Serving the Customer—A Race to the Bottom

by Robert E. Hall, EnAct Group Executive, Carreker Corporation

"In 10 years, Ed Kranepool has a chance to be a star. In 10 years, Greg Goosen has a chance to be 30."

Casey Stengel, former manager, New York Mets, addressing the future of two young prospects

The year is 1997. The audience is CEOs and executive teams from companies who comprise fifteen leading industries in the U.S. The question for them: How many believe their industry will be rated lower by customers when the year 2003 rolls around?

Surely none thought so? After all, 1997 was the heyday of the customer-focused company.

We don't actually know how they would have voted back then. What we ***do*** know is how their customers have voted since, thanks to the Harris Poll: Each of the thirteen industries for which there is a historical comparison experienced a ***drop*** in the percentage of customers who said the industry was serving its customers better. That is hard to fathom.

For some industries, the decline over those six busy years is drastic. Pharmaceutical /drugs, from 79 to 49 percent. Telephone, from 80 to 57 percent. Health insurance, from 55 to 40 percent.

For banking, the decline is slight—from 75 to 72 percent.

But whether they dropped a little or a lot, they all dropped. It's not that customer satisfaction is the perfect predictor of customer behavior or future value, but surely it stands for something. Imagine all those executives at their off-site retreats in the spring of 1997 working on their strategies. Did any of them say, let's invest in technology, better processes, and better products, so that we can show our customers we can serve them worse?

Something systemic is happening here, despite occasional breakthroughs from individual companies. When the collective companies that comprise thirteen major industries lock arms and head south, it should get our attention. It should ***matter***.

When a company is in a battle to the death for organic, profitable revenue growth, the opposite trend—the loss of revenue to erosion or defection or tepid customer commitment—is deadly. Moreover, when customers move promiscuously from one provider to another, the cost of sales, service and marketing goes up, while revenue does not. According to *The Wall Street Journal* (May 20, 2003), "Last year, one third of the nation's 139 million cell phone users switched providers." Huge cost for the industry, time lost for the customer.

Why is this sinking trend happening? Unfortunately, incomplete metrics retard our ability to know what we must know. We calculate the value of everything except what is most valuable. We know the savings from staff reductions or facilities closings, and the revenue from increasing price or fees. They can be replicated or 'scaled' quickly across the organization. Over time, however, they can often 'de-scale' organic revenue growth. Many companies appear stuck in low or no growth because earlier decisions have impaired current growth. But without the right metrics, they can't quantify the revenue impact of their decisions on customer relationships.

Same with the customer's own 'metrics." The metric of price tells the customer the monetary cost to purchase. But the ease and ubiquity of price comparisons creates a false sense of value comparison. What about the customer's metric for the intangible cost of buying: wasted time, inconvenience, dissatisfaction and disappointment?

The Harris Poll and other emerging research are telling us it is time to pay attention to a new set of metrics, because customers are. In ten years, we could be stars at serving customers. Or we could be just older.

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