



Cisco Customer Kings Report 2010



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Cisco Customer Kings Report 2010

Executive Summary

Small and medium enterprises (SMEs) pride themselves on offering exceptional levels of customer service and delivering a 'personal touch' often absent from their larger counterparts. However, the current economic climate has placed unique pressure on UK and Irish SMEs, with demanding customers and nervous employees placing a strain on delivering first class customer service. In 2010, getting and keeping customers has never been so important.

In February 2009, Cisco commissioned the first Customer Kings research project, which demonstrated the importance of maintaining a focus on customer service through difficult economic times. The first report pinpointed great customer service as not simply a 'nice-to-have' in times of prosperity, but a core value that can see businesses through good times and bad.

One year later, in the midst of cautious signs of economic recovery, Cisco has commissioned a further wave of research to look at how things have moved on, and what SMEs are doing to maintain great customer service in 2010.

These are clearly tough times for small businesses: customers are looking for better prices and better service, and they will change suppliers to get what they are looking for. 82% of

SMEs think customers are more price-sensitive as a result of the downturn, 67% think customers are expecting even better customer service, and 31% think customers are more likely to change suppliers.

Rather than stalling in the face of such pressure, SMEs are rising to the challenge and demonstrating their fighting spirit. Their focus on customer service has been stepped up due to the adverse climate, and most are feeling optimistic about 2010. 80% are committed to further improving customer service.

Alongside such encouraging signs, there is also a note of caution: the research identifies the potential for the emergence of a two-tier SME economy. 'Customer Kings', who make up a reassuring majority (73%) of the sample, are focusing on great customer service, adopting a flexible business model, and utilising technology, including e-commerce and social media, to help their cause. There are those who are more reluctant to engage with customers, though, who are forming a kind of customer service underclass, sticking to a rigid, 'old economy' business model to the detriment of their customers. This second group struggles against economic pressures and customer-centric shifts in business models.

Highlight Statistics

A year in the life

Economic pressure has increased with 31% thinking customers are more likely to change suppliers as a result (up from **23%** last year). **29%** are dealing with fewer customers than the previous year.

Pressure cooker times

82% of SMEs think customers are more price-sensitive due to the recession and **67%** think customers are expecting better customer service.

SMEs in fighting spirit

80% of SMEs are committed to further improving customer service. **61%** have introduced measures in the last year to help build/maintain customer relationships (up from **57%** last year). **63%** are optimistic about 2010.

Technology and the personal touch

A 'personal touch' is considered critical for business success by **87%** of SMEs. **63%** are getting ideas for customer service from customers themselves. 46% think that social media has increased customer service expectations. SMEs believe online retailers are setting the standard for customer service.

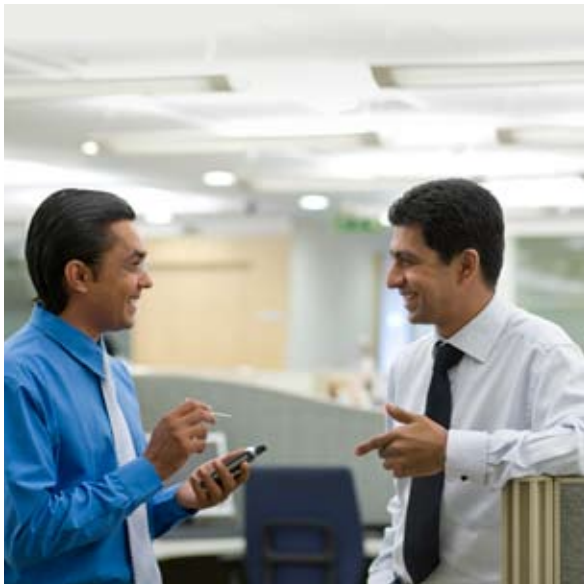
Research Methodology

Cisco Customer Kings 2010 is the second in an annual series of research initiatives exploring the ethos of customer service in the small and medium sized businesses which make up 98% of UK companies.

This report is based on the second Cisco Customer Kings Survey. It was conducted in February 2010, following on from the first Customer Kings survey which took place in January 2009.

Findings are based on 1000 online interviews with owners and senior decision makers in UK businesses with between 5 and 100 employees across the UK (see **fig. A**) and covering a range of sectors (**fig. B**).

The research was conducted by Loudhouse Research, an independent market research company based in the UK.



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Figure A: Sample breakdown by region

Region	%	Number of respondents
London/South East	26%	265
Birmingham/West Midlands	13%	134
Bristol/South West	12%	116
Manchester/Greater Manchester	11%	108
Leeds/West Yorkshire	10%	105
Glasgow/Scotland	9%	95
Cardiff/Wales	6%	56
Newcastle/Tyneside	5%	46
Liverpool/Merseyside	5%	48
Northern Ireland	3%	28

Figure B: Sample breakdown by sector

Sector	%	
IT/Technology	14%	
Manufacturing	14%	
Retail	14%	
Business services	12%	
Public sector	10%	
Financial services	6%	
Voluntary/charity	5%	
Utilities/telecommunications	3%	
Other	22%	

Customer service – a year on

The biggest changes in the past 12 months revolve around customers' increasing demands as a result of the changing economic climate. Customers are found to be becoming increasingly 'promiscuous', and are happy to take their wallets wherever the best deals are available. SME respondents now believe that customers are becoming more likely to change suppliers as a result of the recession (31% this year, against 23% last year, **fig. 1**). The smallest businesses surveyed (those with 5-10 employees) are most likely to have noticed an increased promiscuity in their customer base over the last 12 months (35%, against 20% last year).

The reaction from SMEs has been necessarily strong: more have introduced new measures in the past 12 months to help build and retain their customer base (61%, up from 57% last year). Encouragingly new customer measures are more widespread in the smallest businesses who are subject to the highest levels of customer promiscuity (up from 52% to 59%). 2010 also sees businesses leveraging the power of technology to manage their customer base – a wider range of technologies are being used in this area, with a particular increase in numbers using an email management system (52% against 40% last year) and a move towards using social media as a means of communicating with and better understanding customers.

The number of SMEs strongly agreeing that customer service is based on 'the personal touch' has increased from 45% last year to 52% this year. Interestingly, there has not been a corresponding

increase in the proportion of SMEs saying that 'Britain is getting better at customer service' – only 40% agree, much the same as a year ago. This suggests that individual efforts to bolster customer service are not translating into a collective shift in consumer consciousness of these efforts.

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At a broader level, aggregate figures on customer numbers show that the UK SME economy as a whole has not suffered a drastic loss of business, in terms of customer numbers, in the course of 2009. A small drop from 1761 customers on average in 2009 to 1740 in 2010 is not statistically significant. However, further investigation suggests that it is far from 'business as usual' for individual businesses. There is evidence of change in both directions (**fig. 2**), with 34% profiting from customer promiscuity and increasing their number of customers, and an almost correspondent 29% suffering from the same phenomenon. With increasing numbers of SMEs recognising that customers are becoming more likely to change suppliers (31%, up from 23% last year), it is clear that focusing on being a 'Customer King' is likely to be just as critical to survival as to prosperity in 2010.

Figure 1: Likelihood to change suppliers 2009 v 2010

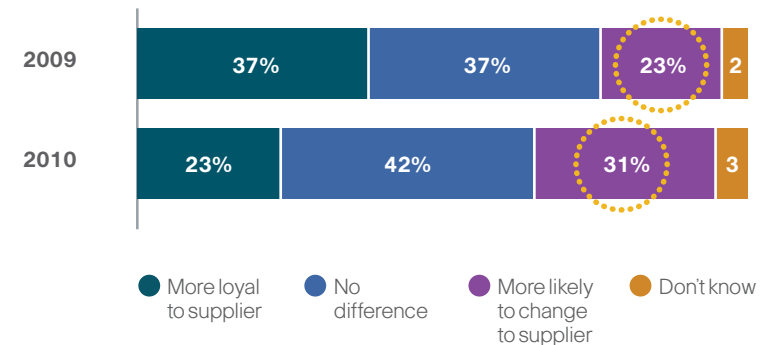
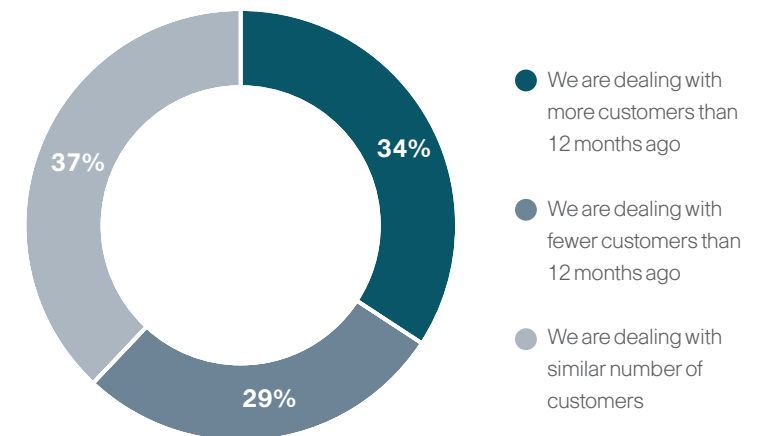


Figure 2: Change in customer numbers in the past 12 months



The two-tier SME economy

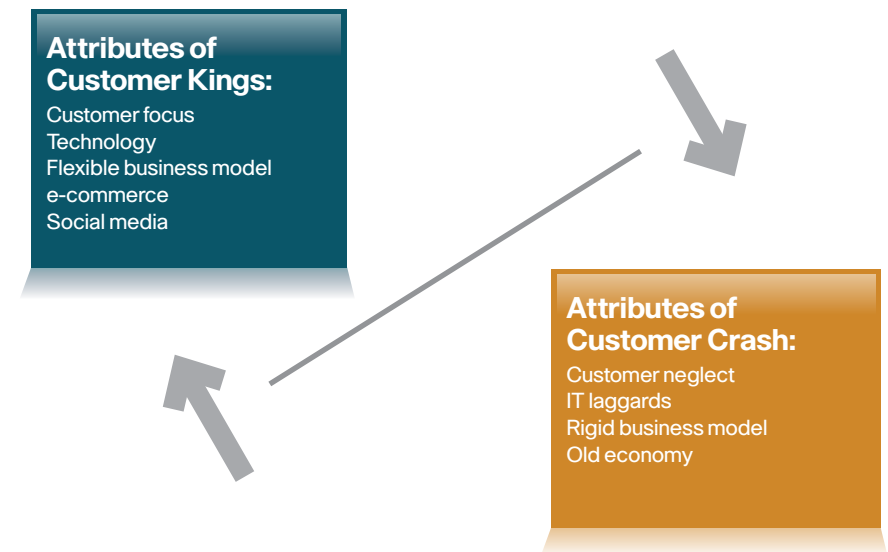
The most significant development in the past 12 months is the emergence of a 'two-tier' SME economy (**fig. 3**), with a marked divide between those who are getting customer service right and those who are lagging behind. The divide straddles several key areas, which all converge to give a better customer experience. As well as an obviously stronger focus on the customer, crucial to the success of the better-performing 'Customer Kings' is the deployment of technology, whether at an infrastructure level or with more consumer-centric tools such as e-commerce and social media. Almost three quarters of businesses show these Customer King attributes – indeed, 73% of SMEs are committed to further improving customer service AND believe technology is important to customer service.

All of these areas of focus contribute to increased customer satisfaction, serving to boost customer retention and helping to safeguard commercial success. This is evidenced by the fact that those who have placed more focus on customer service as a result of the recession are likely (36%) to be dealing with more customers than a year ago than those who haven't (31%). Those who fail to list 'putting the customer first' as a key business attribute, by contrast, are more likely to be dealing with fewer customers than last year (35% vs 28%).

Technology is one area that differentiates Customer Kings, clearly influencing levels of customer engagement and business optimism voiced by SMEs. Businesses that describe technology as 'very important' to customer service are more likely than those who do not share this sentiment to be optimistic about 2010 (71% against 57%). Social media falls under this technology umbrella and those using social media to engage with customers are seen to be reaping the rewards in terms of customer numbers, being considerably more likely to be dealing with more customers than last year compared to those who do not use social media (43% vs 29%).

Businesses not showing any Customer Kings attributes are likely to have experienced a more difficult 12 months than their more customer-focused counterparts. With customer expectations and willingness to switch suppliers higher than ever, any sign of customer disregard or complacency, IT indifference and a reliance on "old economy" business models is a potential recipe for commercial inertia in 2010.

Figure 3: Two-tier SME economy model



Businesses not showing any Customer Kings attributes are likely to have experienced a more difficult 12 months than their more customer-focused counterparts.

SMEs in fighting spirit

At the start of 2010, many SMEs are finding themselves in something of a 'pressure cooker' environment: In addition to the 31% of SMEs who believe customers are more likely to change suppliers as a result of the recession, 67% think customers are expecting even better customer service, and 82% believe that customers are more interested in price than before the downturn.

Although responses to this predicament vary, as demonstrated by our 'two-tier economy' observations, the encouraging fact is that a majority of SMEs seem to be heading in the right direction, and putting the customer at the centre of their plans for 2010.

On the whole, SMEs are positive about the future. Over three quarters expect an upturn in the economy in the next 12 months, and just under half think it will come in the next 6 months (fig. 4). 63% are 'optimistic' about 2010, with a mere 1% saying they are 'very pessimistic'. This optimism is driven by those putting their energies into customer service.

'Putting the customer first' is highlighted as the number one attribute for running a successful business (76%), and it seems that a majority are putting this belief into action. 57% of SMEs (fig. 5) are focusing on better customer service as a result of the recession (the most popular action) and 45% have dedicated more time to understanding customer service.

Positively, 61% of SMEs have introduced measures in the past 12 months to help build and retain customer relationships, an increase from 57% in 2009. The customer service push is set to continue in 2010: despite 55% believing their customer service is as good as it can be at the present moment in time, 80% are committed to further improving customer service.

Figure 4: When SMEs expect to see an upturn in the economy

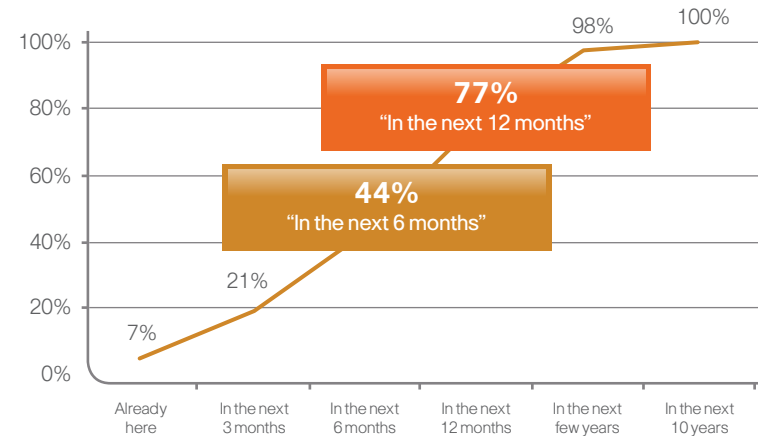
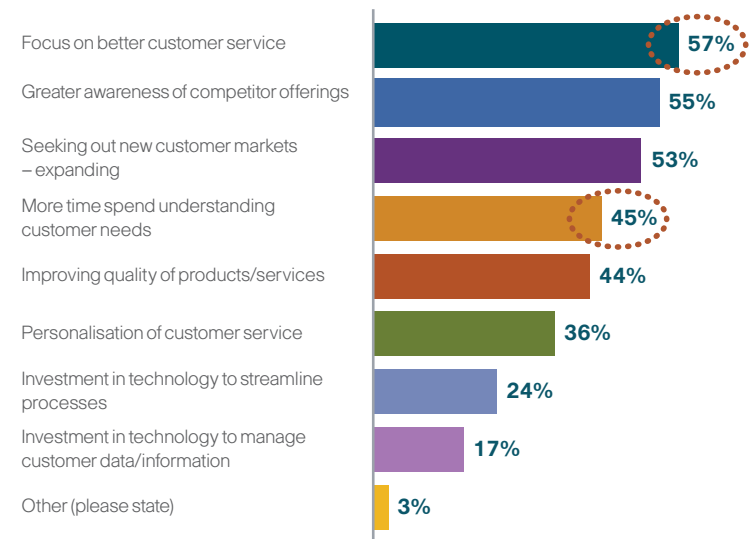


Figure 5: Changes in approach due to recession



Delivering the 'personal touch' through technology

The personal touch is often lauded as the hallmark of good customer service with 87% of SMEs considering that successful business is based on the 'personal touch'. This can seem at odds with today's technology driven world, although encouraging changes are taking place both in the definition of what constitutes 'personal touch' in 2010, and how to implement it successfully to improve the customer experience. One of the most significant findings of this year's research was that SME respondents consider online retailers to be setting the standard in terms of customer service. 65% believe they offer 'good' or 'exceptional' service (fig. 6), higher even than local shops (58%) and significantly ahead of the likes of utilities providers (29%) and train companies (24%). Effective delivery of the 'personal touch' in 2010 is as likely to take place via technology as face-to-face on the high street.

SMEs readily associate technology with customer service; 91% viewing technology as important ('very' or 'quite') in improving the customer experience. For many businesses, technology is considered to play a pivotal role in both the acquisition and retention of customers. 65% see it as increasingly important for maintaining customer satisfaction, and 64% for generating new customers and sales. Those who view technology as 'very important' are most likely to have increased their customer numbers in the past 12 months (39% against only 27% of those who don't see technology as important).

Most companies use some form of technology to keep track of their customers, but in 2010 they seem to be using a wider range of tools than previously (fig. 7). The biggest increase has come in the use of email management systems, now used by 52% – up from 40% last year. But more are also using CRM systems and internet tools such as web analytics, evidence of a more sophisticated and rounded view of what constitutes customer service, and indeed value.

The average SME spends a healthy 15% of its budget on technology although 46% agree that customer service could be improved if they had more budget to invest in technology. This number increases the higher the percentage currently devoted to technology – just 33% among those spending 1%-5% on technology, and 53% among those spending 21%-50%. This implies that the more technology is used for customer service purposes, the greater the recognition of its impact.

Figure 6: Companies demonstrating 'good' or 'exceptional' service according to SMEs

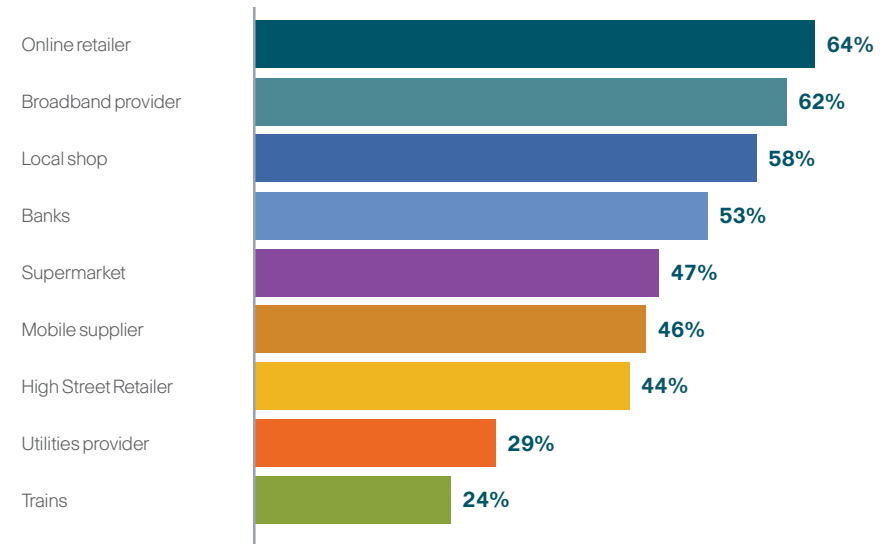
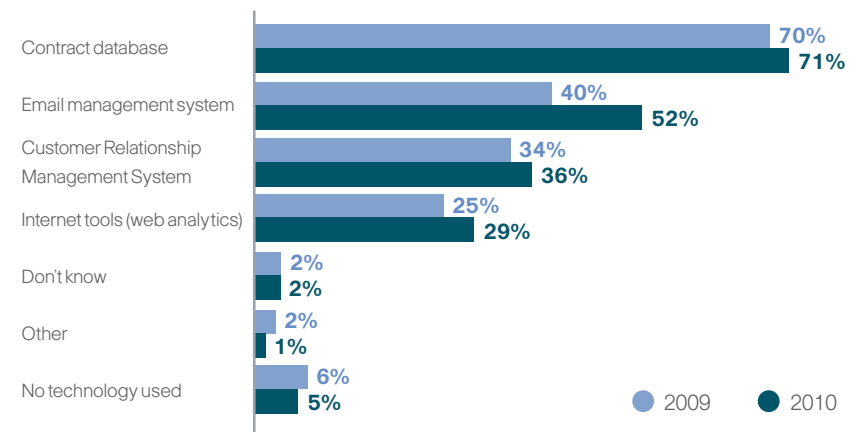


Figure 7: Increasing range of technologies used to track customer behaviour (2009 vs 2010)



Changing rules of engagement

Businesses are involving customers more and more in their decision making. Beyond reactively seeking feedback on products and services, customers are increasingly being called on to help create new products and services and to provide ideas around other business improvements.

SMEs are now just as likely to source ideas for improving customer service direct from customers themselves as they are to consult their own staff (fig. 8).

Communication with customers is becoming more of a two-way process than ever before, its implementation facilitated and importance emphasised by developments in technology. Although the use of and attitudes towards 'technology' as a whole seem broadly positive, when it comes down to specifics there is evidence of an even greater divide between businesses using technology to engage and service customers and those who are not. 25% of SMEs are currently using e-commerce, and, perhaps more significantly in the long term, 37% of respondents (fig. 9) are now using social media for marketing communications.

The Cisco Customer Kings survey goes beyond the hype often associated with social media and finds real commercial benefits to SMEs who have been using it to engage and service customers.

The Cisco Customer Kings survey goes beyond the hype often associated with social media and finds real commercial benefits to SMEs who have been using it to engage and service customers. For example, businesses using any form of social media to communicate with their customers are likely to be dealing with more customers than they were last year (43% vs 29%). Those not using social media are more likely to have seen no difference: standing still on communications innovation seems to also mean standing still commercially. Social media users are also more likely to be optimistic about 2010: 72% who use social media are optimistic against just 60% of non-users.

At a general level, 46% of SMEs believe that social media has increased customer service expectations. Social media is not a one-way street however as 44% agree that monitoring social media provides useful customer service insights. Engaging with those whose expectations have been raised by social media, and leveraging insights to further improve customer service is likely to influence the continued commercial success of SMEs in 2010 and beyond.

Figure 8: Where SMEs get ideas for improving customer service

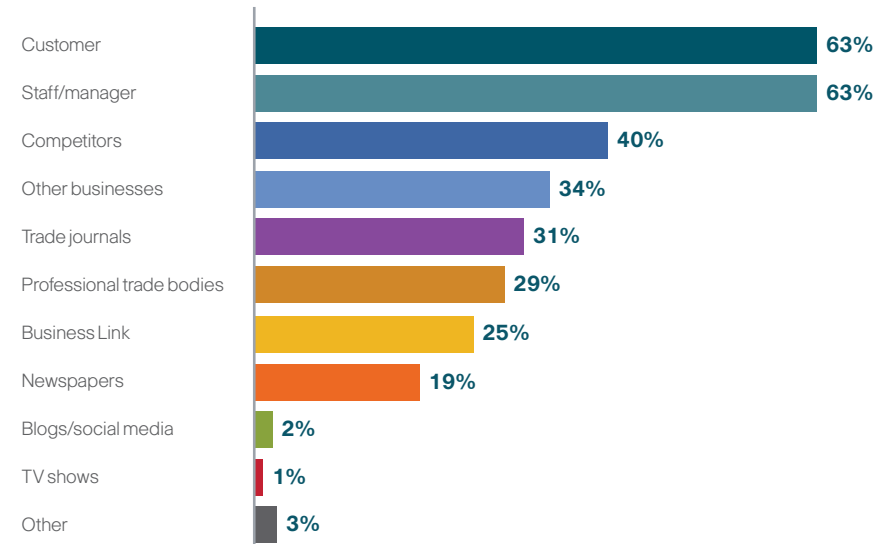
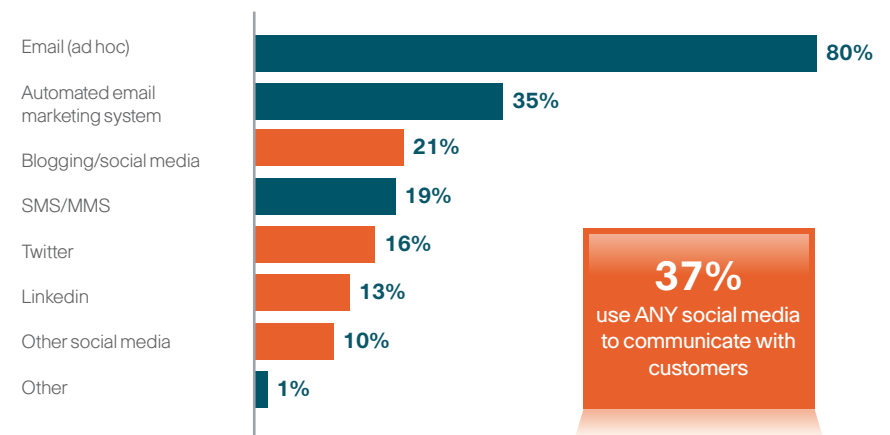


Figure 9: use of electronic communications tools



Conclusions

2009 has been a painful year for many SMEs but as we enter a new decade, most businesses are showing a healthy level of optimism that the worst of the recession is over. Underpinning much of the difficulty that businesses have faced has been a fundamental shift in consumer needs and behaviour. Customers now have all the power, exhibiting greater price sensitivity, a heightened focus on quality and an intolerance of poor customer service.

Businesses vary in their customer service stance. Customer Kings are most likely to appear in businesses where customer services sits at the core of company culture. Those companies “shocked” into action due to recessionary pressures are functioning on less stable footings.

The Cisco Customer Kings 2010 research paints an encouraging picture of Britain’s customer service from the business perspective. The majority of businesses have responded to increasing customer demands and are more focused on improving their customer service. Simply saying you are delivering

better customer service, however, does not always translate into tangible actions and a sizable number of businesses are showing signs of complacency. More sophisticated businesses realise that customers are ever evolving in their attitudes, yet the route to keeping up with customer demands is still a precarious one.

Good customer service is itself an elusive, not to mention subjective, concept – the precise definition varying by business sector, company size, target market and indeed individual. It is most encouraging therefore, that a significant proportion of companies now seek the counsel of customers themselves to help define customer service standards and shape strategies.

The term “personal touch” is often mentioned in the same breath as customer service and carries a similar level of intangibility. There are increasing signs that the personal touch is no longer only deliverable in person. With online businesses now setting the standard for customer service, IT laggards must up their game. While adoption of technology should be assessed on a needs basis, and not pursued for its own sake, there are clear

signs that those who do engage with new technology are delivering better customer service, which in turn is leading to better results. The research points to a return to old fashioned customer service values delivered in new and exciting ways. Social media is just one example of using technology to engage with customers on their terms. So far, the signs in terms of tangible business benefit are positive.

Whilst Customer King attitudes do prevail across SMEs generally, there are some SMEs failing on a range of crucial measures, most notably: focus on customers, engagement with technology and receptiveness to change. A two-tier SME economy is emerging with evidence of stagnation amongst that those who do not deliver on customer service. As the economy recovers, those companies who have embedded customer service values at the very heart of their businesses look set to emerge as winners whilst those who adopt a more short-term approach face certain challenges as the economy changes pace.



The Cisco Customer Kings 2010 research paints an encouraging picture of Britain’s customer service from the business perspective. The majority of businesses have responded to increasing customer demands and are more focused on improving their customer service.

Based on the findings of the research, Cisco Customer Kings 2010 offers the following considerations for businesses looking to sharpen their customer service.

Understand your customer

Ask your customers directly what they look for in customer service and then implement it. Go where they go and engage with them in their language – be that face to face, via telephone or on Facebook

Recruit and train the right people

Recessions often lead to a cull of customer facing people. Think twice before losing the very people who are keeping your customers with you and invest in making your customer facing staff as good as they can be

Measure your performance

Find out and measure what you know is important to your customer, not what you think is important to them and track your performance

Learn from others

Look at what other companies, both inside and outside your industry sector, are doing with customer service. In amongst the cut and thrust of competition, businesses are becoming more inclined to share best practice

Simple innovations

Sometimes all it takes is a tiny readjustment to get on the right track rather than an industry-shaking change. Use simple innovations to help support and deliver customer service – whether this be to communicate with your customers, to track your customers or to provide a more timely, better quality customer service solution





UK Headquarters

Cisco
9-11 New Square
Bedfont Lakes
Feltham
Middlesex, TW14 8HA
www.cisco.co.uk
Tel: +44 (0)20 8824 1000
Fax: +44 (0)20 8824 1001
Sales: 0800 0153003

Ireland (Dublin)


Cisco
Block P6,
Eastpoint Business Park,
Dublin 3, Leinster
Ireland
www.cisco.co.uk
Tel: +353 (1)819 2700
Fax: +353 (1)819 2818
Sales: 1800 556 670

Scotland (Edinburgh)

Cisco
3rd Floor, Building 4
96 Commercial Quay
Commercial Street
Edinburgh, EH6 6LX
www.cisco.co.uk
Tel: +44(0)131 561 3613
Fax: +44(0)131 561 3601
Sales: 0800 0153003

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