

Why offer tariff advice?

Some days the world conspires against me. One piece of bad news is compounded by other unwelcome developments. My football team always loses on those days. My toast always falls jam side down. My car will be stuck in a snowdrift and while I'm fetching a shovel will be given a parking ticket by a traffic warden with a grimace that might be misinterpreted as a smile.

One solution to days like that is physical comfort therapy - eat, drink and be merry. Another is to offer some good news to balance the bad news. Everyone likes good news. Sunshine quickly relieves the shadows. Retailers are expert at convincing their customers that they are always getting better value. Cut-price offers at silly low prices are advertised and sold in the most prominent places. Shoppers then are more likely to spend freely on the high-margin products further back in the store. Customers with a grievance are more likely to lose the intensity of their complaint.

Communication service providers are acutely exposed to the full range of customer emotion. Offering technology based services for mass consumption inevitably leads to faults and failures from time to time. The perfect technology has yet to be invented; as a general rule, the more flexible and advanced a technology becomes, the less likely it is to be stable and predictable.

Naturally, customers don't see it this way. Handsets crashing, reception black spots, cell contention, network and software failures and all the other possible problems in the complex chain of providing communication services are not their problem. They buy an advertised service and expect it to work.

As with all commercial services, money is a further dimension. Most people find paying for things unpleasant. A survey asking whether people enjoy paying their mobile phone bill is unlikely to have interesting results. However, most people seldom think about their tariffs for long-term regular services such as utilities and communications. After a brief flurry of activity when searching for supply, attention turns to the more interesting matters of the day, like football results. Costs of the services are incurred and endured as a sort of low grade background pain, which only occasionally becomes intense enough to justify action.

Service providers therefore have an awkward choice. They can say nothing about tariffs and bills unless either a customer complains about a bill or they are promoting a cut-price offer. After all, there is no point in drawing the customer's attention to something which will make them grumpy.

Or the service provider can try to spin a good news story about what a good deal the customer is getting. Customer satisfaction would increase, according to this view, because they would think warmly about the provider and not look too closely at the detail to see whether they really are getting a good deal. Such is the path to despair and ruin. Customers will not be fooled; at least they will not continue to be fooled over a sustained period.

The brutal fact is that many customers get a bad deal. Perhaps they originally were sold the wrong tariff for their needs. Or their needs have changed and the tariff which suited them at the outset is now costing far more than it should. Compounding the general confusion about the cost of services and what tariff options are available, many of the so-called good news stories would actually be spinning a web of lies.

Add this to the fact that some contact points with the customer are not conducted under ideal conditions, perhaps because something in the supply chain has gone wrong or the customer is in bill shock. Customers who have dropped their toast jam side down in the morning, been thwarted by dodgy network coverage and are dismayed by the unexpectedly high cost of their recent bill are unlikely to be receptive to weak or misleading messages. A genuine piece of good news is required.

While providers are obviously not responsible for promoting general happiness and mental wellbeing across society, it is in their own interest to ensure that their customers feel they are being treated fairly, with reasonable attention to their personal needs, and are getting good value for money. This key point is well understood and will not be laboured further here. So how can providers bridge the gap between wanting to give their customers something to smile about, while building the trust that is essential to a profitable long-term relationship?

Following the style of retailers, service providers could make special offers - spend more and you will save lots! This is a well-used technique, but take-up is often limited by two key factors for those customers who do not already have a warm and happy feeling about the service provider.

First, asking someone to spend more when they are already uncomfortable with the amount they are already spending is a bit like giving them a dead leg and then offering to sell them an ice cream to take their mind off it.

Second, although some people find spending therapy a good way to dispel the parking ticket blues, or whatever is the

problem du jour, the majority will disregard the offer and there will be little goodwill involved from those who do take it up. Up-selling is best done from a position of goodwill, so there is little long-term benefit.

Further, cut-price offers over time tend to devalue the services provided, and accelerate the drive towards commoditisation. The fabled 'race to the bottom'.

Nurturing the customer relationship is the key to success. We all know that. The trick is finding how, in ways that don't involve significant dilution of revenue and are sustainable.

The answer which pops out is the expected one - make sure that customers are using the tariff which meets their current needs, and tell them about it at suitable intervals. Customers complain when the first and only time they hear from their service provider is at contract renewal time, or when they feel bombarded by marketing messages. They generally don't complain when their service provider offers to reduce their bill.

It seems simple - just offer customers a fair deal at regular intervals. No need to discount, launch offers with great headlines and even greater hidden costs or expensive advertising campaigns. Spend the money instead on offering all customers the right product for their needs from the published list. Any revenue dilution will be recouped in spades.

Moving customer relationships from a position of entrenched suspicion to one of mutual trust is ambitious, but even if only partly achieved would transform the dynamics of the market. The cornerstone of trust is that customers believe the service provider is always offering a fair deal and is not exploiting them.

Trust is fostered by transparency, honesty and proactive care. Conversely, it is destroyed by secrecy, obfuscation and lack of positive contact. For communication service providers, the prize is to have loyal customers who will be open to move up the value chain. The fear is that revenue will dilute by choosing not to exploit overpaying customers who don't complain about their current deal, whether through inattention, complacency or inertia.

So why is tariff advice worth doing? Because it can play a major part in shifting customer relationships from suspicion to trust. Bad news days will no longer represent a vital threat to the customer relationship. A reservoir of goodwill will absorb the occasional failure to deliver a perfect experience.

But, but, but... what about revenue dilution, reliability of the tariff advice and effect on up-selling? All interesting topics, which I'll touch on in the next few posts.