

Achieving Excellence in Customer Service: *The Brands That Deliver What U.S. Consumers Want*



*A Special Report by
J.D. Power and Associates*

February 2011

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Introduction

Congratulations. The mere fact that you're reading this report indicates that you've survived the deepest period of economic contraction and uncertainty in any of our lifetimes. The near collapse of the U.S. financial, housing, and automotive markets impacted nearly every industry and every consumer. Although the Federal Reserve Board has announced that the "Great Recession" is over and we are now in the process of recovery, we're not yet out of the woods. Persistently high rates of unemployment and the looming possibility of a double-dip recession are keeping businesses and individual consumers tightfisted with their cash.

Yet, despite this period of record-level uncertainty, some companies have successfully weathered this storm. These companies have built and supported a business strategy of delivering service excellence. They recognize that a reputation for high-quality service is a powerful market differentiator in the face of changing economic conditions that have resulted in companies becoming more efficient than ever before.

Consumers have also tightened their belts, bringing a heightened level of scrutiny to each and every purchase they make. During this time of increased automation, standardization, and globalization of supply chains, competition is fierce. Companies can more easily duplicate products from anywhere around the globe, making it ever more difficult to gain and maintain a competitive advantage based on product differentiation alone. Contrary to what some may think, this era of technological innovation has made service delivery more important to your customers, not less.

Asking, Watching, Listening

During the past year, we've surveyed more than 35 million consumers across 60 countries in 28 different languages. For this report, "Achieving Excellence in Customer Service—Brands That Deliver What U.S. Consumers Want," we analyzed the feedback from hundreds of thousands of U.S. consumers who do business with more than 800 different companies. By looking across dozens of industries, we've identified 40 companies that stand out from all the rest.

In this report, we'll demonstrate the impact of service excellence on several key performance metrics. The data shows that companies that are champions in service delivery enjoy higher rates of customer retention, reduced costs to acquire new customers, and distinct pricing advantages when compared to companies with service delivery performance at or below industry norms.

Despite this period of record-level uncertainty, some companies have successfully weathered this storm. They recognize that a reputation for high-quality service is a powerful market differentiator in the face of changing economic conditions.

How Good is Good Enough?

Measurable increases in product quality over the past decade have left customers expecting similar levels of perfection from service providers. Simply put, your customers expect you to have it all: the right people, the right presentation, the right price, the right product, and the right process. The companies identified in this report stand out because they consistently deliver excellence. They've set the bar that you're now expected to exceed.

Understanding how top performers achieve excellence is the first step to becoming a Customer Service Champion. The rest is up to you.

A handwritten signature in black ink, appearing to read 'GTZ', with a vertical line extending downwards from the 'T'.

Gary Tucker
Senior Vice President
Global Services and Emerging Industries Division
J.D. Power and Associates

J.D. Power 2011 Customer Service Champions

The brands we've recognized as the 2011 Customer Service Champions represent a variety of different industries, from financial services to utilities. While many of these are well-known national brands, others are less well-known regional brands. Yet, all have one thing in common: they do more than deliver on their customers' expectations—they exceed those expectations and, in the process, raise the bar for their competition.

Financial Services	Healthcare: Pharmacy	Insurance	Retail	Products	Telecom	Travel	Utilities
							
							
							
							
							
							
							

Figure 1

Customer Expectations: The Changing Landscape

The past decade has presented unprecedented turmoil and change. Global conflicts, wars, and the near collapse of the financial, housing, and automotive industries have made an indelible mark on both businesses and consumers. While these events have contributed to negative economic conditions that have left everyone reeling, the decade has also offered some exciting advances.

For instance, it's not hard to see the explosion in information technology. More than 90% of U.S. consumers are now online, and many now access the Internet through mobile devices. Social media, online chat, and other real-time communication channels have fundamentally changed the way customers shop, purchase, and communicate about products and services.

But how do these changes impact customers' experiences with the products and services they buy and use? How has customer satisfaction changed?

To answer these questions, we examined five critical components of service delivery—features that are important to consumers and how companies perform on these features.

Five critical-to-customer features, or the J.D. Power 5 Ps,SM are key to achieving excellence in customer satisfaction and advocacy. Companies, regardless of the industry, must outperform their competition on some or all of the core areas in order to retain and attract customers.

The Drivers of Excellence—the J.D. Power 5 Ps

Five critical-to-customer features, or the *J.D. Power 5 Ps,SM* are key to achieving excellence in customer satisfaction and advocacy. Companies, regardless of the industry, must outperform their competition on some or all of the core areas in order to retain and attract customers.



- **People**
(e.g., Agent, Salesperson, Call Center Reps)
- **Presentation**
(e.g., Packaging, Marketing, Facilities, Websites)
- **Price**
(e.g., Value, Price Options, Financing, Bundling)
- **Product**
(e.g., Quality, Style, Features, Service)
- **Process**
(e.g., Transaction, Paperwork, Wait Time)

Source: J.D. Power and Associates

Figure 2

People

It takes more than just nice people to make a company stand out from its competitors. That doesn't mean your company shouldn't train your people to be pleasant and courteous, but the highest-performing companies go well beyond that. Having good people means that, in addition to being pleasant, they are encouraged and empowered to help solve customers' problems. Leading companies such as The Ritz-Carlton and Four Seasons Hotels and Resorts depend on their people to be problem-solvers for their guests, not just friendly faces.

Another attribute that often distinguishes the best from the rest is the ability to communicate proactively, not just reactively. Representatives from companies such as Shea Homes, Amica Mutual, and Auto-Owners Insurance deliver service excellence through simple, yet powerful acts, such as giving advance notice of a close date or providing a heads-up on a change in the way the customer statement will look next month.

Presentation

It is well known that customers have a tremendous number of choices, and that differentiating your company based on product alone is difficult. In addition, customers place increased importance on how you present your company and your products or services.

There is little question that many brands leverage excellent facilities as part of their go-to-market strategy. However, true success with customers goes beyond simply having a nice facility. Among pharmacies, highest performers such as Good Neighbor and Health Mart build value into their facilities by providing customers with thoughtful touches, such as a private meeting room for consultations with the pharmacist.

The Caribou Coffee company and Zappos enhance their products through effective packaging and merchandising efforts—Caribou Coffee's presentations are offline, while Zappos' are focused on their website.

Price

One might assume that offering low prices is the only way to differentiate a product or service. Some of this year's Customer Service Champions offer great prices: customers of Kaiser Permanente, USAA, and the Veteran's Administration's mail-order pharmacy genuinely appreciate the low prices they are offered, according to J.D. Power data. But price is considerably more nuanced than simply having low prices, and many of this year's Champions that go beyond that know this.

For example, Tennessee Farm Bureau Insurance and New Jersey Manufacturer's Insurance strive to go beyond low price by working to keep premium increases to a minimum. Wegman's Pharmacy proactively provides customers with price information on lower-cost generic alternatives (which also speaks to the best practice of proactive communication discussed below).

Consider also the automotive brands that excel in the Price metric. Luxury brands Lincoln and Cadillac have recast the pricing discussion by focusing on the value they provide, rather than their pricing.

Product

Product can be an amorphous concept when applied to any cross-comparison analysis of the product and service industries. As noted earlier, the highest performers in this area excel in delivering a consistent, trouble-free product, regardless of the industry, yet the nature of that delivery can vary widely.

For example, among hoteliers, product distinction is often related to the accommodations themselves. The Ritz-Carlton's overall property décor and hotel grounds are benchmarks, but this brand further differentiates their product offerings by providing thoughtful conveniences,

such as a variety of in-room amenities and comfort control options. By comparison, Four Seasons Hotels and Resorts focuses on high-quality restaurants and guest rooms.

Insurance and financial services providers have very different products from hotels and thus differentiate themselves in other unique ways. Quicken Loans, lauded by customers for providing loan close dates well in advance of closing, lives up to that promise by actually closing on the indicated date more frequently than any other lender J.D. Power and Associates measured in the *2010 Primary Mortgage Origination Satisfaction Study*. Amica Mutual supports its claim product by making sure customers are fully debriefed and that details are clearly explained during their claims process.

Interestingly, some of the standouts for product among this year's Customer Service Champions are pharmacies, rather than traditional product companies. Pharmacy is one of the highest-scoring industries that J.D. Power measures and is unusual in one crucial way: the overwhelming majority of transactions include subsidies from customers' health insurance plans—so the value of the products and services delivered is high relative to the out-of-pocket cost to customers. This unique characteristic likely gives pharmacies (and companies like them) a leg up when it comes to product delivery.

Process

The lives of today's customers are complicated and time-driven. As a consequence, they prefer companies that can offer them easy, effective, and fast interactions. The highest-performing companies deliver against this in a variety of ways.

For example, this year's healthcare and insurance industry Customer Service Champions receive very high ratings from customers for speed, whether it be for short wait times, fast problem resolution, or easy-and-fast ordering systems—and it goes beyond speed.

Other Process-oriented best practices employed by the highest-performing companies include Zappos' product delivery and return policies; the Veteran's Administration's mail-order pharmacy process of providing written notice of possible side effects; and USAA and Amica Mutual's use of combined statements for multiple policies.

It's also worth noting that some sectors provide a more fertile ground for honing their Process than others. All of this year's Customer Service Champions in the healthcare industry are pharmacies. Some of the pharmacy industry's strengths in Process can be attributed to various easy-to-use fulfillment channels. For example, the patient's physician can enter a prescription into the pharmacy's order system and the prescription can be picked up at the pharmacy. Additionally, refills can be set up automatically so that the customer does not have to remember to arrange for it. These examples reflect effective ways companies have met their customers' need for an easy and fast process by which to receive service and product.

A Closer Look at the Customer Service Champions

Although all 40 of the 2011 Customer Service Champions are exceptional, some brands stand out even in this elite group. To better understand the specific ways in which these companies excel within the *J.D. Power 5 Ps*, we analyzed each brand's performance, compared with the other Customer Service Champions as a group, focusing more on the specific strengths and practices that differentiate the highest-performing companies from one another.

Industry	2011 Customer Service Champions	Where they really stand out...				
		People	Presentation	Price	Product	Process
Financial	QUICKEN LOANS					
Financial	UNITED COMMUNITY BANK	▲				
Healthcare	GOOD NEIGHBOR PHARMACY		▲		▲	▲
Healthcare	HEALTH MART PHARMACY		▲			▲
Healthcare	KAISER PERMANENTE PHARMACY			▲	▲	
Healthcare	PUBLIX PHARMACY		▲		▲	▲
Healthcare	VETERAN'S ADMIN. MAIL-ORDER PHARMACY			▲	▲	▲
Healthcare	WEGMANS PHARMACY			▲	▲	
Healthcare	WINN-DIXIE PHARMACY				▲	▲
Insurance	AMICA MUTUAL	▲		▲		▲
Insurance	AUTO-OWNERS INSURANCE	▲				▲
Insurance	ERIE INSURANCE					
Insurance	NJ MANUFACTURERS INSURANCE			▲	▲	▲
Insurance	TENNESSEE FARM BUREAU INSURANCE	▲		▲		▲
Insurance	USAA	▲	▲	▲	▲	▲
Retail	BASS PRO SHOPS				▲	
Retail	CABELA'S					
Retail	CARIBOU COFFEE COMPANY		▲			▲
Retail	EDDIE BAUER					
Retail	ZAPPOS		▲		▲	▲
Product	CADILLAC		▲	▲		
Product	JAGUAR					
Product	LEXUS		▲			
Product	LINCOLN			▲		
Product	MERCEDES-BENZ		▲			
Product	SHEA HOMES	▲	▲		▲	▲
Telecom	SPRINT NEXTEL					
Telecom	TDS TELECOM					
Telecom	T-MOBILE					
Telecom	U.S. CELLULAR					
Telecom	WOW! TELECOM					
Travel	ENTERPRISE RENT-A-CAR					
Travel	FOUR SEASONS HOTELS AND RESORTS	▲	▲			▲
Travel	INDIANAPOLIS INTERNATIONAL AIRPORT					
Travel	JETBLUE AIRWAYS					
Travel	SOUTHWEST AIRLINES					
Travel	THE RITZ-CARLTON	▲	▲		▲	▲
Travel	WESTJET					
Utilities	CLARK PUBLIC UTILITIES					
Utilities	NORTHWEST NATURAL UTILITY					

KEY ▲ Notable Strength vs. Customer Service Champion Average

Source: J.D. Power and Associates Research

Figure 3



The Changing Business Environment—Impacts on the Drivers of Excellence

As the business environment changes, it's reasonable to ask whether the importance of critical-to-customer features also change. The answer is yes—but the changes are different for companies in service industries than for companies in product industries.

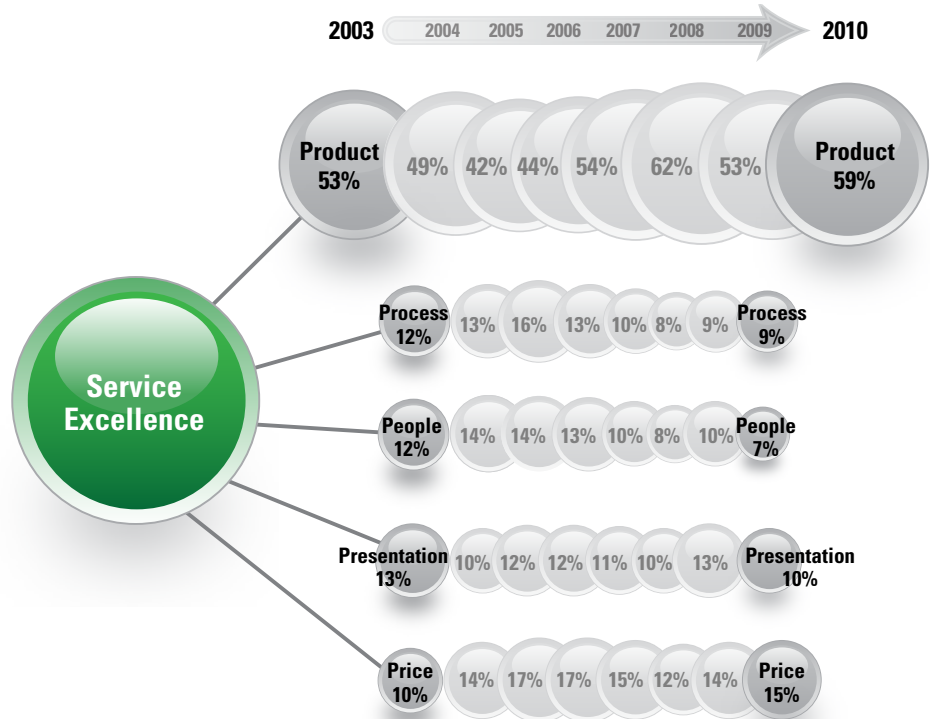
Changes in Satisfaction Drivers: Product Industries

For companies competing in product-centric industries, it is often said, “the product is king and price is its queen.” Indeed, we’ve seen the importance of both product and price increase throughout the past decade to collectively account for 80% of what is important to customers. This is not unexpected, considering how advances in automation and standardization allow companies to produce and deliver their products more consistently and reliably than in the past. But have these companies gotten better or worse? Are poor performers catching up, or are the best just getting better?

During the past decade, customer satisfaction with products has steadily increased. Not only have scores in J.D. Power and Associates’ customer satisfaction studies improved overall, but also, the gap in scores between the highest- and lowest-performing companies has increased.

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Driving Excellence: Product-Centric Industries

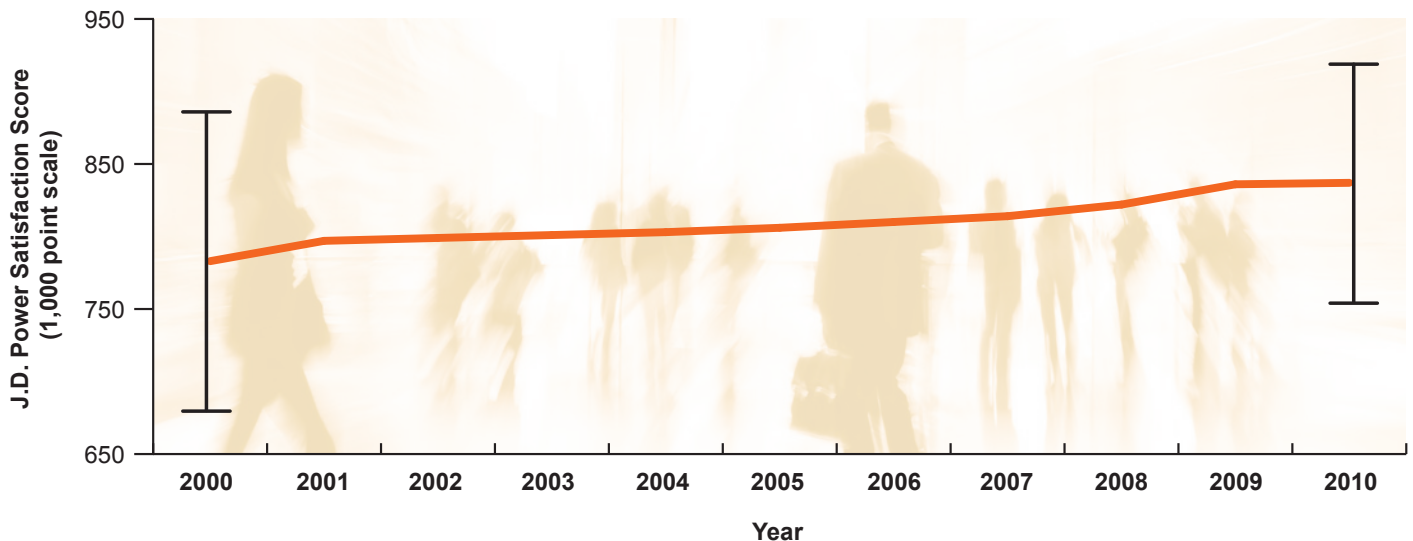


Source: J.D. Power and Associates

Figure 4

An examination of the scores for brands in the automotive, homebuilding, and appliance industries shows that the difference in scores between the highest- and lowest-performing brands has narrowed during the past decade. Collectively, these findings indicate that products are improving across all brands—and customers are taking notice.

Product-Centric Industries



Source: J.D. Power and Associates
Data bridged in 2000-2002 and 2004 for method difference

Figure 5

It may be argued that this improvement was to be expected from companies producing goods because of the increasing standardization in production processes during the period of time measured. When standardization in production is achieved, the result is increased reliability and consistency in the products that customers receive. With more companies using Six Sigma, LEAN, and other performance improvement initiatives, production has become more efficient and more dependable, helping to narrow the gap in scores among companies.

Changes in Satisfaction Drivers: Service Industries

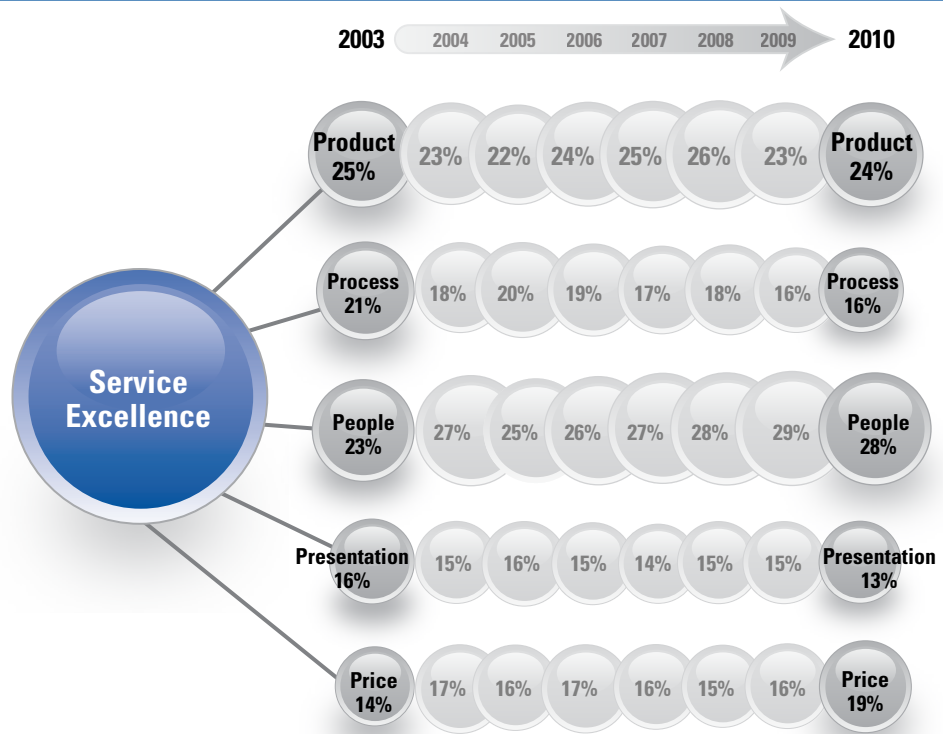
Quality products, and the processes used to create them, have clearly impacted what it means to succeed, but what has changed in service industries? What do customers now expect from service providers?

Compared with product industries, service industries face a daunting task in terms of satisfying their customers. For these companies, all of the *J.D. Power 5 Ps* are important. This has been true throughout the past decade and continues to be true today. Service companies must not only provide a good Product at a fair Price, but they must also provide good People, Presentation, and Process. In fact, customers expect service companies to do it all, and companies that can do it all well are rewarded with higher rates of customer satisfaction and loyalty.

One notable change for service industries is the increased importance of People and the corresponding decrease in Process as factors of customer satisfaction. This might seem surprising, given the increased use of technology and customer self-service in many businesses. However, it makes sense when considering that these technologies have resulted in customers demanding more from people, such as real-time response and one-call resolution, with no holds or transfers. (How the People process may be an effective buffer against a variety of traditionally dissatisfying experiences, including increases in Price, is discussed later in this special report.)

Satisfaction scores in the service industries have not improved but instead have remained stubbornly flat, unlike in the product industries. Perhaps more striking is the trend in the gap in scores between the highest- and lowest-performing brands. There is a growing increase in the range of satisfaction scores between the highest- and lowest-performing brands.

Driving Excellence: Service Industries



Source: J.D. Power and Associates

Figure 6

A Particular Challenge for Service Industries

The drivers of satisfaction and the corresponding performance of companies in the service industries are very different, compared with companies in the product industries. First, satisfaction scores in the service industries have not improved but instead have remained stubbornly flat, unlike in the product industries. Perhaps more striking is the trend in the gap in scores between the highest- and lowest-performing brands. Across all service industries measured by J.D. Power and Associates, there is a growing increase in the range of satisfaction scores between the highest- and lowest-performing brands.

In service industries, the product is typically intangible, and customer satisfaction rests with the performances of People and the Processes employed. Because of this, a greater range in brand-level performance may be expected. But why has this gap increased? J.D. Power and Associates believes there are a number of reasons. First, advances in technology have created new expectations among customers, resulting in new challenges for services. For instance, customers expect multi-channel service delivery and expect to choose whether to interact with their service provider in person, via the phone or e-mail, through online chat, or via Web-based self-service, among others. More challenging is that they expect the same level of service across communication channels. With ever-improving technology, it has been difficult for companies to keep all systems up to date and to remain equally effective in each.

Service Industries



Source: J.D. Power and Associates
 Data bridged in 2000-2002 and 2004 for method difference

Figure 7

A related reason for the increased performance gap within the service industry is that People are the primary conduit for the Product (or service) delivered. Hiring and training employees to deliver consistently high-quality service is more difficult than calibrating a machine to consistently produce a high-quality product. Even with currently high unemployment rates, many companies struggle to find courteous people willing to work for minimum wage or the right person with a consistently high level of personal performance. Companies also struggle to ensure their customer service representatives give customers the same consistent messages, whether customers have contacted them via phone, online, or in person.

The increased gap in performance between product and service industries can further be explained by the seemingly contradictory customer expectation for both standardization and customization. Customers expect service delivery to be consistent and reliable and, at the same time, customized to their specific need, including not just what they receive, but when and how they receive it. When a customer calls about a problem or checks into a hotel, they want the service to feel personalized to their needs, not to the needs of someone else. The ability to train staff so that the service experience feels customized and personalized to each customer is what has enabled the highest-performing brands to excel during the past decade, and is the confluence of People and Process.

Customers increasingly make comparisons across industries. When a company raises the bar for service quality within that industry, it raises the bar in other industries, as well.

A final explanation for the increased performance gap among service providers is that customers no longer view service levels narrowly by a specific industry's norms or standards. A decade ago, customers compared service delivery within an industry: which hotel provides the best hotel service or which retailer offers the best retail shopping experience? Customers formed their expectations about a company's performance based on experiences within that industry.

Now, with the explosion of real-time information via the Internet, customers increasingly make comparisons across industries. For example, customers wonder why they can walk into a vehicle dealership and be approved for a \$40,000 loan in a matter of minutes, but may wait weeks to receive an approval for the same amount on a home equity credit line. As a result, when a company raises the bar for service quality within an industry, it raises the bar in other industries, too. J.D. Power and Associates expects that customers will continue to make comparisons across different industries, making the service playing field much more competitive.

What Customer Service Champions Do to Be Leaders

Given the challenges of evolving customer expectations, how can your company create a strategy to ensure success? Customer Service Champions have adopted several practices embracing the *J.D. Power 5 Ps* that may provide insight. Their ability to be nimble, to foresee trends, and to integrate the perceptions of their customers into their business strategies remain key drivers of their success. How can your company become a leader?



Price Increases: Can Your People Be a Buffer?

As discussed earlier, the importance of Price has increased during this difficult economy. For many companies, it isn't uncommon to reconsider pricing strategy as a way of addressing declines in market share. Some companies may choose to lower their prices to refuel customer interest in their products or services. Lowering prices, of course, brings risk of lost overall revenue and is often paired with cost reductions, staff reductions, and other undesirable actions necessary to offset the pricing action.

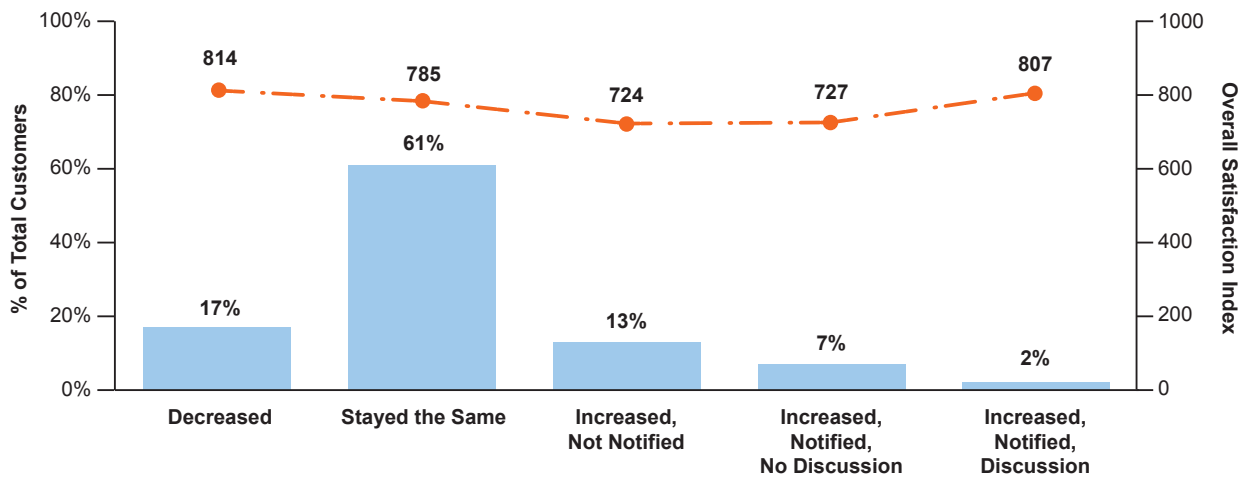
Likewise, companies seeking to regain profits in lieu of market share decreases may elect to increase their prices, risking long-term market share in trade for short-term profits. Increasing prices brings its own risk of further market share losses as customers avoid or leave the brand for lower-priced competitors. Even loyal customers have their limits, particularly in bad economic times.

It's clear that, for many companies, Price becomes the "fork in the road," both for themselves and their customers, but how have companies successfully implemented price increases without impacting satisfaction? Practices used in the insurance industry provide some insight. This industry arguably offers greater differentiation in the services it provides than in the products it offers.

In the *J.D. Power and Associates 2010 National Auto Insurance Study*,SM auto insurance customers who have greater than one year of tenure with their current insurer were asked whether they experienced a premium hike from the prior year. More than one-fifth indicated that they had—an increase of 5 percentage points from 2009.

How did this increase impact satisfaction? The answer lies in how insurers handled discussing the increase in premium with their customers.

Premium Change Discussion and Overall Satisfaction



Source: J.D. Power and Associates 2010 National Auto Insurance StudySM

Figure 8

Figure 8 shows that overall satisfaction is 83 points lower among customers whose premium increased with NO advance notification of the increase (724 on a 1,000-point scale) than among those who were notified of an increase in advance and received a discussion of alternative policy options (807). Of those customers who did experience an increase, one in 10 received prior notification with options discussed.

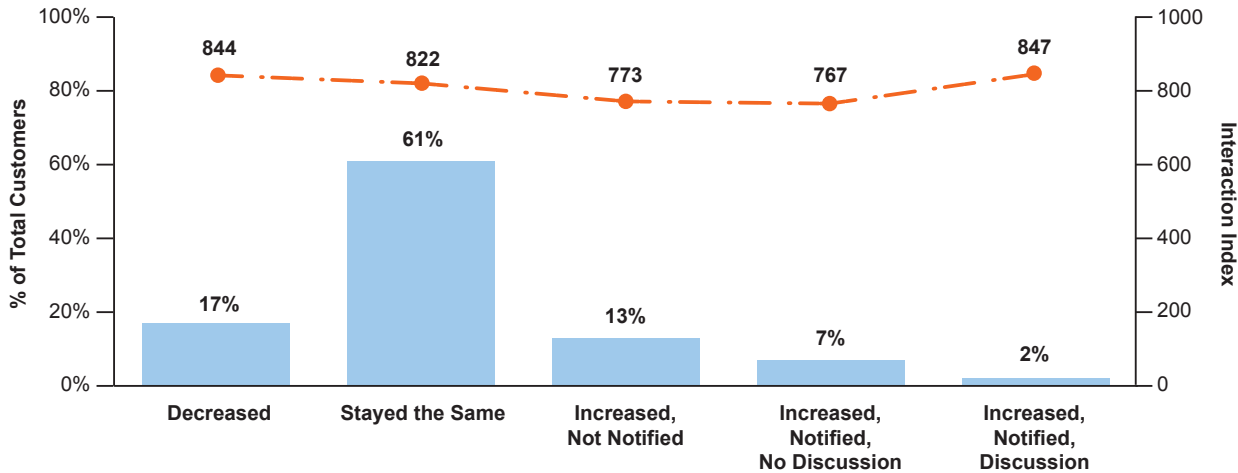
Clearly, not every insurer effectively capitalizes on the impact of an advance premium change discussion.

Your Staff as Customer Advocates

Training and enabling your people to talk to your customers about options strengthens their relationship with your brand. Discussing alternatives in advance of a price increase signals to customers that they have an advocate—someone who understands the impact a price increase may have on them and respects them enough to forewarn them and discuss options. In the insurance industry, options such as bundling an auto policy with a homeowners or life insurance policy is one way for customers to earn discounts, and raising deductibles or exploring alternate coverage are other options for lowering costs.

Whatever the options offered, having these personalized interactions in advance of a price increase strengthens customer trust and often increases satisfaction.

**Premium Change Discussions:
Impact on Satisfaction with Interactions**



Source: J.D. Power and Associates 2010 National Auto Insurance StudySM

Figure 9

Satisfaction among customers who had notification and discussion of options in advance of a premium increase was higher than among those who received a premium decrease (847 vs. 844, respectively).

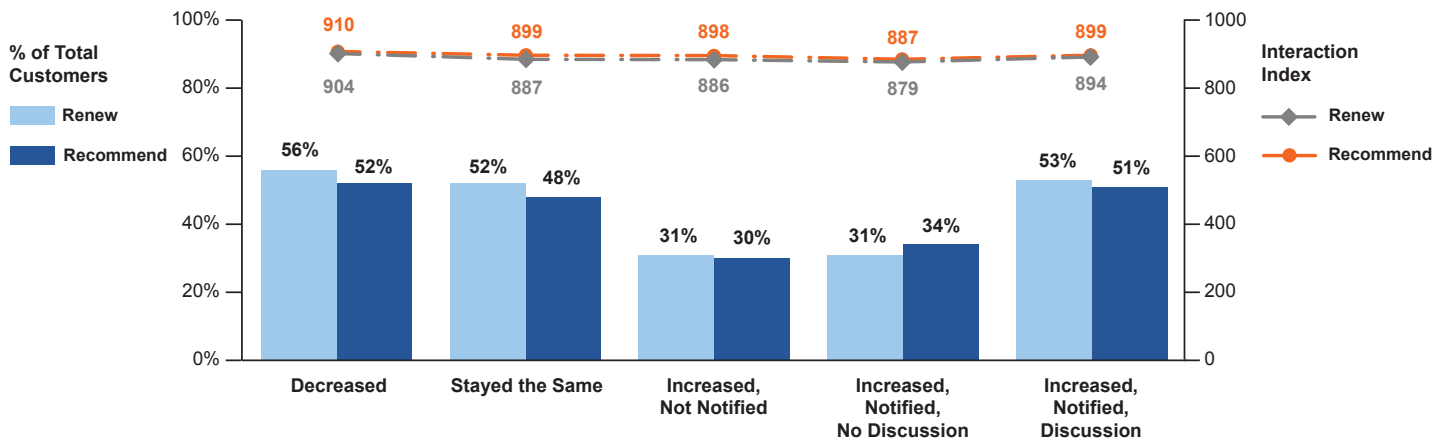
Clearly, advance notification, coupled with the discussion of options in the face of a price increase, helps to mitigate the impact that price increases have on satisfaction. In the insurance industry, these actions increase satisfaction among customers as it relates to their interaction with their agent, customer service representative (CSR), or other representative, as well as with their overall satisfaction with their insurer.

Additional Benefits of Developing Trust with Your Customers

There are other desirable business outcomes, beyond general satisfaction, that are impacted by advanced notice and discussion of options.

Insurance companies whose customer service representatives engage in such conversations achieve positive outcomes regarding a customer’s likelihood to renew their policy and to recommend the insurer to family, friends, or colleagues. Implementing advance conversations of options when an increase is necessary yields an even higher likelihood to renew and recommend—metrics that are in line with what insurers typically experience when customers receive a premium decrease.

**Premium Change Discussions:
Impact on Likelihood to Renew or Recommend**



Source: J.D. Power and Associates 2010 National Auto Insurance StudySM

Figure 10

How Utility Companies Benefit from Communicating with Customers

Most customers don't think much about their utility company—it's not that they think badly of them, it's just that they don't think about them at all. In many ways, this is undeserved. Although customer demand for electricity has increased exponentially, utility companies have been consistent in delivering electricity. When service is disrupted, utility companies are much more timely in their response now than in decades past in returning power to households and communities. Additionally, even though prices have increased, these increases are, by comparison, far lower than the increased demand for power.

Despite increased reliability of service, satisfaction among utility company customers is relatively low, compared with those in other more customer-centric industries. Typically, the average customer satisfaction score for utility companies are in the mid-to low-600s (on a 1,000-point scale).

Given the already low scores within the utility industry, utility companies that levy rate increases may experience lower satisfaction among their customers. To examine the impact of utility rate increases on customer satisfaction, data from the *J.D. Power and Associates 2008 Electric Utility Residential Customer Satisfaction StudySM* were merged with Energy Information Administration (EIA) price data at the brand level. Not unexpectedly, we found a clear and strong relationship between rate increases and a decline in customer satisfaction scores. In fact, findings show that the larger the rate increase, the larger the decline in satisfaction scores.

Price Increase Impact on Satisfaction

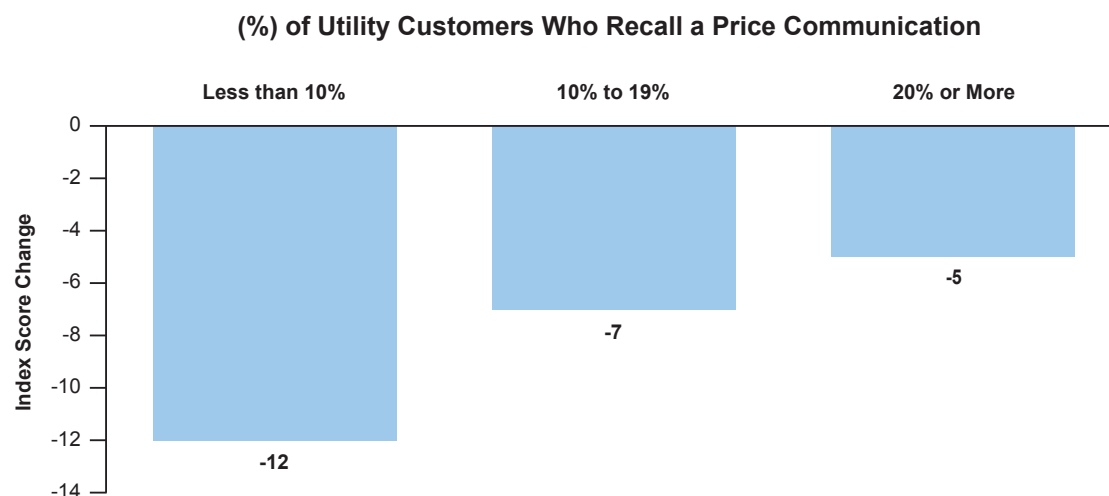
One-Year Price Change	One-Year Index Decline
3%	2
5%	3
10%	10
15%	20
20%	40
25%	65
30%	80

Source: J.D. Power and Associates 2008 Electric Utility Residential Customer Satisfaction StudySM
Energy Information Administration (EIA) price data

Figure 11

There are some actions that the highest-performing utility companies take to reduce the negative impact of rate increases. When utility companies communicate with their customers regarding a rate increase, such communication may buffer a corresponding decline in customer satisfaction. Figure 12 shows that when more customers recall receiving a communication about price changes, the decline in customer satisfaction score is diminished.

Price Change Discussions: Less Communication Hurts Service Excellence



Source: J.D. Power and Associates 2008 Electric Utility Residential Customer Satisfaction StudySM

Figure 12

When customers are aware of the actions their company is taking, their satisfaction generally increases.

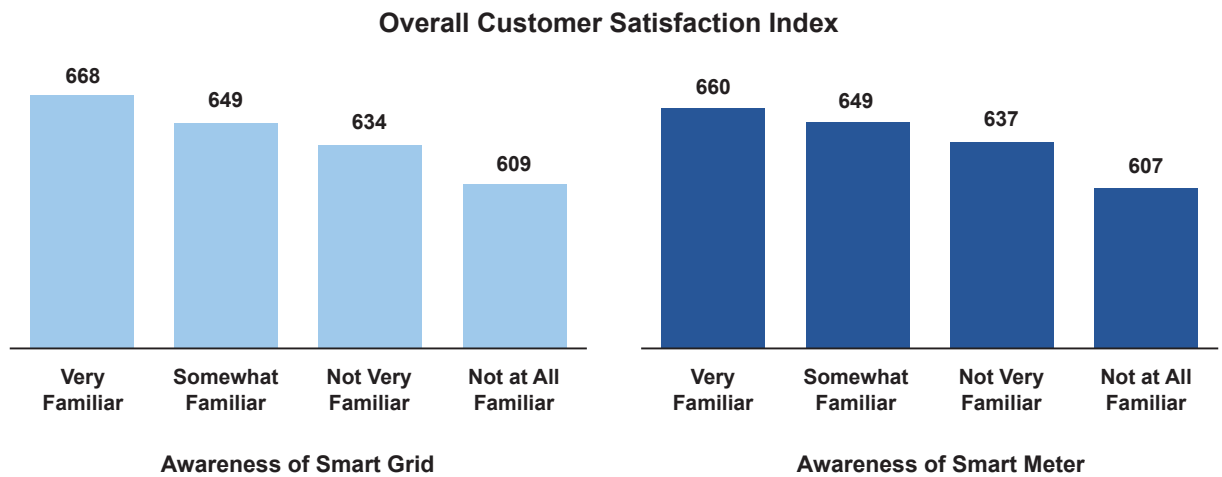
Going Green: Another Topic Utility Companies Should Talk About

Renewable energy, sustainability, and energy efficiency are on the minds of many consumers and utility customers. Unlike in the past, when only environmentalists cared about living green, most customers today are increasingly concerned about the environment and are taking actions to be more energy conscious.

For energy companies, the innovation of smart meter and smart grid technologies will help them better manage their supply. Customers should see reductions in service costs when smart meters are implemented and are widely used.

While many customers aren't yet familiar with these technologies, those who are familiar with these technologies rate their utility company more positively.

Familiarity with Smart Grid/Smart Meter Improves Satisfaction

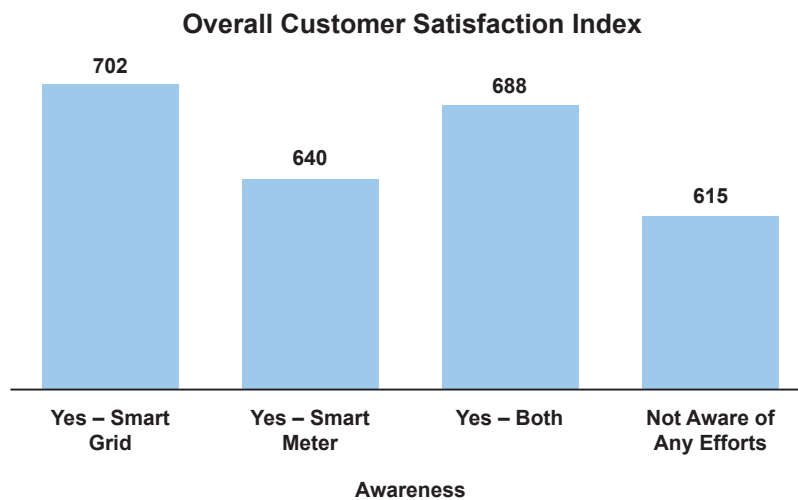


Source: J.D. Power and Associates 2008 Electric Utility Residential Customer Satisfaction StudySM (October/November 2010 Fielding Period)

Figure 13

Beyond familiarity with these technologies, it is also important to note that, when customers are aware of the actions their utility company is taking to implement smart grid infrastructure and smart meter technology, their satisfaction with their utility company increases.

Awareness of Utility Actions Improves Satisfaction



Source: J.D. Power and Associates 2008 Electric Utility Residential Customer Satisfaction StudySM
(October/November 2010 Fielding Period)

Figure 14

Do You Know Your People?

Regardless of the industry your company is in, one important tenet applies: people matter in the delivery of your products or services.

However, there are some questions you should ask. Who are your company's customer-facing personnel? Are they engaged in the communication of price changes when they occur? Are they prepared and empowered to provide advance notice of a price increase and to discuss options? Your customers expect that your people are prepared to answer their questions, and will reward you with their loyalty when you've fulfilled this expectation.

To develop a strategy that ensures you hire, train, and empower your people to engage your customers, you must first understand what your customers want and need. To do so, you must position yourself to actively listen not just to annual trends, but also to evolving customer opinions on a daily basis.

One way that Customer Service Champions actively listen is by engaging in social media.

Social media is an all-encompassing term for many different venues and ways for consumers to express themselves online. Blogs, message boards, social networks, and microblogs (e.g., Twitter) are all forms of social media that ultimately encompass hundreds of technology platforms and products that facilitate online interactions between consumers and businesses.

Social media is a rich source of unaided and unprompted consumer opinions and perceptions, analysis of which can glean rich insights to inform companies of everything from what new products to develop, to how companies treat customers, to the shopper experience.

This is the subject of the next section.



Social Media: A Company's Best (or Worst) Friend

Social media as a channel of communication and feedback presents a unique set of challenges and opportunities that didn't exist even 10 years ago.

Consumers are not shy when it comes to posting online comments about their service experiences, good or bad. In fact, one bad experience can be broadcast on a blog or spread across Twitter, Facebook, YouTube, and beyond.

Some consumers may be familiar with the Domino's Pizza YouTube video, taken via mobile device a few years ago, which revealed unpleasant incidents in a Domino's kitchen. However, the video, which went viral online, offered Domino's an opportunity to target subsequent advertising on their quality, providing a further lesson in how to turn the social media tide in the company's favor.

Because social media remains new to many business executives, and because there are many ways to measure its impact, there's still a lot of confusion about it. One thing remains certain—your company should be listening.

Consumer blogging is more than just cathartic for consumers—it can directly impact your company's image and influence purchase behavior and advocacy for your products or services. Based on J.D. Power's cross-industry observations and measurement in social media, three of the top five themes in consumer online posts about good service are linked to revenue metrics—purchase intent, referrals, and loyalty statements.

If you look deeply into purchase intent, you will find that customers often cite customer service as a key determinant of purchase. Here are a couple of examples J.D. Power's social media team gleaned from online postings:

*"I buy [Brand A] because their customer service is exceptional."
"I went with [Brand B] because of their reputation
for great customer service."*

Consumer-generated media is clear and powerful. It provides insights into word of mouth activity that directly relates to your company's financial outcomes, specifically brand consideration, purchase, and advocacy—both for and against your brand. When your customers experience positive service, they promote you to others, providing clear and often frequent messages to buy your products. The reverse is also true—and dissatisfaction travels fast via the Internet. The word clouds on the following pages illustrate these points.¹

¹ A word cloud is a visual tool used to illustrate words that are used in a body of text and is helpful for better understanding adjectives and associations with a brand. The size of each word correlates with its frequency.

Behaviors Cited in Online Posts about Customer Service



Source: J.D. Power and Associates

Figure 15

Consumers Talk Extensively about People and Process

Beyond providing you with information on customer praise and complaints, listening to what consumers say in social media also helps your company better understand customer needs and motivations. Let’s look first at an analysis that J.D. Power conducted of consumers’ online posts about positive experiences. These themes are consistent with the *J.D. Power 5 Ps*, and indicate that many consumers talk about subjects related to People and Process.

Key Drivers of Online Posts about Good Service



Source: J.D. Power and Associates

Figure 16

It’s also helpful to examine the key drivers of customer service dislikes, which are the antithesis of positive experiences. In instances where consumers are so dissatisfied with their service that they post comments about it online, the key drivers are their frustrations with unpleasant people and slow, ineffective processes.

Key Drivers of Online Posts about Poor Service

horrible bad poor useless rude
 worse not great slow fail atrocious no help hard
 suck suffer difficult abysmal stupid not work
 unhelpful worst

Key Drivers:

- Unhelpful (People)
- Unpleasant (People)
- Slow (People or Process)
- Difficult (People or Process)

Source: J.D. Power and Associates

Figure 17

Should You Respond?

The rules about how companies should leverage social media are still being written. Some companies are very proactive and jump directly into the online fray. Others take a more measured approach by sitting back and listening to the online conversation in order to inform them of everything from advertising messages to product strategy.

Because of social media's explosive nature (recall the example of Domino's Pizza noted earlier), many companies rush to respond to any negative criticism or comments, believing that a swift and public response will help mitigate the impact of the criticism. As a result, they often act too quickly—or act without adequately thinking through the ramifications, such as whether they have the staffing or resources to support such an initiative. A case in point: a company decides to respond to someone via Twitter. Once consumers discover this response has occurred, the company may be inundated with further postings, for which it may be unprepared to respond properly—if there are even resources dedicated to respond.

J.D. Power met with a satellite television service provider that struggled with this issue when one of its employees publicly responded to a Twitter post. The provider hadn't adequately trained their people to respond via Twitter, and the results included some embarrassing situations and responses to customers.

Several of this year's Customer Service Champions recognize what it means to commit to effectively engaging with customers via social media and assign resources accordingly. While most have a dedicated team for social media outreach, sometimes that isn't enough due to the unpredictable nature of this new medium.

Companies must remember that they have no control over the conversations in social media—consumers do. Once they engage and participate in social media, companies need to be prepared for anything and everything. Further, companies must realize that once they use social media, consumers can take the conversation in a completely different direction. For example, a Chevrolet Tahoe promotion several years ago gave consumers the ability to create their own advertisements online. This campaign resulted in a great deal of negative backlash relative to the environmental footprint of the model—backlash that still negatively affects the brand today.

Companies must remember that they have no control over the conversations in social media—consumers do. Once they engage and participate in social media, companies need to be prepared for anything and everything.

Companies should also be wary of assuming they can sway and turn online consumer opinion. Social media is not about selling, but rather engaging in two-way conversations that sometimes leave two parties agreeing to disagree. Honesty, transparency, and a company's willingness to remain accountable are critical in all customer relationships, especially those built online in social media. In fact, many high-performing companies enjoy their leadership positions because they practice these characteristics, not only in social media, but also throughout their overall relationships with customers and employees alike.

Social Media as a Strategic Part of Service Excellence

Social media places immense pressure on companies to jump in and engage reactively to what consumers are saying online. The highest-performing companies recognize that social media has a more strategic role to play in delivering service excellence as well.

Benchmark companies have learned that customers want to engage with a product or service provider in a place, at a time, and through a communication channel of their own choosing. In response, these companies put the technology in place not only to engage consumers in a variety of ways, but also to collect the data from each of those conversations and use it to develop insights. These insights help to improve their businesses and the service experiences they provide.

The common variable among companies that provide great service experiences is that they constantly mine the information they collect in social media to identify issues; gain insights into trends, wants, and needs; and determine ways to improve the overall customer experience—with the positive result of increased sales and a growing customer base.

Benchmark companies have learned that customers want to engage with a product or service provider in a place, at a time, and through a communication channel of their own choosing.

Additional Reading

- For insights into how some of this year's Customer Service Champions use social media, please continue reading on page 24.
 - For interviews with J.D. Power experts on how to maximize your efforts to Ask/Watch/Listen, please turn to page 26.
 - To continue reading about our analysis of service excellence, please turn to page 34.
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How Do Customer Service Champions Leverage Social Media?

J.D. Power asked some of this year's Customer Service Champions, as well as Dave Howlett, the company's Senior Director of Consumer Insights and Strategy, to weigh in on this new source of customer feedback and discuss how today's leaders use social media to achieve service excellence.

Question: Do you monitor or research social media as a way to capture customer needs or concerns? If yes, what specific challenges does that pose?

Wayne Peacock, Executive Vice President, Member Experience, USAA

Yes, we routinely monitor member feedback in social media outlets like Facebook, Twitter, blogs, etc. and insert ourselves into the conversations as necessary. We have a team responsible for ensuring member issues or concerns are handled appropriately, whether they surface through social media channels or more traditional ones. The challenge with social media is the immediacy of feedback—can we act fast enough?

Rob Maruster, Executive Vice President, Chief Operating Officer and Robin Hayes, Executive Vice President, Chief Commercial Officer, JetBlue Airways

Yes, we have a robust social media program with two teams—one to monitor and engage with customers for service delivery, and a second that measures the effectiveness of the engagement. Social media is easy to measure (number of page views, tweets, YouTube views, etc.), but the challenge is in creating actionable insights, as the conversations are difficult to synthesize from a macro text analysis perspective. Though we are one of the leading companies in social media engagement, we are working toward developing the right tools that go much beyond tracking followers and sentiment, as our goal is always 'actionable insights.'

We are also very mindful that social media captures one segment of our customer base, but not all. Given that our main distribution channel is through the Internet, our customers do tend to be technology-savvy. More and more, we find that customers in general don't always answer surveys or send emails; rather, they

just discuss products through social media channels, so it is important to monitor and measure this channel of feedback. We feel that while the percentage of our customer base which is active in social media may be small, it is representative of all customers' experiences.

Andy Taylor, Chief Executive Officer, Enterprise Rent-A-Car

As the car rental industry leader, we work day-in and day-out to address problems and concerns. We rent cars approximately 130,000 times a day and many of our customers, particularly younger renters, are communicating their experiences through social media to their network of friends and colleagues. We monitor what our customers are saying so that we can address a problem if we find that someone had a bad experience. We've discovered that if we can rectify a problem through social media and respond to customers using those channels, first of all, they're surprised. Secondly, they are extremely grateful and they tend to say positive things about Enterprise if we can resolve the problem. So in a sense, we have an opportunity to create loyalty by monitoring and responding to our customers through social media.

Question: One of Forrester's top customer satisfaction trends for 2011 is that online communities will be key in achieving service excellence. What's your perspective on that prediction?

Dave Howlett, Senior Director, Consumer Insights and Strategy, J.D. Power and Associates

More and more people are developing trust-based relationships online. Communities are developing organically as people seek to interact with one another and consult each other for advice. One example of this is Procter and Gamble's Tremor subsidiary. Originally envisioned as a specialized panel for P&G to conduct research, over time P&G started to facilitate interactions between panel members to the point where many of them have developed ongoing relationships online. The panel has evolved into a community of like-minded people interacting regularly.

Couple this evolving dynamic with the fact that there are scads of research studies that tell us that we are most likely to act on the recommendations and opinions of family and friends, and you can see that P&G has created a powerful community of advocates based on the relationships created online—and they will ultimately benefit from it.

We're seeing this phenomenon occur similarly in message boards, online forums, and even more in social networks like Facebook, where networks of close friends and families are institutionalized. Consumers go to these venues with questions, seeking opinions and recommendations from trusted sources. Companies that can establish credibility and engage users in these communities will earn the trust of consumers, and leveraging communities as a customer service channel is crucial to earning that trust and goodwill.

Question: Other than through customer communities, how can social media support a company's efforts to deliver service excellence?

*Dave Howlett, Senior Director,
Consumer Insights and Strategy,
J.D. Power and Associates*

By allowing companies to delve deeper into all facets of the customer experience. Many companies are complaining about the increasing power of the consumer and the 'wild west' nature of social media—that any consumer can lob fire bombs at a company whenever they have a bad experience. But I would argue that companies now have more access into the 'tacit' or unspoken nature of consumers than at any other time in history. Companies can be more successful in both sales and service by gaining a deeper understanding of consumers through all that social media users are willing to reveal, and use it to improve the shopper experience, to improve brand messaging, and to inform new product development.

Question: Can you give one or two examples of when/how a company used social media for service excellence, or to resolve a service problem?

*Dave Howlett, Senior Director,
Consumer Insights and Strategy,
J.D. Power and Associates*

Two companies that are often cited as leveraging social media effectively in providing exceptional service are Intuit and Best Buy. Both have learned that customers desire the flexibility to engage with a company any place, at any time, and through any channel. In response, the companies have sought to put the pieces in place not only to engage consumers in a variety of channels, but also to collect the data from each of those conversations and use it to develop insights to improve their businesses and service experiences.

Disney is another interesting example of a company that has changed the paradigm of service experiences. A few years ago, the company was criticized in social media for bad service experiences related to vacation planning. At that time, Disney Vacations operated out of a call center, where consumers could call in for help in planning their vacations. The conversations were time-consuming and frustrating for callers due to wait times and customer service representatives who had to go through a lengthy Q&A process to determine customer needs. As a result, Disney lost many prospective customers and the image of the vacation planning service was damaged. The company realized it needed to change its paradigm for vacation planning, and completely redefined the meaning of CRM (customer relationship management)—to the extent that it changed the acronym from CRM to CMR for 'Customer-Managed Relationships.' It was at this point that Disney made a significant investment in revamping its Web presence to enable consumers to custom plan their own vacations entirely online—ending the frustrations of waiting in a phone queue and talking to a customer service rep who may or may not understand your needs. The change resulted in more bookings and less abandonments of vacation plans to Disney properties.

Advice from Industry Experts

The following interviews were conducted with J.D. Power and Associates industry experts, each with depth of experience in interacting both with Customer Service Champions and other key players across the industries the company serves.

Ask: Maximizing Your Approach to Surveys



Richard Bongiorno *Senior Director, Digital Research*

Richard Bongiorno is a Senior Director in Digital Research at J.D. Power and Associates. He is responsible for the company's Business Intelligence Solutions, which provide real-time consumer experience information to clients. During Rich's 10+ years of experience with the company, he has led a wide range of survey-based programs, ranging from large, annual syndicated studies to agile, continuous tracking studies.

Question: While many companies employ a traditional, ongoing survey program (i.e., tracking) to help drive service excellence, only a select few companies succeed in delivering it to their customers. Why is that?

Bongiorno: *It all begins with the leadership: if senior leadership is not committed to driving service excellence throughout the organization, it doesn't matter how much feedback is collected from their customers. From the C-Suite to the front-line employee, the customer experience needs to be measured, monitored, and acted upon in order to drive service excellence. Many successful companies even tie employees' annual objectives and key aspects of their compensation to achievement of service excellence based on data received from ongoing customer experience measurement programs.*

Further, companies that excel in delivering service excellence utilize actionable, ongoing customer experience measurement programs that include the following:

- *Measurement of the right things—Focus on the aspects of the customer experience that have the biggest impact on your customers and your business*
- *Analysis of customer verbatims—Some of the richest insights come from customer verbatims to open-ended questions by adding depth and clarity to the quantitative data or to uncover unmet needs and issues not previously identified*
- *Using a Business Intelligence Solution to share customer feedback in near real time through an easy-to-use, transparent medium*

Question: What about the Web? How has the emergence of online survey techniques helped or hindered ongoing measurement programs?

Bongiorno: *The use of online surveys has significantly helped companies not only by providing a cost-effective means to gather large volumes of responses, but also by engaging customers through dynamic and appealing survey designs. Successful companies embrace online technology to design surveys that convey their brand message or experience by incorporating the brand's look/feel, videos, heat maps, and interactive response scales. For example, a luxury brand wants its customers to have a luxury experience in the feedback process, as well as in the ownership process.*

Question: One of the challenges of any continuous program is dealing with the large amounts of data that it generates—not only what to do with it, but also who should see it. What best practices can you suggest for companies in dealing with the results?

Bongiorno: *In order to drive service excellence, delivery of the right data to the right people in near real time is critical. Employees must be able to access customer experience feedback information in an easy-to-digest format through a user-friendly, actionable Business Intelligence (BI) Solution. The BI Solution should organize results according to your organization's structure, ensuring that employees receive only the information relevant to their purview of responsibility. The BI Solution should also automatically notify your organization of customer issues as well as incidents of service excellence through an alert management system (including e-mails, alerts within the BI Solution, etc.). This allows you to measure and track customer issues as well as recognize employees for providing exceptional customer service.*

Question: Regardless of where the data comes from, how can technology help an organization's ability to use the results in driving service excellence?

Bongiorno: *During the past decade, technology has significantly improved an organization's ability to use customer experience feedback data to drive service excellence. BI solutions enabled by technology have added a new level of transparency and information sharing not previously available. Now everyone from the CEO to the bank teller can utilize customer feedback data to improve the products and services they are providing.*

In addition, the advent of smartphone and mobile technology allows employees to receive automatic e-mail notifications when an alert or celebration has been triggered by a customer response. Taking this one step further, the advent of [software] apps is having a profound effect on how this type of information can be used. BI reporting apps allow employees to retrieve customer experience information from their iPhones and iPads, untying them from their desks and providing real-time information on which stakeholders can take action.

Question: What's your 'elevator speech' for making a survey program successful?

Bongiorno: *Keep it simple—find a trusted partner to design and execute a survey program focused on:*

- *Measuring the right things—that is, asking questions that correlate to ROI and enable you to really understand customer issues and what is going wrong*
- *Utilizing the right medium to reach out to your customers*
- *Sharing the information in a transparent manner through an easy-to-use, actionable framework in near real time*
- *Creating and tying employee objectives and rewards to an outstanding customer experience*

At the end of the day, your program has to provide you with easy-to-access insights that enable you to improve your business results through increased consumer advocacy and loyalty.

Watch: Leveraging Mystery Shopping



Mike Battaglia

Account Director, Operational Research

Mike Battaglia is Account Director of Operational Research in the Global Services and Emerging Industries Division at J.D. Power and Associates. He is responsible for the development of the operational research practice area, which includes mystery shopping.

Question: With so many potential ways to gather feedback about company performance (surveys, social media, mystery shopping, etc.), how does mystery shopping fit with traditional research techniques?

Battaglia: *Each method serves a different purpose and yields different outcomes, although they often support one another. Survey research captures how a customer felt about their sales or service experience (i.e., post-event). It identifies the ‘pain points’ that customers experience. Social media analyzes the conversations and chatter that are taking place online to provide information on how a brand or company is viewed in the marketplace (either positively or negatively) and may provide some insight into specific experiences. Mystery shopping demonstrates how operational process strengths and weaknesses contribute to both survey and social media results. Effectively, it is a three-legged stool: each piece is important, and taken as a whole, provides a holistic view of marketplace performance.*

Question: When does mystery shopping work best?

Battaglia: *Mystery shopping works best when it is tied to other research methods and when measured processes are mapped to other VOC inputs such as syndicated or internal customer satisfaction tracking studies.*

An illustration of the former is a common survey question about the amount of time a customer had to wait to do something, which captures the customer’s post-event recollection of the amount of time waited. Depending on the circumstances or the customer experience, the resulting data can differ widely from reality. So how long did a customer actually have to wait? That’s the role of mystery shopping: it bridges the gap between perception and reality.

The classic example is grocery store line wait times. If you ask a customer who waited in a line that was equipped with a flat screen television with entertainment content how long he or she waited to check out vs. a customer who did not have this distraction, widely differing outcomes are often reported—even if the actual amount of time waited was identical. In this example, mystery shopping would provide the underlying context that surveys alone cannot achieve.

An illustration of the latter, measured processes mapped to other VOC inputs, can be gleaned from the automotive industry. Many satisfaction surveys ask a customer to rate his or her salesperson’s performance on a sliding scale (e.g., 1 to 10). This is a subjective measure that can be better understood when fielding a series of mystery shops to measure actual behavior: did the salesperson conduct a thorough needs assessment? discuss or demonstrate key product features? offer a test drive?, etc. Mystery shop reports and aggregated results can demonstrate how frequency and consistency of process impact satisfaction ratings.

Question: What are the most common mistakes you see companies make in trying to use mystery shopping to improve their customer service processes?

Battaglia: *The most common mistake that companies make when deploying a mystery shopping program is a lack of understanding around its purpose. Mystery shopping is not customer satisfaction research, but rather is a tool to capture objectively the processes that drive business performance. Mystery shopping results often correlate strongly to customer satisfaction and can provide deep diagnostic information that support both business results and satisfaction research results. Mystery shop questionnaires that ask a series of subjective ratings questions are indicative of a poorly designed program that will have a short shelf life.*

The second most common mistake made is companies underestimate the richness of the mystery shopping results captured. Merely executing mystery shops and distributing those reports to frontline associates is not sufficiently effective to move the needle on customer service. Properly aggregated and analyzed, mystery shopping results provide insight and tactical information to drive strategic decisions that improve the overall customer service.

Question: What are the hallmarks of a successful mystery shopping program?

Battaglia: *A well-crafted mystery shop program incorporates the following elements:*

- 1. A clear vision of the specific processes and customer touch points to be measured*
- 2. A well-designed questionnaire that effectively captures the core elements that drive business performance and customer satisfaction*
- 3. A well-executed reporting plan that not only provides individual shop information but also analyzes and rolls up results to highlight an organization's strengths and weaknesses and the line-of-sight actions required for improvement*

Question: Some would argue that mystery shop programs, because they do not include actual customers, are limited in helping drive excellent service. Do you agree or disagree with that and why?

Battaglia: *I would certainly disagree—and in fact, I would argue to the contrary. Because mystery shoppers are not actual customers, they can be more objective about their customer service experience and collect the observational details that often escape 'real' customers. It is precisely this objectivity that we are seeking when designing and fielding a mystery shop program, because it is the effectiveness and consistency with which personnel execute sales and service process steps that are critical drivers of an excellent service experience.*

Listen: Understanding Social Media



Dave Howlett

Senior Director, Consumer Insights and Strategy

Dave Howlett is responsible for J.D. Power and Associates' social media intelligence team, which is focused on helping clients deeply understand the needs and motivations of consumers based on their activities in online social media. Mr. Howlett also has extensive product development expertise in the telecommunications industry, in which he was also focused on developing deep understanding of consumers.

Question: Social media, despite its common use in today's environment, can mean a lot of things. How do you advise companies to define 'social media,' to minimize confusion?

Howlett: *Social media is an all-encompassing term for many different venues and ways for consumers to express themselves online. Blogs, message boards, social networks, and microblogs are delineations of social media inclusive of hundreds of technology platforms and products that facilitate online interactions between consumers and businesses.*

Social media is a rich source of unaided and unprompted consumer opinions and perceptions, analysis of which can glean rich consumer insights to inform everything from what new products to develop, to how companies treat customers, to the shopper experience.

In addition, social media is also a rich channel for engaging consumers. The truth in today's digital world is that the more channels and interfaces you have with consumers, the greater the awareness of your brand/product/service, and the more you can sell. Social media is now a critical and crucial channel for not only interacting with customers, but also for understanding their interests and needs.

Question: How does this new ability to listen without asking questions fit with more traditional research methods? Do companies even need to use surveys or focus groups anymore?

Howlett: *Listening to online discussions complements traditional market research methods: it is merely consumer-driven market research. What I mean is that companies don't control the research agenda, since they can't control what consumers will say in social media and other online venues. Therefore, consumers will often surface issues or needs and offer solutions or insights that companies sometimes don't think about.*

However, traditional research methods are needed to validate this unaided and unprompted consumer feedback. In many cases, listening research might replace or supplant the focus group, but traditional quantitative approaches are often required to validate findings and determine their pervasiveness in the market.

Question: What should companies watch out for with regard to their social media efforts?

Howlett: *Unintended consequences. Companies have to remember that they have no control over the conversations in social media—consumers do. Once engaging and participating in social media, companies need to be prepared for anything and everything and must realize that once they utilize social media, consumers may take the conversation in a completely different direction.*

Companies should also be wary of assuming that they can sway and turn online consumer opinion. Social media is not about selling. It is about engaging in two-way conversations that sometimes leave two parties agreeing to disagree. Honesty, transparency, and accountability are critical in all customer relationships, and especially online in social media. Practices that are contrary to these values are often magnified in a negative way in social media.

Question: Social media is a relatively new phenomenon and it seems to be changing all the time. How do you see its impact on companies changing in the next few years?

Howlett: *Companies cannot ignore social media, either as a critical feedback mechanism or as a channel for engaging the consumer. I recently heard a prominent social media expert talk about how, with the new economy, we are experiencing a shift in conventional marketing from the 4 Ps (product, pricing, placement, promotion) to the 4 Es (experience, exchange, everywhere, and evangelism). Today's Millennials do not purchase the same way that older generations do: they don't write a check for anything like Boomers do, but they will conduct an e-commerce transaction via text or SMS. Companies need to prepare for the 4 Es, as they are the future of marketing.*

Question: One of Forrester's top customer satisfaction trends for 2011 is "Customer Communities Grow in Importance for Customer Service." What's your perspective on that prediction?

Howlett: *I agree. More and more people are developing trust-based relationships online. Communities are developing organically as people seek to interact with one another and consult each other for advice. One example of this is Procter and Gamble's Tremor subsidiary. Originally envisioned as a specialized panel for P&G to conduct research, over time P&G started to facilitate interactions between panel members to the point where many of them have developed ongoing relationships online. The panel has evolved into a community of like-minded people interacting regularly.*

Couple this evolving dynamic with the fact that there are scads of research studies that tell us that we are most likely to act on the recommendations and opinions of family and friends, and you can see that P&G has created a powerful community of advocates based on the relationships created online—and they will ultimately benefit from it.

This phenomenon occurs similarly in message boards, online forums, and even more in social networks like Facebook, where networks of close friends and families are institutionalized. Consumers go to these venues with questions, seeking opinions and recommendations from trusted sources. Companies that can establish credibility and engage users in these communities will earn the trust of consumers, and leveraging communities as a customer service channel is crucial to earning that trust and goodwill.

Question: Other than through customer communities, how can social media support a company's efforts to deliver service excellence?

Howlett: *By allowing companies to delve deeper into all facets of the customer experience. Many companies are complaining about the increasing power of consumers and the 'wild west' nature of social media—that any consumer can lob fire bombs at a company whenever they have a bad experience. But I would argue that companies now have more access into the tacit or unspoken nature of consumers than at any other time in history. Companies can be more successful in both sales and service by gaining a deeper understanding of consumers through all that social media users are willing to reveal, and use it to improve the shopper experience, to improve brand messaging, and to inform new product development.*

Contact Centers: Connecting People and Process



Mark Miller

Senior Director, Contact Center Solutions

Mark Miller is a Senior Director in Contact Center Solutions at J.D. Power and Associates. He is responsible for a wide range of measurement and performance improvement programs designed to help companies better align their contact center operations with the Voice of the Customer.

In many service industries, a great deal of the interaction between a brand and its customers happens through a contact center. This function, historically occurring via the phone, but also increasingly via online channels, is both critical and challenging in delivering service excellence. J.D. Power and Associates has visited more than 100 contact centers with a track record of delivering high customer satisfaction. These visits provided a great deal of information about how leading companies use these centers as a competitive advantage in delivering an outstanding customer experience.

Question: Many companies rely on contact centers as a primary interface between themselves and their customers, and thus as a primary mechanism for delivering service excellence. However, while many companies have these centers, only a select few are successful. Why is that? Why do some company's programs help them succeed in delivering service excellence while others do not?

Miller: *In a word, culture. Though there are many technical aspects of contact center operations that help answer why some organizations perform better than others, it starts with culture. When we conduct root cause analysis of organizations to get at the underlying causes for sub-optimized performance, we go through a process that surfaces CCFs or Contributing Causal Factors. These are elements of the business that are not root causes of performance excellence or failure, but rather operational outcomes of the root cause of performance excellence or failure. There are literally dozens more CCFs that separate the great from the not so great, but typically it comes down to the culture of the organization.*

Question: By their very nature, contact centers generate a tremendous amount of operational data (average speed of answer, average handle time, adherence, abandonment rate, etc.). Does managing such operational metrics typically lead to service excellence, or does it just lead to a more efficient contact center?

Miller: *The effective use of these operational metrics is a critical component of effective management and, when utilized correctly, will usually contribute to both service excellence and a more efficient contact center. It is absolutely necessary for contact center managers to understand the environment at a very granular level.*

For example, in the call center world, there is significant controversy around how the Average Handle Time (AHT) metric should be used to influence behaviors and decisions at the various levels within the call center. At a very simplified level, there are two schools of thought:

- 1. AHT is absolutely critical to informing the organization's management team and not only needs to be measured and analyzed critically, but also needs to be front and center on the agent's KPIs that determine performance and compensation.*
- 2. Though AHT is absolutely critical to informing the organization's management team and needs to be measured and analyzed critically, it does NOT need to be front and center on the agent's KPIs that determine performance and compensation.*

Through our Certified Call Center program, we audit many, many call centers that are among the best in the business: over 90% of our certified organizations *do not* factor AHT into their agent's performance rating/ranking or compensation plans. They are able to deliver service excellence without over-emphasizing this KPI.

Notice that I did not say that these high performers do not utilize the KPI at all. On the contrary, all of our certified call centers use the KPI as an informer to making better decisions. KPIs are necessary to run an operation that is both efficient and attains service performance excellence, but they are best used in context of what drives customer satisfaction, rather than looking at them in isolation.

Question: If you could choose only five KPIs to manage a call center, what would they be?

Miller: If I had to choose only five KPIs that I would manage my entire call center business with, they would be: First Call Resolution (FCR); Customer Satisfaction (CSAT); Employee Satisfaction (ESAT); Agent Utilization (UTZ); and Cost per Call (CPC).

FCR made the list because high 'real' FCR simultaneously increases CSAT, ESAT, and reduces the CPC. Most contact centers today place a well-deserved emphasis on FCR and have teams working to improve it. That being said, it is often surprising to see how many strategies for increasing FCR are not being utilized in call centers of all sizes.

CSAT: It is mandatory to know not only how the customer feels overall, but which specific drivers have the most significant impact on customer satisfaction.

ESAT: The contact center's employees are the lifeblood of the sales or support organization. It is an accepted reality that there is a strong positive correlation between ESAT and CSAT, and ensuring that employees are not only satisfied but energized and contributing due to high levels of engagement, can have tremendous effect on the bottom line.

UTZ is defined as:

(Average number of calls handled by an agent per month) X (Average handle time in minutes)

(Average number of days worked in a month) X (Number of work hours in a day) X (60 minutes)

UTZ essentially can serve as a canary in the coal mine—when you see agents, teams, or entire call centers moving well above or below the UTZ mean, you may have problems at the moment, but you will almost certainly experience problems later if the trends are not checked.

CPC: Of all the readily accessible financial metrics pertaining directly to the call center, CPC is the best one. However, CPC has one crucial flaw: it ignores the role contact centers can play in topline revenue and the bottom line. We need the metric to understand which cost-saving initiatives and strategies are working in concert with more customer-centric activities, but it is vital that executives do not lose sight of all contributions that fuel profitability.

Question: How do successful companies make sure their contact center initiatives truly support the delivery of excellent service?

Miller: They start with the customer and work backwards. There are six specific actions that can be done immediately to help any contact center operation become more customer focused and make gains:

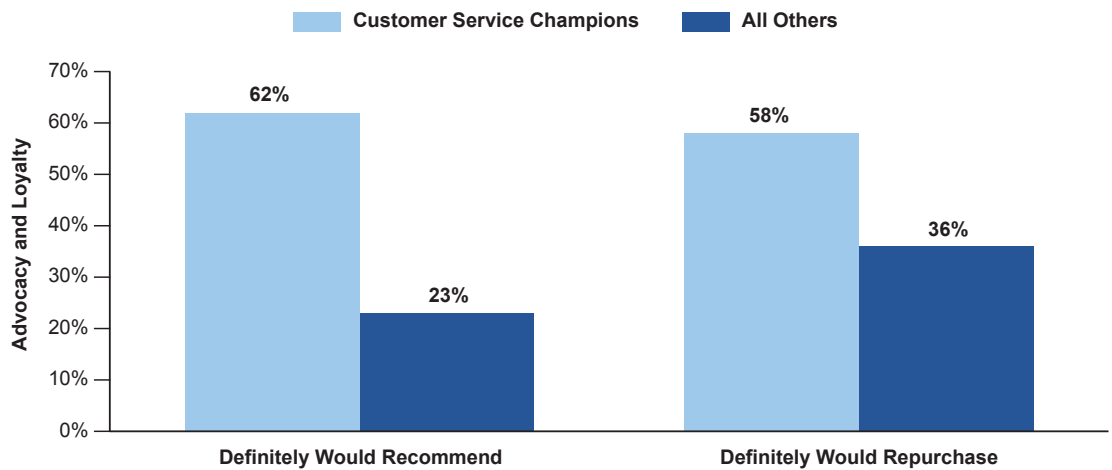
1. Know your customers
2. Involve your frontline employees
3. Be disciplined and resist the temptation to 'boil the ocean'
4. Pick a methodology and stick to it
5. Post your goals and track the progress towards achieving those goals in a public way
6. Compensate executives for CSAT results



Service Excellence and the Bottom Line

The 2011 Customer Service Champions recognize that service excellence does more than just differentiate them from their competitors—it also impacts their bottom line. In fact, using data across all of its U.S. syndicated studies, we found that our Customer Service Champions achieved notably higher levels of repurchase and advocacy from their customers than companies whose service delivery ranked at or below industry norms. Their customers were also much more vocal about these companies, with advocacy rates averaging about twice that of customers from all of the other 800+ brands measured.

Service Excellence vs. Advocacy and Loyalty



Source: J.D. Power and Associates Research

Figure 18

An Industry Perspective

Whether your company is a Customer Service Champion or a company performing well in your industry, the positive impact of delivering service excellence is undeniable.

A further analysis examines the business benefits of high-quality service across four broad industries: insurance, telecommunications, hotel, and mortgage service.

Insurance

Since its inception in 1968, J.D. Power and Associates has been assessing the business benefits of providing outstanding customer service. Since 2004, we've been measuring the direct impacts of service on financial performance. Year over year, syndicated studies have consistently shown strong and positive relationships between higher customer service results and three important drivers of financial performance:

- Increased customer retention
- Reduced cost to acquire new customers
- Decreased price sensitivity

In 2010, the linkage between overall service delivery and an auto insurance company's financial return was reaffirmed, as the insurers that achieved the highest service scores also realized the greatest financial benefits from their efforts.

Service Level	Retention Related				Acquisition Cost Related					% Will Not Switch for Any Price
	SE Index	Actual Retention	% Definitely will Renew	% Definitely Plan to Shop	3-Year Growth	Acquisition Cost	% Definitely will Recommend	Avg. No. of Positive Mentions	Avg. No. of Negative Comments	
High	862	94%	61%	3%	3.2%	15.2%	58%	2.4	0.1	22%
Average	818	87%	44%	7%	-1.9%	17.2%	40%	1.8	0.2	14%
Among the Rest	783	82%	33%	9%	-16.5%	17.1%	29%	1.3	0.2	10%

Source: J.D. Power and Associates 2010 National Auto Insurance StudySM

Figure 19

Telecommunications

In the wireless telecommunications industry, increases in customer expectations and demands for service have created challenges for service providers. The wireless industry is somewhat unique since, despite significant product and pricing innovations that have occurred in the past decade, wireless providers are typically rated among the lowest in customer satisfaction across all industries measured by J.D. Power and Associates.

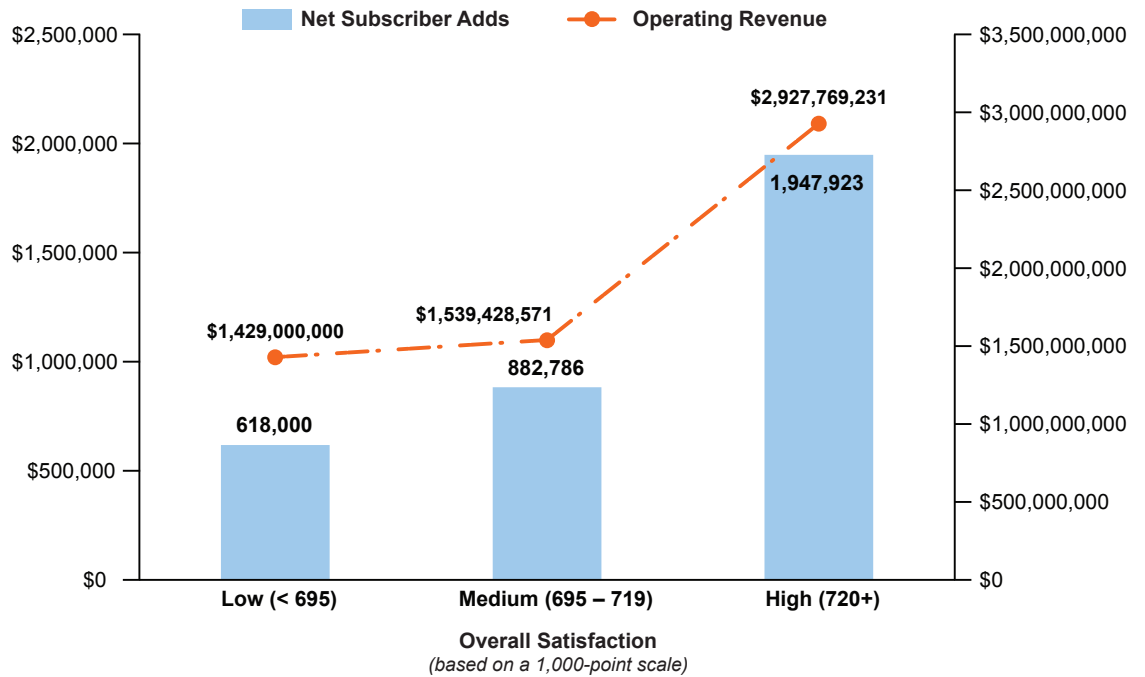
Provider-level service scores from J.D. Power syndicated studies in 2008 and 2010 were compared with publicly available provider-level financial metrics, such as net subscriber additions (i.e., the number of new customers minus the number of lost customers) and operating revenue. Overall, the analysis showed a positive relationship between provider-level satisfaction and subsequent financial outcomes. That is, the overall Customer Satisfaction Index score was positively related to net subscriber additions and operating revenue one quarter later. This relationship held over time (i.e., two-, three-, and four-quarter lags), but was strongest after the first quarter.

To graphically illustrate the impact of customer satisfaction on financial metrics, data were grouped into three categories based on overall provider satisfaction and examined in relation to financial outcomes. These categories segmented customers into the following groups, based on a 1,000-point scale:

- Customers with low satisfaction (scores lower than 695)
- Customers with medium satisfaction (scores of 695-719 points)
- Customers with high satisfaction (scores of 720 and higher)

The mean satisfaction score among the low satisfaction group was 674, compared with scores for the medium and high satisfaction groups (707 and 729, respectively.)

The Financial Impact of Satisfying Wireless Customers



Source: J.D. Power and Associates Research

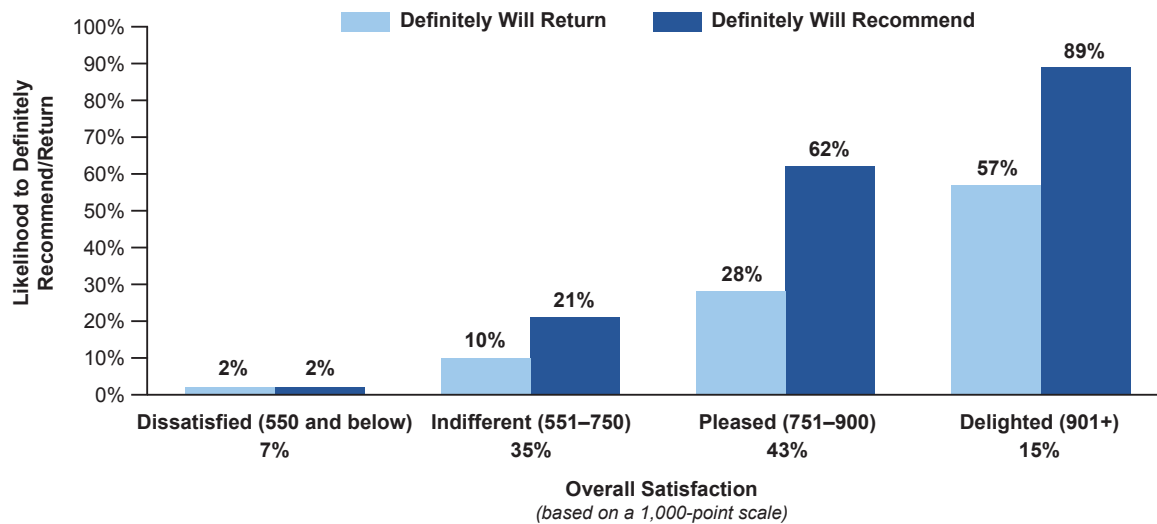
Figure 20

The differences among these three groups may appear nominal, yet the differences are statistically significant, leading to dramatic differences in financial performance. Taken at face value, some wireless carriers may shrug off a gap in satisfaction between their company and the highest-performing competitor. However, a failure to excel in the minds of customers can have far-reaching implications to a company’s bottom line.

Hotel

As with many industries, service experiences among hotel guests significantly influence their stated intent to repurchase and recommend. Hotel guests who indicate they are “delighted” (providing a rating of 10 on a 10-point scale), as measured by J.D. Power, were substantially more likely to also state they would definitely return to the hotel chain than were dissatisfied guests, and were also more likely to state that they would definitely recommend the brand.

Service Excellence vs. Advocacy and Loyalty

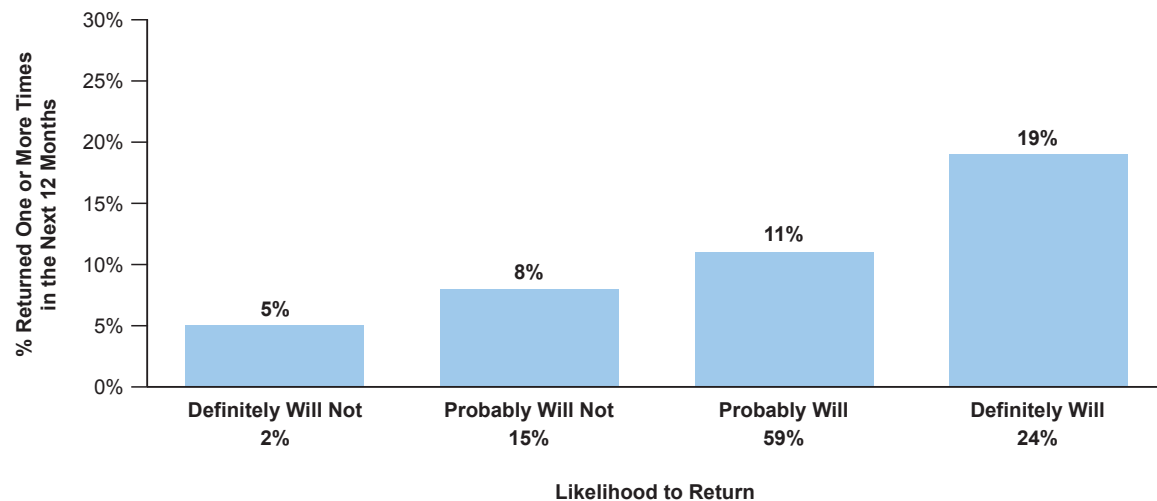


Source: J.D. Power and Associates Research

Figure 21

The intentions of guests who state that they are likely to stay at that hotel again or to recommend that hotel is only important if those intentions can be connected to actual business outcomes. Figure 22 below shows that of the 24% of guests who stated that they would return, 19% actually did return for at least one additional night stay within 1 year of their rated stay. While the actual rate of return may seem small, hoteliers understand the substantial desirable financial implications of increasing return rates by even 1 or 2 percentage points.

Service Excellence vs. Advocacy and Loyalty



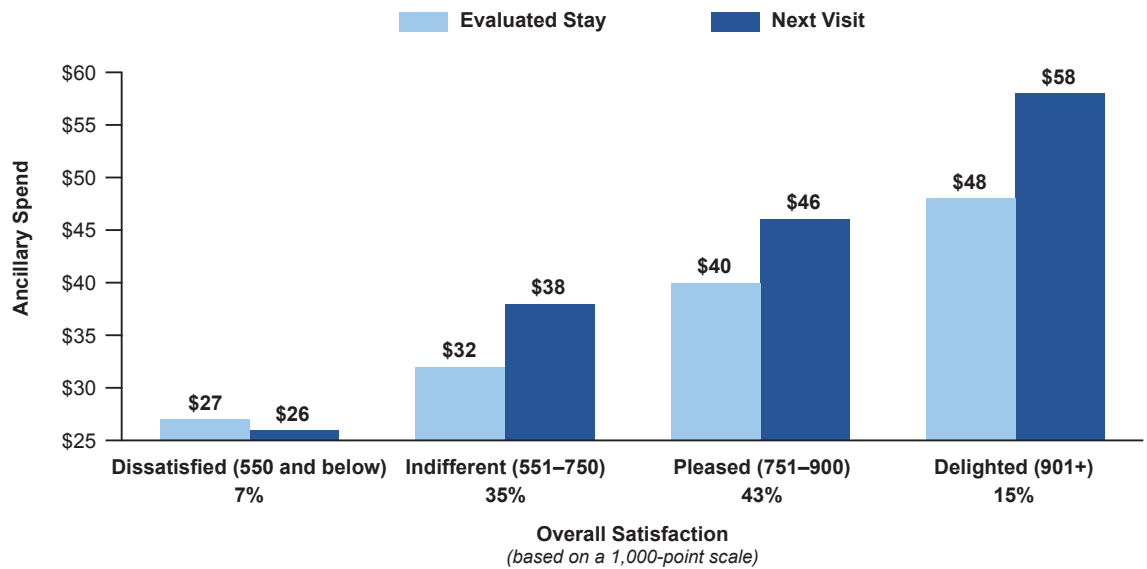
Source: J.D. Power and Associates Research

Figure 22

Satisfaction and Ancillary Spending at Hotels

The bottom-line benefits of providing excellent service to hotel guests doesn't stop there. Satisfaction is also significantly related to ancillary spending (e.g., restaurant, room service, day spa, recreation facilities, etc.) during the stay being rated. In fact, guests who are "delighted" spend an average of \$48 on additional products and services at the hotel, in comparison to \$27 spent by guests who say they are "dissatisfied." These findings also hold true for ancillary spending during the subsequent visit, with "delighted" guests spending \$10 more, on average, on ancillary services (averaging \$58) on their subsequent visit.

Service Excellence vs. Ancillary Spending at Hotels



Source: J.D. Power and Associates Research

Figure 23

Mortgage Servicing

The *J.D. Power and Associates 2010 Primary Mortgage Origination Satisfaction StudySM* finds that providing a more highly satisfying experience may increase the likelihood customers will obtain additional financial products from their lender in the future. Among customers who were asked if they would consider obtaining a home equity line of credit (HELOC) from their lender, fewer than 24% of customers with low satisfaction indicated that they would. However, among highly satisfied customers, this percentage increased to 67%.

Impact of Customer Satisfaction on Additional Product Consideration

% Who Will Consider Additional Product/Service	High Satisfaction (900 or higher)	Medium Satisfaction (600 – 899)	Low Satisfaction (599 or lower)
Checking/Savings Account	36%	31%	8%
Credit Card	40%	36%	15%
HELOC	67%	56%	24%
Financial Advice	55%	39%	12%
Investment Services	44%	31%	9%
Auto Insurance	30%	24%	9%
Homeowners Insurance	36%	30%	12%
Life Insurance	28%	19%	8%
Auto Financing	51%	44%	18%
Money Market Account	51%	41%	16%

Source: *J.D. Power and Associates 2010 Primary Mortgage Origination Satisfaction StudySM*

Figure 24

Industry Consistency

Regardless of industry, the importance and impact of excellence in service is undeniable. Whether your company sells vehicles or the insurance for them, whether your company rents hotel rooms or provides the cellular service your customers use, service excellence matters.

Provide your customers an excellent experience and they'll reward you with their business, their loyalty, and their willingness to recommend your company to others.



A Final Look—And Your Call to Action

Delivering service excellence is difficult, and relatively few companies do it consistently. This year, only 40 of more than 800 companies measured qualified as J.D. Power Customer Service Champions, and did so by performing consistently well in key performance factors.

Above all, this year's Champions have created a culture that puts service excellence on center stage. They live it, believe it, and breathe it—from the sales floor to the executive suite. To develop and support this culture of excellence, the highest-performing companies focus on key management and operational objectives that are essential to delivering service excellence—and they apply these principles to each of the *J.D. Power 5 Ps*. These principles don't work independently of one another, but rather in a fluid, connected way, supported by your company's mission and by those who are empowered to make the biggest decisions.

The list below notes some of the key actions taken by Customer Service Champions to create and enforce a culture of excellence:

1. Focus First on Your Customers

Communicate effectively and proactively with your customers: Customers need to understand what impacts their service. Whether it's a price increase, loan options, or coverage choices, communicate enough details clearly so your customers know what to expect. Take the necessary steps to increase the number of positive interactions with your customers, in the right way, at the right time.

Customers increasingly communicate via the Internet or their mobile devices, posting their opinions about their experiences with your company. Thus, social media can be a valuable communications channel for delivering service excellence to them, but only if it is done with the right commitment. Too many companies rush to respond without understanding the consequences. Make sure your company makes that commitment before engaging with social media.

Personal service throughout the life cycle of the customer relationship includes such experiences as customer outreach before an impactful change or a follow-up thank you call after a service experience—demonstrating that clear, appropriate, excellent communication is key.

Provide multiple platforms for positive interactions with your customers: Be there for your customers, no matter where "there" is. Whether it's at a retail or service location, or via phone or online, your company should be where your customers need you to be. If your company isn't there, someone else will be, and you can't afford to lose opportunities. One caution—don't go where your company isn't prepared to be. Develop a strategy, support the right resources, and think before you leap. When in doubt, ask your customers.

2. Empower from Within

Empower your people to solve problems: Good people are more than knowledgeable and pleasant. Customers expect your people to be their partners in solving problems, so create an environment that turns your employees into proactive problem-solvers.

Hire the right people, provide them with the necessary training and tools, give them the right opportunities to succeed with your customers, and then measure and reward the high performers. Performance is a process, and you should be constantly revisiting it to assure your people remain top performers.

Get your people involved and listen to them: Some of the best ideas for improving the service your company provides to your customers are locked away in the heads of your people. The highest-performing companies recognize this fact and involve their people accordingly—other than your customers, who has a better perspective on the interface between your company and your customers? Don't ignore your own customer-facing people. Companies whose people have a voice have higher employee satisfaction. As with customer satisfaction, employee satisfaction provides positive results.

3. Be Well-Informed and Share What You've Learned

Measure and understand customer expectations: In today's world, it's easy to get data—perhaps too easy. Make sure you measure what has a demonstrable impact on your business. Customer opinion changes quickly in a world dominated by Twitter, Facebook, and YouTube. Research is no longer an annual process—it's a daily requirement. Listen to your customers, wherever they share their opinion, whether it's on the phone, on their blog, in your stores or service locations, or on their favorite social media site. If you're not listening, understand that someone else is.

You now have more access into the tacit or unspoken nature of customers and consumers than at any other time in history. Listen carefully to what is being said and gain a deeper understanding of your customers, then use that knowledge to improve the service experience, to improve brand messaging, and to inform new product development.

Be transparent with information and results: Measurement of the right things only works if the right people see the results. From product development and sales, to contact center and Web design, the only way to incorporate the voice of your customer fully into your business is to be transparent with what they say to you—share broadly and openly; not just when the news is good, but also when there's something to learn.

4. Make It Fast and Keep It Easy

Speed and convenience: These remain constant desires of your customers, regardless of whether your company provides a product, a service, or both. With the advent of increasingly better technology, immediacy and simplicity have become basic expectations. This is true not just in the technology-related industries, but in all industries. This means everyone's job just got harder—the bar is set higher, the expectations are greater, and the need is clear. Eliminate the nice-to-haves of your internal processes and focus on the have-to-haves.

Your customers expect a fast, and also easy experience. If you require them to do more work than they expect just to reach you or engage your product and service, you've provided a key dissatisfier—and very possibly an invitation for them to seek your competitors, who may prove easier to deal with than your company.

The Buck Stops in the Executive Suite—Interviews with Customer Service Champions

Leaders of some of the Customer Service Champion companies have kindly offered to answer questions related to what they think it takes to be a leader. Here's what they had to say.



JetBlue Airways

Rob Maruster, Executive Vice President, Chief Operating Officer

Robin Hayes, Executive Vice President, Chief Commercial Officer

JetBlue Airways ranked highest in the *J.D. Power and Associates 2010 North America Airline Satisfaction StudySM* in the low-cost carrier segment for a fifth consecutive year. JetBlue continues to flourish and grow while setting the bar in customer satisfaction. The airline recognizes the value of providing a differentiated customer experience—not just a low price—as a means of building loyal, committed passengers who may pay a bit more or adjust their travel plans in order to stay with the airline in an otherwise commoditized market. There are lessons to be learned from JetBlue's approach to passenger satisfaction and how it works within their overall strategy and business model. Those lessons are applicable not only to other airlines, but also across industries—especially service industries, where commoditization exerts downward pressure on price and profitability.

J.D. Power: Analysis of J.D. Power databases indicates that JetBlue is among the top brands for providing service excellence. Our research also shows that top brands generally do many things well, not just one. That being said, what one or two key things do you feel have most contributed to JetBlue's success in delivering excellent service to your customers?

JetBlue: *We have created a 'closed loop' process on our customer feedback. Not only do we follow up one-on-one with each customer providing the feedback, we also roll up all the feedback weekly and monthly to determine key drivers of service, as well as where we are falling short. Action plans are developed and processes changed. Leaders are held accountable for improving their service scores.*

We also have developed a recognition program to highlight excellent service across all service departments, with personal letters from our Senior Leadership every month to crewmembers who deliver excellent service. In addition, we have an internal tracking system that maintains historical customer feedback on every crewmember, which is used for positive and constructive feedback during performance reviews of Airport crewmembers and Flight Attendants.

J.D. Power: Could you share with us what you consider the biggest challenges your organization faces in delivering excellent service?

JetBlue: *One of the key drivers of customer satisfaction for an airline is on-time service. But customers can be fairly understanding about delays, as long as they are communicated with on a regular basis, in a friendly and helpful manner. Given the complexity of the airline environment, sometimes having accurate and up-to-date information is a challenge.*

J.D. Power: How do you overcome those challenges?

JetBlue: We strive to provide timely and relevant information to our frontline crewmembers and encourage them to communicate regularly with empathy and understanding. We have found that communicating our strategy prior to a large event, like a snowstorm, helps crewmembers enormously—simply by giving them something to say to their customers. By continually focusing on this topic, providing training to our crewmembers and recognizing outstanding examples of when communication provides service recovery, we are seeing some improvements in this area.

J.D. Power: Do you formally capture and/or measure service excellence at JetBlue?

JetBlue: We have a robust 'Voice of the Customer' program, which captures feedback across many channels on a daily basis, including: 1,500 survey responses; 500-3,000 emails; 100-1,000 Tweets; and 20-50 Opinion Lab web feedback forms. A dedicated team measures service excellence daily—and reports it weekly.

J.D. Power: What do you consider critical to making it effective?

JetBlue: Creating actionable insights from the feedback is critical to the success of our service delivery program. We synthesize the feedback across all platforms and bring it into one central, dedicated team for analysis—including structured feedback for statistical analysis as well as unstructured feedback for text analysis. This information is measured daily, then analyzed and reported weekly across all service and product departments. Service pain points are discussed weekly at the operational level and then monthly at a corporate level.

J.D. Power: Where do your best ideas around delivering service excellence come from?

JetBlue: Customers may know 'what' they want, but the key is in 'how' the 'what' is delivered. For this, we engage our crewmembers, as they have some of the best ideas on 'how' to deliver or improve customer service.

J.D. Power: Are there any other companies or industries that you look to for ways to improve?

JetBlue: We monitor our competitors (particularly Southwest and Virgin America), and we also look to many service industries such as hotels, Disney, Zappos and others. However, we mainly focus on how we are performing to our own goals. We set the bar high and work hard to reach it. Our customers tell us what they want, and we continually improve our ability to execute to their (and our own) expectations.

J.D. Power: Do you have any programs to capture ideas for improvement directly from your employees?

JetBlue: We started a program called 'Culture is Service' in 2010, designed to bring small groups of crewmembers together to 1) understand our business strategy and the importance of customer service to our success; 2) identify what's getting in their way from delivering magnificent customer service; 3) invite them to participate in removing roadblocks that get in their way as well as in supporting or strengthening those areas that work well. About 1,000 crewmembers from our Inflight Service and Airports teams participated, and we will reach about 1,000 additional crewmembers this year in our Customer Support (Reservations) and cross-functional frontline groups. We have seen positive results from this approach, which we call 'inside out'—meaning, 'Service is a reflection of the culture. If you improve the culture, you improve customer service.' The leadership metric around this program is actioning and closing out those items identified.

J.D. Power: Now that you have “scaled the mountain,” so to speak, to deliver excellent service, how do you keep your organization engaged around customer satisfaction?

JetBlue: *We can never stop, never rest. We are continually improving the internal ‘closed loop’ feedback channels. The quicker the feedback can be turned into actionable insights for front-line to C-level, the better we will become. We also look comparatively to other service industries for best practices.*

J.D. Power: Is there anything else that we haven’t covered that you consider KEY to JetBlue’s industry-leading performance in service excellence?

JetBlue: *Perhaps the most subtle but also the most important element of our service DNA is that we don’t serve by rulebook—we serve by Values. Every crewmember knows our five Company Values: Safety, Caring, Integrity, Fun and Passion—and they are told to make decisions based on these Values. If they make a decision justified by one of our Values, the company will back them up—period. An example of this is the ability for an inflight crewmember to comp all movies on a flight because it’s been delayed due to weather. Another example is waiving the oversize bag fee if the bag weighs 51 pounds, instead of 50 pounds. We don’t micro-manage these decisions. Crewmembers know that without customer loyalty, we don’t exist, and they are empowered to give our customers a reason to choose JetBlue the next time they fly.*



Enterprise Rent-A-Car

Andrew Taylor, Chief Executive Officer

Enterprise ranked highest in customer satisfaction for a seventh consecutive year in the *J.D. Power and Associates 2010 North America Rental Car Satisfaction Study*.SM Not only does Enterprise rate highest in 23 of the 27 attributes measured in the study, but the company also showed improvement in 26 of the 27 attributes, compared with the 2009 study. Enterprise believes that every interaction with customers, from the start of a reservation until the rental car is returned, is regarded as an opportunity to please and gain a lifelong customer. Enterprise maintains an uncompromising focus on customer service through its culture, which is based on its eight Founding Values: Brand, Honesty, Service, Fun, Hard Work, Listening, Community, and Inclusion.

J.D. Power: Analysis of J.D. Power databases indicates that Enterprise is among the top brands for providing service excellence. J.D. Power research also shows that top brands generally do many things well, not just one. That being said, what one or two key things do you feel have most contributed to Enterprise’s success in delivering excellent service to your customers?

Enterprise: *Two key things which contribute to our success are a culture of customer service, and managing our service by measuring it.*

Culture of customer service: My father, Jack Taylor, founded Enterprise more than 50 years ago on the simple principle: ‘Take care of your customers and employees first...and profits will follow.’ The culture of our company has been built upon a commitment to provide the best possible service to our customers, always listening to what our customers are asking for and improving to meet and exceed their expectations. We train our employees from day one that customer service is the most important part of their job, but setting that example starts with ownership.

Manage what you measure: We also know that you can only manage what you measure, and measuring customer satisfaction for a company of our size can be challenging. To that end, we developed the Enterprise Service Quality index (ESQi) in the 1990s. Every month we survey thousands of our customers to ask them two questions: 1) on a scale of one to five, how satisfied were you with your rental experience? and 2) would you rent from us again?

Each of our rental locations earns a ranking based on the percentage of its customers who say they were completely satisfied with their last rental experience. We call that ranking 'top box.' Scores for local operations are compared with the corporate average and play a major role in decisions about our employees' rewards and advancement. That ties the employees' personal goals to the company's quest to provide great service. Measuring is the easy part—making that measurement matter to each and every employee is more difficult. ESQi has proven so effective that it has been the subject of several articles as well as a book called 'Exceeding Customer Expectations' by Kirk Kazanjian.

J.D. Power: Could you share with us what you consider the biggest challenges your organization faces in delivering excellent service? How do you overcome those challenges?

Enterprise: *With more than 7,600 rental locations across North America and Europe and more than 68,000 employees companywide, maintaining a consistent focus on superior customer service can be a challenge. Also, our operations are largely decentralized with a focus on giving our managers the tools, training, and autonomy to run their branches as their own businesses. In order to ensure that each of our employees remains focused on providing outstanding service to our customers, we tie their career advancement to their location's ESQi results. So, for example, even if a given location is profitable, if their ESQi number is not at or above the company average, that manager cannot be promoted to the next level on his or her career path.*

J.D. Power: Where do your best ideas around delivering service excellence come from?

Enterprise: *Our best ideas come from listening to the ideas of our employees and the feedback from our customers. In fact, it was one of our employees who first came up with the idea to pick our customers up when they're renting from us, and now we are known throughout the travel industry for that added level of service. By listening to our customers, we've also committed to offering fuel-efficient and alternative-fuel vehicles in our fleet, including gas-electric hybrids and electric vehicles, and have implemented our WeCar car-sharing program, Rideshare vanpooling and hourly car rental.*

J.D. Power: Now that you have "scaled the mountain," so to speak, to deliver excellent service, how do you keep your organization engaged around customer satisfaction?

Enterprise: *We continue to hire the most skilled, entrepreneurial employees who understand and deliver on our commitment to superior customer service. We remain committed to programs such as ESQi, which create a positive atmosphere of competition for service excellence. In addition, we have added Brand Integrity Audits that require assessors to visit airport locations and evaluate customer service; bus service and condition; counter, return and exit booth service; brand image; facilities and wait times; and perhaps most importantly, vehicle cleanliness and condition. These audits were adopted as a best practice from the Alamo Rent A Car and National Car Rental brands after our company acquired them in 2007. We are always upgrading facilities, refreshing our fleet, auditing policies and procedures, and looking for opportunities to improve the overall experience of our customers. Most importantly, we continue to listen to our customers to find out how we can serve them even better.*



J.D. Power: Is there anything else that we haven't covered that you consider KEY to Enterprise's industry-leading performance in service excellence?

Enterprise: *Working as a team, supporting each other and having fun are all aspects of our company's culture that play a part in our efforts to provide superior customer service.*

USAA

Wayne Peacock, Executive Vice President, Member Experience, USAA

USAA is a Fortune 500 company that provides a wide range of services to personnel who serve, or served, in the United States military, and their families. As such, USAA operates with what J.D. Power considers a "closed" membership model and is therefore not eligible for traditional rankings in J.D. Power and Associates studies. However, USAA has proven to be one of the most consistent providers of service excellence of all the companies that we measure. Whether for home owners or car insurance, or claims services, USAA consistently earns among the highest satisfaction scores of all the brands measured.

USAA has also been an innovator and was one of the pioneers of direct marketing. Today, much of its business is conducted via the Internet or phone using employees instead of agents. USAA is just one of this year's Customer Service Champions that provides a number of lessons for companies aspiring to deliver excellent customer service.

J.D. Power: Analysis of J.D. Power databases indicates that USAA is among the top brands for providing service excellence across all the industries that the company measures. J.D. Power research also shows that top brands generally do many things well, not just one. That being said, what one or two key things do you feel have most contributed to USAA's success in delivering excellent service to your customers?

USAA: *USAA's success is directly linked first and foremost to our unrelenting focus on our mission: to facilitate the financial security of our members...the men and women of the U.S. military and their families. That mission matters and it inspires all of us at USAA to work for a cause greater than ourselves. This mission doesn't just hang on a wall, it drives everything we do: strategic planning, operational decisions, day-to-day decisions. When you have a mission that matters, you have engaged, passionate employees showing up every day to make a difference in the lives of your customers.*

J.D. Power: The point above notwithstanding, USAA's performance in J.D. Power's recent analysis is one of the few that is consistently excellent across the five key areas considered: People, Presentation, Price, Product, and Process. Do you consider USAA's success as the outcome of focusing on specific KPIs [Key Performance Indicators] related to the *J.D. Power 5 Ps*, or is it the result of a broader cultural commitment to service excellence?

USAA: *For USAA, it's the result of a broader cultural commitment. Our focus on our mission permeates our operations. Employees come to USAA from many backgrounds, but in all cases, to be successful, they must be excited about our mission, in tune with our core values and committed to service. In fact, a defining aspect of our culture is what we call 'My Commitment to Service,' which asks employees to affirm that they live USAA's core values, are passionate about our mission and are accountable for best-in-class results.*

J.D. Power: Could you share with us what you consider the biggest challenges your organization faces in delivering excellent service? How do you overcome those challenges?

USAA: *For us, it's not becoming complacent or resting on our laurels. We consistently receive external awards or accolades from a variety of sources recognizing our employees for providing exceptional service. That includes such prestigious organizations as J.D. Power and Associates, BusinessWeek, MSN Money, Forrester, and others. And while we certainly celebrate and acknowledge that recognition, we can't be satisfied. We foster a sense of continuous improving by reminding our employees that our members and their families deserve the very best service every time they contact USAA. The competition isn't resting and neither can we.*

J.D. Power: Do you formally capture and/or measure service excellence at USAA? If so, what do you consider critical to making it effective?

USAA: *We measure member satisfaction in a variety of ways. For example, we track it monthly by channel—member service rep, online, mobile, voice line, email, and face-to-face. We also have an 'after-call satisfaction survey,' where members are asked to rate their satisfaction on a 10-point scale. For 2011, the goal is to receive an 'exceptional experience' rating of 9 or 10 on the after-call survey from 92 percent of members. Additionally, members are also randomly selected to participate in an outbound phone survey, which asks them to rate their overall satisfaction with USAA.*

J.D. Power: Where do your best ideas around delivering service excellence come from?

USAA: *Those ideas come from two obvious places: our members and our employees. Members love to tell us how we can better serve them when they talk with our service reps, through e-mail or other online channels, and by mail. We listen to what they say and operationalize it.*

We also foster a culture of innovation across USAA. Driven by our Enterprise Innovation organization, our goal is to transform the organization into the innovation leader in the financial services industry by using all assets at our disposal, including human capital, social media communities, and technology. Enterprise Innovation relies on employees throughout the company to regularly submit ideas which are then shared and voted on. The outcome is continuous innovation.

J.D. Power: Now that you have "scaled the mountain," so to speak, to deliver excellent service, how do you keep your organization engaged around customer satisfaction? Is it simply staying the course, or do you have to constantly re-invent your programs and focus around it?

USAA: *At USAA, it is all about the mission. We are laser-focused on our members. By staying true to this simple, clear directive, we will continue to be successful.*

Appendix: Objectives and Detailed Methodology



Cross-industry analysis of syndicated data: Data was compiled across all J.D. Power and Associates syndicated study results for B2C (business-to-consumer) studies in the United States between 2006 and 2010. In addition, supplemental benchmark research was conducted in December 2010 to provide greater insight into J.D. Power syndicated data. In total, the combined cross-industry database includes more than 800 brands across more than 20 distinct industries, including:

- Automotive
- Hotel
- Rental Car
- Airline
- Airport
- Insurance
- Online Retail
- Traditional Retail
- Wireless Service
- Wireline Service
- Cable Service
- Mobile Phone
- Residential Electric Utilities
- Residential Gas Utilities
- Homebuilder
- Home Improvement
- Home Appliance
- Health Plans
- Retail Pharmacy
- Retail Banking
- Credit Card
- Mortgage Lending
- Investor Services
- Restaurant

The combined dataset was then used to construct a cross-industry scoring system based on J.D. Power and Associates' proven index methodology. The result was an all-new index structure that includes the 5 Ps: People, Presentation, Price, Product, and Process. The maximum score for a brand is 1,000 for both the overall score and for each factor score.

All brands with sufficient sample were then scored using this new methodology.

Identification of Customer Service Champions: To be recognized as a Customer Service Champion, a brand had to meet two specific criteria:

- Excel within their respective industries
- Excel across industry aggregates

1. Within Industry: Within each study, or when there were multiple studies for one industry, we determined score at the 80th percentile and established it as the first threshold. Then, to further ensure the selection of the highest-performing brands, a benchmark 10 points above that threshold was established. Only those brands that scored above that higher threshold were eligible to be included among the Customer Service Champions.

2. Across Industry: Comparing brand performance across industries presents unique challenges vs. comparisons within an industry. Thus, companies were further scored by creating industry aggregates based on the industry similarity in both the type of services provided and the distribution of scores, e.g., financial service and insurance distribution, as well as combining the utility and telecommunications industries. Scores of the aggregated industries were then averaged and a z-score for each brand was calculated relative to this competitive aggregate. A z-score is a common approach to compare scores across industries (or any distribution) where the means are notably different. Only those brands with a z-score of 1.5 or greater were eligible for the Customer Service Champions list. A z-score of 1.5 compares to the upper 7% of the distribution, such that 93% of all scores are expected to be lower.

In summary, only 40 brands successfully met both of the criteria described above. These brands excel within their own respective industries and also emerge as leading brands when evaluated across all industries.

Finally, for the Customer Service Champions scorecard, in which notable strengths are identified for each brand, each Champion's score was compared to the average of all the Customer Service Champion brands on each of the *J.D. Power 5 Ps*. Strengths were noted when a brand's individual score was reliably above the mean for the service champions as an overall group.

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JetBlue Airways

Wayne Peacock, *Executive Vice President, Member Experience*
USAA

Andrew Taylor, *Chief Executive Officer*
Enterprise Rent-A-Car

Data Resources

J.D. Power and Associates's 2010 syndicated studies covering the following industries:

- Automotive
- Hotel
- Rental Car
- Airline
- Airport
- Insurance
- Online Retail
- Traditional Retail
- Wireless Service
- Wireline Service
- Cable Service
- Mobile Phone
- Residential Electric Utilities
- Residential Gas Utilities
- Homebuilder
- Home Improvement
- Home Appliance
- Health Plans
- Retail Pharmacy
- Retail Banking
- Credit Card
- Mortgage Lending
- Investor Services
- Restaurant

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Gary Tucker is Senior Vice President of the Global Services and Emerging Industries Division at J.D. Power and Associates. He is responsible for overseeing the company's worldwide non-automotive business, which delivers syndicated research, proprietary tracking programs, solutions consulting and performance improvement programs to clients around the world. Industries served include insurance; financial services; healthcare; real estate and construction; travel; energy; telecommunications; recreational vehicle; commercial vehicle; and powersports.

Previously, Mr. Tucker was Senior Vice President and General Manager of the U.S. Services and Emerging Industries Division, where he led the company's U.S. non-automotive operations and earlier was Executive Director of Client Services for the automotive industry.

Mr. Tucker joined J.D. Power and Associates in 2001 with 18 years of automotive experience, including three years as an OEM executive, five years in automotive financing and 10 years in retail automotive.

Prior to joining J.D. Power and Associates, Mr. Tucker was vice president of marketing and product planning for American Isuzu Motors Inc. During his three years with Isuzu, he also served as vice president of sales and as vice president of asset management.

Earlier in his career, Mr. Tucker held various sales and marketing positions at GE Capital Auto Financial Services, including business leader of the Canadian unit, GE Capital Autolease Canada, located in Mississauga, Ontario. He also spent 10 years working in the retail automotive industry in the Northeast.

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Gina Pingitore, Ph.D.

Gina Pingitore is Chief Research Officer at J.D. Power and Associates, where she is responsible for the scientific rigor and oversight of the design and statistical analyses for all syndicated and proprietary studies.

Since joining the company in 2002, Dr. Pingitore has developed models to establish the relationship between various Voice of the Customer measures and business outcomes. These efforts have been published in marketing journals, as well as presented at numerous scientific and business conferences. More recently, she has focused on the development of measures of customer engagement through the creation of a Customer Commitment Model—a statistical construct to assess customers' dedication to a particular brand or product. She has also spearheaded the company's use of statistical techniques in data fusion to integrate disparate data sets that create a third data set able to economically increase insight.

Previously, Dr. Pingitore was a practicing licensed clinical psychologist and behavioral researcher in academia, where she authored numerous articles in professional journals and managed numerous projects funded through federal grants. Later, she worked for a major advertising agency as a strategic planner on numerous engagements, including the 2002 Winter Olympics.

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Chance Parker

Chance Parker is Vice President, Services and Emerging Industries Operations in the Global Services and Emerging Industries Division at J.D. Power and Associates. He is responsible for new-product development, mystery shopping and certification programs.

Prior to his current position, Mr. Parker was Vice President and General Manager for the company's Web Intelligence Research Division, where he led the execution of social media research strategy across both new and existing business verticals. Earlier at J.D. Power, he was Executive Director, Digital Transformation, where he was responsible for creating and executing the company's U.S. business strategy plan to transform client deliverables to a digital platform to provide greater client value, improve quality and speed to market.

Previously, Mr. Parker led the relaunch and repositioning of the Vehicle Quality Survey platform for three of the company's major syndicated automotive studies. This initiative, which redefined quality for the industry and delivered increased client value, included the *Initial Quality Study (IQS)*; *Automotive Performance, Execution and Layout (APEAL) Study*; and *Vehicle Dependability Study (VDS)*. Mr. Parker was also a participant in the company's performance improvement activities focused on vehicle design, vehicle quality and vehicle market launches.

Mr. Parker earlier was director of market research for Homestore.com, and was responsible for all primary market research and intelligence. He was also general manager of the jdpower.com division of J.D. Power Clubs, Inc., a consumer-oriented joint venture with J.D. Power and Associates.

Mr. Parker originally joined J.D. Power and Associates in 1989, and was responsible for product-related research activities in the auto industry. He began his career as a district manager for the Pontiac Division of General Motors Corporation.

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Mr. Parker earned a bachelor's degree from Southern Utah University with dual minors in marketing and economics and an MBA from Pepperdine University.



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Before joining J.D. Power and Associates in 1996, Mr. Williams-Dalgart was director of operations at The Lovelace Family Limited, a greeting card and gift manufacturer in Colorado. He was responsible for artist and writer contracts; general budget; and corporate oversight, including management of human resources, accounting, order fulfillment and collections. Previously, he was the conference program manager for the University of California, Santa Barbara, where he managed international conferences held on the campus.

Mr. Williams-Dalgart is a member of the International Society of Performance Improvement (ISPI) and Southern California Writer's Association (SCWA).

Mr. Williams-Dalgart earned a bachelor's degree in English, with honors, from the University of California, Santa Barbara, and holds a certificate in screenwriting from the University of California, Los Angeles, and has spent time studying at the Shakespeare Institute in England. He also holds a Green Belt Certification in Six Sigma.



Dave Howlett

Dave Howlett is the Senior Director of Consumer Insights and Strategy at J.D. Power and Associates. He is responsible for culling actionable insights from social media research spanning the millions of conversations taking place online every day. Leveraging state-of-the-art text analytics and social media analysis technologies, the Consumer Insights and Strategy team analyzes the outputs and prepares insightful reports for clients.

Mr. Howlett has more than 20 years of experience in marketing management positions in the technology sector. Prior to joining J.D. Power and Associates in 2008, he was co-founder and vice president, consumer insight and strategy at Umbria Inc., before its acquisition by J.D. Power in April 2008. Previously, he founded Tech Guys, Inc. and served as chief marketing officer, and earlier founded Green Planet Software, Inc., where he also served as vice president of sales and marketing.

Mr. Howlett has authored several articles and has been cited in major business magazines and trade publications regarding social media/user-generated content, marketing, market research, customer relationship management and product development. He has spoken at numerous engagements and industry conferences and events, including international engagements in London, Amsterdam and Paris.

Mr. Howlett earned a bachelor's degree in business administration from the University of Kansas and an MBA from the Carroll Graduate School of Management at Boston College.



Rich Bongiorno

Richard Bongiorno is a Senior Director in Digital Research at J.D. Power and Associates. He is responsible for the company's Business Intelligence Solutions, which provide real-time consumer experience information to clients.

Mr. Bongiorno joined J.D. Power and Associates in 1998. He has worked on the design and execution of complex syndicated studies, including the *Initial Quality Study (IQS)*; *Automotive Performance, Execution and Layout (APEAL) Study*; and *Vehicle Dependability Study (VDS)*. Additionally, he designed and executed several groundbreaking proprietary programs for major companies. More recently, Mr. Bongiorno led the release of Acutrend, the company's new Business Intelligence Solution to deliver continuous customer experience measurement programs to clients.

Prior to joining the company, Mr. Bongiorno was a corporate financial analyst at Iwerks Entertainment Inc., where he performed such functions as fiscal year budgeting; financial forecasting; mergers and acquisition support and analysis; and daily financial analyses.

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Mr. Bongiorno earned a bachelor's degree in business administration management and finance from California State University, Northridge, and a master's degree in business administration from Pepperdine University.



Mike Battaglia

Mike Battaglia is Account Director, Operational Research in the Global Services and Emerging Industries Division at J.D. Power and Associates. He is responsible for the development of the recently established operational research practice area, as well as for all facets of the department's management, including profit and loss, sales, marketing and project design and execution. He previously served as director of the retail practice in the U.S. Automotive Division, where his primary responsibilities included selling and delivering projects that addressed retail network needs.

Mr. Battaglia has extensive experience in automotive and consumer electronics. Prior to joining J.D. Power and Associates in 2006, he spent six years with SmartDisk, a consumer electronics firm specializing in digital media and storage hardware, where he managed all sales activities throughout the western United States. Earlier, he was with Toyota Motor Sales, U.S.A. in numerous management positions, including sales, distribution and training.

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Mark Miller is Senior Director, Market Development, Call Center Practice at J.D. Power and Associates. He is responsible for global strategy and market development for the Certified Call Center Program and the Certified Technology Service and Support Program.

Mr. Miller has more than 15 years of performance improvement consulting experience working with small, medium and Fortune 500 clients in more than a dozen industries to improve sales, customer service and technical support operations. Recent engagements include a large automotive manufacturer; the largest telecommunications company in Italy; a leading wireless company, insurance company and financial services firm; and a top-performing utility and video game developer.

Prior to joining J.D. Power and Associates in 2000, Mr. Miller served as a strategy and operations consultant to executive-level management in the sporting goods, computer and networking services, offshore software development and Internet security industries.

Mr. Miller received a bachelor's degree in journalism from The University of Texas at Austin and an MBA in marketing (with honors) from Regis University. He was selected as a member of the Alpha Sigma Nu Honor Society.



Sara Wong Hilton

Sara Wong Hilton is Director of Strategy and Planning at J.D. Power and Associates. She is responsible for administering and facilitating corporate strategy planning and new product development. Her duties include management and execution of company planning and development processes; facilitation of ideation, innovation and product planning for the company's diverse businesses; management of the product pipeline, including tracking, launch and post-launch activities and financial results; analysis of opportunities in new markets, as well as with potential partners, alliances and acquisitions; and support of executive management on a full range of strategic issues, including brand strategy, change management and performance tracking.

Prior to her current position, Ms. Wong Hilton served as Director of New Product Development in the company's Global Services and Emerging Industries Division and as a Senior Engagement Manager in the company's Automotive Solutions group. Earlier, she managed the Market Analysis group. In that position, she was responsible for the publication of comprehensive proprietary and syndicated analytical assessments on industry and consumer trends, and also provided research products and analytical services to automotive manufacturers, suppliers and financial services clients.

Ms. Wong Hilton has 20 years of experience in the automotive industry, and has led many business-to-business projects for OEM and Tier 1 supplier clients on a global basis. Her scope of experience includes strategic market assessments, retail process improvement and product development improvement through understanding, translation and integration of Voice of the Customer insights into the client organization.

Prior to joining J.D. Power and Associates in 1998, Ms. Wong Hilton held positions in forecasting, inventory management, purchasing, inside sales and account management/client relations at several Tier 1 automotive supplier organizations.

Ms. Wong Hilton earned a bachelor's degree in Chinese and a certificate in Asian studies from Georgetown University. She earned an MBA in international finance/managerial economics from the University of Michigan. She is fluent in Mandarin Chinese and has spent significant time in China.

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