



# Beyond Satisfaction: **J.D. Power 2012 Customer Service Champions**

BRANDS THAT DELIVER SERVICE EXCELLENCE TO MAXIMIZE BUSINESS RESULTS

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*Executive Summary*

March 2012

# Beyond Satisfaction: J.D. Power 2012 Customer Service Champions

## EXECUTIVE SUMMARY

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### Introduction

Beginning in 1968, the company's founder, Dave Power, set off on a journey to represent the Voice of the Customer. Over these past 44 years, J.D. Power and Associates has worked alongside hundreds of companies across dozens of industries, touching every corner of the globe. In our quest to make a difference for our customers, and theirs, we've helped poor performers get better, companies mired in mediocrity rise to the top, and perennial top performers hang onto their envied position. In J.D. Power's service to these companies, we've seen from a business perspective what customers see from their own perspective: a varied marketplace of disparate brands, all intent on winning and keeping customers.

This endless quest for market share and mind share rages on. Some improve, others fall behind, and a select few stand above the rest. We continue our tradition of recognizing the best brands in the United States with our second annual list of J.D. Power 2012 Customer Service Champions.

At first glance, these Champions appear to have little in common—Clark Public Utilities is much different than USAA; while Amazon and Apple are ubiquitous, Frost Bank and Wegmans Pharmacy are not as well-known. But don't be misled—each of these brands has earned its place among this elite group.

For this special report, J.D. Power analyzed the feedback from hundreds of thousands of US consumers who do business with more than 800 companies. You will see examples throughout this special report of how remarkable companies use service excellence to drive business results. These brands consistently rely on key performance indicators to secure and maintain their leadership positions, as well as to satisfy and retain their customers.

This year, 50 companies have earned the distinction of J.D. Power 2012 Customer Service Champion, yet more than half of them are new to the list, demonstrating that excellence is not easily won and may be even harder to sustain.

### A True Challenge—Turbulent Times

Market uncertainty, global currency fluctuations, ecological and political volatility—each of these factors has contributed to a difficult economic environment for consumers and the brands that serve them. To face this “new norm” of constant change and increasingly high demands, J.D. Power 2012 Customer Service Champions must be both nimble in their adaptability and unwavering in their performance against priorities.

In times of uncertainty, consumers look for brands they can rely on to provide value, meet their needs, and consistently satisfy their evolving expectations.

Is your brand ready for the new norm?



Gary Tucker  
Senior Vice President, J.D. Power and Associates

## J.D. Power 2012 Customer Service Champions

The J.D. Power 2012 Customer Service Champions are as diverse in the industries they serve as they are in the way they present themselves in the market. Nevertheless, they all have one thing in common—for each of them, good is no longer good enough. These companies have become Champions by going beyond satisfaction. The way in which they deliver and exceed their customers' expectations not only helps them win market share and maximize financial performance, but also raises the bar for other companies, both within and outside their industry.

### J.D. Power 2012 Customer Service Champions

ENERGY	FINANCIAL SERVICES	HEALTHCARE	INSURANCE	PRODUCTS	RETAIL	TELECOM	TRAVEL
					Amazon.com		
					Apple		
				David Weekley Homes		Straight Talk	
							
					Kohl's		
					L.L.Bean		
							
							
							
							

Source: J.D. Power and Associates

Figure 1

## Why Excellence Matters

As companies struggle to identify opportunities for improvement; justify investments of effort, labor, or capital; or predict their financial success, few metrics are more valuable or informative than those related to customer satisfaction. This is not to say satisfaction is a single metric. Rather, it's the sum of all experiences a customer has with a company, and is most informative of any company's ongoing success.

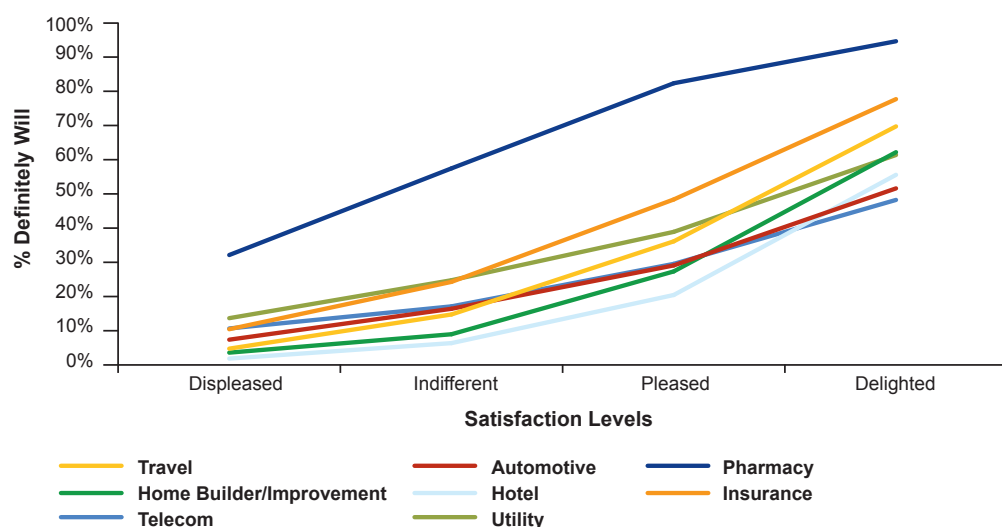
The importance of customer satisfaction can perhaps be best described when considering how it is linked to common business goals such as loyalty—specifically, levels of customer recommendation or intent to repurchase.

Without exception, J.D. Power finds a strong relationship across industries between the level of customer satisfaction and demand-side benefits, such as repurchase intent rates.

“If customers are buying excellence—and they are the people who define excellence—you’ve constantly got to measure whether they agree with your interpretation of excellence at that particular time. And that definition of excellence evolves constantly.”

– Craig Reid,  
President of Operations,  
Americas, Four Seasons  
Hotels and Resorts

### Repurchase Intentions by Satisfaction Level



On a 10-point scale, Displeased is 1-5 points; Pleased is 6-7 points; Satisfied is 8-9 points; Delighted is 10 points

Source: J.D. Power and Associates 2011 US Syndicated Studies

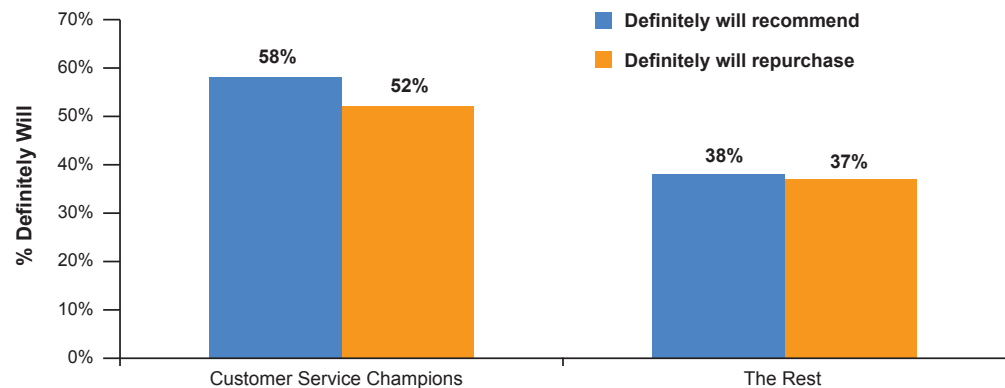
Figure 2

## Beyond Satisfaction: J.D. Power 2012 Customer Service Champions

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In examining the rates of repurchase and advocacy among the J.D. Power 2012 Customer Service Champions, the benefits of focusing on satisfaction translate to double-digit improvements in performance.

#### Recommendation and Repurchase Levels by Customer Service Excellence



Source: J.D. Power and Associates 2011 US Syndicated Studies

Figure 3

In industries such as banking, the impact on financial indicators is clear: highly satisfied customers are the best customers. They are not only more loyal, but are also stronger, more active advocates and have a higher level of product penetration.

#### Impact of High Satisfaction on Financial Indicators—Banking Industry

	High Satisfaction (OSAT 800+)	Medium Satisfaction OSAT (500-799)	Low Satisfaction (OSAT <500)
<b>Retention</b>			
Definitely will reuse next time in need of product	54%	14%	4%
Definitely will not reuse next time in need of product	2%	2%	20%
<b>Advocacy</b>			
Definitely will recommend	58%	14%	2%
Average # of positive recommendations in past 12 mos.	3.9	1.8	0.7
Definitely will not recommend	2%	3%	31%
Average # of negative recommendations in past 12 mos.	0.1	0.7	4.7
<b>Brand Image (on a 7-point scale)</b>			
Good reputation (mean score)	6.33	5.22	3.65
Customer driven (mean score)	5.28	3.88	2.41
<b>Product Penetration</b>			
Average # of products with bank	2.8	2.7	2.5
Average # of products with another institution	2.2	2.7	2.6

Source: J.D. Power and Associates 2011 US Retail Banking Satisfaction Study<sup>SM</sup>

Figure 4

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The insurance industry provides other examples of how high satisfaction can impact key business metrics. Retention and acquisition costs—two measures that are particularly impactful in this industry—are heavily influenced by customer satisfaction.

#### Satisfaction Impact on Insurance Industry—Retention and Acquisition

	Overall Satisfaction (based on 1,000-point index)	Retention-Related			Acquisition Cost-Related					% Will Not Switch for Any Price
		Actual Retention	% Definitely Will Renew	% Definitely Plan to Shop	3-Year Growth	Acquisition Cost	% Definitely Will Recommend	Avg. # of Positive Mentions	Avg. # of Negative Mentions	
High Satisfaction	824	94%	61%	4%	10.6%	14.3%	58%	2.8	0.1	29%
Medium Satisfaction	781	83%	46%	6%	0.0%	17.0%	42%	2.0	0.2	20%
Among the Rest	754	80%	37%	8%	-8.2%	17.4%	34%	1.5	0.2	13%

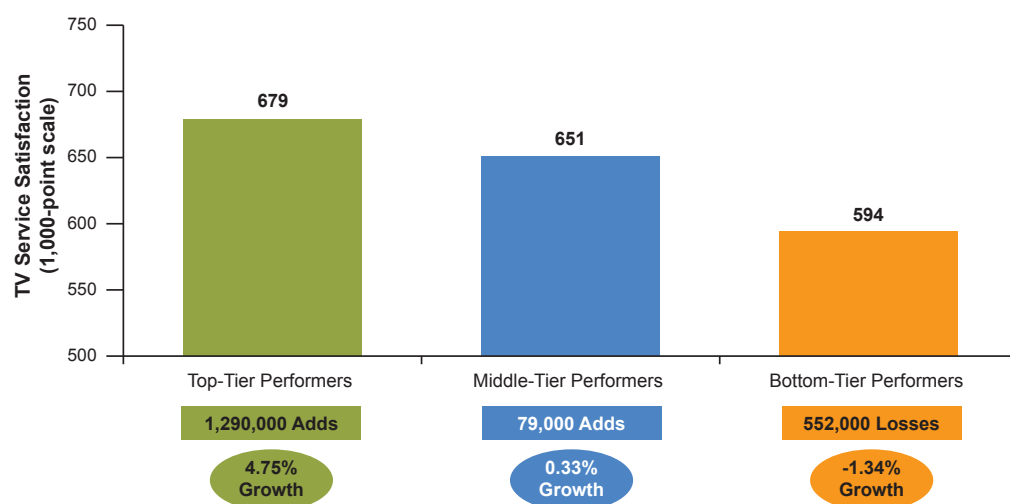
Source: J.D. Power and Associates 2011 US National Auto Insurance Study<sup>SM</sup>

Figure 5

Even when the product is not differentiated in a market or industry, in their efforts to reach their business goals, companies must focus on people, presentation, process, and price to satisfy their customers. Companies in the cable and telecommunications industries, often viewed as offering commodity products and not widely known for high levels of satisfaction, garner notable business results when high levels of customer satisfaction are achieved. In 2011, the highest performers in the cable industry yielded 4.75% growth, while low performers lost market share.

#### Satisfaction Impact on TV Service Industry

##### New Customer Acquisition Rates by Satisfaction Tier



Top-Tier Satisfaction is 677+; Middle-Tier is 616-676; Bottom-Tier is <615

Source: J.D. Power and Associates 2011 Residential Television Service Satisfaction Study<sup>SM</sup>

Figure 6

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Top performers in the television and cable industries benefit from high levels of satisfaction by realizing lower operational expenses—costs that would have otherwise been necessitated due to an excessive number of customer contacts or technician visits. These performers are also well-positioned to market new and premium products in the future.

#### TV Industry Service Diagnostics

	Top-Tier Performers	Middle-Performers	Bottom-Performers
Retention and Acquisition			
% Definitely will not switch	31%	26%	20%
% Definitely will recommend	26%	15%	6%
Positive recommendations (mean)	2.4	1.4	0.9
Reduced Operational Cost			
% Contacted customer care	46%	45%	49%
% Required tech visit for problem*	11%	11%	15%
Increased Revenue			
% Subscribe to premium package	17%	11%	12%
% Definitely/probably will buy additional products	25%	20%	15%

\* Tech visit problems include equipment failure, reception issues, and extended outages. Does not include service installations.

Source: J.D. Power and Associates 2011 Residential Television Service Satisfaction Study<sup>SM</sup>

Figure 7

Whether a brand sells products or services, operates retail locations, or facilitates transactions online, a commitment to customer service excellence positions it for success by aligning the brand's priorities with those of their customers. Simply put, achieving high customer satisfaction yields the best business results.

However, having a commitment to customer service excellence is just the beginning.



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