



READER RESPONSE TO “CUSTOMER SERVICE— FOR A PRICE”

In the December 2000/January 2001 issue of *THE SYSTEMS THINKER*, we offered a Workout scenario that described a growing phenomenon in the retail industry. *Business Week* has termed this trend “customer apartheid.” Many companies have apparently made a strategic decision to offer top-notch customer service only to the select few they deem their premium customers. How do they make distinctions among their clientele? Recent technological developments offer powerful ways to collect and sort data about specific individuals. James Rieley, vice president of leadership at Cambridge Management Consulting in London, England, found these dynamics compelling and faxed in this annotated causal loop diagram.

In loop R1, increased customer satisfaction leads to more return business and greater profits. Companies can then choose to invest those funds in areas that serve to increase customer satisfaction even further, such as training for customer-service staff and advances in product design.

At the same time, as shown in loop B2, as the level of return business increases, the limits on the ability of the business to meet customer demands grow as well. These constraints, usually in the form of technology or human-resource capacity, increase the risk that customer-service standards for all consumers will fall. Rather than jeopardize their entire customer base, many companies choose to segment customers by the amount of business they bring in (B3). Through this form of “customer apartheid,” businesses can focus more personalized attention on high-end purchasers.

The downside for retailers who segment customers in this way is that they run the risk of alienating a large percentage of their customer base. The impact on the bottom line may not be noticeable for some time, but

customer disenchantment has a way of spreading—even to preferred customers. Less return and new business ultimately means lower profits, which is an unintended consequence that no business wants to confront!

—James Rieley

From Satisfaction to Disenchantment

