CEO Insights: Customer Service


Dan Hesse

Great Customer Service Costs Less

It may seem counter-intuitive, but in my experience, considering all costs, providing great customer service costs less than providing poor service.

When I arrived at Sprint-Nextel at the end of 2007, we were very cash-constrained. Part of the problem stemmed from reducing customer care resources to the point that customers began to leave.

The greatest contributor to wireless customer satisfaction is network quality. But, Sprint did not have the financial resources to invest capital in the network. Instead, to shore up its balance sheet, Sprint reduced capital spending by two-thirds, from roughly $6 billion to $2 billion per year. Marshall Field once said, "Goodwill is the one and only asset that competition cannot undersell or destroy." Ironically, years later, Sprint finally had the money to invest in a complete network overhaul, which negatively impacted the customer experience in 2013 and 2014 while the old network was being ripped out and replaced. The customer goodwill generated by good customer service in the preceding years helped mitigate customer losses which likely would have been much greater had Sprint not risen to the top of the industry's customer satisfaction rankings.

Improving care and service was something cash-strapped Sprint could afford to do in 2008. In the following years, Sprint cut its customer service expenses in half, while going from last place to first place in overall customer satisfaction in the U.S. wireless industry. From 2008-2014, Sprint was recognized by JD Power and Associates twenty times for excellence in customer service (after being consistently in last place). The 2014 American Customer Satisfaction Index recognized Sprint as the most improved U.S. company across all 43 industries it surveys over the same six years.

Sprint initiated this turnaround by beginning 2008 with three overarching priorities, which never wavered: improving the customer experience, strengthening the brand, and generating cash. These three objectives are related and interdependent. The customer experience is every touch point the customer experiences - the network, the handset, the retail store, the website, and the bill.

To get the organization and culture aligned around improving the customer experience, in addition to constant communication, we took six steps.

Align Compensation and Rewards - We aligned the variable compensation of every employee in the company, from the CEO to the mail room, around the same, exact metrics. Everyone would be paid the same percentage of their "at risk" compensation based on company performance for reducing customer turnover – a.k.a. churn, and reducing the number of calls to customer care.

Agenda - The agenda of every senior Operations Team meeting, which I chaired, began with churn – how many customers were leaving, and why, plus the action plan for improving the customer experience and reducing calls to customer care. The Operations Team meeting agenda influenced meeting agendas throughout the company.

Root Cause Analysis - We used data to identify the root causes of customer dissatisfaction. The "reason codes" for these calls let us identify why customers called us.

Accountability - The reason codes were actionable across the organization – a way to measure and get contributions from different organizations in the company. It provided a way to hold people accountable. For example, if a customer called care because a mobile call dropped, I held the head of network responsible. If a customer called in because they were sold the wrong rate plan, or billed for something they didn't think they bought, retail was held accountable. If they called because the bill or rate plan was too complicated to understand, marketing was held accountable. If the customer's problem hadn't been resolved the first time, therefore a repeat call, for that call I held the care team responsible (generally care is not the cause of the call, they are just at the receiving end).

Project Leadership - If important, put your best people on it. Bob Johnson and his team have done so well, he still runs Sprint customer care, although other responsibilities have been added to his portfolio.

Simplify - It is not simple to simplify. Seventeen years ago, when I was CEO at AT&T Wireless, we launched Digital One Rate. The market's overwhelming acceptance taught me a lesson I have never forgotten, that customers will pay a premium for simplicity.

Sprint simplified by including more in basic rate plans, which reduced complexity and the customer pain point of overage charges. In fact, we eliminated 85% of our rate plan combinations. This made the sales process simpler for the sales reps, reduced customer confusion, made sales and care rep training easier, and it shortened customer care call transaction times. Not only did care reps need to understand fewer rate plans, they could get to the information on the screen quicker. Simplification was continuous. In 2012 Sprint implemented a new customer care desktop which reduced clicks by 50% and transaction time by minutes.

The second overarching objectives was building the brand. We anchored our brand on the principles of value and simplicity. Sprint reinforced these brand principles, not only in internal and external communications, but in the offers. The ad agency even coaxed the CEO to do ten TV commercials, but only when the message was about core brand principles, like simplicity and value, or innovation, not if the ads were price cuts or promotions. We launched the industry's first unlimited plan, "Simply Everything" (unlimited may be the simplest concept in the history of wireless history), followed by a complete device set-up and customer training service called "Ready Now" to make the complex new smartphones simple for customers. Over time, Sprint launched a series of very simple rate plans from Any Mobile Anytime, to the fastest-growing rate plan on record, "Framily", which reached a million customers in only 40 days, where everyone in the group got $5 off their monthly bill for every person up to seven they added to the group. Simple.

Sprint's third overarching goal was to generate cash. By reducing calls to care, Sprint was able to close 42 call centers, cutting care operating expenses by 52%. Sprint also greatly reduced the number of credits issued on customer bills. Bill credits are often used as a way to mollify customers who had a bad service experience. It may be counterintuitive to some, but Sprint spent $2 billion less per year with the industry's most satisfied customers than it did when it had the least satisfied customers. When I retired, Sprint had reduced calls to care and care credits year over year for 22 consecutive quarters.

On the revenue side of the financial equation, more satisfied customers means more customers. Sprint was losing valuable contract (postpaid) customers when its customer satisfaction ratings were the industry's worst. When Sprint reached the top of the customer satisfaction rankings, the Sprint brand grew net new contract customers at the fastest rate of any national brand.

Companies owe it to their employees to provide great customer service. It gives your people fulfillment and satisfaction, creating a virtuous circle between employees and customers, and not only the people on the front lines.

We instituted "Thank You Thursdays," where people from all departments across the country, (including the CEO), would gather on Thursdays, usually in a cafeteria, and pen hand-written thank-you notes to customers. In this high-tech world, these thousands of low-tech letters had an impact on our customers, but as important, this engaged people from across the company in our mission.

The mobile internet has and will continue to transform industries. We will move beyond phones to a wireless chip being put into almost every object imaginable: motor vehicles, health monitors, home appliances, and wearables like fitness bracelets and watches. Imagine a world where all of your customers, all of your products, and you, are all connected to the mobile internet 24 hours a day.

This will create an opportunity to bond with your customers and provide unprecedented utility for the companies that harness this power. Companies who don't might not survive. I believe that the "Internet of Things" has the potential to change the business model and the customer relationship in every industry in the next five to ten years.

How you use and how you protect the vast amount of customer data gathered will make or break your brand in terms of the trust you gain or lose. The mobile internet will bring more functionality and utility to providing customer service and should make the axiom "Great Customer Service Costs Less" even more true going forward.

Dan Hesse was Sprint CEO from December 2007 to August 2014. He has been named "Most Influential Person in Mobile Technology" by LAPTOP (Steve Jobs was #2), RCR's "Person of the Year," one of "10 Inspirational Leaders who Turned around their Companies" by Entrepreneur magazine, and listed among Glassdoor's highest rated CEO's in 2014 by employees. For Dan's last two full calendar years as CEO, Sprint's TSR (assuming reinvested dividends) ranked #1 among all companies making up the S&P 500 Index.