



When you've been in this game as long as I have you do wonder sometimes how companies can just keep on making the same mistakes over and over again. In the name of performance improvement they spend vast amounts of money on consultants, training, learning but still make schoolboy errors when it comes to getting the basics right.

To illustrate, I'm going to depart from my normal nerdy statistician rule of not generalising from the particular and relate a story that's happened to me over the last couple of weeks.

Victim of fraud

The story actually begins three weeks ago when I was on a business trip to London. Having successfully used my credit card that morning I was surprised when it was declined at Sainsbury's for a very small purchase. When I called the "customer service" number from my hotel room it was answered by someone in what was clearly an overseas call centre. Mainly because I couldn't decipher a single word he was saying, a long "conversation" ensued following which I was surprised to find that I had been transferred to the fraud department. This was clearly UK-based, so I was soon up to speed with the fact that the card issuer's computer systems had unearthed a fairly widespread scam that included my card amongst many others, explaining why the card had been cancelled. No money lost, very pleased that the scam had been detected and well worth the minor inconvenience of managing for a few days while

the new card was issued. They also set up an additional password with me and gave me a direct dial UK number to call when the card came so I could authorise it with the password. (Apparently, the scam is to intercept replacement cards that are sent out). Finally they told me to destroy the old card just to be on the safe side. The new card duly came, I called the number, got straight through, understood every word of the conversation and the card was authorised. All very efficient, very safe, a negative experience turned into a very positive one.

No train tickets

Until, that is, I turned up at the station last week for my next trip to London. Having bought advance tickets on the website, I went as usual to the ticket machine to collect them. Problem. The tickets kept being declined and after a while I realised that I must have paid for them with the card that had since been cancelled so couldn't

match up the card with the payment reference. With ten minutes to departure, the train company's information desk made a few ridiculously impractical suggestions (e.g. call your card company and ask them for a statement showing you have paid!!!), so buying more tickets, now at full price, was my only option. But I wasn't unduly worried. I was sure it would just be a formality to get the original purchase refunded.

Avoid talking to customers

So back I went to the overseas call centre on Monday this week. Back we go through the same rigmarole where the recorded message tells you the answer to just about every question you might ever be calling about. Apart, that is, from the one you want to ask. I'm sure they're very disappointed when you haven't lost the will to live and hung up before the end of this monologue, but if you're still there they do finally give you multiple options for proceeding.



Pass the parcel

Having recounted the story above, the girl decided I needed “disputes”. I tell the story again. The guy is very keen for me to have a dispute with the train company. I explain it’s not their problem. Once he realises I’m having a dispute with him, he decides I need “fraud”. More lengthy hanging on while I’m transferred, but at least, being “fraud” I’m now through to a UK location. Being able to understand each other’s vocabulary, however, didn’t do anything for the customer service. After more attempts to make me have a dispute with the train company, then trying to blame me for cutting up the card that they had told me to destroy, they now decided it was not “fraud” it was “disputes”. Well it was certainly becoming one.

A complaint is a privilege

Since I didn’t have another half hour to spare I declined the offer of a transfer back to “disputes” and asked about the procedure for making a complaint. Clearly, a complaint is not seen as a gift at this company! Having explained at considerable length why I didn’t have a case for a complaint (almost all of which was going over old ground), she finally agreed to “escalate” the matter and get a manager to call me back. Later that morning the same girl called me back and recounted, at length, the reasons why her manager does not think I have grounds for a complaint. Which, surprise, surprise, were the same as the ones she had already lectured me on earlier. Now call me pedantic, but I had previously held the naive view that it was the customer who decided if they wanted to make a complaint, not the company. Well with this company, one of the best known credit card providers in the UK, you have to be very, very determined to be granted the privilege of making a complaint. In the end, she agreed to ask someone from “complaints” to contact me. A few hours later I received a text, with a UK number for me to call. She did say they were going to call me, but perhaps they wanted to save the call cost. So I called it, only to be asked for an extension number then informed that I couldn’t

be connected without one. Thanks for the text “complaints”.

How not to handle a complaint

Two days later they did call me. UK voice, sounded educated, called Adrian and very polite. Good start. Which didn’t last long. To cut an increasingly tedious story very short, Adrian and I spent half an hour debating exactly the same issues, although Adrian was capable of operating at somewhat higher level. After 29 minutes he let fly with his left hook. Treating Customers Fairly (TCF), to which, as with many other customer experience-related matters he seemed to apply the company’s own unique twist. If the company refunded my money it would be in breach of its obligation to treat customers fairly since it had not made any refunds to other customers in the same situation!! Having pointed out to him that the idea of TCF wasn’t really to treat all customers equally unfairly, I gave him a little lecture on the value of customer loyalty, the cost of complaint handling, the viral impact of word of mouth and my absolute amazement that such a well known company could go to such lengths arguing with a customer over.....£94.60. I tell him there’s no point our both wasting any more time on this pointless discussion and would he please send me all the details about how to make a formal written complaint to the CEO and to the Ombudsman.

Complaint handling or Monty Python?

Perhaps because he was satisfied that he’d now had his full half hour rather than just the five minute argument, or possibly due to the pending “escalation”, Adrian now tells me that purely as a matter of goodwill he can give me a refund. He then sets off on a long re-cap about how I’m not entitled to this, the company is completely within its rights not to..... I rudely interrupt and suggest that rather than risk spoiling a beautiful friendship, why don’t I just magnanimously accept his generous offer and we’ll leave it at that. Which is how this (much abridged) tale ends. Happy ending?

Customer Lifetime Value

There are two key things that Adrian was missing during this encounter:

- 1) No empathy. There didn’t seem to be any attempt by Adrian (or his predecessors on other calls) to understand the customer’s feelings. It was very clear that any ‘apologies’ (e.g. “I’m sorry you feel like that”) were perfunctory as well as being few and far between. One assumes this is part of the training process rather than my randomly speaking to the least sympathetic advisors.
- 2) No business logic. It is well known that the cost of handling complaints is very high compared with most other call centre transactions, especially as the process escalates. The cost of my transaction far exceeded the £94 they eventually refunded. Even if the company’s strategy is based totally on cost competitiveness rather than customer focus this doesn’t make any sense. Hopefully the call handlers could detect that I wasn’t a complete dimwit, so if the policy is to refund as a last resort, it should have been possible for them to have anticipated this outcome much earlier in the transaction. But that completely under-estimates the financial illiteracy underpinning this approach. Even the most rudimentary Customer Lifetime Value (CLV) information on their database could have highlighted that I was an account worth keeping. A customer for approximately twenty years, well above average account value and flawless payment record. They could be basing their strategy on the notorious inertia of customers with this type of financial product but even if only 10% of transactions like mine result in a defection, the net CLV loss to the company would be immense. The only conclusion that one can draw is that more than twenty years after CLV became well understood, many companies are either still unaware of its full financial benefits or choosing to ignore it.



Are call centres core?

In the 1990s there was a trend towards outsourcing the call centre function and in the last decade, offshoring it. The two are not the same. You can outsource to a company like Capita and have UK call centres. You can offshore to India and manage your own call centres there, or outsource them. Offshoring is not working out as well as originally expected for five main reasons:

- 1) The labour arbitrage (staffing cost differential) benefit is declining, especially between the West and China. This is more relevant to offshore manufacturing than call centres, which are mainly based in English language countries such as India. However, India is already following China's route towards a more educated, more productive and better paid workforce. Just more slowly.
- 2) The growth of automation means that you just don't need to have as many people, so reduced staffing costs matter less. Again, this is particularly pertinent to many manufacturing processes but with the growth of alternative customer service delivery channels (online, IVR, voice recognition), the same trend is evident in call centres.
- 3) It's now increasingly recognised that offshoring was over done. Not for the first time, companies adopted a herd mentality and followed their competitors. Often the expected savings have not materialised since the influx of offshore factories or call centres has been one of the main causes of wage rate inflation in many locations.
- 4) Management has also proved more difficult and costly than expected. Indian graduates might be well educated and much cheaper than British ones but there are other training requirements and management demands that don't occur in a UK call centre, mainly due to reason five.
- 5) Not surprisingly, advisors in UK call centres can relate better to UK customers than staff in India. Their degree level education doesn't prepare them for all the subjects that often crop up in conversations with UK customers, whether the current state of the weather, today's must-watch TV programme or a multiplicity of local knowledge trivia that form a core part of most people's every day conversations. There is a cost to training Indian graduates to be aware of even a small proportion of such topics.

Are call centres core?

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There is also now more questioning of outsourcing. Over the last twenty years some organisations, public and private sector have outsourced just about everything. Catering, security, building maintenance, travel, vehicles, IT..... Just about everything apart from the core business. But what is core and non-core? Experience has shown that when you outsource, often with contractors tasked on cost reduction, efforts are focused on keeping things running as they are, but as efficiently as

possible. Companies are now beginning to realise that if you want development, you're better managing the function in-house. So, for example, GM outsourced its IT function but is now reversing that since it sees IT as core to the company's ability to compete in the future.

So are call centres core? If the future profitability of your company will depend on maximising CLV there's only one answer to that question. [C](#)



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