

WOWing Customer Service Strategies

Key Success Factors to Design and Implement Service Excellence



Excellent customer service is a critical success factor for businesses across all industries. But how many organizations can really claim to be giving fantastic, WOW factor customer service across all customer touch points? Particularly in B2C related business segments involving a high number of customer driven transactions (e.g. Telco, airline, utilities, financial services) customer expectations have grown tremendously over the last decade and most customers are dissatisfied with the service they receive. That's why companies with a strong brand image for excellence in service, like Apple, O₂, Zappos, Virgin or Coca Cola, invest heavily in their service strategy and are thus winning the biggest market share.

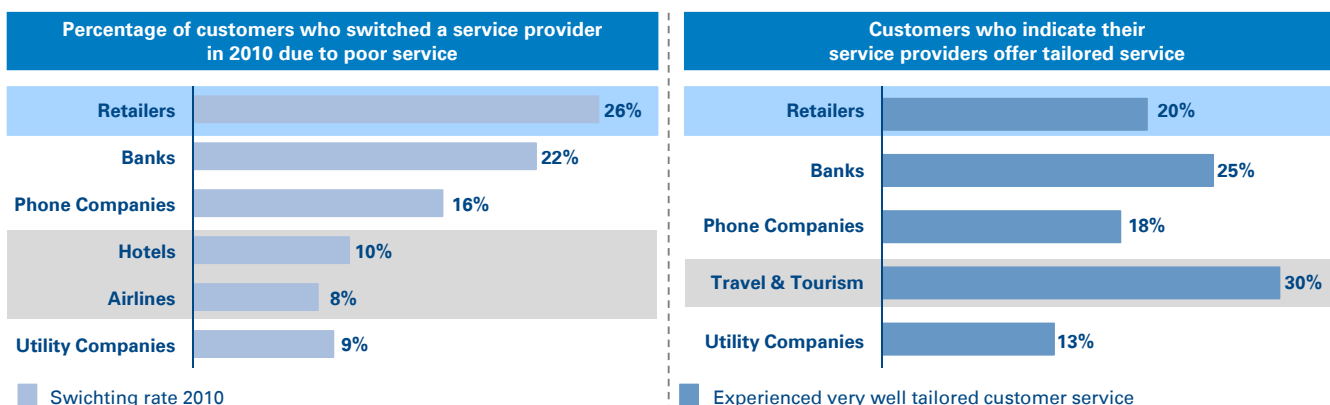
Recent research from Arthur D. Little shows that 76% of companies with a successful service excellence program have reshaped their existing customer management strategy according to six dimensions. Applying its knowledge of successful service excellence programs across several industries, Arthur D. Little developed the newly defined DIN-standard for service excellence in co-operation with the European Business School (ebs), Fraunhofer Institute, and DIN. Arthur D. Little, together with leading companies in Germany has provided a solid framework for deriving optimization potentials based on detailed gap assessments.

Drivers for service excellence

Acquiring customers has a big impact on the bottom line, however losing customers or failing to create fabulous word of mouth is even more expensive (estimations suggest this can be up to 10 times as costly). A customer that experiences a poor service does not only cease to use your service or products but also deters up to 55 people in your network! So, how many customers are you losing through bad service?

Previously two in three customers have switched a provider within one year due to poor service – this significant level does not even include the exponential effect through word of mouth.

Figure 1. Service excellence is a strong instrument of customer retention



Source: Arthur D. Little analysis

The rates vary according to geography (rates are higher within the emerging markets) but also according to industry. Within the retail and banking sector switching rates are more than three times higher than in the aviation industry.

The overall trend of switching service providers is contingent on the extent of tailored customer service experiences. Furthermore, the global assessment reveals that customers have experienced the highest level of tailored services within the travel and tourism sector. However, the offered customized service does not create a WOWing momentum. In order to generate such a remarkable effect in customer service excellence, tailored offers are not sufficient; it is necessary to consistently exceed current expectations. The creation of a replicable model for exceeding customer service is one of the most important drivers of continuous growth. Based on Arthur D. Little's analysis some sectors show devastatingly low percentages of customer service excellence levels, e.g. in the retailing sector, customized services are experienced by only 20% of customers – directly relating to the high level of switching identified previously.

Word of mouth is still the most important source for customer information and in the online world the availability of information regarding customer (dis-)satisfaction is increasing exponentially. Creating a positive WOW effect is closely linked to your brand.

Holistic lever system

Customer expectations are closely aligned to branding and associated service attributes. Therefore a consistent perception has to be created at all customer touch points according to your brand strategy.

In order to create a holistic approach for customer service excellence, different dimensions are crucial to outperforming competitors and assuring a sustainable market position.

- 1. Leadership:** Service excellence is based on a clear management direction. Companies that are successfully implementing service excellence derive their specific service vision from their overall vision and mission; measurable strategic attributes outline what excellent customer service means. Customer charters are used to explain and demonstrate the importance of excellent customer service and the leaders' attitudes to communicating and demonstrating customer service excellence plays a fundamental role.
- 2. People skills:** Customer service is distinctly driven by people. Kindness and courteousness are only basic requirements, since the main unique selling proposition within this dimension of interaction is the proficient and rapid solution of problems or inquiries. Since people are the integral drivers of service excellence, companies should pay a great deal of attention to training and involving their agents.

- 3. Presentation:** Intense competition calls for a positively differentiating presentation of services and products. An impressive presentation of the extraordinary service value proposition is necessary.
- 4. Price:** An indisputably important product / service attribute is pricing. More nuanced than purely a competitive determinant, price is also a key component of branding and related customer expectations. Proactive communication and service excellence associated with concise pricing is vital to the determination of customer perception.
- 5. Product:** Closely aligned to the attributes mentioned above, perception of the overall product or service is also a key factor. Consistently providing sound products or services is central to meeting customer expectations; while regularly exceeding these expectations is essential to creating a WOWing effect.
- 6. Organization:** Since customers are time-driven and have firm inquiries, the processes of customer interaction must be designed to be easy, effective and fast. The organization behind services should be set up to match customer needs.

These six components and their functional interactions are the main determinants of customer excellence. Keep in mind that the configuration and level of these dimensions is changing over time according to evolving customer requirements. Therefore continuous improvement is vital.

Customer preferences and requirements

A real WOW effect will only be achieved through target-directed measures. As a prerequisite, customer service objectives and relevant attributes for customer satisfaction need to be defined and specified.

Some performance indicators of customer perception are product or service specific, but the majority can be clustered in general characteristics of service and representative-specific attributes; altogether they form the core of service excellence.

General characteristics mainly subsume factors related to the accessibility of excellent services. "How easily can you access the service through an agent or a call center?" is a realistic indicator of service perception. In a fast-moving world customers demand convenient operating hours, fast service, and multiple channels to get in touch with a company representative. More than 50% highlight the amount of time they have to invest in order to be served as very important. Digital service channels continue to grow and excellent service should be available anytime and anyhow. Companies need to internalize customer expectations to be able to offer impressive service offerings.

The representative-specific attributes include factors related to the quality of interaction and complaint resolution, or service inquiries. The quality of interaction is highly dependent on the agents' knowledge and access to the right information. Providing excellent services is based on a profound product and service knowledge, a deep understanding of applications and the related customer expectations. This is valued as the most important criterion for customers.

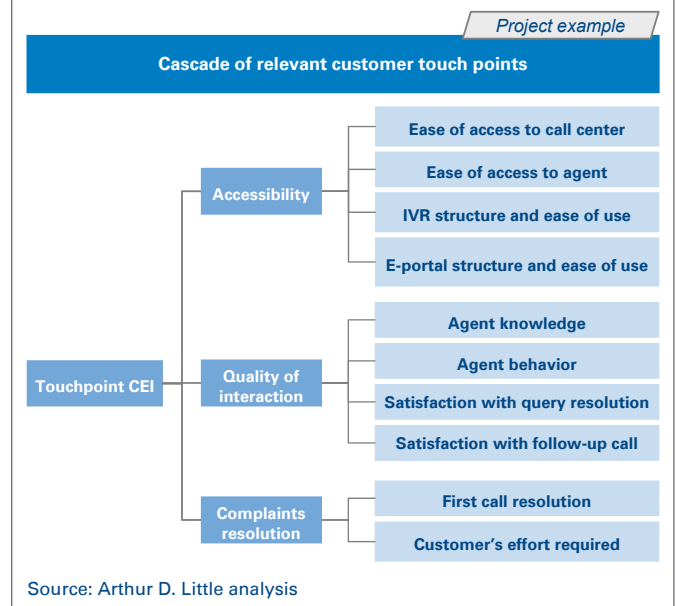
The self-evident criterion "representatives' behavior" is important to customers and makes a big difference. Two thirds cite friendliness and politeness as an extremely important factor in determining service excellence.

The third category of representative-specific attributes is complaint resolution. Solving issues at first point of contact is very important for customers, since the proposition of a first contact call resolution will save time and money. Ideally, the inquiry will be answered in such an effective manner that customers forget that they had to take care of it. Hence more than 50% mention that the time for resolving a problem is a crucial criterion of service quality.

Leaders in service excellence were identified in the global survey across various industries. In terms of customer perception, USAA (United Services Automobile Association) is performing best across all industries with a notable strength in all dimensions. The insurance company is outperforming direct competitors in the dimensions of people, presentation, price, product and process. Within the insurance industry the process level appears to be high, but the presentation aspect still provides room for improvement.

Within the hotel sector, guests expect a high level of service and individual requirements are much differentiated. The premium hotel chain The Ritz Carlton shows notable strengths within the dimensions of people, presentation, product and process, only

Figure 2. Relevant set of customer touch points



Source: Arthur D. Little analysis

pricing is a negative factor. In the Banyan Tree Hotels, for example, customers can book the 'Intimate Package' for couples, with rooms being transformed into magic places, or customers can choose to enjoy their dinner on the ocean sandbank with a poem written in the sand, freshly caught fish and music played by the boat crew. All these extra packages come with basic customer service which for Banyan Tree Hotels means to build its hotels in a unique design, decorating beds each evening in a new, creative flower design and addressing customers by their first names.

Measurement approach

Achieving continuous service excellence requires investment in all relevant dimensions. As financial efforts require a positive return on investment, it is necessary that the enhancement of customer satisfaction is reflected in terms of profitability.

Figure 3. Customer service best in class examples

	<i>not exhaustive</i>					
Dimension	Industry	Telco & HighTech	Automotive	Travel	Retail & Consumers	Financial Services
Leadership		<ul style="list-style-type: none"> The Carphone Warehouse O₂ 		<ul style="list-style-type: none"> Virgin Four Seasons Frontier 	<ul style="list-style-type: none"> Tesco Zappos (Amazon) 	<ul style="list-style-type: none"> RBC Financial Group
People		<ul style="list-style-type: none"> The Carphone Warehouse Microsoft 		<ul style="list-style-type: none"> Virgin Ritz (Marriott) Air Berlin 	<ul style="list-style-type: none"> Oxfam John Lewis Zappos (Amazon) 	<ul style="list-style-type: none"> First direct
Presentation		<ul style="list-style-type: none"> O₂ CocaCola 	<ul style="list-style-type: none"> Daimler BMW Porsche 	<ul style="list-style-type: none"> Ritz (Marriott) Banjan Tree Four Seasons 	<ul style="list-style-type: none"> Nespresso Pizza Express 	<ul style="list-style-type: none"> Deutsche Bank HSBC
Price		<ul style="list-style-type: none"> eBay 		<ul style="list-style-type: none"> RyanAir 	<ul style="list-style-type: none"> Aldi Lidl IKEA 	<ul style="list-style-type: none"> Cortal Consors
Product		<ul style="list-style-type: none"> Apple Skype Facebook 	<ul style="list-style-type: none"> Porsche BMW Daimler 	<ul style="list-style-type: none"> Lufthansa time: matters Ritz (Marriott) 	<ul style="list-style-type: none"> Nespresso Pret A Manger IKEA 	<ul style="list-style-type: none"> Deutsche Bank
Organization		<ul style="list-style-type: none"> O₂ DELL Google 	<ul style="list-style-type: none"> Daimler Porsche 	<ul style="list-style-type: none"> Ritz (Marriott) Four Seasons 	<ul style="list-style-type: none"> Amazon John Lewis 	<ul style="list-style-type: none"> First direct RBC Financial Group

Source: Arthur D. Little analysis

From a short term perspective improving customer loyalty should be the target as the churn rate of customers can be lowered. This top-line improvement is important, since winning new customers is expensive in all industries. In a mid-term perspective, churn rates as well as binding costs can be lowered by a vitalization of customer service through measures for dissatisfied or churn-endangered customers. Thereby sales will increase through cross-selling opportunities, lower price sensitivity due to service excellence and an improved recommendation rate. In order to succeed in these dimensions on an ongoing basis it will be necessary to continuously create and renew positive customer experiences: Service excellence must be improved, efficiency must be enhanced and the ability to resolve customer inquiries must also be ameliorated.

In addition to top-line growth, the reduction of costs is an important strategic goal. The costs associated with bad service could amount to up to 30% of gross sales within the manufacturing and service sector. Costs of bad service (COBS) arise because of lost sales through churn or inaccurate tracking of customers, inefficient capacity handling, missing handoff between organizational units, or increased manpower requirements to manage inquiries. Costs of rework or repair are seen as direct costs related to COBS; in addition, indirect costs such as complaint management, compensation or refunds are also constant drivers of COBS.

Based on the different effects on top- as well as bottom-line development, more attention should be given to customer service excellence. Developing a continuously improving set of all relevant service excellence dimensions requires ongoing effort and therefore costs money. However, the benefits out-weigh the expense; through enhancement of the related attributes, companies – regardless of industry – will develop a substantial competitive advantage and an improvement in their profitability.

Conclusion

Due to increasing product harmonization and consumer influence, customer service excellence will become an even more important driver for success and a key differentiator. Do you already differentiate your business through outstanding service excellence? When do you make your customer think "WOW"?

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