Show Me The Money! Focusing Lean SS on Enhancing Top Line Revenue

John Goodman, Vice Chairman, TARP
Karl Friedman, Director, Six Sigma Deployment, Allstate Financial
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ASQ
Phoenix, AZ

Agenda

• Drawbacks in how most LSS processes select and evaluate projects
• Customer behavior and expectations
• Estimating the economic impact of improvement
• Allstate LSS Approach
• Successes and lessons learned
• Grade your LSS approach in quantifying the payoff
About TARP

- Founded in 1971—35 years of customer experience leadership
  - White House Complaint Studies 1970s-80s (instigated 800#s and GE Answer Center)
  - Assisted 6 Baldrige Winners and 43 Fortune 100 Companies
  - Initiated concept of “word of mouth” (TARP/Coca-Cola 1978 Study) and “word of mouse” (eCare and Click & Mortar studies 1999)
- Offices in Wash., D.C. and London
- Credited with developing the approach for quantifying the impact of quality on revenue, cost & WOM for companies like Neiman Marcus, Toyota/Lexus, USAA, Cisco Systems, Xerox, 3M, IBM, Intelligence Community, FAA, Ritz Carlton and Chick-Fil-A.

Why Many LSS Initiatives Fail to Select Maximize Impact And Are Cost Inefficient

- Don’t focus on the revenue and word of mouth impact
- Focus on fixing processes as opposed to fixing the customer
- No unified picture of the customer experience
  - Survey data is lagging indicator
  - Contact and internal data doesn’t tie to survey
- Does not set priorities based on conservatively estimate revenue damage by issue
- Fails to obtain CFO, CMO and Risk buy in
- Improvement must often be monitored with another survey
1. Employees Do Not Cause Most Customer Dissatisfaction

The majority of customer dissatisfaction is NOT caused by employee error or attitude but by products that cause disappointment and broken processes.*

- Fails to follow policy
- Attitude

Customer expectations must be set and they must be educated on how to avoid problems and surprises.

Company 40%-60%
- Products and services don’t meet expectations
- Marketing miscommunication
- Broken processes

Customer 20%-30%
- Wrong expectations
- Customer error

Employee 20%

At least 30% of contacts are preventable

*Finding based upon TARP analysis problem cause data in over 200 consumer and B2B environments.

The Tip of the Iceberg Phenomenon

1%-5% complain to management or HQ

45% complain to front line rep (75% for B2B)

50% encounter a problem but don’t complain (25% for B2B)
Key Factors Driving Satisfaction

- No Unpleasant Surprises
- If Trouble Encountered – first call resolution
  - Accessibility
  - Taking Ownership
  - Apology
  - Clear Explanation – why do we do what we do?
  - Timeliness
  - Courtesy
  - Keeping Promises
- Handle on First Contact Results in 10% Higher Satisfaction and 50% Lower Cost

Problems Raise Sensitivity to Price, Hindering High Margins

Percent of customers dissatisfied with fees rises with number of problems.
2. Estimate Customers and Revenue At Risk

Demonstrating financial impact with the CFO, CMO and the General Counsel

200,000 Customers with Problems

- 75% Do Not Complain
- 25% Complain
- 20% Dissatisfied
- 30% Mollified
- 50% Satisfied

X

50% Satisfied
Most Repurchasing = 2,000

30% Mollified
Some Not Repurchasing = 6,000

20% Dissatisfied
Many Not Repurchasing = 9,000

25% Complain
Some Not Repurchasing = 40,000

Total Customers At Risk = 57,000
Show The CMO That Negative Word Of Mouth Can Trump Marketing

Example calculation of potential impact

10,000 customers

<table>
<thead>
<tr>
<th>% Delighted</th>
<th>Tell two</th>
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<tbody>
<tr>
<td>10%</td>
<td>2,000</td>
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<table>
<thead>
<tr>
<th>% Satisfied</th>
<th>Tell one</th>
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<tr>
<td>70%</td>
<td>7,000</td>
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<table>
<thead>
<tr>
<th>% Dissatisfied</th>
<th>Tell six</th>
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<td>20%</td>
<td>-12,000</td>
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20% dissatisfaction can counter 80% satisfaction

Selecting Issues: Measure Response Effectiveness by Type of Transaction

<table>
<thead>
<tr>
<th>Problem reports</th>
<th>% Loyal (Top 2 Box)</th>
<th># Contacts</th>
</tr>
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<tbody>
<tr>
<td>Routine order</td>
<td>98</td>
<td>1.1</td>
</tr>
<tr>
<td>Shipment status</td>
<td>91</td>
<td>1.2</td>
</tr>
<tr>
<td>Product return</td>
<td>93</td>
<td>2.1</td>
</tr>
<tr>
<td>Shipping charges</td>
<td>88</td>
<td>2.1</td>
</tr>
<tr>
<td>Backorder status *</td>
<td>67</td>
<td>3.3</td>
</tr>
<tr>
<td>Call center overall average</td>
<td>91</td>
<td>1.9</td>
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Transaction which is biggest opportunity for improvement

Misuse of resources to intensively measure this transaction

Tie Survey Results to Call Monitoring Form*

*See paper: your monitoring and coaching may be doing more damage than good
3. Become The Focal Point The Voice Of The Customer

- Customer surveys
- Customer contact and interaction data
- Internal operations process and quality measures
- Together, these elements are used to identify opportunities for product and service quality improvement

Take The Role Of Chief Customer Officer

1. Projects to Prevent Problems By Setting Proper Expectations

- Welcome packages
- Welcome calls
- Encourage questions before customers get into trouble
- Confirmations
- Progress reports
- Reconnecting
2. Projects To Make People Successful

- Stellar Leaders and Culture Are Great, But..
- Attitude - hiring
- Tools – flexible solution spaces, explanations & information
- Training – story telling
- Motivation – victory sessions & promotability

3. Delight: Heroics and Constantly Exceeding Expectations is NOT Necessary Or Even Smart

<table>
<thead>
<tr>
<th>Delight experience</th>
<th>Average lift to repurchase or recommend (Top Box)</th>
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<tr>
<td>Service beyond expectation - heroics</td>
<td>12%-14%</td>
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<tr>
<td>No unpleasant surprises</td>
<td>22%</td>
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<tr>
<td>Friendly 90-second staff interaction</td>
<td>25%</td>
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<tr>
<td>Personal relationship over months</td>
<td>26%</td>
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<tr>
<td>Tell me of new product or service I can really use</td>
<td>30%</td>
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<tr>
<td>Proactively provide information on how to avoid problems or get more out of your product</td>
<td>32%</td>
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How Allstate Financial Services Maximizes the Payoff of Its LSS Activities

Practical Exercise: Evaluate Your Service System

Grade 1-10,
if less than 75, you are wasting 15%+ of your service budget

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<thead>
<tr>
<th>Grade</th>
<th>Track failures by issue</th>
<th>Quantify problem impact on revenue and WOM</th>
<th>Create living FAQs and psychic pizza</th>
<th>Provide all channels just when needed</th>
<th>Provide answers adapted to needs</th>
<th>Rationale for answer provided</th>
<th>Ensure action taken / access to process</th>
<th>Confirm action taken; if not proactively provide escalation</th>
<th>Implement cheap delighters</th>
<th>Continuously update and communicate</th>
<th>Total</th>
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Questions?

- KFRIEDMA@allstate.com or 847-402-7794
- jgoodman@tarp.com or 703-284-9253
- Outlined in detail in *Strategic Customer Service* published by AMACOM