



## CUSTOMER LOYALTY

# Deliver Great Service By Listening and Adapting

by **John Goodman and Crystal D. Collier**



**N**early every job description requires applicants to be adaptable. Presumably, adaptable people can work and act in various situations. They intuit what is happening and act accordingly.

### In 50 Words Or Less

- **Maximize customer loyalty by linking an actionable voice of the customer process to adaptable solutions.**
- **Integrate data from multiple sources, estimating revenue implications of problems and identifying actions for preventing or fixing problems.**
- **Create a flexible response process using a stable, trained customer service workforce.**

Would your customers describe you and your organization as adaptable?

In its surveys, TARP Worldwide has found that few service systems, whether domestic or off-shore, are adaptable enough to handle diverse situations and each situation's variations. It's like an ill-considered sporting move: When you move your body into the wrong position, sooner rather than later you experience predictably poor—and painful—results.

It's like that when you make wrong moves with customers. They stop contacting your organization because they are convinced you are not willing to adapt to circumstances and that the contact will be a waste of their time. TARP calls this "trained hopelessness."<sup>1</sup>

For your organization to avoid burdening your customers with the same unsatisfactory experience, you must excel in three areas:

1. An actionable voice of the customer (VOC)



2. Linkage of that VOC to your service process
3. A service process that is flexible and can adapt to each customer's particular situation

### Actionable VOC Process

Most organizations now have a VOC process. But TARP's latest study of the VOC process in highly regarded organizations finds more than half still have serious weaknesses, including the rigidity that accompanies ingrained service processes.

Most of these organizations have not yet implemented all eight attributes that lead to a high-impact, results oriented VOC system:<sup>2</sup>

1. The VOC process has one owner who ensures key issues are flagged and assigned.
2. A unified data collection plan produces data from multiple sources that fit together after collection.
3. Multiple data sources are integrated to provide a unified, powerful and credible message.
4. VOC reporting implies clear priorities and is

detailed enough to be actionable.

5. The revenue and profit implications of VOC data are clearly established.
6. Formal processes and methods ensure data translate into targets and actions.
7. Formal protocols track the impact of the VOC process.
8. The VOC process is supported by organizationwide incentives.

### Process Challenges

While all these factors are critical, TARP has observed that the lack of three critical and challenging conditions leads to the downfall of many organizations' attempts to become world class in the area of customer service:

1. Integration of multiple VOC data sources
2. Establishment of the bottom-line implications of VOC identified issues
3. Translation of data into targets and actionable recommendations



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### 1. Integration of data from multiple sources:

Multiple data sources must portray a single, unified picture of the VOC system because conflicting reports on service quality often lead to inaction.

Organizations need to listen to and draw on all data sources, such as complaint files, surveys, transaction data, inspection reports (for example, contact center call quality monitoring reports) and internal sources (for example, employee feedback systems and internal metrics such as percentage of late shipments).

But here is the challenge: For the data to be integrated, the collection systems must have similar or compatible classification schemes.

There are more challenges. Data collected at certain, select touch points represent only a subset of customer experiences. For example, escalated complaints represent only those customers whose problems and concerns about policies were not satisfied by the front line. This implies that for each escalated complaint, there must be an estimate of those that did not escalate. Also, no data source is perfect. Everyone has biases or fails to report certain types of problems.

For example, most telephone companies fail to label reports of nonworking phones as complaints.

Instead, they are labeled trouble reports and become complaints only when they are not fixed on the first repair attempt.

Even survey data are limited by the sample from which they are drawn, methodological response bias and phases of the customer life cycle emphasized in the survey. These biases reinforce the need to collect and integrate data from multiple sources across the entire customer life cycle.

**2. Estimation of the bottom-line implications of VOC issues:** Showing that customers encounter an issue in a particular area might cause concern but often does not lead to action. On the other hand, showing that your organization loses \$2 million for each month of inaction most likely will precipitate action.

But, to really make an impact, speak the language of chief financial officers. The financial estimate must be conservative, and it must cover both the cost savings of improved quality and the revenue implications (revenue implications of improved service quality tend to be 10-20 times the cost implications).

The estimate must also consider word-of-mouth implications, which can also be sizeable. Case in point: For most service organizations, TARP has found that word of mouth tends to be the source of one-third to one-half of all new customers.<sup>3</sup>

**3. Translation of the data into targets and actionable recommendations:** Many VOC reports identify problems or opportunities but do not suggest actions. If they do suggest actions, the actions are not specific enough, rendering them useless to the executive who must act on them.

The recommended actions derived from the VOC must be detailed enough to point to both specific actions and the specific metrics that must change. These actions must be linked to outcomes that affect loyalty as well as willingness to recommend—a measure of word of mouth.

The reason most VOCs fail to be actionable relates to how their data are collected and reported. The data are collected either at the transaction or overall relationship driver level. However, TARP has found the drivers for customers with problems or unfulfilled needs are quite different from those for customers who have not had a recent problem.

For example, TARP recently observed a recommendation in a communication company's VOC

## Delivering Dissatisfaction

When a customer recently asked a firm's representative to make a change to a delivery instruction ("Leave the package on front doorstep without a signature because no one will be home.") after the purchase was made, she was told there was no way to notify the delivery service—even though the order was not to be delivered until three days later.

How do you think this customer's response to a survey on customer service would look?



# Out of Stock, Not Out of Luck

By analyzing satisfaction and number of repeat calls by type of transaction, a high-end mail order company discovered out of stock calls caused serious inefficiency and dissatisfaction.

Rather than simply telling the customer the item was not in stock, the company changed its response to make it depend on the situation.

For example, if the product has not yet been received from the supplier, the representatives explain that the items are handmade, with artisans working as fast as they can. If all of the items are sold out, the representatives explain that very few are made, so even though the caller is an important customer who recognizes how unique the product is, the limited number had already been purchased. These explanations quickly led to a 20% increase in satisfaction with the response to customer concerns.

analysis that said, “Improve commitment to problem solving.” The difficulty with this recommendation was that it was not actionable. Why? It did not identify the broken phase of problem solving or the type of issues.

When the VOC process produces clear, actionable recommendations, cycle time for implementation is greatly reduced. But in many cases, vague, unactionable recommendations are a function of vague, overly general data and issues produced by the VOC process.

In addition, recommendations might not be made by staff members with the necessary expertise. VOC staff members are often survey researchers or customer service staff with insufficient experience in product management or operations. They usually do not have a detailed understanding of the issues and how best to approach them.

Effective VOC processes, like those of Toyota and Baltimore Gas and Electric, draw staff from functional areas so the recommendations can be relevant.

## Effective Linkage

Once a VOC process is generating actionable output, why doesn't the process improve? In most cases, it is because there is not an effective bridge between the VOC process and the operations that actually create the customer experience.

Assuming you have an effective VOC process,

how do you translate it into action? You link the needs and issues articulated by the customer to the service delivery process. This process must ensure customers have a positive experience, regardless of their situation.

Measuring by problem or issue yields the proper level of detail for informing the operations and service processes. Customers want to complete transactions or resolve issues and needs. Therefore, the VOC process must clearly direct operations and service to where the current response and fulfillment processes are not meeting customer expectations.

To criticize a particular phone call is not worthwhile without considering the context of the call within the overall customer problem, which is usually more complex and multifaceted. On the other hand, to say service is subpar is frustrating to a line manager. The bridge between the two must be a VOC system that reports the issues that are well addressed and the issues that need an improved response or fulfillment process. The VOC system needs to report into service and operations.

However, when service or operations develops a response or fulfillment strategy, they usually develop a set of rules that is unyielding to circumstance—if A then B, if C then D.

The problem is that any issue can have several variations depending on customer needs, history, status, expectations and the particular product or



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service involved. Such a response process is not equipped to allow a change in the customer's requirements. Any unbending process is destined to create customer dissatisfaction and boat loads of negative word of mouth.

### Creating a Flexible Response

What is needed is a flexible system. As we heard one executive say recently, "I wish our reps would break the rules for good customers."

TARP has found one of the primary ways to create delight in a customer is to reinforce the feeling that he or she is unique. In an environment in which customers increasingly view themselves as numbers in a queue, this approach allows the perception that the customer service representative (CSR) is breaking the rules just for them and their situation, thus creating delight.

But you can't empower every CSR to break rules at will. Rule breaking opens the door to undesirable results, weak policy and inconsistent customer experience, and it is counter to the Sarbanes-Oxley Act that addresses corporate financial accountability.

A system that adapts to customer needs is desirable—and possible. So, the adaptable process must be carefully planned.

By focusing on key problems that cost organizations money and reduce customer satisfaction, organizations can create adaptable responses for multiple situations and outcomes, thus empowering the CSR to gauge the customer and situation and provide resolution according to preset parameters. This isn't rule breaking.

### Outcomes of Adaptability

Organizations that use an adaptable approach can achieve the following outcomes:

- 1. Increased first call resolution:** When CSRs are empowered to offer a range of solutions, the likelihood that one will satisfy the customer increases.
- 2. Consistent experience:** When each CSR has the same range of solutions with which to work, the likelihood increases your customer will receive the same solution regardless of what channel they contact or how many times they make contact.
- 3. Increased customer satisfaction:** A customer perception that you are breaking the rules

doesn't only create delight. When you create different solutions for different scenarios, customers also feel as if they have received the right solutions for their circumstances.

- 4. Increased employee satisfaction:** Rather than creating an atmosphere in which CSRs are expected to provide rote, robotic answers to customers, CSRs are allowed to examine the facts of the case and find the right solution, thus creating not only satisfied customers but also variety in their work day. There is also a relationship between a happy customer and a happy employee. Nobody wants to deal with unhappy customers all day.

### When to Use This Approach

Like any solution, however, this approach works only when organizations have a stable workforce, the organizational structure to support customer experience initiatives, the right tools and training for CSRs to meet defined customer issues, and a well-defined communications infrastructure.

But how do you know whether you qualify for this approach? Not every organization qualifies.

First, have a thorough assessment of your VOC and your contact center. A solid, actionable VOC and contact center assessment evaluates where you stand on the previously listed eight attributes that lead to a high impact, results oriented VOC system.

A contact center assessment will gauge factors that influence the efficiency and efficacy of your contact center. Is there sufficient support for customer focused initiatives? Is your turnover low enough to support proper training in your organization? How can you use the adaptable solutions?

Second, you must have a firm, baseline understanding of what is important to your customers and where you might be underperforming. A baseline survey will identify issues that customers care about and are most likely to raise, thus allowing you to prepare for issues that matter most to your customers.

### Creating the Right Conditions

The challenge then is how to arrive at the environment necessary for successful implementation. We've found a strong correlation between the way CSRs are trained and the success of the business.



CSRs should:

- **Have customer profile training:** Organizations that understand their customer segments use that knowledge to guide their marketing and advertising, but few use it in their customer interactions to separate themselves from the competition. Giving your CSRs a guide to who your customers are and how to respond to their individual emotional needs will create competitive advantage.
- **Master the interaction:** Do your CSRs—your direct connection to the customer—understand the goals of the company? Are they empowered with the right product knowledge to sell effectively to your customer? Do your CSRs know how to handle all types of customer interactions, even the most difficult ones?
- **Have high morale, which leads to reduced turnover:** After evaluating hundreds of contact centers, TARP knows the job of the CSR can be difficult and monotonous. Few organizations employ morale building techniques to keep their workforces engaged and motivated. Morale boosters improve satisfaction and reduce attrition and, ultimately, improve the quality of interactions with customers and customer satisfaction.
- **Be offered product or program promotion and training:** Effective programs are customized, interactive ones that are coupled with internal marketing campaigns to ensure product knowledge. When turnover is under control, product or program training helps get representatives up to speed on your organization, thus increasing confidence and proficiency.

Once you have attained all these conditions, solution implementation can begin.

As you know, the customer is not a monolithic, homogenous behemoth. Each customer communicates with you differently, through different channels, at different times. They expect different resolution based on who they are.

It therefore makes good business sense to be adaptable by listening to all your channels, both internal and external, before painting a picture of who your customers are. Once that is completed, you can then design adaptable solutions to create the perfect fit for each customer.

And your organization will be adaptable.

## Bounced Checks Biting Back

By analyzing satisfaction and efficiency by type of transaction, a major bank learned bounced checks and the associated fees caused major confrontations that took excessive time in branches and the call center.

The bank developed several alternative responses based on customer history and value and trained a small team to handle them. Wait time in branches declined, and call handling efficiency and customer satisfaction rose by double digits.

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