

BusinessWeek

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CUSTOMER SERVICE CHAMPIONS

Our first-ever ranking of companies where the consumer is king. Here's the magnificent 25...

1. USAA

2. Four Seasons

3. Cadillac

~~4. JetBlue~~

4 Nordstrom

...AND ONE
EXTRAORDINARY
STUMBLE

PLUS:

WHY TOYOTA IS SO
AFRAID OF BEING NO. 1

WHAT CARL ICAHN IS
TARGETING NEXT

The Customer Service Elite

Through innovations in technology, employee training, and customer-centered strategies, these service leaders don't just meet customer needs but anticipate and exceed them.

| RANK | BRAND/INDUSTRY | PROCESS GRADE | PEOPLE GRADE | SERVICE INDEX* | PERCENTAGE RECOMMEND** | IDEAS FROM THE BEST |
|------|---|---------------|--------------|----------------|------------------------|--|
| 1 | USAA Insurance | A+ | A+ | 992.6 | 79% | USAA keeps its promises, customers say. Ninety-six percent of home and 98 percent of auto policyholders report that USAA meets their commitments to call back regarding claim issues on time. |
| 2 | Four Seasons Hotels Hotels | A+ | A+ | 991.3 | 60% | When a Four Seasons executive says the luxury chain has an "obsession to be perfect," he means it. In 2006, just 2% of guests reported major problems with their hotel stay, halved from 4% in 2005. |
| 3 | Cadillac Automotive | A+ | A+ | 985.4 | 51% | Servicing a vehicle at a Cadillac dealer after the warranty expires is a top-notch experience, customers report. The brand scored at least 47 points higher than the industry average on all six related factors. |
| 4 | Nordstrom Retail | A | A- | 947.1 | 57% | Nordstrom's famed service levels didn't disappoint our respondents. Customers ranked the courtesy of the Seattle-based department store chain's people tops among all retailers. |
| 5 | Wegmans Food Markets Supermarkets | A- | A | 938.9 | 60% | You know they're good if customers rank the ease of returning things higher than Nordstrom. Wegmans received the best scores of any retailer for the ease of returning items to the store. |
| 6 | Edward Jones Brokerage | A- | A | 938.2 | 58% | Edward Jones ranked 50 points higher than average full-service brokers overall. Their financial advisors, which received high marks for knowledge levels, scored 11.9 points higher than the industry average. |
| 7 | Lexus Automotive | A+ | A+ | 932.5 | 55% | At Lexus, there's no question good service builds loyalty: More than 91% of customers said they would "probably" or "definitely" return to the dealer for customer-paid maintenance services. |
| 8 | UPS Shipping | A | B+ | 931.5 | 40% | This global shipping giant ranked high on delivery timeliness and drivers' knowledge and flexibility. Only 1% of UPS customers reported problems with the service they received. |
| 9 | Enterprise Rent-A-Car Rental Car | A- | A- | 926.8 | 44% | When it comes to rental cars, price drives satisfaction more than anything else. Enterprise earned the top score on all three price factors, from the cost of additional coverages to that dreaded fuel surcharge. |
| 10 | Starbucks Restaurant | B+ | B+ | 920.3 | 45% | Starbucks baristas, no surprise, ranked high on their levels of friendliness, knowledge and availability. With almost 9,000 locations in the U.S., it's no wonder they also did well on convenience of locations. |
| 11 | Ritz-Carlton Hotels | A+ | A+ | 911.4 | 56% | Sure, it's what you'd expect from a luxury hotel, but the Ritz gets it right, guests say. Ninety-seven percent of customers report that their reservations were accurate, and just 4% reported a billing error. |
| 12 | Amica Insurance Insurance | A+ | A+ | 909.3 | 66% | When it comes to resolving auto claims--a headache for anyone who's had an accident--Amica's scores are second only to industry leader USAA, besting the insurance average by almost 90 points. |
| 13 | Southwest Airlines Airlines | B | B | 901.1 | 50% | It's not just the low fares that customers "LUV" at Southwest. The airline's check-in process, and particularly its kiosks, won significantly higher than average scores from customers. |
| 14 | Washington Mutual Banking | B | B- | 895.3 | 34% | Washington Mutual may be most known as a pioneer of free checking, but it's also notable for speedy service, customers say: 62% of respondents reported that problems were solved in one day or less. |
| 15 | Cabela's Retail | A- | A- | 888.4 | 66% | The outdoor retailer's loaner program, which allows employees to borrow, test out, and review its products for free, pays off. Cabela's ranks top among all retailers when it comes to product knowledge. |
| 16 | Raymond James Financial Brokerage | B+ | A | 887.4 | 48% | At this full-service brokerage firm, which includes 4,600 advisors in 2,200 locations, people are tops. |
| 17 | Porsche Automotive | A+ | A+ | 880.2 | 56% | Porsche enthusiasts love to tell their friends how much they love their cars: Fifty-five percent say they would definitely recommend a Porsche, the second-highest ratio of any of the auto makers. (Lexus is No. 1.) |
| 18 | Apple Electronics | C- | B+ | 875.4 | 58% | Despite frustration about iPod battery replacements, Apple's customer service phone support ranks tops among electronics providers. In particular, customers rate its automated phone system as easy to navigate and good at resolving questions. |
| 19 | Publix Super Markets Supermarkets | A- | B+ | 872.1 | 60% | Workers at this grocery chain receive bonuses based on their unit's performance and share grants as part of their incentive plan. It's hard not to put on a happy face for customers when those grants are up 29% annually for the past three years. Publix estimates it spends nearly \$3,000 training each employee. |
| 20 | Hertz Rental Car | B+ | B | 864.8 | 40% | Hertz's "#1 Club Gold" program, which lets frequent customers skip the rental counter, is gold indeed: Customers rated all five aspects of the car pick-up process significantly higher than the industry average. |
| 21 | FedEx Shipping | B+ | B | 857.5 | 43% | Customers say they recommend FedEx to their friends, family or colleagues slightly more often than they do UPS. They also give it top marks when it comes to dependability. |
| 22 | JW Marriott Hotels Hotels | A+ | A | 854.0 | 51% | JW Marriott customers hail the brand's web site reservations, including the ease of booking online and quality of information on the site, with ratings above the luxury hotel category average. |
| 23 | T-Mobile Wireless | C | C | 850.7 | 36% | T-Mobile has the best billing process in the industry. Customers rank T-Mobile highest on four of the five "billing" attributes, including accuracy, ease of understanding bills, and timely problem resolution. |
| 24 | Buick Automotive | A+ | A+ | 827.8 | 46% | Buick ranks highest among non-premium auto brands in J.D. Power's customer satisfaction index study, receiving the highest scores for service advisor ratings, service quality, and dealership friendliness. |
| 25 | Lincoln Automotive | A+ | A+ | 827.3 | 47% | Few things can irritate customers more than a pushy car dealer. Lincoln's customers give the auto brand high marks for low pressure to buy accessories they don't want. |

*The Service Index is composed of a weighting of J.D. Power's scores for "people" and "process," plus a bonus score for industry leaders. Thus, some companies with middling grades may have high service index scores because they rank first in their industries.

**Percentage of Respondents Who Would Definitely Recommend The Brand



3 CADILLAC

Looser Rules, Happier Clients

IT'S ONE OF THOSE teeth-gnashing, rage-inducing experiences: Mere miles or months after your car's warranty expires, you find that it needs expensive engine repair. Car companies have for years kept goodwill funds for dealers to draw on in such situations. But until about a year ago, Cadillac, No. 3 on our list, had rigid rules that made dealers jump through hoops to get at those funds. Dealers had to call a regional representative at parent company General Motors Corp. for permission to do work free of charge outside of warranty. If the repair was expensive, they had to go even higher up the chain of command, sometimes as far up as Cadillac general manager James E. Taylor himself.

That put dealers at a disadvantage with archrival Lexus. Since Lexus has 221 dealerships to Cadillac's 1,400, each Lexus outlet is more profitable and can better afford to offer such perks as loaner

VEGAS DEALERSHIP Cadillac dealers now have more leeway in offering free repairs outside of warranty

cars and repairs for vehicles that recently went off warranty. So last year Taylor decided to loosen up the rules, giving dealers the power to decide how to respond to customers with repair needs outside of warranty. If dealers become too generous, Cadillac will tell them.

By making that change, Taylor resolved a classic frustration for many customers: Too little decision-making in the hands of employees on the front line. Says Taylor: "Luxury customers are used to staying in five-star hotels and having secretarial staff take care of everything. They expect dealers to take care of them, and we have to give dealers leeway to do that." The brand guarantees its customers a loaner car to drive while repairs are being made

and reimburses dealers up to \$45 a day for the cost.

Cadillac is also keeping a closer eye on its mechanics. It can track data to find out if certain dealerships or even individual technicians are frequently making the same mistakes in repairs. Taylor says that making the extra effort is worth it. GM research shows that customers who get good service are five times more likely to buy another car from the same brand than those who have had a bad experience. "You have to believe that the added cost comes back to you in spades in customer loyalty," he says. To keep that virtuous cycle going, GM gives its dealers perks for doing the job right. If dealers maintain good customer-service ratings, based on surveys, those with larger operations can get cash rewards of up to \$100,000 a quarter.

—David Welch in Detroit

THE METHODOLOGY

What it Takes to Be a Winner

TO DETERMINE THE WINNERS of the *BusinessWeek* Customer Service Champs, we first turned to J.D. Power & Associates, which measures customer satisfaction. Its research includes data on a range of industries such as airlines, hotels, and automakers. Because we were interested in measuring customer service, we used only results related to what customers think about a company's "processes" (its return policies or reservation procedures, for instance) and its "people" (their friendliness, say, or expertise levels). Therefore, our results may differ from J.D. Power's customer satisfaction rankings, which consider product quality, presentation, and price. We reserved the right to cut from our initial ranking companies about whom unfavorable information has come to light.

We began by aggregating the scores for each individual brand across the complete studies in J.D. Power's 2006 database. (A bank, for instance, might have separate studies that analyze a customer's branch, car loan, and mortgage experiences.) Only brands with at least 100 responses and with both "process" and "people" scores were considered.

We then eliminated industries that cater to niche markets, such as motorcycles, and about which consumers rarely make decisions based on service, such as homebuilders. To create a more nationally oriented list, we removed brands that did not have at least \$1.5 billion in annual revenues. (If a brand's parent company is in a similar business, its annual revenues were measured instead.) To compare industries across standard measures, we used a consistent set of J.D. Power's studies in each

industry and eliminated brands that did not appear on them all. Finally, in order to compare similar companies within a category, we removed dial-up-only Internet providers and hoteliers that were not in the upscale or luxury categories or did not have a significant U.S. presence.

To supplement the brands in J.D. Power's database, we also surveyed 3,000 *BusinessWeek* readers and asked them to nominate three companies they felt were best and three they felt were worst at providing customer service. More than 1,000 readers responded with 2,423 "votes" and 1,850 "complaints." For brands that received a high number of votes and a low number of complaints and were not part of J.D. Power's research, we created a Web-based questionnaire and surveyed at least 100 customers.

Finally, we aggregated both sets of data, combining the people and process scores to establish the "Service Score." The people score was weighted at 63% and the process score at 37%. (We used percentages that represented their average importance to determine J.D. Power's satisfaction scores.) Then, because we were comparing very different industries—booking a romantic weekend at the Four Seasons is a far cry from trying to dissect a monthly wireless bill—we gave credit for ranking high within an industry. Brands that ranked first in their category received 100 bonus points; those ranking second were awarded 50. We subtracted 50 points from each brand that fell below third place and 100 points from those that came in last in categories with at least five brands. We then translated the numerical scores for people and process into 10 letter grades.