Before I started Beyond Philosophy, I had spent all my working life in blue-chip companies. This has given me great insight to how things are really done in business. I remember a meeting I attended when working for one of the world’s largest telecommunications companies. At the time I was running global customer service for B2B customers, with over 3,500 people reporting to me. It was a monthly “top team” meeting. The team comprised mixed functions, sales, marketing, customer service, HR, and finance. Typically, we spent 80% of the time talking about sales figures, 15% of the time talking about the marketing programs that would get the sales figures, and, oh yes, there was customer service, which got about 5% of the airtime. As you can tell, it was very much a sales culture.

This meeting was unusual as I had a two-hour slot to present my thoughts on customer loyalty. I had prepared well and was looking for commitment to help increase our customer loyalty by redesigning our experiences. After a good debate, everyone agreed customer loyalty was vital and my recommendations were approved. I was encouraged with the outcome as, surprisingly, everyone seemed very positive. I sat back in my chair with a sense of satisfaction. Perhaps this time they meant it, I pondered.

During one of the sales reports on achievement against target, I decided to put this new-found commitment to the customer to the test. I wanted to challenge a fundamental behavior I had always thought was wrong as it created dissatisfied customers as opposed to loyal ones. The subject was bill optimization. In the telecoms industry this is vital. Bill optimization is whether you decide to proactively optimize a customer’s bill when a new tariff is launched.

The normal practice was that the customer would be informed of a new tariff in some obscure letter that no one read and thus the majority of customers did not change tariff as they did not realize it was available or did not understand how it would benefit them. Up to this point, a bill would only be optimized if a customer contacted us and asked for the new tariff or, as happened increasingly frequently, customers would be approached by a competitor who would offer a better deal if they moved their calls to them. As the incumbent supplier, we would be asked if we could match the offer, or we would pick up the fact the customer wanted to change supplier when they put in the paperwork to change the lines and so on.

Inevitably, as the bills hadn’t been optimized for some time, it was easy pickings for the competition as these older prices were not competitive. This also meant we could always go back to the client with a more competitive tariff than their current one. However, here was the problem. It wouldn’t take long for the customer to say, “If you could have given me this new tariff for the past 10 months, why have you been allowing me to pay a higher price?” A very good question!
The answer: every time the sales team optimized a customer’s bill, they lost revenue, which made it more difficult to achieve their targets. As they were paid 40% of their salary on bonus, against target, the sales teams didn’t want to optimize customers’ bills. Granted this was a very short-term view and they knew the company would probably lose more in the medium term than they would in the short term, but this is not the way the company drove them. They were judged on whether they achieved their target that month, that quarter, that year. Next year was a long way away and as people changed accounts so regularly, they probably wouldn’t have this customer next year, so who cares? Certainly not the senior management team. They would not admit publicly this went on, but everyone knew. It was one of those unspoken truths, a taboo subject that no one talked about as everyone wanted to achieve their targets.

I suggested that as we were now committed to building loyal customers, we should proactively approach customers and tell them we had some great news that could save them money. Yes, I knew this may cost us money in the short term but in the medium and long term it would pay back countless times. You could have heard a pin drop! After a long “debate” where I was in a minority of one, my idea was rejected. I was incensed by the hypocrisy. I complained vociferously that this was wrong, both from a business sense and from a moral sense. I pointed out that on the one hand we talked about the value of loyal customers, and on the other they talked about not optimizing their bills. Nevertheless, it was ignored.

In hindsight, I was probably most disappointed with my boss who sat there and didn’t say anything. He also had a vested interest in achieving his target. It was clear that when push came to shove it was OK talking about loyal customers but what really mattered was achieving their target and receiving their bonus at the end of the year. Customer loyalty was a “nice to have.” This was another indication to me that I was in the wrong organization.

To ensure that your Customer Experience program is successful it is important that you understand the key motivators of the senior executives.

This story of my experience is typical of many organizations. Sadly, this kind of short-termism is killing business today. It is no surprise that this action results in a poor Customer Experience. The pressure on people to achieve financial targets is increasing year on year and is driving behaviors such as these.

This short-term behavior further builds customer resentment, which shows through in customer churn. In the UK utilities, markets have opened up and the customers who have been treated badly by organizations for years suddenly release their pent-up feelings of resentment against these old monopolies and can’t wait to change supplier. These organizations face a massive churn. Reichheld observes:

Right now churn rates in many industries – cellular phones, credit cards, newspapers and cable TV – have deteriorated to the point where a typical company loses half of its new customers in less than 3 years.

AOL’s monthly customer churn rate rose to 6% (an annual rate of 72%).

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