

Hey, A Little Service Here?

BY CHARLES GERENA

Aggravated with late repair people, rude cashiers, and unhelpful help-desk operators? Economists would argue that the market is emphasizing what consumers value the most these days: low prices and convenience instead of courteous, attentive service. Yet, there seems to be an unmet demand for the latter. What's going on?

Retailers like Wal-Mart and Home Depot have made billions of dollars offering inexpensive goods and a broad selection under one roof, even though one can wander around these massive stores and never find someone to answer a question. Web sites offer a variety of goods and services along with information about each option, but they don't necessarily provide guidance on navigating the whole mess or a means to follow up.

In fact, some e-commerce firms like Amazon.com are notorious for being difficult to contact by telephone with a problem or a complex question that isn't covered in their Web site's FAQ. Even when virtual companies and their bricks-and-mortar counterparts have a customer service line, people get angry when they have to navigate an automated response system instead of talking to a human being.

In general, economic forces have driven companies to reduce labor costs and improve efficiency using technology. In addition, firms have given their customers more to do for themselves, partly because they like the increased autonomy. The trend probably started with self-service gas stations and ATM machines. Now, travelers use the Internet to make their own arrangements, while shoppers scan and bag their own groceries at special express checkouts.

For manufacturers, the substitution of automation for employees has been largely invisible to customers. For service providers, however, automation has resulted in fewer workers with less time to provide the amount of individual attention that consumers want. This leaves many people unsatisfied.

So what? According to the National Quality Research Center at the University of Michigan, customers who are satisfied with a company's product or service are more likely to be repeat buyers and are less sensitive to price increases. Dissatisfied customers are more reluctant to buy again until the company reduces prices. No surprises there.

But the problem seems to be a communications gap between companies and their customers. Research suggests that as the distance between certain producers and users increases, there are fewer face-to-face interactions when information on markets can be exchanged.

The field of customer relationship management or CRM arose to deal with this gap in market intelligence, but the industry's software and systems haven't always lived up to their promise. Many firms still don't respond to complaints or detect service problems in a timely manner. Scott Broetzmann, a customer service consultant based in Alexandria, Va., places part of the blame on well-intentioned companies that execute their CRM efforts poorly.

In addition, employees may not receive sufficient training in addressing customer needs or relaying problems to key decisionmakers. Even with training, they may lack the motivation to care about customers because they work at a low-wage, high-turnover business like a convenience store.

Broetzmann thinks companies aren't doing enough to find out what's happening on the frontlines. "Many organizations base their judgments of what constitutes good customer care on intuition as opposed to research and facts," he explains. "It's hard to build the right plan, let alone execute it, when you are guessing about what people want and what's most important."

Claes Fornell, director of the National Quality Research Center,

acknowledges that automation can create a communications gap between companies and their customers. But he believes that the effect is only temporary in many cases.

Regardless, there are opportunities for entrepreneurs willing to listen and be responsive to consumers. Some firms have been able to carve out niches for themselves by making customer satisfaction a top priority. Ukrop's Super Markets, a 28-store chain based in Richmond, Va., has built a reputation for service and quality that enables it to hold its own against lower-priced competitors. Community banks have opened throughout the Fifth District to serve homebuyers and local businesses that feel underserved after mega-mergers. Some companies have become nationwide successes by stressing customer service, including hotelier Marriott International headquartered in Washington, D.C.

The trade-off with "customer-intensive" companies, however, is that they often face greater labor costs and lack the economies of scale that benefit high-volume businesses. That usually translates into higher prices.

But some consumers may feel they have traded away too much customer service for other things, so they'll be willing to cough up more. In general, we need to make our preferences known to sellers in the marketplace, not just recount horror stories through message boards and talk at the water cooler. **RF**

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