

COVID, Customer Loyalty, and Sacrificial HR Strategies Among Customer Service Representatives - Evidence Across Industries

Robert Pellegrino

Tarleton State University

Kimberly Pellegrino

Florida Memorial University

Customer service is a straightforward concept and its effects are widely studied and well known. No one would disagree that good customer service has a crucial and positive impact on firm profitability (Goodwin, 1992) so why do so many firms continue to provide poor customer service? Research indicates that instead of viewing customer service as an external customer issue, perhaps it should be viewed as an internal human resource issue. In other words, managers may reap what they sow by not properly managing employee relationships and then expecting these same employees to turn around and successfully manage customer relationships. Using justice theory, this study explores the management of customer service representatives. Specifically, a national survey was conducted of call center managers utilizing measures for the three types of organizational justice: distributive, procedural, and interactional. Call center managers from many different service industries responded including travel/hospitality, telecommunications, retail/catalog, health care, insurance, and financial services. Results of the study indicate that justice theory can be used to explain a significant amount of employee commitment in call center operations. The significance of these findings provides a possible explanation as to why good customer service seems to be disappearing. Can any manager expect CSRs to provide good customer relationship management when managers are not properly handling employee relationships?

COVID-19 and Customer Service

COVID-19, a 100-year pandemic, struck the United States in the early part of 2020, and the country (like others) locked down to stop the spread of the virus. While this lockdown was a severe threat to many businesses, it was a tremendous opportunity for others. For example, during the COVID-19 lockdown, Peloton saw sales surge by 66% in the first quarter of 2020 and by 94% in the second quarter. Peloton makes high-end gym equipment for home use and since people could no longer go to the gym, Peloton saw a substantial increase in demand for their products. Peloton had always prided itself on its customer service in the past but dozens of customers took to Twitter and Facebook to complain about poor customer service in the second quarter of 2020. Customers received emails right before scheduled deliveries indicating “extenuating circumstances” would prevent

delivery. Promises made that deliveries would be rescheduled within 72 hours went unfulfilled. Customer service reps blamed non-existent curfews or did not return calls at all leading customers to believe that Peloton was “hiding behind recent events as excuses, as opposed to transparency to the real problem”, a clear example of making a poor customer service experience worse. Customers stated that they would be a lot more understanding “if they were honest” (Hanbury, 2020). COVID-19 created a tremendous opportunity for Peloton and poor customer service prevented them from capitalizing on it. COVID-19 uncovered a weakness that Peloton didn’t seem to realize they had.

Sitel Group’s COVID-19 customer service impact study indicated that consumers have been more forgiving of brands during the pandemic (with few complaints submitted) but when asked how long it took the company to get back to them about a complaint, more than a quarter indicated that the issue had never been resolved. In July, Martin Wilkinson-Brown, CMO at Sitel Group, stated “In this quickly changing world, customer experience is truly one of the only ways for brands to stay competitive within their industries, and now more than ever it’s critical to meet consumers where they want to interact with brands. Our COVID-19 CX impact study reveals that brands have a short window of time to construct their plan for the future, and consumers are rewarding innovation over passive action” (PR Newswire, 2020a). In October of 2020, Hiver published a report that indicated 80% of US consumers expect customer support to get more empathetic or more responsive and, in some cases, both, indicative of that very short window Mr. Wilkinson-Brown mentioned (PR Newswire, 2020b). Research conducted by a customer service specialist in 2014 indicated that poor customer service was eroding customer loyalty. The survey found that 30% of consumers had become less loyal to retail brands over the last five years and a large percentage of the respondents identified poor customer service as the reason for the reduced loyalty (Dow Jones Institutional News, 2014). In 2016, NewVoiceMedia reported that companies lost 62 billion dollars as a result of poor customer service. In 2018, they updated that number to \$75 billion lost (Newstex Trade and Industry Blogs, 2018). It reports that “brands are failing to create the positive, emotional experiences that drive customer loyalty.” They coined the phrase “serial switchers” for customers that are willing to switch brands because of poor customer service and they estimated that 67% of customers were currently serial switchers. They also indicated in their 2018 report that that percentage is a 37% increase from the report two years earlier, indicating that the number of serial switchers is increasing at a significant rate. Further, customers today turn to social media when they have a bad customer experience to publicly “out” the company for poor service (Mehra, 2018). The CEO of Hiver stated, “A few years back, you could make customers feel taken care of by sending automated replies and just by convincingly stating that you are doing your best. That does not fly anymore, as customers are more educated and better connected. Throw a pandemic in the mix, and you have very high customer service expectations” (PR Newswire, 2020b).

Given the straightforward nature of customer service and complaint handling and the significant benefits that can arise when these two concepts are handled well, why do firms continue to provide poor service (Goodwin & Ross, 1992)?

A service encounter can yield negative consumer reactions in even the most careful organization: flights and medical appointments are delayed, waiters serve food that wasn't ordered, and hotels lose reservations. Realistically, firms cannot eliminate altogether the possibility of errors arising in service delivery; however, the firm's response to a consumer's post-consumption dissatisfaction may restore a level of satisfaction that will bring him/her back and lead to referrals for future transactions (Goodwin and Ross, 1992, p. 149).

Tax et al. (1998) indicate a great deal of dissatisfaction from customers who complain in terms of both the procedures used to resolve a complaint and the outcomes of the complaint process itself. They also argue that handling complaints effectively can have a dramatic impact on customer retention rates, prevent damaging word-of-mouth events and improve the bottom line performance of the firm.

Complaint handling becomes a critical "moment of truth" in maintaining and developing strong customer relationships. This statement is even more true today than it was in 1998. This risk-reward customer service relationship has evolved through technology. Surveys indicate that consumers have become so dissatisfied with customer service that they are willing to pay, on average, a nine percent premium to businesses that treat them well (Restaurant Hospitality, 2010). On the risk side, poor service now produces more than just damaging word-of-mouth events, turning them into monumental events. Customers today broadcast their experienced poor service far and wide on the internet. And surveys indicate that half of all consumers check online service reviews and give more credence to negative reviews than to positive ones (Restaurant Hospitality, 2010).

Supportive HR Strategies and Customer Service

What happened to good customer service? One stream of research indicates that the lack of supportive HR strategies is responsible for the loss of good customer service representatives and the resulting poor customer service. According to HR literature, excellent service is achieved through the supportive management of employees. To provide a competitive level of service and quality, Lawler (1986) stated that a firm's HR strategy should revolve around ensuring motivation and commitment among employees. Monger and Perkins (2008), in their appropriately entitled text, "Survey Pain Relief: Transforming Customer Insights into Action. A Cure for the Billions Wasted on "Dead-end" Customer Survey Programs" argue that to improve customer service, companies should take a closer look at the HR strategies utilized by those employees providing the service. Specifically, they advocate for HR strategies such as participation and empowerment, employment security, self-managed teams, training and skills development, information sharing, promotion from within, and financial incentives. They go further and state, "If you want it, reward it" (Monger and Perkins, 2008, p. 52) and treat customer service representatives equitably. Monger and Perkins highlight the concepts of both distributive and procedural justice when dealing with HR strategies designed ultimately to improve customer service through better customer service representatives. They define distributive justice as fairness in the amount and allocation of employee rewards and procedural justice as the perceived fairness of the process through which employee distributions are made.

Maxham and Netemeyer (2003) state that customer service representatives are frequently the primary determinant of a company's image and companies often fail to motivate and inspire the representatives that are providing service. Employee apathy creates mediocre customer service at best and disgruntled or frustrated employees can even sabotage the firm's customer service. Maxham and Netemeyer (2003), propose the model exhibited in Figure 1 and pose the question "Does treating employees fairly affect customers' perceptions of how fairly they have been treated after initiating a complaint?" (p. 46). They present evidence from field research that indicates firms may need to internally market the firm to employees the same way that employees need to externally market the product to customers. They provide evidence from a field study of a large electronics firm that indicates customer service managers may in fact, as the article is so aptly named, "reap what they sow." Specifically, Maxham and Netemeyer (2003) suggest that for customer service representatives to provide justice/satisfaction to customers, they must first receive justice/satisfaction from the organization. They suggest that organizations that don't provide distributive, procedural, and interactional justice to their employees can't expect those same employees to provide distributive, procedural, and interactional justice to customers. "Employees treated fairly by the firm will treat customers fairly (i.e., "justice in-justice out")" (Maxham and Netemeyer, 2003, p. 51). Customers that don't receive this justice are not satisfied, will not purchase from the company again, and will not provide favorable word-of-mouth about the company's product.

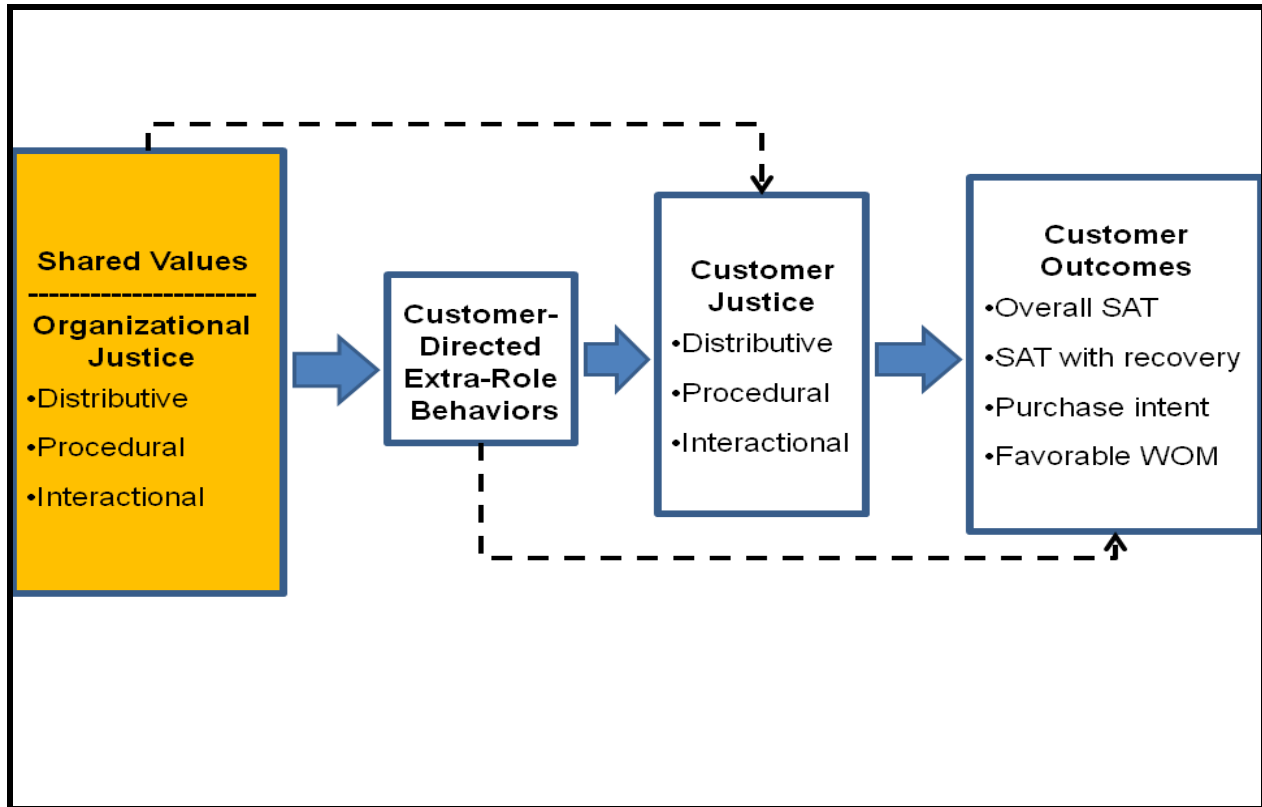


Figure 1 – Recovery Process Model (Excerpted from Maxham and Netemeyer, 2003, p. 48)

Sacrificial HR Strategies and Customer Service

A second stream of research also links customer service and employee commitment, albeit from a different perspective. A countervailing view, in some respects, to organizational justice theories is termed the sacrificial HR strategy. Wallace et al. (2000) explore the evidence that employers may be intentionally creating turnover in call centers by sacrificing the employees they have hired to perform customer service. According to this theory, firms achieve both efficiency and high levels of service at the same time by sacrificing the enthusiasm and motivation of the front-line customer service reps. With this strategy, emotional burnout and high turnover among customer service reps are tolerated, if not encouraged. Stress levels in the call centers studied appeared to be high. Customer service agents interviewed made spontaneous comments such as "At the end of the week I am a zombie, the stress is so bad that on the weekends I do not want to talk to anyone" (p. 176). Similar studies reported call center agents having stress levels higher than coal miners. Wallace et al. (2000) suggested that one contributor to emotional burnout was the lack of supportive elements in the work design. Information on employee turnover in the Wallace et al. study was contradictory. Call centers involved in the research reported annual turnover rates between 15 and 35% while managers within the centers reported that tenure was about 18 months, which would imply a turnover rate of 67%. Employees were hired specifically for their enthusiasm and motivation and then required to absorb the emotional costs on the front line, burning out quickly and leading to high turnover. The authors contend that this sacrificial HR strategy is now possible because advances in information technology have allowed for common assumptions about, for example, the high cost of turnover to be invalidated. Before these technological advances, the high costs associated with turnover and burnout were too large to allow

for a singular concentration on efficiency (defined in this sense as using up motivated and enthusiastic customer service reps).

The sacrificial HR strategy is the opposite of the justice theories illustrated earlier. Supportive behaviors such as distributive, procedural, and interactional justice are set aside in favor of a short-term, efficiency strategy that frustrates and burns out customer service agents. Sacrificial HR strategies and justice theories do agree on the outcome however, that frustrated and burned-out employees will leave the firm. The difference is about the journey from the first day of work to the last, with one theory indicating supportive strategies need to be utilized more and one strategy indicating customer service reps need to be sacrificed. Both theories lead to the same place when employees are not provided with support in the workplace - reduced commitment and loyalty. In other words, the lack of supportive HR strategies is an indication of the presence of sacrificial HR strategies.

Conceptual Framework and Hypotheses

This research explores whether there is evidence supporting the employee commitment effects of distributive, procedural, and interactional justice in a cross-sectional survey of customer service managers across various industries. Commitment measures included average turnover and the average length of employment (tenure).

Justice theory states that to create systems that lead to motivated and enthusiastic extra-role behaviors by customer service personnel, HR systems must first lead to perceptions of organizational justice. What is meant by the term organizational justice and how is employee perception of organizational justice increased? According to Folger and Cropanzano (1998), organizational justice includes two distinct components, procedural justice, and distributive justice. Procedural justice “refers to fairness issues concerning the methods, mechanisms, and processes used to determine outcomes. For example, these issues might involve considerations about the proper way to conduct a decision-making process, a dispute-resolution process, or an allocation process in an organization” (Folger & Cropanzano, p. 26). Procedural justice may also encompass a form of organizational justice known as interactional justice. Interactional justice “refers to the quality of the interpersonal treatment received by an individual. Distributive justice is the perceived fairness of the outcomes or allocations that an individual receives”. These individuals are evaluating whether an outcome is appropriate, moral, or ethical. While research has found that the effects of procedural justice tend to be much stronger than distributive justice (Moorman 1991), it is still the sum of both procedural and distributive justice that leads to the overall perception of organizational justice. Therefore, if extra-role behaviors are to be created within the organization, the systems in place must be perceived as fair methods of making decisions and the decisions that are made must be perceived as fair (Carbo et al., 2009).

Distributive justice derives from social exchange theory. People assess the fairness of the "exchange" that takes place between individuals. In an organizational context, employees would compare their inputs (effort, skill) and their outcomes (salary, rewards) and judge an exchange as fair when the inputs and outcomes are proportional (Deutsch, 1985; Greenberg, 1990). In this research, distributive justice is defined as the degree to which employees feel they have been paid fairly for their work. To examine the effects of distributive justice within the organizations studied, we chose to look at the relationship between starting wages and average wages and their corresponding effect on tenure and turnover. We also looked at the overall benefits package and its effect on tenure and turnover. Specifically, we postulate that the distributive justice effects can be viewed by examining the effect of average wages as opposed to starting wages on common measures of job commitment, specifically turnover and tenure. Consider a scenario in which Customer Service Agent A is offered \$10 per hour for performing his or her job. Agent A thinks this is a fair rate and accepts the job and its corresponding starting wage. After working in the position, Agent A receives various pay raises based on performance and he or she will then reevaluate the fairness of job outcomes with a greater

understanding of both the inputs and the outcomes involved. Therefore, the employee will develop a perspective on distributive justice. For example, the level of stress will now be a clear input and the amount of compensation that results for both Agent A and other agents will also become clearer. Therefore, we postulate that in a distributive justice context average wages will have a significant effect on employee satisfaction measures, as follows:

H1 (Distributive justice): Average wages will have a significant positive relationship with tenure and a significant negative relationship with turnover.

H2 (Distributive justice): Financial incentives will have a significant positive relationship with tenure and a significant negative relationship with turnover.

H3 (Distributive justice): Benefits will have a significant positive relationship with tenure and a significant negative relationship with turnover

Procedural justice "refers to the fairness of the policies and procedures used to achieve organizational outcomes" (Maxham and Netemeyer, 2003, p. 49). Whether or not the outcome of a decision is fair, employees can and do judge the fairness of the process used to get to the outcome. How effectively processes are utilized and designed depends on the specific interpersonal skills of the managers. Consider this scenario: Customer Service Agent A needs to ask the manager for permission before providing a refund to angry customers. Agent A believes this is a fair process until he or she discovers that Agent B can make these decisions without management input. The manager provides no reason for the disparity in authority either in a written or verbal policy. This would cause Agent A to judge this process as unfair, regardless of whether or not there is a legitimate reason behind this disparity. The manager's communication failure prevented perceived fairness. Therefore, procedural justice is intricately and inexorably tied to management's interpersonal communication skills, and we hypothesize that:

H4 (Procedural justice): The presence of a policy on interpersonal training for managers will have a significant positive relationship with tenure and a significant negative relationship with turnover.

H5 (Procedural justice): The paid time off policy will have a significant positive relationship with tenure and a significant negative relationship with turnover.

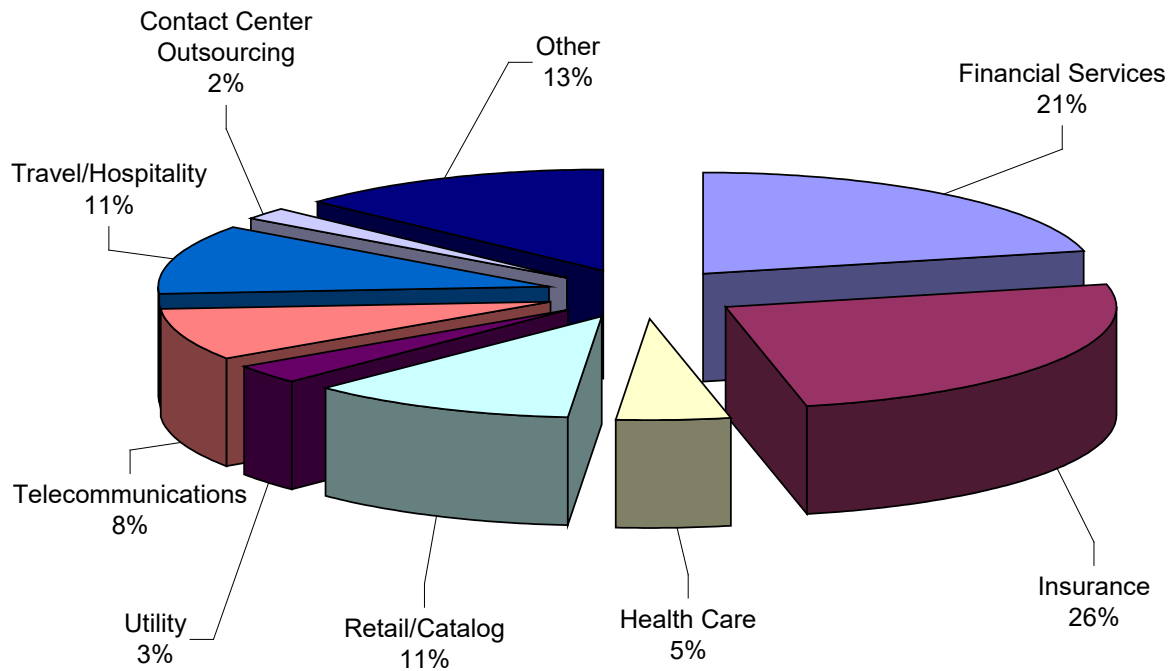
Interactional justice refers to the actual interactions between managers and employees. Even if employees judge processes and outcomes as fair, they can still decide that they are treated unfairly if they perceive injustice during actual interactions with managers (Maxham and Netemeyer, 2003). Consider our last scenario: Let's assume that Agent A, who is not allowed to provide refunds without management permission, is prohibited from doing so because the written policy requires a year of successful performance first and that is why Agent B has the authority and Agent A doesn't. Agent A could easily perceive this as a fair process however let's assume Agent A isn't aware of the policy and asks the manager about it. The manager replies harshly that he doesn't have time to answer useless questions. Agent A, based solely on the actual interaction that took place, perceives unfair treatment despite the equity evident in the written policy. The perceived unfairness would be even greater if this is the only interaction Agent A has with her supervisor and this interaction is likely to reduce further interactions. Therefore, we postulate that interpersonal interactions between the manager and employees will have a significant effect on employee satisfaction measures.

H6 (Interactional justice): Interpersonal interactions (non-financial rewards like employee of the month, a preferred parking space, a plaque, a pat on the back, or a thank you) between the manager and employees will have a significant effect on employee tenure and turnover.

H7 (Interactional justice): The budget for non-financial rewards will have a significant effect on employee tenure and turnover.

Measurement

This research relied on a survey of customer service managers across the following industries.



The surveys were collected in the United States and Canada with the majority of the respondents in the United States. Average wages for new/inexperienced agents started at \$11.59 per hour. Average wages for new experienced agents were \$12.79 and average wages for customer service agents overall were \$14.19. Ninety-two percent of respondents were inbound customer service managers. Eight percent of respondents were outbound customer service managers. Eighty-nine percent of those surveyed managed agent-handled contacts via telephone (voice). Other categories included email, webchat, and others on the survey. One hundred and four surveys were returned. Employee commitment measures included: annual turnover percentage and the average tenure in months. Distributive justice measures included average wages, financial incentives, and benefits. Procedural justice was measured by asking customer service managers about policies. "Have you as a site manager been trained yourself and/or trained front line supervisory personnel in the techniques of appropriate interpersonal/communication skills?" Possible responses included: Yes, I am sure this regularly happens; Yes, but this does not regularly happen; and No, we do not consistently train supervisory teams. "What is the number of paid days off per year for customer service representatives?" Interactional justice was measured by asking customer service managers "How many non-financial,

positive interpersonal interactions take place between you and your employees on a yearly basis?" Possible responses included: None, 1-12 per year, 13-24 per year, and 25 or more per year. Managers were also asked what the annual budget was for non-financial rewards.

Results

Distributive Justice

H1: Average wages will have a significant positive relationship with tenure and a significant negative relationship with turnover.

The data in Table 1 supports both parts of the first distributive justice hypothesis. Average wages did correlate significantly both with agent turnover and agent tenure. The positive relationship with tenure and the negative relationship with turnover was as expected.

Table 1 – Correlations for Average Wage

Pearson Correlation (Significance)	Agent Turnover	Agent Tenure
Average Wage	-0.529**	0.476**
N = 104		

** *p-value* < 0.01

H2: Financial incentives will have a significant positive relationship with tenure and a significant negative relationship with turnover.

The results in Table 2 show that the amount of budget that was allocated to financial incentives did not have any statistically significant effect on either agent tenure or agent turnover.

Table 2 – Correlations for Financial Incentives

Pearson Correlation (Significance)	Agent Tenure	Agent Turnover
Budget for Financial Incentive	-0.011 NS	-0.120 NS
N = 64		

NS not significant (p-value > 0.10)

H3: Benefits will have a significant positive relationship with tenure and a significant negative relationship with turnover.

The results in Table 3 below reveal that total combined benefits had a marginal negative correlation with agent turnover (*p-value* = 0.053). However, there was no statistically significant relationship between agent tenure and total benefits.

Table 3 – Correlations for Total Benefits

Pearson Correlation (Significance)	Agent Tenure	Agent Turnover
Total Benefits	0.080 NS	-0.165†

N = 97

† *p-value < 0.10*

NS *not significant (p-value > 0.10)*

Procedural Justice

H4: The presence of a policy on interpersonal training for managers will have a significant positive relationship with tenure and a significant negative relationship with turnover.

Table 4 – ANOVA Analysis

ANOVA						
Dependent Variable	Metrics	Sum of Squares	df	Mean Square Error	F	Sig.
Agent Turnover	Between Groups	5853.820	2	2926.910	3.761	0.027*
	Within Groups	70824.667	91	778.293		
	Total	76678.487	93			
Agent Tenure	Between Groups	65.153	2	32.576	0.030	0.970 NS
	Within Groups	98296.901	91	1080.186		
	Total	98362.053	93			

Least Significant Difference (LSD)					
Dependent Variable	Group I	Group J	Mean Difference (I-J)	Std. Error	Sig.
Agent Turnover	Yes I am sure this regularly happens	Yes, but this does not happen regularly	4.10015	6.74204	0.545 NS
	Yes I am sure this regularly happens	No, we do not consistently train and expect a supervisory team	-37.07485	14.35930	0.011*
	Yes, but this does not happen regularly	Yes I am sure this regularly happens	-4.10015	6.74204	0.545 NS
	Yes, but this does not happen regularly	No, we do not consistently train and expect a supervisory team	-41.17500	15.11331	0.008**

NS *not significant (p-value > 0.10)*

† *p-value < 0.10*

* *p-value < 0.05*

** *p-value < 0.01*

*** *p-value < 0.001*

The data in Table 4 show no relationship between agent tenure and the presence of a policy on interpersonal training for managers. Regarding agent turnover, the results are far more interesting. It seems that if you have any policy in place regarding interpersonal training for managers it is going to be statistically better than having nothing at all.

H5: The paid time off policy will have a significant positive relationship with tenure and a significant negative relationship with turnover.

Table 5 – Correlations for Paid Time Off (PTO)

Pearson Correlation (Significance)	Agent Tenure	Agent Turnover
PTO Days per Year	0.302***	-0.111NS
N = 104		

NS not significant (p-value > 0.10)

**** p-value < 0.001*

Table 5 illustrates that while paid time off did not have any significant statistical relationship with agent turnover, it was highly correlated to agent tenure. More paid days off per year does seem to encourage agent tenure.

Interactional Justice

H6: Interpersonal interactions (non-financial rewards like employee of the month, a preferred parking space, a plaque, a pat on the back, or a thank you) between the manager and employees will have a significant effect on employee tenure and turnover.

Table 6 – ANOVA Analysis

ANOVA						
Dependent Variable	Metrics	Sum of Squares	df	Mean Square Error	F	Sig.
Agent Turnover	Between Groups	458.922	3	152.974	0.181	0.909NS
	Within Groups	76219.565	90	846.884		
	Total	76678.487	93			
Agent Tenure	Between Groups	13909.724	3	4636.575	4.941	0.003**
	Within Groups	84452.329	90	938.359		
	Total	98362.053	93			

NS not significant (p-value > 0.10)

*** p-value < 0.01*

The findings in Table 6 show once again a split result. Agent turnover was not influenced by the use of non-financial rewards. However, the use of non-financial rewards had a significant and positive effect on agent tenure.

H7: A budget for non-financial rewards will have a significant effect on employee tenure and turnover.

Table 7 – Correlations for Non-Financial Rewards

Pearson Correlation (Significance)	Agent Tenure	Agent Turnover
Budget for Non-Financial Rewards	-0.173*	-0.031NS
N = 91		

NS not significant (p-value > 0.10)

** p-value < 0.05*

Table 7 shows a similar, mixed result. The non-financial rewards did influence agent tenure but did not influence agent turnover.

Discussion

Significant support was found across industries for the impact of distributive, procedural, and interactional justice theories on employee commitment. This research supports the contention that sacrificial HR strategies are present in customer service departments across industries. These sacrificial HR strategies lead to a lack of employee commitment. The results of this research provide evidence that customer service firms do "reap what they sow", a concept first introduced by Maxham and Netermeyer in 2003. Perceived justice by customer service reps impacts the extra-role behaviors they engage in when dealing with a customer (Maxham and Netermeyer, 2003) and that "moment of truth" exchange that takes place. Hiver's report on customer service during the pandemic indicates that consumers have a very low tolerance for poor customer service and 89% indicate they will make their bad experience known to friends and family and on social media. The report also indicates that 30% of consumers will not give a company a second chance after just one bad customer experience (PR Newswire, 2020b). Simplr, in their June 2020 state of customer service report, indicated that "it remains important to the consumer that a company brings empathy and humanity to each customer service interaction" (Murphy, 2020). Empathy has also been recommended by Brennan (2020) as a way of setting a company apart in customer service. She calls the concept "radical empathy" and defines it as a deep understanding of your consumer. She recommends combining radical empathy to delight your customers as a way to navigate to excellent customer service during this pandemic. Extra role behaviors like empathy and delight are not the typical customer satisfaction goal. Delight and empathy require exceptional customer service efforts. How would it be possible for a customer service rep to show radical empathy and deliver delight to a customer when that CSR does not receive any radical empathy or delight in the workplace?

The average annual turnover rate across industries in this sample was 30%. The average tenure in months was 37 months or approximately three years. This tenure barely spans the full length of an extended product warranty. This research highlights that customer service firms that utilize sacrificial HR strategies will reap what they have sown, particularly in challenging competitive times (like a 100-year pandemic). The complaints about Peloton were not as much about delivery delays as they were about the lack of honesty and lack of responsiveness of the customer service representatives.

Unhappy customers said things such as “hiding behind recent events as excuses, as opposed to transparency to the real problem” and I would be a lot more understanding “if they were honest” (Hanbury, 2020). This research explains why Peloton, and other firms, who are proud of their customer service and positioned well for a pandemic, may be unable to take advantage of the tremendous opportunity COVID-19 presented to them. The opposite situation would also be true, as companies who are significantly threatened by the pandemic would have difficulty minimizing the threat the pandemic represents. When the pandemic hit, airlines were inundated with calls from customers. They had to enlist senior executives to take customer calls and customers could not get issues resolved. When the pandemic hit, companies struggled to provide customer service.

The American Express Co. login page is topped with a message, in red letters, warning of long wait times and encouraging people to “use our digital tools.” British Airways’ customer service line to manage flight reservations plays a message to call back later or visit the company’s website. Calling the toll-free number for Procter & Gamble’s Charmin brand toilet paper tells people looking for bathroom tissue that the company is working “as fast as humanly possible” to supply retailers and ends with “We hope you are able to find it in stores soon,” before disconnecting (Terlep, 2020).

This study may help to explain why brands are “failing to create the positive, emotional experiences that drive customer loyalty” and why consumers are becoming “serial switchers”. NewVoiceMedia reports that 86% of surveyed customers said that “if there was an emotional connection with a customer support agent and the customer felt they were cared for and valued, they would be willing to continue to do business with the company again” (Newstex Trade and Industry Blogs, 2018). Sixty six percent of customers indicated they would be more loyal if they received good customer service and 65% indicated they would be willing to recommend the company. The lack of supportive HR strategies may save money in the short run but does this lack erode long-term customer loyalty? Customer loyalty may be the only sustainable competitive advantage during the turbulent environment of COVID-19.

References

- Brennan, B. (2020) Radical Empathy And Other Ways To Rethink Your Customer Experience, Forbes online, <https://www.forbes.com/sites/bridgetbrennan/2020/10/08/radical-empathy-and-other-ways-to-rethink-your-customer-experience/?sh=9023ace5f3bd>. October 8, 2020.
- Carbo, J., Pellegrino, K.; and Pellegrino, R. (2009) Using Strategic Management Principles, SHRM Theory and Organizational Theories to Make Practical, Legal, Ethical and Strategic Employment Law Related HR Decisions. *Proceedings of the Academy of Business Disciplines*, Fort Myers Florida, November 2009.
- Customer Service Blog (May, 2018) “\$75 Billion Dollars is Lost Due to Poor Customer Service”, Newstex Trade & Industry Blogs, Chatham.
- Dow Jones Institutional News (2014) Poor Customer Service is Eroding Customer Loyalty to Retail Brands. New York, New York, August 20, 2014.
- Deutsch, Morton (1985). *Distributive Justice: A Social-Psychological Perspective*, New Haven, CT: Yale University Press.
- Folger, R. & Cropanzano, R. (1998). *Organizational Justice and Human Resource Management*, Thousand Oaks, CA, Sage Publications.
- Goodwin, C. & Ross, I. (1992). Consumer Responses to Service Failures: Influence of Procedural and Interactional Fairness Perceptions. *Journal of Business Research*, 25 (2), 149-163.
- Greenberg, Jerald (1990). Organizational Justice: Yesterday, Today and Tomorrow. *Journal of Management*, 16(2), 399-342.

- Hanbury, Mary (2020) Peloton Customers are Complaining about Months-long Deliver Delays, Last Minute Cancellations, and Poor Customer Service as the High-tech Fitness Company Grapples with Growing Demand. Business Insider, New York, New York, June 18, 2020.
- Lawler, EE (1986). High Involvement Management: Participative Strategies for Improvement in Organisational Performance, Jossey-Bass, San Fransisco, CA.
- Maxham, J. & Netemeyer, R. (2003). Firms Reap What They Sow: The Effects of Shared Values and Perceived Organizational Justice on Customers' Evaluations of Complaint Handling. *Journal of Marketing*, 67 (January), 46-62.
- Mehra, Samantha (December 2018), "New Study Names the Top 10 Worst Industries to Call in 2018" PR Newswire, New York, New York.
- Monger, J. & Perkins, D. (2008). Survey Pain Relief: Transforming Customer Insights into Action, A cure for the billions wasted on "dead end" customer survey programs. ICMI Press, Colorado Springs, CO.
- Murphy, J. (2020). In New State of CX Study by Simplr, 27% of Consumers Say Their Brand Loyalty Has Wavered During Pandemic Due to Long Customer Service Wait Times. PR Newswire, New York, New York.
- Newstex Trade and Industry Blogs (2018). \$75 Billion Dollars is Lost Due to Poor Customer Service, Chatham, Newstex. May 23, 2018.
- PR Newswire (2020a) Sitel Group Report Reveals Customer Experience Reigns as Brand Loyalty Driver Through Pandemic. PR Newswire, New York, New York July 6, 2020.
- PR Newswire (2020b) 80% consumers expect better customer service during COVID-19, finds Hiver Research, New York, New York, October 27, 2020.
- Restaurant Hospitality (2010) Poor Customer Service: More Costly Than You Think. Cleveland Ohio October 21, 2010.
- Tax, S., Brown, S. & Chandrashekar, M. (1998). Customer Evaluations of Service Complaint Experiences: Implications for Relationship Marketing, *Journal of Marketing*, 62 (April), 60-76.
- Terlep, S. (2020). Customer Calls to Companies Rise Amid Coronavirus, but Operators Aren't Standing By. *Wall Street Journal Online*, New York, New York.
- Wallace, C., Eagleson, G., & Waldersee, R. (2000). The Sacrificial HR Strategy in Call Centers. *Journal of Service Management*, 11(2), 174-184.