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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0356

SURREBUTTAL TESTIMONY

OF

JIMMY D. ALBERTS

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
January 2011**

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SURREBUTTAL TESTIMONY

OF

JIMMY D. ALBERTS

Case No. ER-2010-0356

1 **Q: Please state your name and business address.**

2 A: My name is Jimmy D. Alberts. My business address is 1200 Main Street, Kansas City,
3 Missouri, 64105.

4 **Q: Are you the same Jimmy D. Alberts who prefiled direct and rebuttal testimony in**
5 **this matter?**

6 A: Yes.

7 **Q: What is the purpose of your surrebuttal testimony?**

8 A: To address Staff's rebuttal testimony regarding the Company's request for monetary
9 recognition for reliability and customer satisfaction and rebut staff's analysis of quality of
10 service.

11 **Q: What is your general concern regarding Staff's view that customers should not be**
12 **asked to pay higher rates based upon a regulated Company's "reliability and**
13 **satisfaction achievements." (Kremer Rebuttal, p. 4, ll. 28-29.)?**

14 A: Staff's view potentially inhibits the Company's incentive to work toward excellent,
15 reliable, affordable, and responsive customer service. Staff's view is likened to thresholds
16 and limits—with a fear of new regulatory requirements to guide the Company's decisions
17 in providing reliable, affordable, and responsive customer service. In essence, it dilutes
18 the Company's interest in aspirational service to one that requires only offering "enough"

1 service. We believe it is important to continuously improve and innovate for our
2 customers.

3 Another way to look at the potential impact on operations from Staff's view is
4 that, regardless of what metric is used, it does not matter since customers already pay the
5 cost of operating the utility. The Company does not need to look beyond minimum
6 requirements or cultivate creativity or encourage rethinking the status quo—as long as
7 service is “okay.”

8 **Q: Are you suggesting that the Company's service will deteriorate should the requested
9 return on equity above midpoint not be awarded?**

10 A: No, but it begs the question, “What incentive does the Company have to provide better
11 than mediocre service except under potential minimum thresholds and demands caused
12 by new regulatory requirements?” Staff's testimony does not answer this question.

13 **Q: How do minimum thresholds and new regulatory requirements impact the
14 Company's incentive to provide better than average customer service?**

15 A: Let me use a simple economics example to illustrate. If there is a limitation of how much
16 a landlord can charge for rent, he does not have any incentive to provide amenities that
17 would make the apartment more comfortable for the renter. Without such an incentive,
18 his interest becomes offering the minimum level of services required by law without
19 concern for the customer. It is this minimum level of services that Staff advocates when it
20 states:

21 “If Staff found specific areas of service quality deficiency, as it has done in the
22 past with utilities, it would make attempts to work with the utility to improve such service
23 declines or in the event it could not find agreement with the utility, would consider other

1 options such as filing a formal complaint with the Commission.” (Id. p. 15, l. 23-p. 16. l.
2 2)

3 Without a hope of receiving any benefit—like a higher ROE—for excellent
4 customer service, there is little incentive to offer but just enough customer service to
5 avoid a formal complaint.

6 **Q: The quote from Staff’s rebuttal suggests the expectation for all Missouri utilities is**
7 **to offer a minimum level of customer experience. Do you feel the Company’s**
8 **customer service metrics fully illustrate the customer’s experience?**

9 A: No. Let me reiterate the Company’s response to Data Request 249¹, Case No. ER-2010-
10 0355, “The Company does not incorporate any service quality and/or customer service
11 benchmarks into its definition of Tier I.” Customer service goes beyond metrics and is
12 inclusive of the range of offered products and services. Also, the customer experience is
13 not measured in a vacuum. There are elements outside the control of the Company that
14 impact that experience and effect metrics. Such impacts are difficult to capture, acting as
15 statistical outliers—like extra-hot summers or super cold winters or frequency of storms
16 or difficult economic conditions.

17 As I previously stated, we acknowledge that a customer’s experience is broader
18 than call center metrics, such as the elimination of convenience fees for credit card
19 payments and the offering of the Energy Optimizer. Evaluation and understanding
20 statistical outliers and relevance of the customer experience is helped with independent
21 studies—like JD Power.

22 **Q: Do you have an example of impacts outside the control of KCP&L?**

¹ The response to D.R. 249, Case No. ER-2010-0355, is incorporated by reference in the response to D.R. 235.

1 A: The Company experienced an increase in call volume that was driven by things beyond
2 the control of the Company—the stressed economic environment impacting the level of
3 unemployment that, in turn, affected the ability of customers to absorb costs associated
4 with higher kWh usage due to extreme temperatures. A stressed economic environment
5 and the weather are well outside the control of KCP&L. I would note, that even with this
6 unprecedented increase of call volume, the level of contact center performance metrics
7 continued to track with 2009 data and KCP&L’s JD Power customer satisfaction scores
8 remained high.

9 **Q: The number of customer filings with the Commission appears to trend about the**
10 **same from 2008 through October 2010, based on the Commission’s EFI System**
11 **(“EFIS”). (Id. p. 25, l. 23-p. 26, l. 10). Staff dismisses this consistency in operations**
12 **by citing a statistic that 26 out of 27 service customers do not complain when things**
13 **go wrong and, thereby suggests service is not as good as the data suggests. Do you**
14 **agree with this assertion?**

15 A: No. I will address Staff’s source of the data below, but want to bring your attention to my
16 rebuttal testimony which discusses customer filings with the Commission and incorporate
17 it by this reference. (Alberts Rebuttal, Case No. ER-2010-0355, p. 7, l.1-p. 8, l. 9.) From
18 my testimony, there are two key points I wish to highlight:

19 1. From 2007 though 2009, it was determined KCP&L appropriately applied its
20 tariffs, rules and regulations in approximately 95% of customer filings with the
21 Commission, indicating that out of the hundreds of thousands of customers, for 10-12
22 customer per year, KCP&L was found to have misapplied its tariffs;

1 2. The relevance of Staff’s customer complaint numbers is called into question as
2 Staff seeks to characterize the whole of the customer experience with very few instances
3 of disagreement between the customer and the Company represented in customer filings
4 with the MPSC. Even if the customer complaint metric was valid in judging customer
5 service success, clearly, the number of customer complaints filed with the MPSC would
6 indicate the Company’s high level of customer care as illustrated by the fact 95% of the
7 filings confirmed KCP&L appropriately interpreted the tariffs, rules and regulations.

8 Also, as previously stated, there are elements outside the control of the Company
9 that impact such filings. Considering external impacts on operations, metrics are helpful
10 as a gauge but not an absolute, perfect view of the customer experience. A customer’s
11 experience is broader than call center metrics, such as the elimination of convenience fees
12 for credit card payments and offering of the Energy Optimizer. Furthermore, evaluation
13 of the relevance of a metric should be aligned with independent studies—like JD Power,
14 which incorporate the customers’ perspective.

15 **Q: What is the relationship between the number of customer filings with the**
16 **Commission and customer service?**

17 **A:** Approximately 60% of complaints pertain to credit and collection issues. The poor
18 economic environment of the past couple of years is the impetus of some of these
19 complaints. KCP&L’s analysis does not indicate that any increase in complaints
20 correlates to a declination in the quality of service. On the contrary, KCP&L enhanced
21 service offerings during 2010. For example, KCP&L implemented pay arrangement
22 options to better meet customer needs and implemented online automation of start and
23 stop service requests.

1 **Q: Staff cites a statistic that 26 out of 27 service customers do not complain when things**
2 **go wrong, (Kremer Rebuttal, p. 26, ll. 7-10), suggesting that customer filings with**
3 **the Commission are not fully representative of the number of customer complaints.**
4 **Do you agree?**

5 A: No. The referenced statement is likely biased by the authors' personal gain as
6 consultants; the statistics are not supportable; the authors cite a magazine article over
7 twenty years old; and the cited book and statistics are not relevant to call center
8 operations in a public, regulated utility. The cited statistic, that 26 out of 27 service
9 customers do not complain when things go wrong, should not be considered in this
10 matter.

11 **Q: What do you mean there is likely author bias in the information they use since they**
12 **have opportunity to gain as consultants?**

13 A: Staff cites to the book, *A Complaint is a Gift*, written by the President of TMI, USA,
14 Janelle Barlow, and, the previous founder and chairman of TMI, Claus Møller. TMI USA
15 is a member of the TMI International Group, a consultancy firm². The book, *A Complaint*
16 *is a Gift*, is published by TMI Publications³ in support of their consultancy programs. The
17 interest of the authors is to sell their services and their books, which may or may not be
18 fully vetted. The potential of the authors gaining from the expressed proposition calls into
19 question the independence of the work represented in the book.

20 **Q: Do you call into question the validity of the data the authors cite because it**
21 **potentially has gone stale?**

² <http://www.tmius.com/who.HTML>, Accessed January 6, 2011.

³ <http://www.tmius.com/cigbk.HTML>, Accessed January 6, 2011.

1 A: Yes. Clearly, the data cited is not up-to-date. The authors of *A Complaint is a Gift*,
2 support their statement by citing⁴ to an article, “1-800 Training,” *Training: The*
3 *Magazine of Human Resources Development*, by Chris Lee, August 1990: 39. See JDA-
4 2010-2. This article is over twenty years old.

5 Also, the “1-800 Training” article does not make any assertion, either directly or
6 by extrapolation, that “...26 out of 27 service customers do not complain when things go
7 wrong...” (JDA2010-2).

8 **Q: You question the relevance of the article to the Company’s call center operation?**

9 A: Yes, Although the focus of the book and the article are call centers, the principal
10 examples and case studies highlight companies that are in competitive fields—quite
11 different than the framework of a public regulated utility. It is my belief, because the
12 Company is a regulated utility, customers are more likely to address concerns with the
13 Company and, occasionally, with the Commission since their recourse of choosing a
14 competitor is limited.

15 **Q: How does a stressed economic environment affect customer service?**

16 A: As provided in the attachment to Data Request 272⁵ in Case ER-2010-0355, 51 percent of
17 customer calls in 2010 were regarding payment arrangements and billing issues. As
18 previously stated, the stressed economic environment impacts the level of unemployment
19 that, in turn, affects the ability of customers to absorb costs associated with higher kWh
20 usage due to extreme temperatures.

21 **Q: Do you agree with Staff’s interpretation of the data expressed in the charts of LAK-**
22 **4?**

⁴ See Schedule JDA2010-2 A Complaint is a Gift excerpt 1996.

1 A: No. Staff's conclusions misrepresent the data reflected in Schedule LAK-4 by not
2 recognizing the difficulty—without any performance history—in establishing a target in
3 2009 for GMO and KCP&L's integrated operations. In 2009, in the midst of integrating
4 operations, it was difficult to predict call center metrics. Regardless of any prediction, the
5 Companies delivered very consistent actual service year-over-year.

6 To provide some clarity, I offer the following chart, comparing the actual metrics
7 from 2009 and 2010, the first two full years of integrated operations. The results are
8 nearly identical, even though the number of calls as a result of economic conditions was
9 greater and the length of calls increased.

| Call Center Metrics | Actuals | |
|-----------------------------------|---------|------|
| | 2009 | 2010 |
| Service Level | 72% | 71% |
| Average Speed of Answer (seconds) | 43 | 42 |
| Abandoned Call Rate | 4.1% | 4.2% |
| Blocked Calls | 0.6% | 0.7% |

10
11
12
13 I would note that even with an unprecedented increase of call volume, KCP&L's
14 level of contact center performance metrics continued to track with 2009 data and
15 KCP&L's JD Power customer satisfaction scores remained high.

16 **Q: The number of customer complaints look to be driven by collection related**
17 **activities. Can the Company change its collection processes to reduce the number of**
18 **customer filings with the Commission?**

19 A: While the majority of customer complaints are prompted by collection related activities,
20 the Company is tasked with keeping unrecovered billings—bad debt—to a minimum
21 because of the detrimental impact on the cost of service affecting customers that do pay

⁵ The response to D.R. 272, Case No. ER-2010-0355, was incorporated by reference in the response to D.R. 212, Case No. ER-2010-0356.

1 their balances on time. The Company regularly evaluates its collection activities to ensure
2 a balance of the interests of both customer segments.

3 **Q: Staff's rebuttal recognizes "...cost-cutting and efficiency are important managerial**
4 **activities, too much cost-cutting in the wrong areas [can] have significant adverse**
5 **consequences for Missouri customers. The Staff has participated in cases where**
6 **such cost-cutting went too far and caused detriment to service quality." (Id, p. 24, l.**
7 **23-p. 25, l. 4.) What is the likely impact on the customer experience should the**
8 **Company cut costs?**

9 A: "Cutting costs" suggests a continuing period of lower costs absent the reduction. More
10 likely it is a reallocation of resources or recognition of a short-term opportunity to ensure
11 the best possible customer experience and reliability at a reasonable price. Staff's
12 testimony reinforces the proposition that cost control is part of the Company's
13 responsibility to manage customer rates. One tool to manage of rate increases is the use
14 of reallocation of resources.

15 The allocation of resources is a careful balance of each component of the
16 Company and the impact it has on the customer experience, employees, and shareholders.

17 **Q: Is not filling a position a cost savings?**

18 A: In the short term, but such a decision may not cause detriment to operations because of
19 other short term impacts—like a downturn in construction projects precipitated by a poor
20 local economy.

21 **Q: What is your appraisal of how well KCP&L balances the interests of stakeholders?**

22 A: This is the crux of the question as whether to recognize KCP&L's excellent customer
23 service and reliability with an above midrange ROE. As reflected in JD Power and PA

1 Consulting's studies and analysis, KCP&L does an excellent job of balancing the
2 interests of stakeholders. While public, regulated utilities have an underlying duty to offer
3 good and reliable service, it is difficult to execute while delicately balancing the interests
4 of stakeholders.

5 **Q: What are your thoughts on Staff's testimony, "Customers paying higher rates for**
6 **utility service they have and are already paying for and to which they are entitled to**
7 **as customers of a regulated utility, is in effect 'penalizing' those customers in the**
8 **form of higher rates" (Id. p. 7, ll. 9-12.)?**

9 A: I disagree with the characterization that the Company is penalizing customers by asking
10 for an above midpoint ROE. Such a statement should not be viewed outside the context
11 of balancing the interests of stakeholders or the importance of incentives to offer
12 excellent service. Customers are not penalized, but benefit from incentives to offer
13 excellent customer service and balancing the often competing interests of stakeholders.
14 The measures of excellence may not be perfect but their relevance should not be
15 dismissed as a gauge of KCP&L's operational and customer service success.

16 **Q: Do you agree with Staff, there are greater benefits over external awards by "...**
17 **examination of the Company's own performance over time to analyze trends, to**
18 **review improvements and to document deficiencies" (Id. p. 30, ll. 9-11)?**

19 A: No. I would weigh greater the benefit from the wider view of the independent, external,
20 studies and analysis. There is value in analyzing the Company's internal data, but such
21 trends may not fully represent the quality of service or provide perspective that
22 independent reviews offer. Internal analysis may not have sufficient randomness for
23 statistical relevance or insight to customers' perceptions to guide allocation of resources

1 to appropriately address issues important to customers. Furthermore, there are customer
2 and other stakeholder benefits for the Company to stretch beyond its own boundaries.

3 **Q: Can you give some examples?**

4 A: Yes. Internal data may indicate a trend of increasing ASA of three-seconds over a three
5 year period. Is that something the Company would like to see? No. Is it something the
6 customer perceives as impacting the customer experience? Probably not, due to fact that
7 the customer experience is broader than a single metric.

8 Another example is an increase in customer filings with the Commission. Is that a
9 concern of the Company? Of course. Does the increase impact the customer experience
10 of those customers not filing a complaint? Not likely.

11 Staff's examples may have relevance, but the perception of the customer is not
12 likely changed. The point is internal data that suggests trends may not fully represent the
13 quality of service or provide perspective that the independent reviews offer.

14 **Q: Should JD Power and PA Consulting awards be used as the sole basis of awarding
15 an above midpoint ROE?**

16 A: The ROE range represented in the Company's testimony would be the same whether any
17 emphasis was placed on quality of service or not. It is not the intent of the Company to
18 directly correlate the excellent customer service study ratings and the reliability success
19 with the requested ROE. JD Power and PA Consulting awards recognize KCP&L's
20 achievement in offering a continuing good customer experience. The awards should have
21 sway in the aligned purposes of the Commission, customers, and the Company—of
22 providing excellent customer service and reliability at a good price.

1 The ability for the Company to balance competing stakeholders' interests and
2 provide a good customer experience during a most extraordinary economic period should
3 be recognized by the Commission in addition to ensuring regulated Missouri utilities are
4 incited to work with the aspiration of a better ROE as opposed to acceptance of average
5 and mediocre service under the pressure of thresholds and potentially new regulatory
6 requirements.

7 **Q: Do you agree with Staff's suggestion part-time call-center personnel are not good**
8 **for customer service? (Id. p. 25, ll. 5-10.)**

9 A: No. I interpret Staff's concern is inadequate training impacts the ability of part-time call-
10 center personnel to perform and, in turn, they do not offer the same quality of customer
11 service as fulltime personnel. This concern is not founded in fact since part-time CSAs,
12 which work about 32 hours per week, receive the same training, are expected to perform
13 at the same level, and provided the same performance feedback as fulltime CSAs.

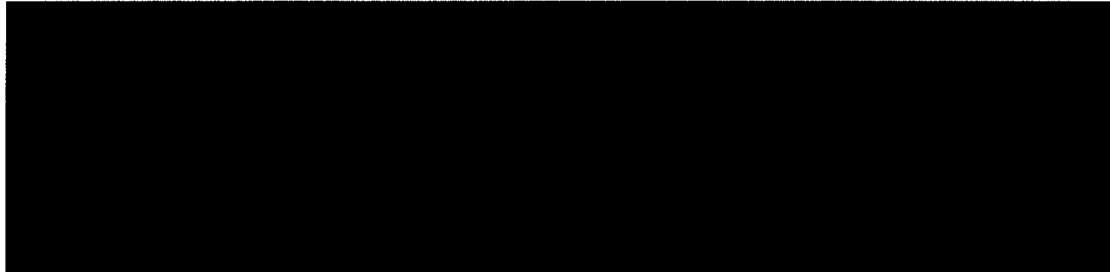
14 **Q: You mention increased volatility in call volume and the length of calls that are**
15 **attributable to poor economic conditions. Why not convert the part-time call center**
16 **personnel into full-time employees to address that volatility?**

17 A: Call center metrics reflect averages—meaning there are expected peaks and valleys. The
18 Company staffs to best address each extreme but even with the best analysis, it is often
19 unpredictable. In time, hopefully a short period of time, the economy is expected to
20 improve and, in turn, reduce call volume and length of calls. Yet, in light of that
21 unpredictability and higher call volume volatility during this uncertain period of
22 economic stress, KCP&L seeks to adapt its staffing allocation strategy to continue to
23 meet customer expectations. The data in the chart below demonstrates the Company's

1 commitment to service, increasing staff during peak call months, and maintaining staffing
2 levels in the balance of non-peak months.

3
4 **HC**

5 **



9 **

10 **Q: Do you agree that KCP&L did not experience any significant major outages**
11 **resulting from storms in the past two years? (Id. p. 17, ll. 5-7)**

12 A: It is unclear how “significant major outages” is being characterized. Regardless, KCP&L
13 was impacted by 24 storm events in 2009 and, as of October 2010, 25 storm events in
14 2010. The average number of storm events for the period of 2000 through 2008 was 9. It
15 is the Company’s belief that the frequency of storms can have similar impact to
16 operations just as a couple of major, extended outages, but the JD Power study suggests
17 KCP&L was able to maintain good reliability in the face of the above average number of
18 storm events.

19 **Q: Do you share the suggestion by Staff, that ‘Virtual Hold’ can be overused? (Id. p.**
20 **24, ll. 9-13)**

21 A: Virtual Hold is a tool, providing customers a convenient choice between calling again
22 later; continuing to hold for a representative; or using the Virtual Hold tool, providing an
23 easy method to have the Company representative call the customer. It is not likely that

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1 Virtual Hold can be overused since it is basically a tool to help manage peaks in call
2 volume.

3 **Q: Do you wish to address Staff's questioning the relevance of the JD Power survey to**
4 **assess customer service success?**

5 A: Yes. Staff makes a statement that the JD Power survey does not provide an accurate or
6 persuasive argument that any utility is providing even an acceptable level of service and
7 attacks the relevance of KCP&L's score compared to other utilities, and notes KCP&L's
8 rank changed from two to three. Staff's analysis does not paint the complete picture.

9 **Q: What is missing from Staff's analysis?**

10 Not only did KCP&L perform well within the Midwest Region for large utilities,
11 third highest of sixteen, but KCP&L's performance was consistent across all large utilities
12 within the United States. KCP&L's score was superior to 49 of the 58 other large utilities.
13 This demonstrates KCP&L not only ranks in the top quartile within the Midwest, but
14 ranks in the top quartile across all large utilities surveyed by JD Power. See LAK
15 Schedules 3-4, 3-6, 3-8 and 3-10. KCP&L believes that the Staff and Commission should
16 recognize the outstanding performance by KCP&L by awarding an ROE above the mid-
17 point range offered by the Company.

18 **Q: How do you explain Staff's assertion that call center performance is within an**
19 **acceptable range, but does not rise to the level of service experienced by GMO**
20 **customers a few years ago? (Id. p. 23, ll. 12-15).**

21 A: Staff's analysis does not recognize the significance of maintaining excellent metrics in
22 light of a significant economic downturn and weather extremes during 2010. Total
23 monthly call volume exceeded 300,000 four times during 2010 compared to one such

1 event in 2009. KCP&L continued to perform at a high level during a very challenging
2 year.

3 **Q: Does that conclude your testimony?**

4 **A:** Yes, it does.

A COMPLAINT IS A GIFT



Using customer feedback
as a strategic tool

JANELLE BARLOW
and **CLAUS MØLLER**

Foreword by Sir Colin Marshall, Chairman, British Airways

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problems have been satisfactorily resolved, almost all say they will give the company another chance.¹²

Some people refer to selling more to existing customers as "customer share"; "market share" refers to selling to as many customers as you can.¹³ For most companies, about two-thirds of sales are from existing customers.¹⁴ At a minimum, companies generally know who their existing customers are or have access to them in their stores. So while it is not free to sell to existing customers, it is frequently easier, more direct, and less costly.

For every year customers are retained, they represent more in profits because marketing expenses can be amortized against long-term sales results.¹⁵ Consider credit card customers, for example. If it costs \$100 for a company to acquire a new account, then over ten years the cost is \$10 per year. Banks also report that the longer credit card customers stay with them, the more likely they are to pay their bills. As well as lower per-unit marketing costs, loss and delinquency ratios improve with customer retention.¹⁶

Robert LaBant, senior vice president of IBM's North American sales and marketing, indicates that for IBM, "... every percentage-point variation in customer satisfaction scores translates into a gain or loss of \$500 million in sales over five years." He says that developing new business costs IBM three to five times as much as selling to their existing customers.¹⁷

Noncomplainers must be factored into complaint statistics

Even though complaints can tell a business how it is performing in the marketplace, many companies hide the bad news of complaining customers from themselves. They do not factor the noncomplainers into their statistics. **If the frequently cited statistic that 26 out of 27 service customers do not complain when things go wrong¹⁸ is correct,** then to get an accurate count of dissatisfied customers, service companies should multiply the number of complaints they receive by 27. One hundred formal complaints equals a potential 2,700 dissatisfied customers in the service industry.

One of our clients, a major bank, bragged to us it had received only 100 complaints during a particular month. This bank is probably only looking at the tip of the iceberg. Most people will rarely complain about

Notes

Chapter 1: The Complaint-as-Gift Philosophy

1. To read more about customer attribution, see Bernard Weiner, "'Spontaneous' Causal Thinking," *Psychological Bulletin* 97 (1985): 74-84; Valerie S. Folkes, "Consumer Reactions to Product Failure: An Attributional Approach," *Journal of Consumer Research* 10 (March 1984): 398-409; Valerie S. Folkes "Recent Attribution Research in Consumer Behavior: A Review and New Directions," *Journal of Consumer Research* 14 (March 1988) 548-65; and S. Krishnan and Valerie A. Valle, "Dissatisfaction Attributions and Consumer Complaint Behavior," in William L. Wilkie, ed., *Advances in Consumer Research* (Miami: Assn for Consumer Research, 1979), 445-449.
2. David Webb, "The Point Is to Keep the Customer from Becoming Unhappy," *Electronic Business* 18, no. 13 (October 1992): 115-116.
3. Matt Barthel, "Bank Worker Gets Kudos for Cracking ATM Scam," *American Banker* 158, no. 204 (October 25, 1993): 24.
4. "Wayne-Dalton: Package Design Preserves Quality," *Professional Builder and Remodeler* 58, no. 8 (August 1993): 72-73.
5. Michael S. Luehling, "Driving Out Inefficiency," *Management Accounting* 74, no. 9 (March 1993): 33-36.
6. Norman C. Reimich, Jr., "Damage Reduced While Output Gains by 45%," *Appliance Manufacturer* 41, no. 6 (June 1993): 58-59.
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1-800-TRAINING

Let's say you ordered a \$10.95 garlic press from a mail-order house. It works just fine. The only problem is that Acme Kitchen Widgets billed your credit card and sent you an invoice as well. But, hey, the company's toll-free number is printed on its invoice. You should be able to clear up this little annoyance with one phone call.

You dial the handy "800" number. After 12 rings, a recorded voice asks you to wait and puts you on hold. You listen to Hank Williams singing "Your Cheatin' Heart" for three long minutes. Finally, someone answers with an indecipherable string of rapid-fire gobbledygook that ends with, "How may I help you?"

"Is this Acme Kitchen Widgets?" you ask.

"Yes," shoots back a voice, already losing patience. "How may I help you?"

You explain that you've been billed twice for the same order. You give the customer service representative your order number, name and address, account number, invoice number and date of the transaction.

Silence. Finally, you hear the ominous sound of shuffling papers.

"Hello?" you say, losing patience yourself.

"I'm looking. No, I don't see anything in my policy manual that covers that. Hmm. No, I'll have to transfer you to accounting...." Click.

This is not your idea of customer service.

It probably wasn't what Acme Kitchen Widgets had in mind either when it installed its 800 number. The company may have gotten hold of a 1988 study conducted by the Society of Consumer Affairs Professionals in Business (SOCAP) and Technical Assistance Research Programs (TARP), a Washington-based firm that specializes in customer service research. That study, "800 Numbers for Customer Service," reported that most companies with established toll-free numbers can boast of a variety of benefits.

For example, toll-free numbers give customers an easy way to complain or ask questions. They polish a company's image by making it accessible to customers. They give the company a pulse on the marketplace. They increase customer satisfaction and senior management's awareness of customer concerns. The list goes on.

All of which sounds terrific. Think of it: All these benefits for a minimal investment in an 800 number. And this is precisely where Acme went wrong. As the study warns: "If the

[customer service] system is not designed to effectively handle individual customer service contacts and to use that data preventively to eliminate the root cause of difficulties, the company may be better off not soliciting such contacts. TARP's cross-industry research has shown that an ineffective customer service system can do more market damage than not actively offering customer service." In other words, if you can't do it right, don't do it at all.

"You've got to go for the whole enchilada," says Rick Cottrell, a consultant with TARP. In this case, the whole enchilada means implementing the right systems on several levels: the appropriate telecommunications hardware and software; the right people and the support they need to do their jobs; and tracking measures designed to collect, report and, eventually, uncover and remedy the root causes of customer complaints and problems.

Hot Lines

Some often-cited data from TARP's research on customer complaints provides a splendid rationale for getting an 800 number. TARP found that unhappy customers who do not complain are your least loyal customers. Those who do complain and find their problems resolved quickly (on first contact) are among your most loyal customers. Word of mouth magnifies the effect. Customers who are happy with the way you resolve their problems will tell four or five other people about it. Those who remain unsatisfied will blab to nine or 10 people.

The implication is obvious: The more often you can elicit customers' complaints and solve their problems, the more good will you have banked for your company. Quite a few companies have acted on that implication by setting up 800 numbers.

The 1988 SOCAP-TARP study, designed in part to measure changes in 800-number use since a similar survey conducted in 1983, found that significantly more companies have installed toll-free customer service lines. In 1988, 50 percent of the respondents had 800 numbers, compared with 38 percent in 1983. In addition, the report notes, "Since 1983, more respondents are using these 800 numbers to actively handle customer problems (94 percent vs. 87 percent), provide sales-related information and assistance (41 percent vs. 33 percent), and handle potential claims (49 percent vs. 18 percent)."

A TARP working paper, "The Benefits of Toll-Free Telephone Numbers and the Pitfalls of System Rollout," describes some of the many ways this good idea can go bad. Some are obvious, such as neglecting to determine your system equipment needs. Others that aren't so obvious include a failure to establish a cost-benefit analysis by which you will evaluate the effectiveness of the system. One group of pitfalls, which we might collectively label "human factors," is made up of several familiar-sounding sins: failing to give representatives adequate training and authority to solve problems, failing to provide decent pay and incentives, and emphasizing productivity at the expense of customer satisfaction.

Doing It Right

Organizations that have effective toll-free lines don't scrimp when it comes to investing in these human factors. Operations such as General Electric's Answer Center, widely acknowledged to be the Cadillac of customer service lines, invests plenty in selecting and training their employees. Because the best operations generate much more than good will--the GE Answer Center can document its contribution to increased sales and market share, as well as decreased warranty claims--the costs vs. benefits equation is well-balanced.

In other cases, it's a familiar story. All too often, says Cottrell, companies try to staff toll-free lines with low-level employees. "They want to hire clerical-level people with zero marketing experience." Ideally, he says, they should be hiring people with an investigative mind-set who not only can understand customers' problems, but also feed back information to the company. Then the product development people can root out the causes of problems.

GE's Answer Center in Louisville, KY, is one consumer hot-line operation that most people agree "does it right." It's open seven days a week, 24 hours a day. It employs 180 telephone representatives, 150 customer service reps and 30 technicians who deal with more complex questions. It handles 3 million calls from customers each year. But don't get the idea all these calls are complaints. About one-third are from people wanting information before they purchase a product. The remaining two-thirds include complaints and questions about the use, care and service of GE products. On average, each rep handles 100 calls a day, each one lasting 3.5 minutes.

If those numbers look impressive, consider these. For every applicant GE hires to be a rep, it turns down 30, says N. Powell Taylor, general manager of the Answer Center. Every new employee goes through five weeks of training to learn 120 products, 8,500 models and 1,100 company procedures--in addition to the usual communication and phone skills.

As part of the selection process, rep candidates are interviewed in person and by telephone. They take a typing test as well as an assessment designed to measure personal characteristics and aptitudes that GE has determined are desirable for telemarketing positions, says Helen Genardi. She's the manager of consulting services, the arm of GE's Answer Center that helps other organizations set up efficient telephone operations.

GE's center maintains an 8 percent attrition rate, a remarkable record in a business in which turnover rates average 35 percent to 40 percent and may run as high as 80 percent. Genardi credits GE's screening process and good wages for its low turnover rate. Half the customer service reps who leave the operation do so for other positions within the company, Powell says. "These people have experience with the products and the customers," he says. "They are in demand in many other GE units."

The consumer affairs department of Armstrong Floors and Ceiling, Building Products Division, is a smaller operation. It handles about 20,000 calls each month during regular business hours, says Jane Deibler, the department manager. When your new Armstrong

"on-wax" floor is installed, you'll find an 800 number printed on the top side of the floor itself. It's a preventive measure: Armstrong discovered that floor finishes were failing because customers were not maintaining them properly. Now, when customers call in to ask how to remove the number, reps explain how to maintain the floor and care for the finish.

Armstrong also exercises particular care in screening applicants for verbal and listening skills, time management skills and product knowledge. All full-time reps are hired from within the company, says Deibler, and are interviewed by telephone before they make it to a personal interview. "A clear, pleasant voice is very important," she adds.

Xerox Corp.'s Technical Support Center in Fairport, NY, is an altogether different species of hot-line operation. Its mission is to answer distress calls from internal customers--the technicians (customer service engineers in Xerox parlance) who come to your office to repair or maintain your Xerox copier. The Xerox customer service engineers turn to the hot line for help when they can't locate a problem and repair a customer's copier within two hours. "We're the end of the line for technical support within Xerox," says Larry Lustig, manager of the support center.

Thus, these hot-line employees, called field engineers, need sharp troubleshooting, diagnostic and communication skills to help customer service engineers solve problems. The engineers have several resources that are designed to help them: an historical data base that covers parts, problems and possible solutions, and a technical library where they can research problems. but they must have product knowledge expertise and plenty of experience to meet the center's dual objectives: to resolve problems on the first call and to produce consistent answers.

When it comes to hiring, Lustig often draws candidates from a pool of customer service specialists, a position that requires more skills than customer service engineer, who work in five U.S. regional offices. "We don't hire outside the company. We have unlimited resources throughout the country," he says.

These specialists have proven technical expertise, says Lustig, but he devised a test to measure their troubleshooting skills and electronics knowledge. He asks candidates to repair a circuit. It's simulated problem-solving test that gives him a good idea of their skill levels.

This 800 number may be an internal customer hot line, but Lustig considers field engineers' communication skills to be just as important as those of reps who deal with consumers. "We're often dealing with people who are frustrated and angry, and we have to be able to discuss the rediscuss a problem with people who may be having a very bad day. We are their support system. It's just as important for us to be professional and courteous as it is for an airline ticket agent."

Creating Memorable Experiences

Nancy Friedman, better known as the chief spokesperson for and president of The Telephone "Doctor," a consulting firm in St. Louis, contends that every company--be it a major corporation with an 800 number called by hundreds of customers a day or a flower shop with one line--needs to train employees to answer phones properly. "Every company reaps benefits by training the front line in telephone techniques," she says. "'It's a pleasure to call you.' Those are the words every company should be aiming for."

That message is not lost on companies that have 800-number customer service operations. The TARPSOCAP study concluded that most companies provide some type of training for their 800-number employees. According to its findings, better than 80 percent of the respondents provide training in company policies and procedures, telephone techniques, product information and dealing with angry customers.

At the CitiPhone Unit of CitiBank, Illinois, for example, customer service reps attend a five-week training program that covers all of those areas before they begin to answer customer calls on their own for a full shift. They must master the hardware and software systems, as well as the bank's product lines: checking and savings accounts, credit products and automatic teller machines. Trainees are tested after modules that cover each area; they must pass with at least 80 percent accuracy.

Much of the training is delivered in the classroom, says Victor Quiroga, manager of the CitiPhone Unit of the Customer Service Center in Chicago. Midway through the program, trainees alternate classroom attendance with on-the-job training. Each trainee is paired with a "buddy," an experienced rep, and begins to listen in on calls and learn how to call up information on the computer. The trainee gradually moves from handling straightforward requests, such as a balance inquiry on a checking account, to dealing with every call that comes in. Meanwhile, the buddy acts as an on-the-job trainer.

Most organizations with telephone reps offer some kind of training on phone etiquette and how to deal with angry customers. CitiBank's etiquette training also includes specific instructions on how reps should open calls, probe for further information and close calls.

At J.C. Penney, everyone in the credit department, including the customer service reps who handle the credit hot lines set up in the service centers of retail stores, goes through customer relations training. According to Frank Nawrocki, training and development manager for the credit department of Penney's Financial Services Division in Plano, TX, the training reflects a new concentration on customer service throughout the organization. It focuses on two goals, he says: "Avoid unproductive transactions, and create positive and memorable experiences for customers."

The course teaches a variety of techniques that helps reps deal with customers who may be angry or sad, pleasant or rude. It includes such concrete tips as phrases to avoid ("You have to do this." "I can't do that." "It's our policy.") and phrases to use ("Are you willing. . . ?" "Will you . . . ?" "Here are some options . . ."). The objective, says Nawrocki, is to retain the customer while helping reps reduce their own stress levels.

Reps at GE's Answer Center learn to identify a caller's "personality" and to adjust their approach to complement the type, says Taylor. There are seven types, ranging from direct and natural to skeptical and cynical. If, for example, a rep recognizes that he is dealing with a skeptic, the designated approach is to reassure the person and build up evidence of his knowledge and expertise. "You don't start out by talking about the weather in Louisville," says Powell. "You save the small talk for the direct and natural type."

Companies that want to get the most bang for the buck they spend on toll-free lines do more than make sure their reps are conversant on products and know how to handle irate customers. They don't shackle their reps by making it impossible for them to solve any but the most mundane problems. In other words, savvy operations empower their customer service reps so that they have the authority to solve customers' problems.

CitiBank is quite aware of the empowerment issue, says Quiroga. "Customer service reps have some limits on fees they can reverse, but they have the customer's history in front of them. If a good customer calls to dispute a fee, they can reverse a \$15 fee. They can transfer funds, just like a teller. They perform a lot of maintenance functions--changing addresses, placing a stop payment on a check, giving fees back. If a customer goes to an ATM and doesn't get all the cash he requested, the rep can give him provisional credit up to a certain limit."

At Ralston-Purina's Grocery Products Division in St. Louis, consumer and nutrition specialists who answer customer queries have the power to reimburse those who are displeased with a product, says Joyce Purvey, manager of support services. If a customer claimed to have several cases of Rice Chex she didn't like, however, the rep might require proof of purchase before offering reimbursement for the product.

Refusal to Eat

For many customer service operations, tracking the number of customer calls, and the nature of requests, problems and complaints is a way of life. "We measure everything," says Penney's Nawrocki. And for good reason. Shortly after the credit hot line was installed, the company could pinpoint one pleasant effect: a decrease in the number of complaints from customers that escalated to the corporate level.

Creating customer good will is the obvious payoff from an investment in an effective hot line. But many companies also make careful use of the product information that reps gather from customers. Often, the reps relay that information to the folks in product development and engineering who may rarely speak to real live consumers of their efforts.

Ralston Purina, for example, keeps track of calls from cat owners whose pets have suddenly decided to get finicky about their Cat Chow. "Refusal-to-eat contacts," it labels them. Says Purvey: "We may ask you to send a sample of the food, if we haven't changed the formulation. There may be a bit of extra coating on the food and your pet may be

sensitive to change." If the food has been reformulated, the rep may ask the customer additional questions, and pass that information along to product management.

Xerox's Technical Support Center follows a similar, albeit more technical, process called "quantifying the problem set." Field engineers track problems and solutions, and relay information on a monthly basis to manufacturing and engineering. The process "helps us understand and prioritize problems, and work on the ones that are most important," says Lustig.

Initially, Xerox studied the cost justification for the support operation and found that it reduced the number of hours customer service engineers spent on repair calls and lowered expenses for replacement parts. "Our ongoing justification is that we resolve problems and develop fixes for problems," says Lustig. "That means improved reliability, reduced parts expense and downtime for the customer. They get their machines up and running again quickly--and that's the bottom line."

The 'Real Human' Factor

For customers, part of the attraction of a toll-free line boils down to a fairly basic need: People with questions or problems like to be able to talk to a friendly, helpful, competent human. And customer service operations keep that human factor on center stage.

Penney's customer relations training, for example, emphasizes that there are two parts to any transaction: the business part and the human part. "Reps learn to enter and exit a transaction on the human level," says Nawrocki. "You have to deal with customers' emotions first, or you can't solve their problems."

Customers who call CitiBank's toll-free line can choose to conduct their business with an automatic voice response system or a live rep. According to Quiroga, more callers opt for the automatic system for standard transactions, but the reps handle problems and unusual situations.

GE, on the other hand, launched its Answer Center in part to put a face on what customers perceived to be a large, impersonal corporation. "We say we're high-touch and high-tech," explains Powell. Employees operate as if they were face-to-face with customers--right down to dressing as if they would be greeting customers in person.

"We concentrate on using a personal touch, on making friends over the phone," he says. "Our training is aimed at putting a face on the door of the company for the consumer. We try to give them the feeling they're dealing with a small neighborhood store."

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