

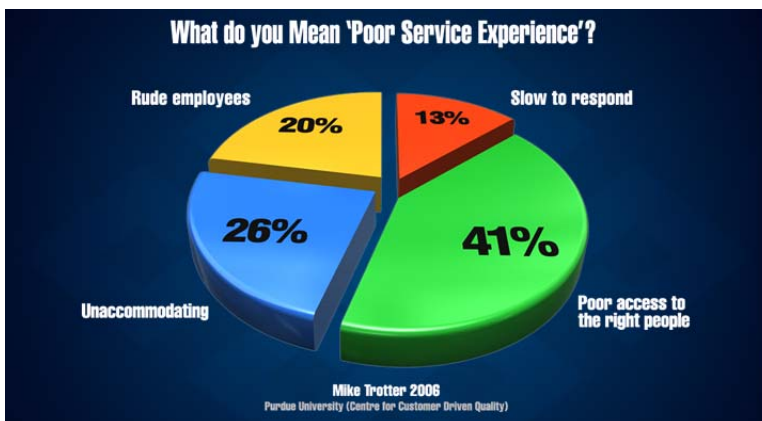
Focus on Customer Care



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Mulberry House is a specialist consultancy focused on driving customer centred change

In the December '06 edition Frank Knowles (New Street Research) said a key factor driving share value for cable companies is their “ability to retain customers at reasonable cost in increasingly competitive triple play markets”. He suggested “with product differentiation eroding, cable companies must sharpen up their skills in branding and (especially) customer care”

There is sound logic behind this; a recent study showed its typically poor service experience that is the main driver of churn. Further analysis shows it's poor performance from customer facing staff that drives poor service experience; its not surprising then that cable companies are gearing up to provide better customer care as they realise that this is the most effective way to increase customer loyalty and reduce churn (see chart) as Knowles says, its been “a notorious area of weakness for cable operators”.



Given Cable companies focus on earnings growth this seems strange state of affairs. A phone call, in store or home visit with a customer is one of the few rare opportunities in their relationships with customers that cable companies have to build and brand the relationship.

Second to earnings growth, cable companies focus on revenue growth, as the cable market matures this needs to increasingly come from sales to existing customers (rather than just new customers); best practice companies have

recognized that immediately after a successful problem resolution with a customer they are most receptive to cross sell or up sell of relevant services a very low cost way (eg no discounts or marketing spend) to optimize revenues from each customer.

So as well as investing in new services, customer care is increasingly seen as a key strategic area for cable to invest in (one of the objectives in the recent reorganisation at Virgin Media – see interview with Ernie Cormier in Cable News) rather than just a cost to be minimized. This will increasingly be the case when returns on any investments on customer care staff are likely to be high; the link between employee satisfaction driving customer satisfaction and growth has been proven for years (HBR Jan/Feb 1998 The Employee-Customer- Profit Chain at Sears Rucci, Kirn and Quinn). More recently we've found strong links between employees who are advocates of their company in turn influence customers during customer care interactions who then in turn become customer advocates the company...a virtuous circle.

So two ideas on where might cable companies start?

After salaries, the key cost in customer care is employee training and development. In its survey of leavers from customer care roles, a major US cable company found the main reason driving staff churn was “failing to respect and treat me as an individual”. Systematically and frequently asking staff and customers what is it that we're doing that is working (and what isn't) for you helps point the way to those issues to address to reduce churn of staff and customers.

Second, changing the key focus in customer care centres from average handling time (an efficiency measure) to how many problems are resolved on the first call (an effectiveness measure) this will start to expose the more fundamental issues.

Given cable companies have primarily focused on customer acquisition and new services, (and probably underinvested in customer service) it really wont take very much effort in customer care to make a big difference to earnings growth, something all cable companies are striving for.

Frank Knowles suggested that what is preventing cable companies from focusing on customer care “is the enthusiasm for adding more services which could be an unwise distraction” I'd argue that just by focusing equal effort on customer care would yield better overall earnings growth.