

Proof Points | Customer Strategy by Kenneth Tuchman

## Breaking the Vicious Cycle

Poor customer experiences cost companies customers and revenue. Here's how to change course and create a virtuous cycle of satisfaction and profitability to better meet performance targets.

We all have a story. You know the one. You make a phone appointment to repair your washing machine and when the repairman arrives six hours later after three delays, he apologetically tells you that he brought the wrong part. Or you call your Internet service provider for technical support. You enter your information into the IVR only to be asked for it again by a live agent before you're transferred to the tech support agent who asks for the same information. You finally hang up the phone. You are frustrated, dissatisfied, and you vow never to do business with that company again. It's the beginning of the Vicious Cycle.

The Vicious Cycle starts with one bad customer experience. That experience leads to customer dissatisfaction. If the company does nothing to make amends or improve its customer experience, the customer defects. That customer tells other customers. The company loses customers—and money. In turn, the company cuts costs in customer care, which worsens the customer experience. And down it goes from there.

### Just make it easy

The good news is that it's possible to break the cycle, and it's a lot less complicated to do than most business leaders believe. According to the recent *Harvard Business Review* study "Stop Trying to Delight Your Customers," when it comes to service, companies create loyal customers primarily by helping them solve their problems quickly and easily. That means: Get the basics right. Remove the obstacles. Resolve the issue on the first call with a single point of contact. It doesn't require complicated loyalty programs or surprise and delight strategies.

So, why doesn't it happen? Companies don't wake up in the morning planning to frustrate their customers. They don't sit in board rooms building strategies to drive their customers into their competitors' arms. Most companies are just not wired for the 21st century. They're



built the old way. Their people, processes, and technology are organized around a supply chain that is designed to support product silos. Add to it bolt-on acquisitions, antiquated systems, a disengaged workforce that is not culturally supported to solve customers' problems, and a disconnected front and back office and, well, you get the picture.

External experiences that feel fragmented and disconnected to the customer are usually the result of systems and behaviors that are fragmented and disconnected internally. These dissatisfying experiences are the result of complex corporate behaviors and deeply engrained beliefs built around how best to maximize profitability. Consequently, most business processes and systems are designed to meet the internal needs of the company. The processes aren't actually broken; they were never developed from the customer's perspective.

From our experience working with companies all over the world, we see the following explanations for why companies are slow to take the steps required to break the Vicious Cycle.

- **Not looking in the mirror.** Many companies do not have an accurate view of how they are perceived by customers. They are proud of their brands and their products and are not keeping up with world-class companies that are improving and becoming increasingly customer centric.
- **We are the best in our industry.** A high tide raises all boats. So you are the best in the industry...Who cares? Customers now expect an Amazon experience from the button maker down the street, too.
- **The ostrich syndrome.** Some companies have their heads in the sand, afraid to embrace new technology. Outdated technology becomes an impediment to success. Legacy systems and the cost constraints of IT departments slow the required rate of change. The “maybe this will go away” strategy pervades.
- **Where do we start?** Breaking the Vicious Cycle is a complicated area to address since multiple departments are involved. Because it also involves a blend of systems, process, and people, it is difficult to untangle where to begin.
- **Risky business.** Most individuals avoid the risk associated with exponential change. In this economy people feel they could get fired for making the wrong decisions, so the tougher decisions are rationalized away. The true innovators separate themselves from the pack by taking educated risks based on in-depth knowledge of the customer.
- **Procurement mentality.** Send it to procurement and they will make the tough decisions. Award the customer service contract to the lowest cost provider and the CFO will be pleased.
- **BPO contracts make it too complicated.** Some decision makers think that most outsourcers engage in overly prescriptive, overly complicated contract models. They also think outsourcers tend to track far too many metrics, and don't focus enough on meeting the highest-level business goals or having effective, closed-loop processes in place.

## Making the transition

Don't get me wrong. We know this change is hard. We also know that companies that don't change won't

### Resolve the Problem

Customers want companies to...

- > Provide easy access through any channel
- > Treat them with consideration and respect
- > Recognize the value of the relationship
- > Communicate through tailored and relevant interactions
- > Make knowledgeable and empowered staff available
- > Use their time efficiently

survive. In our experience, we typically see companies at one of four levels of readiness for change.

**Endangered species:** Typically, these are the old liners that are unaware and are not taking any steps towards change. We believe that these companies have a limited life expectancy.

**Eye openers:** Companies that have pulled their heads out of the sand and are beginning to explore new ways to improve their customer experiences. They are starting to view customer experience improvements as an investment, not a cost.

**Transformers:** These companies are exploring ways to rearchitect for the new world. They are looking at on-premise and cloud-based options to knit together the pieces of an integrated customer experience across departments and channels.

**Innovators:** These are usually new-line companies that are already wired for success. Often native to the Web, these companies are leading the pack. They leverage real-time analytics to respond to their customers' changing behaviors and needs. But, be careful; these companies must continue to innovate to stay ahead.

We are beginning to witness changes across industries. The “remove obstacles” strategy of breaking the Vicious Cycle works for any type of business. Icons like Amazon and Zappos have an advantage because they operate only on Cyber Street. Back on Main Street, customer experience leaders like USAA, Southwest Airlines, and Apple have all extended the “make it easy” philosophy across their customer channels. Let's look at a couple of examples:

Logitech, a global manufacturer of personal technology products and video communication solutions, offers a wide range of products from high-end, differentiated offerings all the way to entry computer peripherals. At the low end, Logitech competes in a commoditized marketplace; there is often perceived parity in features and value, so the only sustainable differentiator is the customer experience. Acting on this knowledge, Logitech began to invest in improving its customer experience, partnering with TeleTech to accelerate its strategy. Logitech consolidated all of its tech support functions globally with TeleTech and focused on streamlining processes across all service channels, including voice, email, chat, and social communities (see “Case in Point: Logitech”). Simplifying the tech support process made Logitech’s customers happy. Over the past four quarters the company experienced a 50 percent increase in NPS and an 8 percent increase in CSAT. In addition, abandon

rates have dropped an average of 7 percent and average handle time has been reduced by 25 percent.

Another example is big box retailer Costco. Its strategy is brilliant. First, the retailer focuses on convenience. It finds locations that provide easy access and have ample parking. Next, the company limits the SKUs it sells. Costco doesn’t overwhelm its customers with incremental choices. It sells only the top-ranked products in each category offering the best value for the price. For categories that require in-depth knowledge, Costco staffs accordingly with experts. And the last piece of brilliance: The company has a no-risk return policy. If customers aren’t satisfied with a product they’ve purchased, they can bring it back. Money returned no questions asked—no obstacles. It’s no surprise that Costco continually has among the highest NPS in retail, and is ranked as one of the top U.S. employers. Costco consistently grows revenues and profits year over year.

## CASE IN POINT

### Logitech Gains Critical Insight From Detractors

It’s one thing to ask the question, “Would you recommend this company to a friend?” It’s another to actually ask, “Why not?” TeleTech worked with Logitech to implement a Detractor Reduction Program to uncover pain points from the customer’s perspective. Associates call red flag detractors every day and capture verbatims on why they are dissatisfied. From this particular process, Logitech continually gains critical insight that drives service and product improvements. For instance, in Asian countries, being placed on hold is not tolerated. Logitech redesigned its process to reduce call queues. In the U.S., customers were complaining about the return policy on defective products. Logitech revised the policy and made it easier to receive replacements. The result: a 50 percent increase in NPS in the past year.

#### Pioneers in “social” service

A cornerstone of the “make it easy” philosophy is to interact with customers through their channel of choice. Logitech provides tech support and customer service via phone, email, chat, and most recently, through social communities. Agents participate in community blogs both as listeners and participants. As active listeners, they gain insight into product problems and suggestions that they share in real time with the product teams. In addition, agents proactively share helpful links and information with customers to anticipate issues before they happen and provide a quick resolution when they do arise. Logitech is still in the early days of understanding how to best engage through social channels, but is confident that this additional channel is driving increases in customer satisfaction and sales.



## Breaking the Vicious Cycle

So what are you going to do? First you need to “be” your customer. How does it feel to interact with your contact center? Your website? Your retail associates? Try out a few of your processes and see how they work from the customer’s point of view. Next, think about a customer experience you’ve had that impressed you. Look outside of your industry. What was it about the experience that was so outstanding? Did the company make it easy for you? Anticipate your needs? How long did it take to complete your task?

Now comes the hard part. Look in the mirror. Earlier we talked about companies operating at one of four levels of readiness. Which one are you? At which level was the company that you were impressed with? Now get your leadership team together and challenge them to do the same thing. Create a shared vision and then build an aspirational roadmap that includes the following:

- **Culture:** Culture doesn’t happen by accident. Business leaders need to create an environment that rewards empathy, is committed to the customer, and encourages honesty and determination.
- **Organization:** The structure builds from there. The organization needs the capabilities to provide accurate and personalized information to the right person at the right time. Leadership must also be committed to ongoing skills development.
- **Process:** Processes must appear seamless to the customer and evaluated for continuous improvement and innovation.
- **Technology:** On-premise, in the cloud, hybrid—the infrastructure must enable a 360-degree view of customers, as well as integrate individual, household, and product insights. Be predictive and flexible enough to leverage emerging tools and channels.

There is no magic bullet. No quick way to turn the tide. But for companies that are committed to change, success is possible and well worth the effort and investment.



### What does the world look like when the Vicious Cycle is broken?

| From                              | To                                   |
|-----------------------------------|--------------------------------------|
| You take care of it               | We'll take care of it                |
| Customer service department       | Customer experience company          |
| Transaction                       | Interaction                          |
| Customer experience as an expense | Customer experience as an investment |
| Death by technology               | Cloud-based innovation               |
| The Vicious Cycle                 | A virtuous cycle of success          |

According to that 2010 *Harvard Business Review* study, service failures not only drive existing customers to defect, they also can push away prospective new ones. According to the study, 65 percent of respondents said that they were likely to speak negatively about a poor customer service experience, as compared to only 25 percent who were likely to speak positively about a good one. And even more compelling, 48 percent of customers who had a negative service experience reported that they would tell 10 or more people about it. Add in social settings like forums, blogs, and online communities and the megaphone has just been turned up to tell the whole world.

Let’s face it, your scarcest and most valuable resource is your customers, and each of those customers is becoming more connected, empowered, and impatient. The winning companies will be the ones that break the Vicious Cycle and make it easy for their customers to do business with them. Will you be next? ■

> [Kenneth Tuchman](#) is Chairman and CEO of TeleTech Holdings, Inc.