1 indicates it was being done in a very basic and unstructured way. To achieve a 2, the activity had to be done systematically *or* customers had to say it was happening. A score of 2 was considered to indicate a weakness because for something

to be considered done effectively, it would have to be noticed by customers *and* it would have to be done consistently over time, and that would mean it would have to be done systematically.

An activity was considered an area of strength for NZ companies if 50% or more of the companies studied excelled in it. Similarly, an activity was considered to be a weakness if 50% or more were doing it poorly.

We would expect the results to be better than if a random

sample of companies had been assessed.

We need to keep in mind that not only is the sample quite small but we have a self-selected sample that is likely to be made up of companies already committed to providing their customers with a great experience. Thus we would expect the results to be better than if a random sample of companies had been assessed.

Where New Zealand companies excel

Of the 32 activities assessed, New Zealand companies excelled in 10.

Not surprisingly, the strongest area of excellence was in the traditional area of business management, managing results and the equally traditional activity of “Monitoring financial performance so that your business is sustainable.” 86% of all companies studied excelled in this area. Perhaps the surprise here is that 14% did not excel!

The second area of strength was in the leadership process and the activity of “keeping abreast of developments in your industry and marketplace.” 76% of companies excelled in this area.

Three activities tied for the third area of excellence. It is encouraging to see that these were all in the area of customer experience and order fulfilment. 71% of companies excelled in:

- 1. Making their customers feel welcome.**
- 2. Helping their customers decide what to buy.**
- 3. Managing the transaction well. This includes:**
 - o Being accessible.**
 - o Giving people a choice of communication channels.**
 - o Having the correct information to accept, process and charge for the purchase.**
 - o Competent inventory management.**
 - o Having evidence of satisfied customers.**

Only 59% of companies excelled in looking after staff so they want to look after the customers.

There was quite a big drop to the fourth area of excellence. This was in the process of effective staff management and the activity of “looking after staff so they want to look after the customers.” 59% of companies were doing this well. This is a disturbing finding if you think that nearly half of the companies in this self-selected population are not excelling in this area, an activity which is essential to get right if you are going to provide your customers with a great experience.

The fifth area of strength was the activity of “understanding their customers’ needs” in the area of customer experience and order fulfilment. 57% of companies excelled in this area. Again, this is an disturbing result when you consider how basic this is to succeeding in business.

Two activities tied for the sixth area of excellence. One was also in the area of customer experience and order fulfilment and one in the process of effective staff management. 55% of companies excelled in “providing their customers with a friendly environment” and 55% in the activity of “knowing the kind of person they need to hire to be able to deliver the kind of experience their customers want to receive.”

None of the areas of excellence related to the process of entering the customer’s world.

The final area of strength was also in the process of effective staff management. 53% of companies did well at “hiring the kind of person they need to be able to create the kind of experience their customers want to receive.”

None of the areas of excellence related to the process of entering the customer’s world.

What is done poorly

Of the 32 activities assessed, 5 were considered to be done poorly by New Zealand companies and another 7 were improvement opportunities for a significant number of New Zealand companies.

The biggest area of weakness was in the customer experience and order fulfilment process. 81% of companies do not tell their customers the kind of experience they can expect to receive when they do business with them. This result is not surprising as the concept of making a promise to customers is a new idea recently introduced into New Zealand by Dr Brooks. Some large New Zealand companies such as IAG and Kiwibank have found the customer promise to be a useful tool in creating a great experience for their customers. [3]

Companies generally do not know the kind of experience their customers are looking for.

There was a huge drop to the next area of weakness which was in the process of effective staff management. 59% of companies were poor at “helping staff understand the kind of experience their customers are looking for.” This will be related to the first area of weakness outlined above, the common cause being that companies generally do not know the kind of experience their customers are looking for and that, in turn, is because they don’t ask.

Two activities were tied for the third level of weakness. One of these was in the area of leadership. 55% of companies were weak in the activity of “everyone in the organisation sharing the company vision.” The second was in the process of entering the customer’s world. 55% of companies were poor in the activity of “bringing the world of the customer into the workplace.” These are both important activities in giving staff the ‘big picture.’ If staff do not understand or share the company vision, they will not be able to help their company to succeed in reaching its aspirations. Similarly, if staff do not understand their customer’s world, they will not be able to help their customer to succeed.

Companies put themselves first, instead of the customer.

The fourth area of weakness was also a leadership issue. 50% of companies were poor at having policies and procedures that make their vision a reality. You must see examples of this everyday as a consumer and I imagine your staff live with this every day at work. Companies put in place policies that protect the company not the customer, and develop procedures that work for the company not the customer. Thus, from the customer’s perspective, the company is putting its own interests first.

Other areas of weakness exhibited by fewer than half of the companies (40% to 50%) were:

1. Staff management: Introducing new staff to the company, products, systems and services (45%).
2. Managing results: Understanding that staff performance directly affects customer retention (43%).

3. **Entering the customer's world: Using what has been learned about the customer and their world to change the business (43%).**
4. **Entering the customer's world: Thinking like the customer instead of about the customer (43%).**
5. **Customer experience: Following up to check the customer is happy (41%).**
6. **Staff management: Staff understand the needs of their internal customers (41%).**
7. **Managing results: Involving staff in improving the business (41%).**

None of these should come as any great surprise. It is well recognised that companies often fail to induct staff properly and typically fail to follow up with their customers after the sale. It also no surprise that companies are doing little to enter their customers' worlds as most companies are focussed on their own internal issues.

Summary

Even in this self-selected sample, the activities at which most companies excel are those linked to the traditional management model (financial management and keeping abreast of industry and market developments), or to the traditional areas of customer service (making customers feel welcome; helping them with the purchase decision; managing the sales transaction; providing a friendly environment). It is encouraging to see that 60% of the companies studied excelled at looking after their staff but perhaps disappointing that only 55% knew the kind of person they needed to hire in order to give their customers a great experience and only 53% excelled at hiring that kind of person. Similarly, it was disappointing to see that only 57% of companies excelled at understanding their customers' needs. None of the areas of excellence related to entering the customers' world to understand them and their needs better.

Of the 32 activities assessed, 15 were considered to be done poorly by New Zealand companies. The biggest areas of weakness were not telling customers the kind of experience they can expect to receive when they do business with the company and not telling staff the kind of experience their customers are seeking. These are probably caused by the fact that most companies do not attempt to find out how their customers would like to be treated. Two other areas of weakness related to leadership: getting staff to share in the company's vision and bringing the world of the customer into the workplace.

Conclusions

To improve the experience customers receive, and arguably customer retention, competitive advantage and profitability, New Zealand companies need to do a better job of:

1. **Entering their customers' world to learn about the their customers' businesses and their customers' preferences for the way they are treated.**
2. **Show customers they understand this.**
3. **Make sure staff understand this and the company's vision so they are focused on something bigger than the transaction.**
4. **Ensure their policies and processes allow staff to put the interests of the customer first. The research by The Public Trust in New Zealand cited earlier, suggests that customers want to deal with organisations that are prepared to put their customers' interests ahead of their own.**
5. **A large number of New Zealand companies need to do a better job of:**
 - o **Staff induction.**

- Following up after the sale.
 - Putting themselves in the customer's shoes.
 - Making sure staff look after their internal customers.
 - Learning more about their customers and using this information to drive business improvement.
 - Involving staff in improving the business.
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[1] Reported in the Sunday Star Times, Business section, October 9, 2005

[2] For more information about the model, see *Putting the Customer First*, by Ian Brooks, published by Nahanni Publishing, Auckland, 2004. The book is available in hard copy or as an ebook from www.nahanni-publishing.com.

[3] You can read about the IAG's use of a customer promise in "Promises, promises." *Customer Excellence Magazine*, January to March issue, 2006.



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