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CUSTOMER SATISFACTION—FOR A PRICE

How quickly times change. Just a few short years ago, articles in business magazines were lauding the personalized attention lavished on customers by companies such as Nordstrom, Home Depot, and Southwest Airlines. Analysts held up Nordstrom's exceedingly generous return policies, Home Depot employees' obsessive quest to help customers find the right tools for the job, and Southwest Airlines' "positively outrageous service" as models of how to separate yourself from your competitors. Today, however, the picture has changed dramatically. Many companies have apparently made a strategic decision to continue to offer top-notch customer service—but only for the select few they deem their premium customers. *Business Week* calls this segregation of different market segments "consumer apartheid."

Why this sea change in the way retailers and service providers treat the majority of their customers? One reason is that technological developments offer powerful ways for businesses to collect and sort data about specific individuals. For the first time, companies can determine how much profit a customer generates and target a level of service based on the projected return on investment that individual offers. Codes on individuals' records prompt service representatives to route clients to different calls centers or offer them different perks. In addition, with the advent of Web-based commerce and services, businesses can now direct less-profitable clients toward self-service and lavish more personalized attention on big spenders.

Using these new tools, Sears offers preferred customers a two-hour window for repair calls while saddling others with a potential four-hour wait. Charles Schwab Corp.'s representatives respond to calls from top clients within 10 seconds and let other customers sit on the line for 10 minutes or more. Starwood Hotels bump average visitors to make room for "platinum club members." Ready access to reams of data about customers thus gives companies the ability to tailor their offerings to meet individual needs—and potentially generate higher profits.

But this practice of "tiering"—segmenting customers by the amount of business they bring—may have a downside as well. Consumers are notoriously fickle in their habits; what I bought and where I bought it last week may not foreshadow what I might do next week or next month or next year. And poor customer service may alienate some potential high rollers—and push them toward a competitor—before they have a chance to purchase a big-ticket item.

Companies argue that, in many ways, automation and segmentation offer customers better service, not worse, pointing to the convenience offered by automated teller machines and Internet shopping. Consumers themselves may need to assume some responsibility for low customer-service standards. By increasingly choosing price, choice, and convenience over service quality, purchasers have sent a message to markerers about what they value.

Time will tell if the strategy of playing up to certain customers and virtually ignoring the rest pays off. Some feel that this approach could eventually undermine companies' relationships with their clients, large and small. Regardless, it's clear that businesses will continue to collect data about their customers and use it to their advantage—even if it means alienating some. Fortunately, consumers from all walks of life have the ultimate choice—to walk away. As WalMart founder Sam Walton put it, "There is only one boss: the customer. And he can fire everybody in the company, from the chairman on down, simply by spending his money somewhere else."

Source: "Why Service Stinks" by Diane Brady, Business Week, *October 23, 2000.*

—Janice Molloy

YOUR WORKOUT CHALLENGE

Systems Thinking Workout is designed to help you flex your systems thinking muscles. In this column, we introduce scenarios that contain interesting systemic structures. We then encourage you to read the story; identify what you see as the most relevant structures and themes; capture them graphically in causal loop diagrams, behavior over time graphs, or stock and flow diagrams; and, if you choose, send the diagrams to us with comments about why the dynamics you identified are important and where you think leverage might be for making lasting change. We'll publish selected diagrams and comments in a subsequent issue of the newsletter. Fax your diagrams and analysis to (781) 894-7175, or e-mail them to editorial@pegasuscom.com.

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