

The Customer Service Champs

[Special Report: Customer Service in a Shrinking Economy](#)

[Slide Show: Customer Service Champs](#)

The winners in our third annual ranking may be facing tough times, but they're looking for smart ways to cut costs that don't slash service.

[Methodology](#)

Click column heading once to reorder from highest to lowest. Click twice to reorder from lowest to highest.

Rank	Brand	Industry	Quality of Staff	Efficiency of Service	Total Score	Percent Would Definitely Recommend Brand (%)	Percent Will Definitely Repurchase (%)
1	AMAZON.COM	ONLINE/CATALOG RETAIL	A+	A	1035.12	64.71	60.78
2	USAA	INSURANCE	A+	A+	1029.36	74.51	84.39
3	JAGUAR	AUTO	A+	A+	1022.34	54.20	33.64
4	LEXUS	AUTO	A+	A+	992.09	57.16	37.75
5	THE RITZ-CARLTON	HOTEL	A	A	976.78	47.72	32.71
6	PUBLIX SUPER MARKETS	SUPERMARKET	A-	A	969.75	50.51	58.33
7	ZAPPOS.COM	ONLINE/CATALOG RETAIL	A+	A	969.65	69.00	51.04
8	HEWLETT-PACKARD	CONSUMER ELECTRONICS	A	A-	959.17	55.79	53.00
9	T. ROWE PRICE	BROKERAGE	A	B	946.92	46.36	44.68
10	ACE HARDWARE	HOME IMPROVEMENT/ELECTRONICS RETAIL	A-	A-	940.11	58.48	60.93
11	KEYBANK	BANKING	A-	B+	934.86	58.94	27.40
12	FOUR SEASONS HOTELS & RESORTS	HOTEL	A	A	919.18	51.55	38.76
13	NORDSTROM	DEPARTMENT STORE	B-	B	917.23	42.31	40.21

14	CADILLAC	AUTO	A+	A+	915.73	58.94	39.82
15	AMICA	INSURANCE	A	A	912.06	62.97	69.52
16	ENTERPRISE RENT-A-CAR	RENTAL CAR	B	B	906.75	37.94	35.34
17	AMERICAN EXPRESS	CREDIT CAR	B	B+	905.76	46.90	43.53
18	TRADER JOE'S	SUPERMARKET	A-	B+	904.31	61.32	57.69
19	JETBLUE AIRWAYS	AIRLINE	B	B	897.24	59.51	49.56
20	APPLE	CONSUMER ELECTRONICS	B-	A	886.11	67.29	58.65
21	CHARLES SCHWAB	BROKERAGE	A	B	882.73	39.43	45.52
22	BMW	AUTO	A+	A+	879.88	52.27	38.62
23	TRUE VALUE	HOME IMPROVEMENT/ELECTRONICS RETAIL	B+	B+	875.67	57.20	55.56
24	L.L. BEAN	ONLINE/CATALOG RETAIL	B	A	865.88	53.85	49.52
25	JW MARRIOTT	HOTEL	A	A	864.98	56.75	48.47

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How Amazon Aims to Keep You Clicking

Maintaining good customer "experience" is key, even when it's an outside merchant making the sale

By [Heather Green](#)

Last summer, Lisa Dias was poking around the Amazon.com ([AMZN](#)) Web site for books that could help her start a home business. The 45-year-old found a used workbook for would-be entrepreneurs that sounded promising and was described as "like new." The seller wasn't

Amazon itself, but one of the merchants that market through its Web site. Still, Dias went ahead and dished out \$24.95 for the paperback.

When the book arrived at her New Jersey home, though, it wasn't anywhere close to new. The worksheets were already filled in with someone else's scrawlings. She felt burned but didn't do anything about it until November. She first tried the merchant and didn't get any response. Then Dias called Amazon. The company immediately gave her a refund, without her having to return the book. She's still a bit baffled that Amazon paid her money the company never received in the first place. "I felt like they stood up for me," says Dias.

For the most part, Amazon has earned a reputation for strong service by letting customers get what they want without ever talking to an employee. Sales clerks are nonexistent. Orders ship with a few mouse clicks. Packages arrive on doorsteps quickly. It all happens with monotonous regularity even as the number of customers has doubled in the past five years to 88 million. But when things go wrong at Amazon—and they occasionally do—the company's employees get involved. That may be where Amazon stands out most markedly from other companies, and helps explain how the company earned the No. 1 spot on *BusinessWeek's* customer service ranking this year.

One recent February day in Manhattan, Jeff Bezos, Amazon's excitable 45-year-old founder and chief executive, sat still long enough to explain the ideas behind his company's approach. He talked about the distinctions Amazon makes between customer experience and customer service. The latter is only when customers deal with Amazon employees—and Bezos wants that to be the exception rather than the rule. "Internally, customer service is a component of customer experience," he says. "Customer experience includes having the lowest price, having the fastest delivery, having it reliable enough so that you don't need to contact [anyone]. Then you save customer service for those truly unusual situations. You know, I got my book and it's missing pages 47 through 58," he says, breaking into a booming laugh.

Fixing customers' problems builds loyalty with people like Dias, says Bezos. But it's also a good way to spot recurring issues that need to be addressed more systematically. Outside merchants, like the one Dias dealt with, are a prime example. For years, Amazon has allowed other retailers to sell through its Web site to broaden the selection of products it offers. But these companies can be an Achilles' heel. At eBay ([EBAY](#)), which also lets merchants sell through its site, there have been complaints about poor service and fraud.

QUALITY CONTROLS

So Bezos is trying something that no other retailer has been able to pull off: He wants to bring the quality of service from Amazon's outside merchants up to the same level as its own. The company has long let customers rate their experience with merchants, as they can on eBay. But Amazon also has instituted many internal safeguards to track the behavior of merchants. For instance, retailers have to use an e-mail service on the Amazon site to communicate with customers so Amazon can monitor conversations. The company also uses metrics such as how frequently customers complain about a merchant and how often a merchant cancels an order

because the product isn't in stock. Partners who have problems with more than 1% of their orders can get booted off the site.

To refine the experience with outside merchants, Amazon in 2006 launched an initiative called Fulfillment by Amazon. Merchants simply send boxes of their products to Amazon's warehouses, and Amazon does the rest. It takes the orders online, packs the box, answers questions, and processes returns. Last quarter, Amazon shipped 3 million units for Fulfillment by Amazon partners, up from 500,000 a year earlier.

Though Amazon charges the merchants, Bezos says that's not why it launched the service. "It's important because it improves the consumer experience so much," he says. "It doesn't make us more money; it's heavy lifting. If you think long-term, I think it's very important for us." It might seem counterintuitive to help small merchants, including ones that undercut you, be more competitive. But for Amazon, the ultimate goal is to gain more control over the shopping experience, making it more consistent and reliable. The idea is that more people will use the online retailer and spend more.

Michael DuGally runs NorAm International Partners, a used book, DVD, and video game reseller in Hudson, Mass. He signed up for the program a few months ago. "I can't deliver the kind of customer experience that Amazon can," says DuGally. For instance, Amazon's customer service people are trained to provide consistent answers, while NorAm's four service employees often provide different responses, DuGally says. Amazon's people are drilled in what steps to follow when they get everyday questions, like "Where's my package?" as well as fielding more unusual requests. Amazon's people tend to be more prepared than most, because they try to answer customer questions through e-mail or a service where customers enter their phone numbers and wait for a call back after Amazon's reps have gathered data on them. (There is an 800 number to call Amazon, but it's not easy to find on the Web site.) To make sure that everyone at Amazon understands how customer service works, each employee, even Bezos, spends two days on the service desk every two years. "It's both fun and useful," says Bezos. "One call I took many years ago was from a customer who had bought 11 things from 11 sellers—and typed in the wrong shipping address."

DuGally says that Fulfillment by Amazon produces results. He says that sales are up 40% on the items he sells through the program, and return rates are down 70%. He also expects to save between \$550,000 and \$700,000 this year, primarily because Amazon can negotiate lower shipping rates.

TAKING THE WHEEL

Amazon has gotten many ideas from trying to address customer complaints. One gripe from years past was that popular items—think Tickle Me Elmo or Crocs ([CROX](#)) Mammoth clog shoes—were at times out of stock. The last thing Amazon wants is for a frustrated shopper to then head to another site or the mall.

During the past two years, Amazon developed new programs to keep hot items in stock and ready for quick delivery. One initiative is something Amazon calls the Milk Run. Instead of

waiting for suppliers to deliver to Amazon's warehouses, Amazon sends its own trucks out to pick up top-selling goods. That reduces the number of late or incomplete orders the company receives. The program is "very forward-thinking," says Simon Fleming-Wood, vice-president for marketing at Pure Digital Technologies, whose Flip camcorder has been included in weekly Milk Runs.

One of the drawbacks to shopping online, of course, is that people don't feel the instant gratification of getting their purchases right when they buy them. Albert Ko, an online marketer in Irvine, Calif., always wants his packages as fast as possible. "I'm always pushing them," he says. That's one reason Bezos is expanding Amazon Prime, the program for which customers pay \$79 a year to get free two-day shipping on many in-stock products. During the past two years, Bezos has taken it international and increased the number of products that qualify for Prime. "Our vision is to have every item made anywhere in the world in stock and available for free two-day delivery," he says.

Still, as carefully as Amazon plots and plans, sometimes things go wrong. Last November, 23-year-old Lindsey Smolan splurged on an iPod and a pink case from Amazon. The iPod arrived, but the case didn't. Two weeks later, Smolan e-mailed Amazon and asked for a refund. After a little thought, she e-mailed again, asking for a free cover. "I didn't use my iPod because I was waiting for my case, and I'm a valuable customer," she says. Amazon agreed. She got the iPod case gratis.

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The Kindle's Prospects

One of the more unusual ventures for Amazon.com ([AMZN](#)) is the Kindle, the e-book reader for digital books, magazines, and newspapers. Amazon created the Kindle from scratch, though the company had no hardware development expertise. Still, some industry experts believe the device will be a hit with readers. Before the recent debut of an updated version, Citigroup ([C](#)) analyst Mark Mahaney projected that Kindle sales could hit \$1.2 billion by 2010.

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Customer Service in a Shrinking Economy

How companies are struggling to maintain customer service amid sinking sales and declining employee morale

By [Jena McGregor](#), [Aili McConnon](#) and [David Kiley](#)

Hertz ([HTZ](#)) couldn't ask for a better customer than Richard M. Garber. The Cleveland-based business development manager typically rents cars from the chain 20 to 40 times a year when traveling on business for materials manufacturer FLEXcon. But now Garber is rethinking that

loyalty. In the past month he has returned Hertz cars to the Boston and Minneapolis airports only to find nobody waiting with a handheld check-in device. In Minneapolis, Garber had to drag his bags to the counter to return his car; in Boston, he finally tracked down an employee who came out and explained that some colleagues had just been laid off. "When you're rushing for an airplane, every minute counts," says Garber. "The less convenient they are, the more likely I am to try someone else."

As the economy plunges deeper into recession, many companies are confronting the same brutal choices Hertz faced when it announced layoffs of some 4,000 people on Jan. 16. While businesses may feel forced to trim costs, cutting too deeply can drive away customers. Hertz spokesman Richard Broome says the company has reduced "instant return" hours at some smaller airports but is making adjustments to restore that service in locations where it "might have gone too far." Says Broome: "You try to create the right balance."

Across the business world, managers are trying to pull off the same perilous high-wire act. Just as companies are dealing with plummeting sales and sinking employee morale, skittish customers want more attention, better quality, and greater value for their money. Those same customers are also acutely aware that their patronage is of growing importance to companies as others decrease their spending. BMW Vice-President Alan Harris argues that in the current environment, consumers expect "that anyone who is in the market with money to spend is going to get treated like a king."

KEEP THE FRONT LINES STRONG

The reality, of course, is that the opposite is often true. From retailers such as Talbots ([TLB](#)), which have stiffened their rules on returns, to airlines that now charge for checked bags, companies are stretching budgets in ways that can make things tougher for customers.

But the best performers are actually doing more to safeguard service in this recession. Bruce D. Temkin, principal analyst for customer experience at Forrester Research ([FORR](#)), says about half of the 90 large companies he recently surveyed are trying to avoid cuts to their customer service budgets. "There's some real resilience in spending," says Temkin.

That's especially true for many of the winners of our third annual ranking of Customer Service Champs. Top performers are treating their best customers better than ever, even if that means doing less to wow new ones. While cutting back-office expenses, they're trying to preserve front-line jobs and investing in cheap technology to improve service.

If anything, the tough economy has made starker the difference between companies that put customers first and those that sacrifice loyalty for short-term gain. In this year's ranking, based on data from J.D. Power & Associates, which, like *BusinessWeek*, is owned by The McGraw-Hill Companies ([MHP](#)), more than half of the top 25 brands showed improved customer service scores over last year. Among the bottom 25 of the more than 200 brands surveyed, scores mostly fell.

Smart players have learned from previous downturns. Companies used to go after customer reps with the same blunt ax used elsewhere. Now managers are starting to understand the long-term damage created by such moves, from eroded market share to diminished brand value. The International Customer Management Institute, a call center consultant, has done studies that show eliminating just four reps in a call center of about three dozen agents can increase the number of customers put on hold for four minutes from zero to 80.

A better strategy is to get more out of the people you have. USAA, the insurance and financial services giant that caters to military families and ranks at No. 2 on our list, started cross-training its call center reps in 2007. Some 60% of the agents who answer investment queries can now respond to insurance-related calls. Not only did such training curb call transfers between agents, which drive up the cost of running a call center, but it also improved productivity. Even with Hurricane Ike and the stock market's financial crisis prompting a flood of calls to USAA's contact centers last year, the cross-training meant the company didn't have to expand its call center staff. Existing reps are more empowered to deal with customers, even if they may also have to do more work. No. 25 JW Marriott ([MAR](#)) is training administrative assistants to step in as banquet servers when needed. And in November, brokerage Charles Schwab ([SCHW](#)), No. 21 on our ranking, launched a "Flex Force" team of employees such as finance specialists and marketing managers at its San Francisco headquarters to handle calls on days of, say, rapid market fluctuations.

For those that slash costs, the challenge is keeping customers from noticing. Putting call center reps under one roof, for example, can eventually save as much as 35%, says Scott Casson, director of technology services at consultant Customer Operations Performance Center. On Feb. 12, USAA announced it will combine its six call centers into four; companies such as No. 11 KeyBank ([KEY](#)) and Ace Hardware, No. 10, have also consolidated operations in the past year. Ace plowed the savings from that move into longer evening and weekend hours for customer calls. "During tough times there are plenty of other pressures customers face," says Ace Vice-President John Venhuizen. "We don't want a customer service issue to be what makes them blow their cork."

PLEASING REPEAT BUYERS

Hoteliers also are trying to trim in ways customers are unlikely to detect. They're increasingly combining purchasing power to get better deals across properties that are within the same chain but may have different owners. Some hotels in the Four Seasons ([FSH](#)) chain, No. 12, are joining up to buy goods and services such as coffee, valet parking agreements, and overnight cleaning contracts that each hotel once bought on its own. JW Marriott hotels are teaming up to buy landscaping services that would be costlier if contracted for separately. The Ritz-Carlton, No. 5, is doing laundry at night to save electricity and replacing fresh flowers at posh properties with potted plants. With occupancy rates falling, notes Ritz COO Simon F. Cooper, "you have to get better because you're forced to."

As the game changes from acquiring new customers to keeping old ones, companies are shifting more resources to their steady patrons. They're the ones who pay the bills. And while first-time guests may not miss the absence of fresh flowers, repeat customers probably will. "It's the little

things that often got you in the crook of those loyal customers' arms," says Jeanne Bliss, a former Lands' End ([SHLD](#)) service chief who now coaches customer service execs. That has led to a renewed emphasis on "tiering"—routing elite-level customers to better agents, nicer surroundings, or faster service.

Consider No. 7, Zappos.com, the online shoe retailer whose devoted fans rave about its free shipping on both orders and returns. The retailer had typically upgraded both first-time and repeat customers to overnight shipping even though it wasn't advertising that perk. But starting in 2009, Zappos will no longer offer overnight upgrades to first-time visitors. Instead, CEO Tony Hsieh is moving those dollars into a new VIP service for Zappos' most loyal shoppers. Launched in December, the site, which for now can only be accessed by loyal customers who receive an invitation, promises overnight shipping and plans to offer earlier access to sales and new merchandise than the plain-vanilla site. (Repeat customers who aren't yet asked to join the VIP service will continue getting the overnight upgrade for now.) "We decided we wanted to invest more in repeat customers," says Hsieh. "We're shifting some of the costs that would have gone into new customers."

Some are also getting tougher on suppliers who serve their most frequent customers. No. 24 L.L. Bean dropped Bank of America ([BAC](#)) as its vendor of store-branded credit cards in July 2008. The outdoor outfitter says the bank wasn't measuring up in terms of its vaunted customer support. Complaints about long hold times and call transfers between the bank's customer service agents were "endless," says Terry Sutton, L.L. Bean's vice-president for customer satisfaction. (Bank of America says it doesn't comment on specific relationships but is "focused on providing competitive products and exceptional customer service.") L.L. Bean switched to Barclays ([BCS](#)), which meant customers had to reapply. The risk that some might not take the time was high. "From a service standpoint, it was loaded with land mines," says Sutton. But she felt the move was worth it, especially since Barclays gave them a say on agents' scripts and set up its call center in the retailer's home state of Maine. Over 60% of cardholders have already switched.

Some companies are experimenting more with cheap technology, such as responding to customers via Twitter after they broadcast their complaints to the world. Other tech upgrades for customers can deliver unexpected cost savings. When No. 22 BMW rolled out Wi-Fi service at its dealerships last year, the move was intended to give customers a cheap way to pass the time while their cars were serviced. The cost was next to nothing since BMW just expanded the broadband dealers already used to run their businesses. But now that customers can use their waiting time productively, fewer are opting for free loaner cars, which are pricey for dealers to maintain. BMW's Alan Harris says Wi-Fi, along with software that helps dealers better estimate loaner needs, has helped BMW cut its monthly loaner expenses by 10% to 15%.

When companies come up with simple, low-cost ways to trim costs while improving life for customers, they're likely to win in good times and bad. "I have a saying: 'Fix the customer before you fix the car,' " says Harris. "If you focus on fixing the customer's problem first, the rest is easy."