

# How to manage and develop a customer service

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## Introduction

Customer service is a very broad definition. My aim is to clarify what customer service is and to describe different parts and theories within the science. After presenting the theory the empirical part will compare the theoretical knowledge with the customer service that we are running: the one of Akelius Invest Ltd and Akelius Spar AB.

I will also describe the history and reasons behind outsourcing, since this has been a quite common action for many companies' customer service departments.

At the end, my reflections within the subject will be given together with some examples that can be used as questions for further discussion.

## What is Customer Service?

### Introduction to the subject

Many people define customer service in different ways. Some say that it is giving customers "what they want" or to "serve" the customer. This definition is not broad enough. Since every organisation is different, every organisation will have a different way of approaching customer service. A better definition of customer service is to say "Customer service is any human interaction that promotes the organisation's vision".

Service is more than just giving customers what they want. It is about our organisation's values, vision and mission. The way we serve our customer is just as important as the service we provide. If our organisation is about providing high-quality products surely we must have a high-quality service. Ryan air's customers surely must have more patience waiting in a telephone queue than Lufthansa's customers.

## Relationship management

To achieve a profitable business, today most companies need to create a lasting relation with their customers. The main idea of relationship management needs to be a natural part of the companies' values since relationship management is a way to understand and to keep its customers, and hereby improve its profitability.<sup>1</sup> If a company wants to work with relationship management, they need to:<sup>2</sup>

- Have a value in its products or duties that is high enough for the customer to be motivated enough to get engaged.
- Have products or duties that the customer uses more than once.
- Offer important and consequential products or duties that create an engagement from the customers' perspective.
- Have an organization that can manage RM in the right way through its personnel and technique.

By applying relationship management, satisfied customers and long term cooperation can be created. Some scientists talk about the return on relations (ROR). Today there is not a satisfactory method for measuring this, since it will not be shown in the financial reports or anywhere else. However, it provides the ability to put perspective between different actions. It is for example proven that it is at least five times more expensive to get a new customer than to keep an existing one.<sup>3</sup>

## Different functions of Customer Service

Once upon a time, customer service departments were created as something necessary to take care of customers complaints and to answer questions about their products or duties. Nowadays, customer service is seen as the front office, which involves all direct customer contact within the company. It is seen as the most important part of the relationship management.<sup>4</sup>

Companies perceive customer service as its leading instrument to get satisfied and loyal customers and it is seen as a competition tool. It allows companies to build, keep and take care of the relations with its customers by solving problems and complaints, giving adequate information and answering all kinds of questions.<sup>5</sup>

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<sup>1</sup> Law, M., Lau, T., Wong, Y.H. (2003) *From customer relationship management to customer managed relationship* p.53

<sup>2</sup> [www.expowera.com/mentor/marknadsforing/relationmf1.htm](http://www.expowera.com/mentor/marknadsforing/relationmf1.htm)

<sup>3</sup> Gummesson, E. (1998), *Relationsmarknadsföring* p. 240

<sup>4</sup> Dyché, J. (2002), *The CRM Handbook* p. 53

<sup>5</sup> Feinberg, R., A. et al. (2000), *Operational Determinants of caller satisfaction in the call center* p. 131-141

Customer service is an indicator of how the relationship management is managed from day to day, and a foundation stone in the future work of how the relationship management strategy and the customer relations are handled and managed within the organization. Successful customer service leads to many benefits for the company. The frequent customer interaction that comes through a customer service department can for example generate new product ideas or be used for sales of other products or duties that can increase the company's profit.<sup>6</sup>

According to some authors', the experience of serving and discussing with the customers, is the only way of getting the appropriate information for right decision making. This knowledge can never be replaced by surveys or other statistics, since that information has been interpreted.

You will only know your customer if you regularly meet or talk with them. Then you will train your empathy and reflect over your observations.<sup>7</sup>

### **Requirements for good Customer Service**

Successful customer service is more than just a practical question; it is a series of different policies within the company that needs to be considered. There are some milestones of how a company needs to define and organize its customer service in order to secure a consistent service and to be able to answer customers in an optimal manner:<sup>8</sup>

- Give the agents *all the information* about the customers that is needed to provide the best service. For example the CRM system should have note functions; to avoid customers being reconnected before appropriate information has been given.
- The company needs to have a *consistent process* for all agents. The company can not afford to let the agents experiment by giving different answers for the same questions and problems. If an answer cannot be given, there should be a routine for how an agent should act.
- The company needs to decide what *measurement of success* they want to apply for its customer service. Should efficiency be measured by average call length or should there be other measurement for customer satisfaction?

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<sup>6</sup> Dyché, J. (2002), *The CRM Handbook* cap. 3.4

<sup>7</sup> Gummesson. E. (1998) *Relationsmarknadsföring* p. 105-106

<sup>8</sup> Dyché, J. (2002), *The CRM Handbook* cap. 3.4

- The agents need to *understand* and handle customers that are dissatisfied. The last words are often given to customer service before a decision of leaving is made by the customer. This request good information about the customer and trained empathy by the agent.
- The agents need to be trained and feel comfortable with the different tools and systems that are used.
- The information and experience that is generated by the customer service needs to be communicated to the whole company.
- The customer service department needs to be harmonized with the company's culture and personality. There are different requirements for different customer service departments. A company selling mobile phone needs technical and supporting agents while an insurance company needs understanding and flexible agents.

### **Criteria for customer satisfaction**

A survey shows that the most important factor for customer satisfaction is that the customer gets the answer to their problems solved the first time they call, without waiting in telephone queues. Furthermore, the survey shows that a fast delivery of the answer or solution is a conclusive factor. It needs to be delivered fast with a high level of service and with a true understanding and empathy from the agent. The time that the customer needs to invest after the call, to solve their problem, is also a conclusive factor.

Since all these factors interconnect, the difficult part is to balance all the factors in a reasonable level.<sup>9</sup>

### **Outsourcing**

Outsourcing of call centers and customer centers started to be popular at the beginning of the 90's. The main argument for outsourcing was cost savings, to decrease the cost per call as much as possible. Falling prices for telephone communication made it possible to set up a customer service anywhere in the world.

Today only 24 % of all contact centers in Sweden are outsourced.<sup>10</sup> Surveys made by Intervoice and Contact Babel show that the real cost savings are not always as high as previously expected and the risk of lower service quality, disappointed customers and negative effects on the brand are higher than expected. The distance to the customers has been increased.<sup>11</sup>

<sup>9</sup> Prahalad, C.K. (2000), *Co-opting customer competence*, p. 79-87

<sup>10</sup> Stranberg, C (2005), *Är svenska contact centers konkurrenskraftiga?*

<sup>11</sup> Nordin, f. (2005), *Externalizing Service* p.3

## **Our customer service**

The values of Akelius, as you are all aware. Akelius Invest's mission is to offer reliable and comprehensive interest saving products to our clients and to offer finance to Akelius Fastigheter AB. Akelius Spar AB's mission is to offer the highest interest rates on the Swedish market. The vision is to have 100 percent satisfied clients by offering the best possible customer service through relation building and to fulfill Akelius Fastigheter's capital need.

### **Relationship management**

For Akelius Invest Ltd and Akelius Spar AB, relationship management is of highest importance. According to the previously described theory, we also fulfill all the criteria:

- The value of our products is high enough to motivate the clients to get engaged.
- Our products are used more than once.
- We offer consistent products that request an engagement from the clients.
- Our staff is trained to work with relationship management and our data system is developed to be an important part of this work.

We do not have any special measurements to measure return on relations, but our owners are convinced that this is the right way for us to work. I can only agree.

I have followed a lot of clients that have increased their savings with us during the years. For some of them, we are their main partner for their savings today. Of course, a high return is the main reason for this; but, if they were not satisfied with our customer service, they would not have the necessary trust for increasing their savings with us.

### **Requirements for a good Customer Service**

In theory there are several criteria that need to be fulfilled to be able to offer a good customer service. If we analyze our customer service we will find that:

- The agents can access all the information about the customers in an easy way. Our computer system is an integrated CRM system and a Task management system, developed for our type of business. This gives us easy access to all the necessary information in one system.

- We have consistent processes that all the agents are aware of. Most issues and processes are discussed in our weekly meetings where we also continuously discuss new trends in the conversation with our clients. We have continuous in house training to make sure that we are all updated about our products, routines and values.
- We measure the success by number of complaints and dissatisfied clients rather than the speed of calls or speedy answers. It is more important that the right answer is given and that the client feels that we gave them enough time to solve their problem or answer their question.
- We understand our dis-satisfied clients and are continuously trying to improve our information and routines to decrease the number of dissatisfied clients.
- The information that our agents collect from the clients is easily communicated and spread to the rest of the company due to our small organization. Some of our products are even created to satisfy our clients' needs.
- Due to our low staff turnover, the company culture is well known by the agents. Some of our clients know most of our agents and have relations with some of them. We do not have our own specific clients, but as a client, you can always ask for a specific agent to assist you.

Since our agents are the company's only direct contact with our clients, it is positive that most of our agents have worked for a long time within the company. This makes it easier to ensure that the answer corresponds with the company's culture and values.

### **Customer satisfaction**

Our owners are strictly against telephone management systems. Therefore we only have an answering machine answering the phone before the client is connected to the agent. Our average waiting time is approximately one minute which is under our internal goals.

We manage to solve the clients request or complaints directly in over 99 percent of the incoming phone calls or e-mails.

The time the client needs to spend after the phone call to solve the problem is more difficult to measure. Since we are not measuring our success in the briefness of the phone calls, I do believe that our agents manage to spend requested time to satisfy the clients need.

## **Difficulties managing our customer service**

- General** One of the biggest problems in managing a customer service department is that the work flow fluctuates. We manage approximately 16,000 phone calls and 55,000 work items annually. But the fluctuations are huge: one month can produce 750 phone calls and 1,200 work items whilst another one creates 2,800 phone calls and 7,800 work items.
- External** Sometimes you can foresee the workload whilst other times it comes as a surprise. The cause for the increased activity can be an article in a newspaper or something shown on the TV-news. Examples of this could be seen at the beginning of the financial crises in 2008 and also changes in legislation in the Bahamas for customer due diligence process.
- Internal** Major unexpected campaigns when Akelius Fastigheter AB needs capital or unclear marketing can create extra work. Changes in company names and products are also not always easy to communicate to our clients.

## **Long term profitability**

The competition between different investment companies and banks is getting tougher and tougher. Nowadays most companies have active sales departments as a complement to the customer service department. Many clients feel confused about where and how to invest their money.

Our agents do not have commission and are not allowed or interested in “selling” products that the clients do not want. We guide our clients to a saving that best suits their needs. We are building relations with our clients and selling “trust” rather than answering questions and selling products.

So far this has been a successful vision. We have managed to increase both the amount of clients and the average amount saved.

Therefore, our customer service department is seen as a competitive advantage in the competition of attracting new clients and keeping existing ones. Our satisfied clients attract new clients, and this is, for Akelius Invest, of extreme importance, since we are not allowed to market our products in Sweden.

## **Outsourcing**

Since our companies are small with few employees and short gap from the clients to the management, I personally do not believe in outsourcing our customer service. Our clients are in Sweden and we are in Cyprus. The phones and e-mails are the only contact we have with our clients.

It is therefore of the highest significance that the agents can represent the company and have the knowledge about the history of the company and the products. Today we are 6 employees in our Customer Service department with a total of 59 years working experience within the Akelius group. Without this knowledge and experience, I believe that it was going to be difficult to sell the trust that is necessary in order to keep and attract new clients.

## **Development for the future**

The big challenge for the future is how to develop the customer service in order to meet new requirements of the clients and to be aware of new trends. A survey made by Market.se, shows that 73 percent prefer to search for information for specific products from their cell phones over internet instead of asking the staff in the store.<sup>12</sup> This is just an example of how new trends can change the existing requirement of service.

With new younger clients, I am sure that we need to develop our customer service to meet the requirements of our clients and to follow our competitors. Ten years ago we had eight clients using the WAP-function in their cell phones to see their savings; today I am sure that hundreds of our clients are following their accounts on Internet via their cell phones!

## **Summary**

As we can see customer service is not a static knowledge. The environment as well as the requirements is constantly changing. This results in a dynamic process of improvements and adjustments to be able to ensure a high quality level and to improve the relations to the clients.

Our big disadvantage is that we are not based in Sweden which does not provide us with the opportunity collecting the same information and values as our clients and competitors. The result of this is also that we never meet our clients; our only communication is via phone or e-mails.

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<sup>12</sup> Dagens Nyheter, 8/12/2010

Since we have managed to increase both the number of clients and amount of capital under management without physical contact, especially in such a sensitive area as financial investments, my conclusion is that we are following the necessary steps and requirements according the theory of the science.

## **Questions**

Finally some questions that can be used for further reflection or discussion.

- What is good customer service for you?
- Do we still need customer service departments when customers collect information and purchase the products via internet?
- What do you prefer: Customer service through “selling trust” (like Akelius) or customer service through professional sales trained staff?
- What big challenges do you think that customer service departments will face in the future?