

THE 2008 WINNERS

By Jena McGregor

Overall, customer service has dipped, perhaps a victim of spending cutbacks. But there's good news, too

The results of our 2008 Customer Service Champs ranking make clear something most consumers already suspect: Customer service is on the decline. Consumers who responded to this year's J.D. Power & Associates surveys, which provide the data used for our second annual list of Customer Service Champs, spoke up about their frustration. The average score on our list fell slightly, with a majority of companies scoring lower than last year. Even the scores of a few longtime service stars, including

Four Seasons Hotels and Saturn cars, tumbled. (Four Seasons says its research shows guests are highly satisfied with the company's service; Saturn says an expanded lineup has added complexity at dealer service centers.)

Why the decline? J.D. Power's chief research officer, Gina Pingitore, thinks the economy could be the culprit. While J.D. Power's research shows strength in product satisfaction, the results for service measures—things like employee expertise or processes such as returning merchandise—are a different story. "[Companies are] cutting back on staff, they're cutting back on services," Pingitore says. "Consumers are beginning to see it."

Sentiments about customer service may have dipped, but our top 25 companies, which are selected using input from J.D. Power studies and *BusinessWeek* readers, still garnered plenty of praise. While there were many repeat

winners, 10 new names made our list this year, including companies well-known for service, like L.L. Bean and Amazon, com. Cult favorites Trader Joe's and Chick-fil-A made it into our rankings, too. A few names, such as Wachovia and Fairmont Hotels & Resorts, simply beat out prior winners in their industries. And of course there's JetBlue Airways, which earned its way back on to our list after getting booted last year when massive February storms sent its operations into a tailspin. Following that snafu, JetBlue created a customer bill of rights that mandates vouchers for delays and added customer service managers.

CRITICAL MASS

How did we come up with our winners? We started with existing data from J.D. Power, a consumer researcher. We combined the scores from a series of studies in J.D. Power's 2007 database for each brand. To qualify, the studies had to have at least 100 responses. We eliminated industries that cater to niche markets, such as motorcycles, and those in which consumers rarely base decisions on service, such as airports. Only luxury and upscale (continued on page 50)



01 USAA

BETTER SERVICE FOR THOSE WHO SERVE

When you're stuck on an aircraft carrier in the middle of the Pacific, you don't want to waste the precious few minutes of poky Internet access you get each day waiting for content-heavy pages to load. That's one reason USAA, which offers insurance and banking services to military personnel and their families, just launched its mobile Web service. Along with handheld access to balances,

proof-of-insurance cards, and bill-paying services, this gives customers a stripped down site for faster page loads.

The new mobile site is just one way USAA, the top-rated company in our survey, made technology a priority in 2007. Over the past year some 370,000 of USAA's members began scanning checks on their home computers to deposit electronically—a helpful service especially for people subjected to the vagaries of intercontinental mail. This year the \$13.4 billion company will also give customers the ability to send and receive text messages to check their account balances. "We would go completely broke trying to chase our members around the world," says Craig Hopkins, vice-president for e-business solutions. "They don't let us put our banks on submarines."

Other tech upgrades are less visible to customers. Last year, USAA began revamping the software used by call-center reps. The new interface looks exactly like the Web site customers see, which helps reps more easily follow along with customers' concerns. Already in use in one of the company's personal-property lines, the new software should also cut costs for USAA. Training that once took six hours on that line's old system now takes just two. —Jena McGregor

THE CUSTOMER SERVICE CHAMPS

RANK	BRAND/INDUSTRY	PROCESS GRADE	PEOPLE GRADE	SERVICE INDEX*
01	USAA Insurance	A+	A+	1030.66
02	L.L. BEAN Online/Catalog Retail	A+	A+	1014.62
03	FAIRMONT HOTELS Hotels	A+	A+	1007.68
04	LEXUS Auto	A+	A+	994.51
05	TRADER JOE'S Supermarkets	A	A	965.67
06	STARBUCKS Restaurants	A	A	964.03
07	JETBLUE AIRWAYS Airlines	A	A-	958.00
08	EDWARD JONES Brokerage	A+	A	952.55
09	LANDS' END Online/Catalog Retail	A+	A-	945.62
10	ACE HARDWARE Home Improvement/Big Box Retail	A	A	941.98
11	LINCOLN Auto	A+	A+	922.34
12	THE RITZ-CARLTON Hotels	A+	A+	915.15
13	AMICA Insurance	A+	A+	912.74
14	ENTERPRISE RENT-A-CAR Rental Cars	B+	B+	912.10
15	PUBLIX SUPER MARKETS Supermarkets	A-	A	908.51
16	NORDSTROM Department Stores	B-	B-	900.50
17	SOUTHWEST AIRLINES Airlines	B+	B	883.98
18	WACHOVIA Banking	B-	B	881.36
19	SMITH BARNEY Brokerage	A+	B	881.31
20	CADILLAC Auto	A+	A+	871.53
21	APPLE Computers	C+	B	870.38
22	CHICK-FIL-A Restaurants	A-	B+	866.26
23	AMAZON.COM Online/Catalog Retail	A	A	862.06
24	JW MARRIOTT HOTELS Hotels	A+	A+	858.18
25	TRUE VALUE Home Improvement/Big Box Retail	B+	B+	857.21

The winners in our second annual ranking know how to keep employees happy, make tech investments that help rather than hinder consumers, and elevate leaders who make service their mantra. For an explanation of how we chose them, see page 47.

IDEAS FROM THE BEST

This insurance and financial services provider for military personnel and their families tops our list for the second time. That doesn't come from resting on its laurels: In 2007, USAA put 12,400 "member service representatives" through 250,000 total hours of classes to reinforce basic training.

Being private has its advantages. The outdoor-goods and clothing retailer bulked up inventories this past holiday season by 4%-5% to make sure it had the most popular products on hand. The result: Fewer customer complaints, which leads to happier call-center workers. Some 45% of seasonal reps return each year.

To familiarize its housekeepers, bellhops, and desk clerks with guest expectations, Fairmont gives employees a taste of luxury. During or just following orientation, new staffers have had their cars valet-parked, gotten spa treatments, or received a free golf lesson from a hotel pro.

For years, Lexus' profitable dealers have paid for some post-warranty repairs to keep loyal customers happy. But the company wants to take its outreach further. Last year, Lexus.com set up a live chat room to handle queries from possible buyers, complaints from customers, and even to address auto service issues.

In a current radio ad, Trader Joe's CEO Dan Bain pokes fun at supermarkets that have flat-screen TVs at checkouts. His customers can entertain themselves by "actually talking" to employees, he says. Since its founding in 1967, the chain has sought to pay workers at least the average income in their community, or about \$48,000.

Howard Schultz is back as CEO and has made customer service his No. 1 priority. On Jan. 30 he announced changes both small (getting rid of breakfast sandwiches) and large (appointing a new "chief creative officer" to focus on the customer experience).

After a weather-induced operational snarl got it crossed off our list last year, JetBlue worked its way back on. It launched a customer "bill of rights" and doled out vouchers for delays or cancellations. Its new terminal at its JFK hub, to be completed in late 2008, will include more than 100 e-ticket kiosks and 20 security lanes.

At its annual spring company meeting, Edward Jones added a new prize in 2007 for branch administrators who excelled at customer service. Based on feedback from more than 330,000 households, the company's top 300 performers met a few months later to swap winning strategies, which are now being taught to other employees.

The brand, which was acquired by Sears in 2002, doubled its shops in Sears stores in 2007, adding in-store monogramming and extra kiosks that give shoppers access to the Lands' End Web site. It even lets customers bring back merchandise that's 20 years old.

Customers dissatisfied with the big-box home-improvement experience still have the "helpful hardware folks" at Aca. By the end of 2008, every employee will carry a "skill matrix," a wallet card that lists each staff member's expertise so they can quickly connect customers to the right expert.

A design dry spell for Ford's Lincoln-Mercury cars over the last decade prompted dealers to ramp up customer service. Now that Ford again offers stylish cars, those service efforts should pay off. Ford's new marketing chief, James Farley, who ran both Lexus and Scion, says he studied Lincoln dealers and their top-notch service in his old job.

To motivate the troops, this upscale hotelier shares "wow stories" at meetings each week that relay guests' tales of staff members going above and beyond the call of duty. Each "Wow" winner, such as a laundry attendant who dove into a dumpster to retrieve one young guest's stuffed gingerbread man, gets \$100.

This 100-year-old insurance company believes loyal employees create loyal policyholders, and nearly one in four workers has been with Amica for 20 years or more. If a customer calls the local branch and the staff is busy, the call gets transferred to an agent at one of 38 other offices.

Enterprise, which specializes in providing rental cars when your car is in the shop, patented a software program last year that helps it communicate with insurance firms and body shops—and get customers' cars back to them two days quicker, on average. It now announces, via e-mail, promotions for workers.

This privately owned grocery chain has rolled out new programs recently to help customers cook faster. It's piloting a special section in a Jacksonville (Fla.) store where shoppers select one of 14 meals online or by phone. When customers get to the store, the ingredients, in the proper amounts, are ready to pick up.

In 2007 the department store chain doubled the size of its in-house call center, and it has plans to add 500 more reps in the next decade. Thanks to a new onscreen inventory view being rolled out in 2008, employees will be able to see how many size 6 cocktail dresses, for example, are in the store across town or in the warehouse.

When Southwest made big changes to its quirky boarding process last year, giving priority to passengers who pay higher fares and no longer automatically letting families with young kids board first, upset passengers vented on its blog. To help customers adjust, more than 1,000 employees volunteered to work shifts at airport gates.

CEO Ken Thompson convenes his top 20 execs every month to review each department's customer-service scores—and to hear plans to fix any problems. A bank-wide recognition program rewards employees who deliver exceptional customer service with everything from cash bonuses to trips to Bermuda and Hawaii.

To free up advisers and branch staff to interact with customers, Smith Barney set up a "field services" unit in 2007. Now, when a financial adviser has a tricky question, they have one number to call instead of 35, and the 130-person unit tracks down an answer.

Cadillac guarantees its customers a car to borrow while theirs is in the shop. General Motors also has begun to pay for more repair work on cars just past their warranty. Cadillac's data system tracks repeat complaints from customers to help it single out dealerships or individual technicians who aren't fixing problems.

Apple's "genius bars" and onshore call centers help its customer service rise above its peers'. While its scores dipped slightly on the University of Michigan's American Customer Satisfaction Index last year, Apple is continually taking steps to improve. It opens a new call center every two months and is adding more personnel to its retail stores.

This Atlanta-based chain has put a premium on service. Chick-fil-A promotes the "family" dynamic: Its restaurants close on Sundays to give workers a day of worship. Each month, CEO Dan Cathy files in new store managers and cooks dinner for them. All of them are vetted for a full year before getting the job.

Amazon.com CEO Jeff Bezos puts improving the customer's experience ahead of near-term profits. Rather than spend on TV ads, he plows Amazon's marketing budget into free shipping on orders over \$25. That resulted in a shipping loss last year, but it also helped recharge sales, which grew 42% in the recent holiday quarter.

To help Marriott's increasing number of Spanish-speaking employees, many of whom are housekeepers, brush up on their English, Marriott rolled out portable English language devices last year. Smaller than a laptop, the machine teaches hospitality phrases, such as directions to the elevator or the lobby.

Because half of its customers are women, this hardware retailer is remodeling many of its stores to be more female-friendly. Among the changes: moving gardening items to the front of the store and offering a wider selection of paint and bath fixtures. Average transaction size has increased by double digits in the remodeled stores.

(continued from page 47) hoteliers were considered. And in order to compare similar services in banking, cable, and telecom, we eliminated brands that did not appear on most of J.D. Power's studies for that industry. (For example, banks had to show up on at least four of the five related surveys—retail banking, car loans, home equity, and two mortgage studies—to be considered.) We looked only at the studies in J.D. Power's database that measure processes and people. Thus, our results may differ from the J.D. Power satisfaction rankings, which also consider product quality, presentation, and price.

VOX POPULI

Like last year, we supplemented J.D. Power's database by surveying 5,000 readers using the *BusinessWeek* Market Advisory Board, asking them to nominate three companies they felt were the best and three they felt were the worst at customer service. More than 1,000 readers responded, with 2,596 "votes" and 1,885 "complaints." Companies that got at least 10 votes, had a vote-to-complaint ratio of at least 2:1, and were not already in J.D. Power's database were added to our list. J.D. Power created a Web-based questionnaire for these brands and surveyed at least 100 customers to get a comparable score.

J.D. Power then ranked all of the brands, using scores from both their database and the supplemental surveys. We combined the "people" and "process" scores from J.D. Power's data to create the Service Index, with people weighted at

60% and process at 40%. Then, because we were comparing widely divergent industries—a romantic weekend at the Ritz-Carlton is a much different experience than an afternoon waiting for the cable guy to arrive—we gave credit for scoring high within an industry. Brands that ranked first in their category received 100 bonus points; those ranking second received 50. We subtracted 50 points from each company's score that fell below third place.

We made three changes to our methodology this year. Because many consumers rave about the service they get from smaller companies, we lowered the revenue bar for companies on our list to \$1 billion from the \$1.5 billion mark we set last year. Last year we subtracted an additional 50 points from the bottom player in each industry; we did not apply that penalty this year. Finally, to recognize companies that did particularly well in our reader poll, we awarded an extra 25 points to those whose vote-to-complaint ratios were in the top 10%. **BW**

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