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Value Creating Solutions in Private Equity

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Value Destruction: Customer Disservice

By John A. Lanier

Forrest Gump's prophetic line "stupid is as stupid does" has customer service implications. Researchers tell us that customers expect vendors to muff execution occasionally. However, mistakes, per se, do not constitute a death sentence for brand equity. Rather, vendors' reactions to mistakes make or break the brand. Indeed, Philip Kotler and Kevin Lane Keller confirm that resolving the customer's problem scores points; resolving the problem quickly scores even more and better points. The conundrum is that so few customers actually complain directly to the vendor, yet these disgruntled customers may broadcast their angst within their networks. This phenomenon has been dubbed "the restaurant principle." To wit, an unsatisfied restaurant patron will not necessarily complain to the manager about a bad meal, but will inform several friends about the inedible food and or shoddy service. The advent and proliferation of social media exponentially enables damaging communication. Some business models, e.g., Angie's List, are predicated upon the principle of reporting customer experience.

Quick and simple problem resolution bolsters brand equity

One of my CEO clients imparted his novel approach to responsiveness and complaint resolution. He insists on knowledge of all major customer complaints (translation: above a certain dollar threshold). Moreover, he contacts the complainant directly. He consistently reports that the customer is nearly dumbfounded that the big boss is on the phone. Additionally, he asks the customer how they propose that the issue be resolved. Without exception he reports that the customer proposes a more economical fix than he was disposed to do to protect his brand. This CEO gets it! It comes as no surprise that this CEO has a track record of consistent financial results which vindicate his policy.

Now for some of those who "don't get it." Two recent examples come to mind. The first entails an internet service provider (ISP). I'll be kind and withhold their identity. Modems occasionally fail, as the customer's did. No problem thus far. The delivery time for the replacement modem was reasonable. Still, no problem. However, the vendor's modem also doubles as a wireless router. This would not be a problem if the vendor's routing technology were current. Unfortunately, it is not—something the vendor knew for a long time. Therefore, the vendor's equipment has to be configured for bridge mode to enable a pass-through from their modem to the superior wireless router. The customer reported the identical service issue with this vendor on a previous occasion, and the vendor coached the customer through the necessary bridge setting adjustments. Apparently, however, the vendor did not espouse double loop learning, i.e., learning from one's discoveries and mistakes. The technician who answered the vendor's 800 number for the focal episode of this article informed the customer that they (the vendor) do not provide that type of technical support, e.g., bridge configuration. The technician expounded that this was because it required knowing how to adjust the router settings for another company's equipment. This sounded plausible and the customer did not challenge the assertion. HOWEVER, the technician proposed to platoon a field service technician to take care of the problem, OR sell the customer a subscription to a support service feature (translation: recurring revenue stream) that would be cheaper than the cost of the service call—at least in the first six months. Smell a rat? How come the technician reported that their company did not work with other vendor's equipment—by policy, no less—but a field service technician working for the same company did?

Deception destroys vendor credibility

Plan B. In frustration, the customer called a national nerd network for a service call to reconcile the bridge settings between the modem and the router. Two things were obvious. First, the new vendor was more interested in selling a service subscription than scheduling an appointment. No doubt, this was a managerial directive that was probably reinforced by an incentive program. Second, the customer service representative was clueless about the details of the subscription and frequently contradicted himself. The customer compared the experience to the help line at the IRS.

Actually, the ignorance of the subscription was not the fault of the customer service rep at the nerd network. The conversation revealed inadequate training. It took thirty minutes to figure out the offer. Interestingly, it was a pretty good offer. The customer had one simple purchase criterion: the customer would buy the subscription, provided the nerd network would schedule a service call the next day. Oops. The nerd network could not schedule an appointment for three days. HOWEVER, they could schedule an emergency appointment outside of the agreement at a considerably higher price. Bait and switch, anyone? No sale.

In a fit of exasperation, the customer lamented his travails to a confidante, and was advised to call the ISP again. Are you kidding? The rationale was that the same person would not pick up the phone in such a behemoth. Perhaps the new voice would be competent and helpful. The strategy was substantiated by the confidante's personal anecdotes. Son of a gun! It worked. The customer learned something else. The bridge fix had NOTHING to do with settings on the superior wireless router. Rather, all the changes were germane to THEIR (the vendor's) combination modem-router. Ugh!

What are the take-aways from this sordid tale?

- First, customer service people can make or break brand equity. Customers look for value in their purchases, i.e., the utility received for price paid. Customer service is part of the value equation. Matthew Dixon, Karen Freeman, and Nicholas Toman write in the *Harvard Business Review* that delighting customers is a waste of money. Rather, just fix the problem! Emphasize ease and speed from the customer's perspective.
- Second, customer service people should be trained and retrained on the products they are supporting. This includes proficiency tests and certifications.
- Third, actual customer encounters should be coded to facilitate double-loop learning. Documented and categorized problems may be subjected to Pareto analysis for prioritized training and retraining. Indeed, such analytics may disclose a product flaw that necessitates a product redesign or recall.
- Fourth, firms should never ask someone to sell a new product without sufficient training. The same is true for those unsuited to sell. Behavioral profiles differ between customer service people and sales people. More often than not, the former lacks a risk-taking attribute which defines the latter.
- Finally, solve the customer's problem FIRST. Then and only then, up- or cross-sell. Otherwise, the entire encounter devalues the customer experience and taints brand equity.

None of these best practices are complicated. Peter Senge refers to organizations who master such value creation as "learning organizations." However, businesses sometimes forfeit learning from their—or anyone else's—chronic mistakes. Forrest Gump was onto something for those who do not choose to learn: "stupid is as stupid does."

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