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TDR Newsletter

INTRODUCTION

Welcome to the third quarterly issue of our newsletter, the first in the new financial year. In this issue we review the Scheme Member workshops we ran at the end of June, and we provide an update on the scheme's changing membership.

Our feature article reports on the results of global research on customer churn, and gives a few tips on how to prevent it. We commend this article to you - those that take heed of it might just gain the edge on their competitors! If you would like the full article, please get in touch with us.

We also discuss the obligations of sellers of goods and services under the Fair Trading Act. We put the spotlight on Vodafone's Paulina Neas in our regular Scheme Member profile, and we conclude as usual with a summary of the quarterly statistics.



SCHEME MEMBER WORKSHOPS



A big thank you to all those who participated in the TDR Scheme Member Workshops, in Christchurch and Auckland at the end of June.

We were very pleased with the turnout from the Scheme Member organisations. From TDR's perspective, we enjoyed meeting the people we work with on the phone in person, and to discuss concerns and thoughts first hand, and especially as a group.

The format for both workshops was the same, which included not only discussions about TDR business and social media, but also an educational session on the Consumer Guarantees Act. A key part of the workshops was a presentation conducted by Bruce Cottrill on the art and science of negotiation and facilitation, in the complaints context. Bruce is DRSL's specialist in advisory and training, and is a well known university lecturer and trainer in conflict resolution. In particular, Bruce stressed the importance of placing the emphasis on "process" before "outcome". This advice was based on research that has shown complainants have very strong process needs, and that a less palatable outcome for them will be more likely to be accepted if they perceive that there has been a fair process.

Bruce also emphasised the need to balance advocacy with enquiry, and that to operate on either end of this continuum will likely to have a negative effect on the negotiation. To attend too closely to the relationship and enquiry will likely mean that the company will not meet its goals, and to attend too closely to the companies' goals will likely have a detrimental effect on the company/client relationship. Like all things, Bruce said, conflict resolution and negotiation works best when one or both parties endeavour to minimise the effect of polarisation. The company, he said, can take the lead on this.

The feedback received from participants has been encouraging, and suggests an interest in doing these types of sessions again. If you have any thoughts about future workshops, or what you would like us to cover - let us know. In addition, if you would like us to run an in-house workshop for your organisation, please contact Derek to discuss: derek.pullen@tdr.org.nz or 027 475-2841.

PREVENTING CUSTOMER SWITCHING

New research by Accenture, which polled 12,000 consumers in 32 countries, has revealed that customer switching and 'churning' is increasing. And of the 10 industries covered, the two largest rises in switching were mobile phone providers (26% of consumers switched in 2012, up from 21% in 2011) and internet service providers (23% switched, up from 19%).

Top causes of customer dissatisfaction

When it comes to causes of dissatisfaction, the survey shows that *broken promises* are the top area of frustration for consumers. 78% say they are likely to switch providers when they encounter broken promises.

Other frustrations that erode customer loyalty include:

- ⇒ Having to contact customer service multiple times for the same reason (selected by 65% of consumers);
- ⇒ Unfriendly customer service agents (65%); and
- ⇒ Being on hold for a long time when contacting customer service (61%)

Dealing with customer service agents who can't answer their questions and having to repeat the same information to multiple agents were also bugbears among consumers.

The Telecommunications Industry Ombudsman (TIO) says that common reasons for switching providers include the price of a service, network coverage and the nature of products and services provided. The TIO says that in addition to those matters, there is strong research that shows that a reputation for good customer service is one of the other reasons why people choose to switch.

Which are more valuable - new or existing customers?

One of the factors actually driving churn is the use of special deals and rates for customer acquisition. The only way for customers to get a good deal is to churn often, because the best deals are offered when a provider is trying to acquire new customers. This creates a weird market balance that a new customer is more valuable than an existing customer. Most companies care more about sales and reputation than customer service, and are content so long as they are showing acquisitions.

The TIO says that this creates gaps in the service experience of customers. Consumers tell the TIO that they get great attention when they are becoming a customer, and that's the sort of attention they also want when something goes wrong.

How to prevent churn

The good news for providers is that the vast majority of consumers say that there are simple things that companies could have done to keep their business. These include resolving the customer service issue during the first contact, and rewarding customers for doing more business with the company.

Good Internal Complaints Process

The Financial Ombudsman Service (Australia) says that to serve customers better and maintain customer loyalty, companies must:

- ⇒ Make sure customers know how to escalate a dispute within the organisation
- ⇒ Ensure internal dispute resolution is accessible
- ⇒ When receiving a complaint, look for key issues and ensure these are addressed in the response
- ⇒ If the organisation has made a mistake, acknowledge it, apologise, and fix it
- ⇒ If a customer complains about a systemic issue, ensure it is fixed for other customers as well, before they complain.

Make it easy to switch

Although it might seem counterintuitive, the research shows that making it easier for customers to switch may improve the relationship. It leaves departing customers more receptive to coming back in the future. More than half the customers strongly agreed that they preferred to do business with a provider that gives them the flexibility to step out of their contract with little hassle if they should change their mind.

Tailor the customer experience

To build strong customer relationships and protect against approaches by rival suitors, the research found that a tailored experience is essential. Nearly half of the survey's respondents said that, compared to 12 months ago, they have higher expectations of getting specialized treatment for being a 'good' customer, and 50% say it is extremely important for customer service people to know their history. Nearly a third of respondents prefer companies that use information about them to make their experience more efficient from one step to the next. However, only a quarter said their providers deliver tailored experiences.

SCHEME MEMBER PROFILE

PAULINA NEAS - VODAFONE



How did you get into the Telecommunications Industry?

In 2004, there was an opportunity to join TelstraClear's expanding Contact Centre in Christchurch and as I had a passion for front line customer service at the time, I thought I'd give it a go. Since then, I haven't looked back - and I'm still involved in the Customer Experience. I've had a number of opportunities to expand my skills and capability with the company (which is now Vodafone). I currently work as an Analyst, supporting the resolution of escalated customer complaints and, most importantly, providing information to the business about how we can deliver a better experience to our customers.

Tell us the most amazing question/challenge you have had in dealing with a customer

Over the years, I've had lots of opportunities to talk to customers and help resolve some often unexpected challenges. One that stands out for me is resolving an elderly gentleman's broadband connection difficulties. My team was made aware of an elderly gentleman whose broadband connection wasn't working. It was late on a Friday afternoon, just before a long weekend. Due to the time of day, we couldn't get a technician to the customer - but he was obviously keen to get the service up and running for the weekend. So, a team mate and I (both, slightly technically challenged) ventured to the customer's home to install a temporary service via a vodem (wireless broadband).

The customer's computer set-up at home made the installation a challenge but just over an hour (plus a few calls to our technical support team) later, we had his vodem connected! To say we were relieved we got it working is a bit of an understatement!

continued...

PREVENTING CUSTOMER SWITCHING CONTINUED

Make use of technology

The research results indicate that 'tried and true' strategies for customer acquisition, loyalty and retention are not proving effective with today's unpredictable and technologically savvy consumer. In the digital marketplace, companies must improve social listening capabilities and apply predictive analytics designed to quickly identify and respond to potential customer issues before problems arise. Taking proactive steps to keep customers requires companies to use analytics to mine the vast stores of data they possess to gain insight into customers' desire and intentions, and behave in ways that customers want them to. Failing to use that data equates to not listening, and can result in customers searching for someone who will.

Companies should also use technology to facilitate assessment of a customer's experience at the end of an interaction. This provides information about what needs to be improved and because it can be related to a specific customer, it allows the organisation to 'close the loop'.

Listen to customers

The voice of the customer is very powerful, and building a culture of listening and responding to feedback is fundamental to addressing churn, and can be quite a powerful competitive advantage.

Adapted from an article Preventing Customer Switching by Freya Purnell, SOCAP, March 2013.

SCHEME MEMBER UPDATE

We were very sad to learn that both Jo Mataira and Gareth Sutton were leaving Vodafone, and have since moved on. We had established good working relationships with both, Gareth with his irrepressible zest and energy, and Jo with her calm, reasoned logic. We sincerely hope to maybe work with them in some other capacity in the future.

On a positive note, we look forward to working with Christian Derrington, Vodafone's new Manager, Complaints and Escalations. Keep an eye on our Scheme Member Profile in a future issue of this newsletter for more on Christian.

We are also very pleased to welcome several new scheme member companies, PrimoWireless, TerribleTalk, Vector Communications, Northpower and Enable. Again, we hope to profile key people from these companies in future issues, but if you would like more information on the companies, see their website links below. As with all our members, we hope we don't have too many dealings with them but if we do, we aim to quickly restore relationships with their customers.

www.primowireless.co.nz
www.terribletalk.co.nz
www.vector.co.nz
www.northpowerfibre.co.nz
www.enable.net.nz

TDR would love to hear what you would like to see in the newsletters.

Please send your ideas to kate.shearer@drsl.co.nz

SCHEME MEMBER PROFILE CONTINUED...

What do you see as the next step in social media for the Telecommunications industry?

We're seeing customers looking to social media for quick responses, help and information more and more. At Vodafone, we have a dedicated Social Media team who work hard to assist our customers on Facebook, Twitter and LinkedIn. As the way customers communicate with us changes and evolves, so must our approach.

What is the most technological development that has occurred in the residential Telecommunications market and why?

There have been lots of changes since I started in the industry. In my view, one of the most influential industry developments for consumers has been the arrival of the Smartphone. Smartphones have not only changed the telecommunications industry, they have had a huge impact on society as a whole. They allow us to connect easily with people, experiences, places and all kinds of things. We can complete tasks, like paying bills, update our Facebook status, bank, sell stuff and do a myriad of other things that we'd otherwise have had to be in front of a PC to complete. I expect what is possible to achieve with your smartphone will continue to surprise us!

What are your interests outside of work?

Most of my time outside work is spent with my family and friends. I also am a keen cupcake decorator and am always looking for any occasion to show off my skills!



FAIR TRADING ACT

Sellers obligations under the Fair Trading Act



In the last TDR newsletter, we provided an article on the Consumer Guarantees Act (CGA). As discussed in the article, the CGA provides a range of protections to consumers for goods and services they purchase.

This article discusses the Fair Trading Act 1986 (FTA), which primarily relates to obligations on suppliers before the sale or any particular good or service.

The FTA provides a range of obligations relating to goods and services. That legislation prohibits a person or business from engaging in conduct that is likely to mislead or deceive the public as to the nature, manufacturing process, characteristics, suitability for purpose, or quantity of the good or service on offer.

The FTA prohibits false or misleading representations, and expressly refers to a range of specific situations which would be unlawful. Those include making a false or misleading representation as to the:

- ⇒ Goods being of a particular kind, quality, model, or having a particular history or use
- ⇒ Goods being new or reconditioned
- ⇒ Goods having a particular performance characteristic, accessories, use or benefit
- ⇒ Price of goods or services
- ⇒ Warranty, or any right or remedy available
- ⇒ Place of origin of the goods.

Advertising is also covered in the FTA, which prohibits 'bait advertising', such as advertising a product for sale when there would not be a reasonable supply of product at the price stated. Any advertised products must also be available for a reasonable period of time after the advertisement is published.

The FTA prohibits the demand or acceptance of payment for a good or service, unless the seller had reasonable ground to believe it would be able to supply the product within the specified period, or if no period was specified, within a reasonable time.

If breaches of the FTA occur, a range of penalties or remedies can be ordered, including:

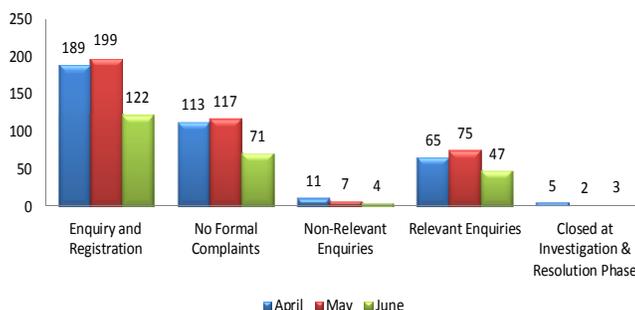
- ⇒ Fines for an individual person up to \$60,000 and for a body corporate \$200,000
- ⇒ Requirement that the seller print at their cost, corrective statements, such as for example in a newspaper, to correct any misrepresentation which may have been made
- ⇒ An order declaring that the contract between the parties is void, or amending the contract as necessary
- ⇒ An order that the seller refund money to the customer
- ⇒ An order that the seller repair or provide particular services to the customer.

Some specific defences for a seller are available, should a contravention of the FTA occur. Those include when the contravention was the result of a reasonable mistake, or resulted from the reliance of information provided by another person (not working in the same business), such as for example the manufacturer of a good.

QUARTERLY STATISTICS

April - June 2013

Below are statistics from April to June 2013. For more information on what each of the bar charts below measure, please refer to pages 8 and 9 of the [2011—12 TDR Annual Report](#).



SCHEME MEMBERS

