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The customer service hall of shame

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The customer service hall of shame

Abstract

This paper examines the reasons why some companies, in particular financial services companies, are listed on the MSN “Customer Service Hall of Shame” list year after year. This paper reviews the qualities service providers must possess in line with the SERVQUAL framework, in order to maintain customer loyalty. As the survey also publishes a ‘Hall of Fame’ list which identifies the top ten companies in excellent customer service, this paper will also investigate what these companies are doing that the others are not. In addition to analysing the survey results, the paper reviews related blogs to understand factors contributing to the perceptions of good or bad customer service. Recommendations are made for companies to improve their customer service.

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The Customer Service Hall of Shame for ANZAM Paper

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The Customer Service Hall of Shame

ABSTRACT:

This paper examines the reasons why some companies, in particular financial services companies, are listed on the MSN “Customer Service Hall of Shame” list year after year. This paper reviews the qualities service providers must possess in line with the SERVQUAL framework, in order to maintain customer loyalty. As the survey also publishes a ‘Hall of Fame’ list which identifies the top ten companies in excellent customer service, this paper will also investigate what these companies are doing that the others are not. In addition to analysing the survey results, the paper reviews related blogs to understand factors contributing to the perceptions of good or bad customer service. Recommendations are made for companies to improve their customer service.

Keywords: customer service, loyalty, offshoring, service quality, outsourcing

Introduction

Services contributed a total of 66.3% of the world gross domestic product (GDP) in the year 2000 (Arasli, Katircioglu & Mehtap-Smadi 2005) and customers are demanding better quality, faster service and increased reliability at a lower cost. Satisfying customers is a core business challenge which has attracted considerable research attention (Maddern, Smart & Baker 2007). Customers find it easier to evaluate the quality of goods rather than the service quality a company offers (Maddern et al. 2007) This suggests that companies in the service sector need to make excellence in service one of their core competencies. In today's fiercely competitive marketplace, characterized by similarly priced, look-alike products, clear winners will be the ones that provide excellent service quality (Parasuraman, Zeithaml & Berry 1988, 1991).

Measuring Customer Service

Unlike measuring the quality of a product, which is easily checked against the defects of the goods or usability, service quality is an elusive construct which is often difficult to measure (Parasuraman et al. 1991). While defective products can be returned, customers' response to poor service is often to go to a different service provider. However Parasuraman et al. (1988) have developed a model framework for measuring customer service: SERVQUAL.

Despite some criticism of SERVQUAL relating to its structure, the framework has been applied widely to many studies and serves as a theoretical skeleton for customer service measurement (Arasli et al. 2005; Buttle 1996) and has been demonstrated to be reliable (Buttle 1996).

The SERVQUAL framework shows the criteria for customers in assessing service quality fit into 10 dimensions: tangibles, reliability, responsiveness, communication, credibility, security, competence, courtesy, understanding/knowing the customer, and access (Parasuraman et al. 1988). In their 1988 work these components were collapsed into five dimensions: reliability, assurance, tangibles, empathy, and responsiveness now known as RATER (Buttle 1996).

Service Quality

Chandrashekar, Rotte, Tax, & Grewal (2007) theorized that customers who are not overly satisfied would not translate into loyal customers. This means that companies face even greater challenges with their customers not only to keep them satisfied, but to keep them extremely satisfied in order to keep their business. As service quality improves, the probability of customer satisfaction increases (Arasli et al. 2005). A service failure introduces uncertainty into consumers' minds, and the manner in which the complaint is handled bears the potential to mitigate or exacerbate this uncertainty (Chandrashekar et al. 2007)

Service industries are constantly competing in an environment characterized by increasing customer awareness and expectations of quality. Corporate responses need to encompass increased efficiency and a greater emphasis on quality service (Lewis 1991).

Online Customer Survey Analysis

In most service industries, companies have created programs that include customer service surveys or questionnaires to obtain customers' assessments of the company's service quality; then a feedback loop allows changes to be implemented and evaluated with further surveying (Bolton & Drew 1991). However, in the age of the computer, hand held media devices, the internet, email and online blogs, it

is essential that service companies look outside their own internal customer surveys and read what customers are *really* saying about them in cyberspace.

Word-of-mouth marketing is attracting more and more companies as internet usage grows and social media expands. Word-of-mouth marketing is appealing to companies because it can tackle the clients resistance with lower costs and a much faster delivery than traditional marketing outlets (Trusov, Bucklin & Pauwels, 2009).

Poor service quality relates to the lack of response the companies give to the customer. Dissatisfied customers give complaints and adverse word-of-mouth communications. While word-of-mouth marketing can be an invaluable tool for many companies who are 'doing it right' (Sernovitz, Godin, & Kawasaki 2009), disgruntled customers are blogging their negative experiences at sites such as myspace.com and facebook.com or even developing their own blog sites such as www.ihatecomcast.com. The prolific internet postings will then form a catalyst for negative word-of-mouth marketing.

If one wishes to see the anger some clients have, simply type in "I hate (name your company here) in a Google search and countless pages will be found with negative comments or blogs. Citibank even has earned its own Facebook page: *I hate Citibank*. If customers want a review on a product or service before they buy it, they take to the super-information highway. A mobile phone, Blackberry or iPhone gives consumers, the ability to type in a few lines and their words are set in stone for countless of other users to see – forever. According to comScore Media Metrix (2006), every second internet use in the United States has visited at least one of the top 15 networking/social media sites.

The Customer Service Hall of Shame

In 2006, one site, MSN Money, began a survey titled “The Customer Service Hall of Shame” to measure companies’ successful or un-successful customer service attempts. The survey enlisted a polling to examine the 150 largest customer-facing companies in the United States, ranging from financial services to grocery stores.

Per MSN (www.money.msn.com) Table 1 lists the rated worst companies in terms of customer service (Hall of Shame) and the best companies for customer service (Hall of Fame) for the years 2007 – 2010. [Insert Table 1 here]

From Table 1, we can see that the following financial companies appear on the Hall of Shame repeatedly:

- ❖ Bank of America (4 times)
- ❖ Citibank (3 times)
- ❖ Capital One (3 times)
- ❖ HSBC (3 times)
- ❖ Wells Fargo (2 times)

Discussion

Customer Service

Interestingly while some financial service companies make the Hall of Shame list repeatedly, no Global Banks make the Hall of Fame list. Even with a growing popularity of do-it-yourself banking online and through kiosks, customers whether at the retail or corporate level, customers still tend to measure a bank's service quality in terms of the personal support they receive (Arasli et al. 2005).

Since the MSN survey is published online and allows any reader to make a comment on its blog, it is useful to review the comments in order to find out what customers are so angry about. Analysis of blogs on these companies (at www.msnmoney.com), revealed a common theme: Customers felt that these companies simply do not care about their customers. To support this statement, customers said they experienced the following:

- The company was making promises it didn't deliver on.
- The customer service agents were unable to answer specific questions.
- Rude and abrupt agents
- The agents were trying to sell them something they didn't need.
- Long wait and hold times.

- The customer service agent did not speak English properly and were difficult to understand.
- Agents did not understand the functionality of the products
- Promises were made but not delivered on.
- Different service agents giving different answers to the same questions.
- Improper charges.
- The agents were not performing the tasks asked by the customer.
- Weak knowledge of the product.
- Repeated calls to get one thing changed.
- Rude and abrupt customer service agents.

Table 2 illustrates the SERVQUAL framework in comparison to the company complaints found on the MSN website BLOGs.

[Insert Table 2 here]

The comparison in this table shows that the companies are lacking in almost all areas of the SERVQUAL framework and as discussed earlier this is a proven and acceptable framework in which companies should compare their customer service success.

Supporting the SERVQUAL model, a study by Lewis (1991) found that customers' main influences in choosing a bank to have an account with had been personal needs and past experience of financial service institutions. The study also found that customers listed employee reliability, politeness, friendliness, trustworthiness and honesty as key factors contributing to their loyalty to their banks.

According to Stewart (1997) deep customer satisfaction and loyalty does not happen from just one event with a company. On the contrary, he states that a customer's decision to be loyal or to defect is the response to the sum of many small encounters with a company. If a customer experiences repeated poor customer service, the customer will seek a company which provides better customer service. The

SERVQUAL framework gives companies somewhere to start in order to address what their customers perceive as poor performance.

Customer Expectations

In addition to companies having to have quality up-front customer service, clients form expectations prior to their encounter with a bank (employee), they develop perceptions during the service delivery process and subsequently they compare their perceptions to their expectations in evaluating the outcome of the service encounter (Bloemer, De Ruyter & Peeters 1998). Companies therefore need to be clear on the message they are communicating to potential as well as actual customers.

Frequently companies do not see the chance to brand every event they can (Stewart, 1997).

Companies do not see the opportunity they have every time they speak to a customer in person or on the phone to make that customer loyal. Every interaction a company has with its customers is a chance to remind the customer about its brand value. Each customer service agent should be imbued with the brand and image of the company and represent it to the customer in each encounter.

For the companies that made the Hall of Shame, the following are their mottos/ marketing slogans:

Bank of America (www.bankofamerica.com):

Higher Standards. Embracing Ingenuity. Think of what we can do for you.

Citibank (www.citibank.com):

Your Citi never sleeps. The whole world in one bank.

Capital One (www.capitalone.com)

What's in your wallet?

HSBC (www.hsbc.com)

HSBC. The world's local bank.

Wells Fargo (www.wellsfargo.com)

Wells Fargo. The next stage in banking.

These companies spend millions of dollars advertising that they treat their customer well, but fall short of actually doing it. Furthermore, Lewis (1991) found that bank advertisements and promotional materials appeared to have had little impact on customers' choice of bank while customer service had a major impact. Sernovitz et al. (2009) proclaims that the time for company marketing is over.

Companies have to focus on keeping their customers happy in order to retain them. Companies would benefit more from investing in improving their customer service than in spending more on marketing.

Perhaps those responsible for promoting customer service internally need to learn from their marketing colleagues how to negotiate an appropriate proportion of the budget if customers are to experience better customer service in the future.

Many companies also believe that simply designing a website that is user friendly, bank customers will increase their satisfaction. A recent survey by Herington & Weaven (2007) proved strong relationships can only be built by person to person contact and not through a web portal. Even though the world is going all towards the internet, it would seem as if customers still want that human contact,

The Decision to Outsource

When we analyse the bloggers' comments, it is apparent that companies who appear repeatedly on the Hall of Shame do not adequately address the criteria of the SERVQUAL framework. Did their decision to outsource their customer service offshore help land them on this list? What made these companies outsource to begin with?

With ever increasing demand from stakeholders to reduce costs and increase efficiencies, companies are constantly researching new ways to meet their demands. As Free Trade Agreements (FTA) increase in popularity, international borders have been eliminated, at least in terms of economic free trade. The emergence of FTAs has allowed companies to seek lower labour costs in countries with little governance over minimum wage laws or employee protection rights. This, in turn, has allowed countries such as the United States, where labour is expensive, to save on labour costs by moving them offshore. Many aspects of outsourcing can be extremely beneficial to organisations, but when

organisations fail to evaluate all of the costs and potential effects associated with outsourcing customer service, the results can be a disaster. One of the key areas where companies can have issues is when they outsource their customer service call centres to foreign countries. This can frustrate customers and in turn lose business and sales for the organisation.

Most Board of Directors or other stakeholders of an organisation would agree that slashing their payroll by an average of 58% (*Leader to Leader* 2004) is positive. Sharing these savings with shareholders could only increase the confidence in the organisation. However, some key numbers can be left out of this figure. These could include the costs associated with training, travelling, networks and the potential loss of clientele, to name a few.

To further illustrate the differences between salaries in the United States and India, Table 3 compares wages for a few of the more popular jobs to outsource:

[Insert Table 3 here]

With numbers like these, the temptation to outsource is great. This has led to global outsourcing, with many Fortune 500 companies following suit, including: American Express, Bank of America, Boeing, British Airways, Deutsche Bank, GE, Intel, Kodak, Novell, Proctor and Gamble, and Siemens, (Kumar, Aquino & Anderson 2007). However, the results from informal customer surveys such as the MSN survey may lead companies to reevaluate their decision to outsource.

In a recent study, interviewees stated that offshore agents' accents made communication problematic with both parties having to repeat themselves. (Thelen, Thelen, Magnini & Honeycutt Jr. 2009).

Another interviewee consistently asks to be transferred to someone who speaks better English.

Communication is one of the factors in the SERVQUAL framework. A customer with a service issue may find their irritation aggravated by difficulties in making understanding or being understood by the customer service agent. One interviewee summed up the importance of language by stating, 'If they can't speak the language then the service becomes worthless (Thelen et al. 2009).

A study conducted by the United States Citizens Advice Bureau found that 97% of customers cringed at the thought of using a call centre, 90% had complaints and 40% were completely dissatisfied (Jaiswal 2008). A study by Foote (2004) found that over 50% of offshore outsourcing initiatives failed to meet their performance targets and several large firms, including Dell, Capital One, and Conesco, have shifted at least some customer-support operations back to the United States (Alster 2005). American Express has recently moved some of its front-end customer service call centres in-house (Kjellerup 2004).

Excellent Customer Service

Fortunately there are also some examples of excellent customer service as can be seen in Table 4.

[Insert Table 4 here]

Table 4 shows that some companies also make it in the Hall of Fame repeatedly:

- ❖ Nordstrom (4 times)
- ❖ Amazon (3 times)
- ❖ Apple (3 times)
- ❖ Publix Supermarket (3 times)
- ❖ South West Airlines (2 times)

What are these companies doing that the others are not? According to the MSN blogs, these companies are treating their customers with respect, knowing the product and making the customer feel as if they care.

Nordstrom (an American department store) who tops the list each year, even have their own book on customer service (available for purchase and review at www.amazon.com). It is also worth noting that Marriot do as well and they appear on the list twice.

According to www.serviceuntitled.com (a customer service BLOG website), customers believe Nordstrom has the best customer service of all service companies because:

- It is a major part of the company's culture. Nordstrom revolves around customer service and they teach their employees to focus on it. Customer satisfaction is Nordstrom's ultimate goal and they have consequent been very successful.
- They are humble.
- They empower employees. Nordstrom's only rule to employees is to use good judgment.
- They compete to be the best. Nordstrom promotes competition among employees.
- Their management cares. The management team at Nordstrom is as focused on customer service as the rest of the employees.

Amazon has some of its customer service outsourced to the Philippines. According to the MSN bloggers, Amazon has an easy to navigate website, good products, great prices and treats return customers with respect, by offering them discounts on products and shipping (sometimes free of charge depending on the amount spent).

MSN Bloggers go on to say Apple is a leader in customer services because even though their products are on the higher end of the price-range, they consistently deliver innovative products and have knowledgeable and friendly customer service agents to assist with any queries!

Publix (which is a leading US Grocery store) has a ten second, ten foot rule. This means that if a customer is within ten feet of an employee, the employee must greet the customer within ten seconds. They even have a fan website (www.iheartpublix.com). The company routinely makes it to the Fortune's Magazines 100 top companies to work for and they are known for their corporate philanthropy as described in the Palm Beach Post, "You just can't find a better corporate citizen than Publix" (Moffett, 2009).

Southwest Airlines appeared in the Hall of Fame in 2009 and 2010. According to Stewart (1997), Southwest Airlines is an interesting example because its brand stands for the opposite of special treatment. Southwest delights its customers by making and keeping a promise to be cheap and fast,

and the airline repeatedly reminds customers of it. Sernovitz et al. (2009) writes that customers love Southwest so much that after 9/11, customers were sending money to the company in order to help them out.

The examples above demonstrate that whether companies provide poor or excellent service, customer surveys are no longer secret in-house documents but rather available for all to see.

Limitations:

The main limitation of this paper is that it is restricted to published information relating to the customer service of the companies mentioned. No empirical research has been carried out to compare the processes and culture in the companies on the Hall of Fame list with those of companies on the Hall of Shame list. Comments on customer service blogs while representing the opinions of customers with strong views may not be representative of the entire customer base of a particular organisation. Nonetheless the paper offers a useful perspective on customer service and how documented customer experiences relate to the SERVQUAL framework.

Methodology

The researcher used an online desk research approach with this paper. Since the data already existed online this approach seemed most appropriate. To code the data collected from the Blogs, the researcher used spreadsheets to enter relevant responses, categorised and then compared them to the SERVQUAL attributes.

Future Research Opportunities

This paper could potentially open the way for companies to either read and analyse popular Blogs, or to begin them in order for their customers to tell them how they feel. This research could change the way companies handle customer service surveys completely by either eliminating them or using online methods to collect data more efficiently.

Conclusion

Excellent customer service enables companies to survive and to grow, through repeat business from existing customers and word of mouth recommendations for new customers. The qualities which make up good customer service are well documented in frameworks such as SERVQUAL. Companies which fail to provide good service now find that their lapses can be publicised worldwide by

disgruntled customers, as shown in the analysis above of blogs relating to customer service in the USA. Examples of excellent service have also been highlighted.

Services are difficult to measure and manage due to certain inherent characteristics such as intangibility, heterogeneity, inseparability and perishability (Arasli et al. 2005). Such difficult measurements have been made easier in recent days as companies no longer have to directly ask the customer what they think - they can simply go to sites such as MSN money and view their survey results, or visit popular BLOG spaces online. Customer Service is evolving into a living, breathing mechanism that must be attended to with a cautious hand and a watchful eye. It only takes one blog to set off negative word-of-mouth marketing (Sernovitz et al. 2009) and the impacts that this can have could be endless and potentially fatal to an organisation.

Alternative methods to completely bringing the customer service in house have been evaluated in other research. This includes Inshoring, which is the direct opposite of offshoring. Kippenberger (1997) believes that there are alternatives to outsourcing which are working for some US firms. One example of an alternative to offshoring is to hire rural employees. Unemployment is higher in these areas and labour is less expensive. Given the high unemployment rates in the U.S., cheaper labour could be a useful tool in moving their customer service back in-house or onshore.

For banks in particular, customer service is as crucial as any service the company can provide. Since it was found that all the financial services companies who made the MSN 'Hall of Shame' list outsourced the majority of their customer service to a foreign country, it can be hypothesized that bringing at least the front end back in-house could be a step in the right direction to remain off this list for next year and years to come.

This paper has highlighted the usefulness of Internet sources in assessing quality of customer service and comparing to an existing model of customer service, SERVQUAL. Further research is needed to compare the feedback in online blogs with feedback given in company customer surveys and with customer focus groups to determine how best to make use of the vast quantity of publicly available

information, over which companies have no control. Research is also needed into which companies are responding well to customer feedback on online sites and whether there is any manipulation by companies, for instance with company employees logging onto these sites as consumers.

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Tables

Table 1 Customer of Service Hall of Shame

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
AOL	AOL	AOL	Sprint
Bank of America	Bank of America	Bank of America	Bank of America
Comcast	Comcast	Comcast	Comcast
Sprint/Nextel	Sprint/Nextel	Sprint/Nextel	Walmart
Capital One	Capital One	Capital One	Verizon
Time Warner	Time Warner	Time Warner	Time Warner
Wells Fargo	Qwest	Qwest	Wells Fargo
Citibank	Citibank	Cox Communications	Citibank
HSBC	HSBC	HSBC	AT & T
Dish Network	Abercrombie & Fitch	Abercrombie & Fitch	Direct TV

adapted from:

*<http://articles.moneycentral.msn.com/Investing/Extra/customer-service-hall-of-shame-companies-2010.aspx>

*<http://articles.moneycentral.msn.com/SavingandDebt/ConsumerActionGuide/the-customer-service-hall-of-shame-2009.aspx>

*<http://articles.moneycentral.msn.com/SmartSpending/ConsumerActionGuide/TheCustomerServiceHallOfShame.aspx>

*<http://articles.moneycentral.msn.com/SavingandDebt/Advice/TheCustomerServiceHallOfShame.aspx>

Table 2: SERVQUAL comparison

SERVQUAL Factor	Customer Complaint
Assurance	The company was making promises it failed to deliver on.
Responsiveness	Customer service agents were unable to answer specific questions.
Responsiveness	Rude and abrupt customer service agents.
Reliability	The agents would attempt to sell services the customer did not need
Responsiveness	The customer had long wait and hold times
Responsiveness	The customer service agents' accents were difficult to comprehend
Empathy	Agents did not understand the functionality of products or made promises that were not delivered
Reliability	Different service agents would answer the same question with different answers.

SERVQUAL Factor adapted from SERVQUAL Framework

Customer Complaints adapted from MSN BLOGS

Table 3: A Wage Comparison (US worker vs. Indian worker)

<u>Occupation</u>	<u>Hourly Wage, US (2003)</u>	<u>Hourly Wage, India (2003)</u>
Telephone Operator	\$12.57	Under \$1.00
Medical Transcriptionist	\$13.17	\$1.50 - \$2.00
Payroll Clerk	\$15.17	\$1.50 - \$2.00
Paralegal	\$17.86	\$6.00 - \$8.00
Accountant	\$23.35	\$6.00 - \$15.00
Analyst	\$33.00-\$35.00	\$6.00 - \$15.00

Adapted from Bardhan & Kroll (2003)

Table 4: MSN's Hall of Fame

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Publix	Publix	Publix	General Motors
Nordstrom	Nordstrom	Nordstrom	Nordstrom
Southwest Airlines	Southwest Airlines	Google	Starbucks
Amazon	Amazon	Amazon	Enterprise
Trader Joes	Trader Joes	Trader Joes	Wegmans
UPS	Whole Foods	Whole Foods	UPS
Fed EX	USAA	American Express	USAA
Apple	Apple	Apple	Four Seasons
Netflix	Costco	Hilton	Edward Jones
Marriot	Netflix	Marriot	Toyota

adapted from:

*<http://articles.moneycentral.msn.com/Investing/Extra/customer-service-hall-of-shame-companies-2010.aspx>

*<http://articles.moneycentral.msn.com/SavingandDebt/ConsumerActionGuide/the-customer-service-hall-of-shame-2009.aspx>

*<http://articles.moneycentral.msn.com/SmartSpending/ConsumerActionGuide/TheCustomerServiceHallOfShame.aspx>

*<http://articles.moneycentral.msn.com/SavingandDebt/Advice/TheCustomerServiceHallOfShame.aspx>