



# Cisco Customer Kings Report 2009



## Table of Contents

- 3** Executive Summary
- 4** Hanging in the balance
- 5** Customer kings
- 6** Personal touch
- 7** The personal touch in a virtual world
- 8** Personal touch in a downturn
- 9** Conclusion



## Executive Summary

Small and medium sized enterprises (SMEs) are the lifeblood of Britain, making up 98% of companies, accounting for almost half of British jobs and UK GDP. SMEs are often lauded for providing better customer service and offering the all-important 'personal touch' that their larger counterparts fail to deliver. In January 2009, Cisco commissioned a research project to explore how the ethos of customer service is changing.

In difficult economic times, price typically becomes the over-riding focus for consumers and consequently, businesses respond by slashing costs and shaving prices. At some point though, prices level out and in markets where price is not such a strong purchase driver, customer service comes to the fore.

Excellent customer service is arguably more difficult to achieve during a downturn, when job insecurity shows itself in the faces and attitudes of staff and, for those interacting with their customers via the Internet, it can be difficult to measure and effectively convey. Couple this with the indecision about whether to focus more on current customers or on new customers, and many SMEs find themselves in limbo, unsure of which way to turn.

More than half of companies have introduced new measures to help build and retain customer relationships in the last 12 months. Although cost cutting is increasingly front of mind during a downturn, effectively serving customers remains the priority. Customer service is not a nice-to-have in times of economic prosperity, but a core value that can see businesses through good times and bad, improving customer loyalty and bolstering the bottom line.

## Highlight Statistics

### Individual action, collective change

In the last 12 months **57%** of respondents have introduced new measures to help build / retain customer relationships, but only **39%** consider that Britain as a nation is getting better at customer service.

### Let's get personal

**88%** of respondents believe that a successful business is based on the personal touch when dealing with / selling to customers.

### Service struggle

**76%** consider that the single most important ingredient in great customer service is the attitude of staff, but **32%** of businesses have had redundancies in the past 12 months.

### Time factors

**61%** of respondents believe that their approach to customers could be improved with more time and resources to focus on quality and insight.

### Methodology

Findings from the Cisco Customer Kings Survey are based on 1000 online interviews with senior decision makers in UK businesses with between 5 and 100 employees across a range of sectors.

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

## Hanging in the balance

SMEs provide an intimate workplace for employees, with ample opportunities for progression and exposure across the business spectrum. Although 30% of owners set out to create a market leading business that is recognised at national / international level, many people set up their own business for more personal reasons, seeking that elusive work-life balance (20%).

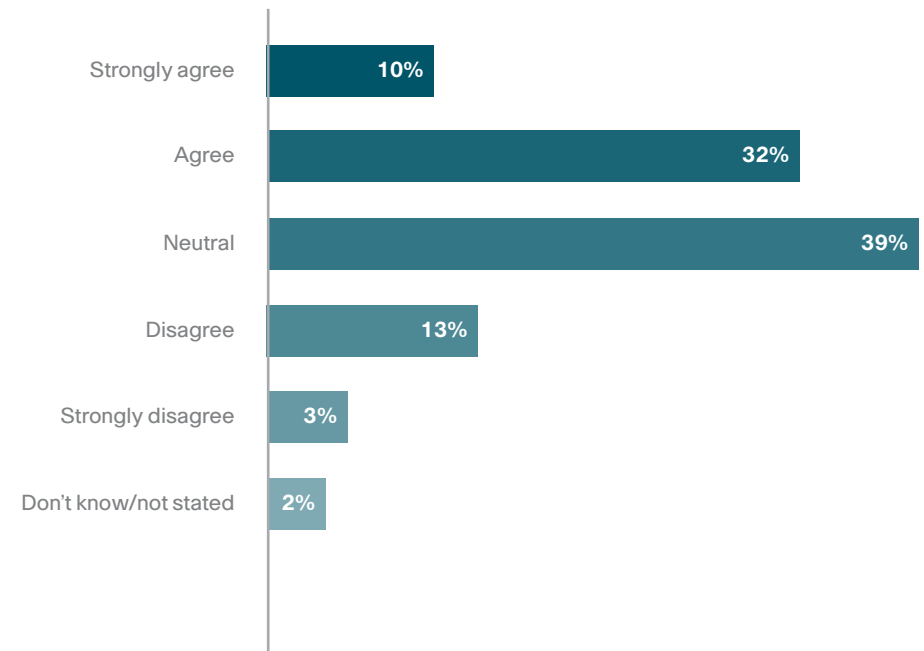
Despite making up the significant majority of businesses, and being credited as more flexible and innovative than their larger counterparts, small businesses are fragile entities with high failure rates for whom the adage 'survival of the fittest' really does apply and never more so than during a time of economic turmoil.

Whilst some SMEs will flounder, unable to maintain adequate cash flow, others will draw on the intrinsic strengths found within the SME sector itself – being flexible and innovative and adapting quickly to economic changes – and may emerge stronger than before.

SMEs are clearly adopting different strategies in the current climate. Whilst 42% state that in a downturn they shift their focus from acquiring new customers to building additional loyalty with existing ones, 17% take the opposite view and 41% remain undecided as to what course they will take.

**Figure 1:**

Agreement that 'In a downturn I am shifting focus from acquiring new customers to building additional loyalty with existing ones'



## Customer kings

Looking at what makes a successful business, SMEs see putting the customer first as the number one attribute (44%). Being flexible to market change (39%) is the next most important attribute and ensuring employees are professional (37%) closely follows. SMEs appear to be great bastions of customer service, in theory at least.

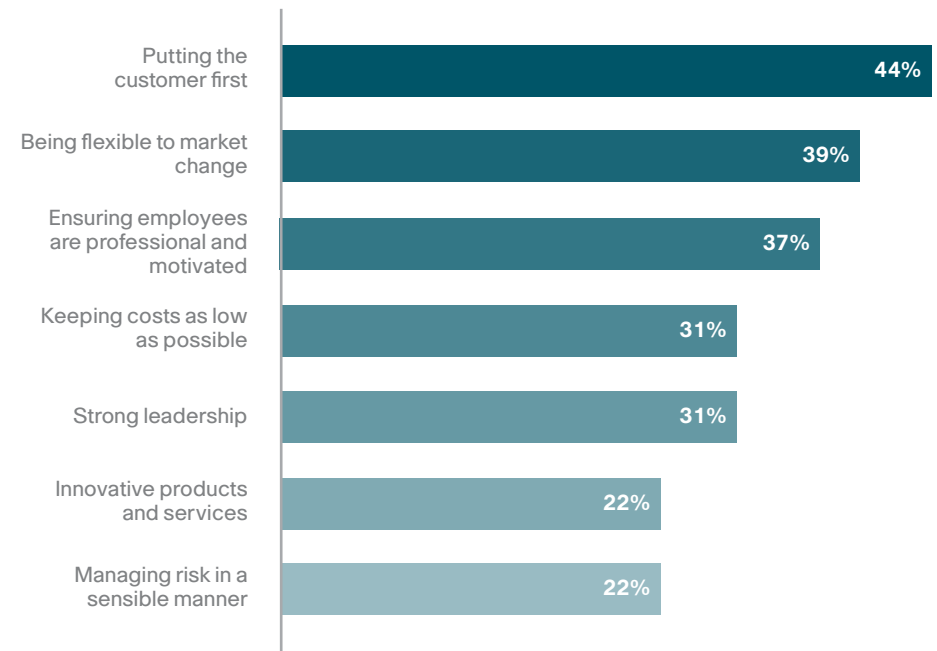
In addition, 57% of businesses have introduced new measures in the last 12 months to help build and retain customer relationships, increasing to 60% in larger businesses (51 – 100 employees). This suggests that, to some extent, talk is indeed translating into action at an individual company level.

Despite positive attitudes towards customer service however, only 39% of SMEs think that as a nation Britain is getting better at customer service. This suggests that positive approaches to customer service are either failing in practice or are failing to be recognised.

The realisation that 25% of businesses believe that loss-making and difficult customers deserve a lower standard of customer service points to a conflict in the customer-vendor relationship. Though only a quarter of the respondent base, this finding highlights that although service is high on the agenda of most businesses, some treat their customers purely as a revenue stream – and scale their service levels accordingly.

**Figure 2:**

From the following, what would say are the three things that you would most attribute to running a successful business?



## Personal touch

Keenness for customer service is also demonstrated by the fact that the vast majority (88%) of SMEs believe that a successful business is based on the 'personal touch' when dealing with and selling to customers. Identifying what exactly constitutes a personal touch is a subject for debate, suffice to say at the very least it encapsulates the emotional relationship that a customer has with a company based on understanding their likes, dislikes and what they may be interested in purchasing in the future.

To gain further insight into the personal touch, the survey found that three-quarters of SMEs (76%) consider the single most important ingredient is the attitude of staff. Furthermore, almost half (46%) believe that miserable employees should be removed from an organisation to safeguard customer service.

A personal touch suggests one-to-one contact, individual treatment and making someone feel special and valued. Offering a personal touch to a handful of customers can be very simple. Scaling the personal touch to a wider customer base presents a host of other challenges. The Cisco Customer Kings Report reveals that SMEs are dealing with an average of 1500 customers on a yearly basis.

**Figure 3:**

As an estimate, how many customers do you do business with on a yearly basis?

	All	6-10 Employees	11-50 employees	51-100 employees
Customers	Average # customers: 1500	Average # customers: 950	Average # customers: 2060	Average # customers: 1830
0-25	6%	12%	6%	3%
26-100	15%	24%	15%	8%
101-500	25%	25%	28%	21%
501-1000	18%	15%	18%	19%
1001-5000	18%	13%	15%	26%
Over 5000	14%	6%	14%	20%
Don't know	4%	5%	3%	4%

## The personal touch in a virtual world

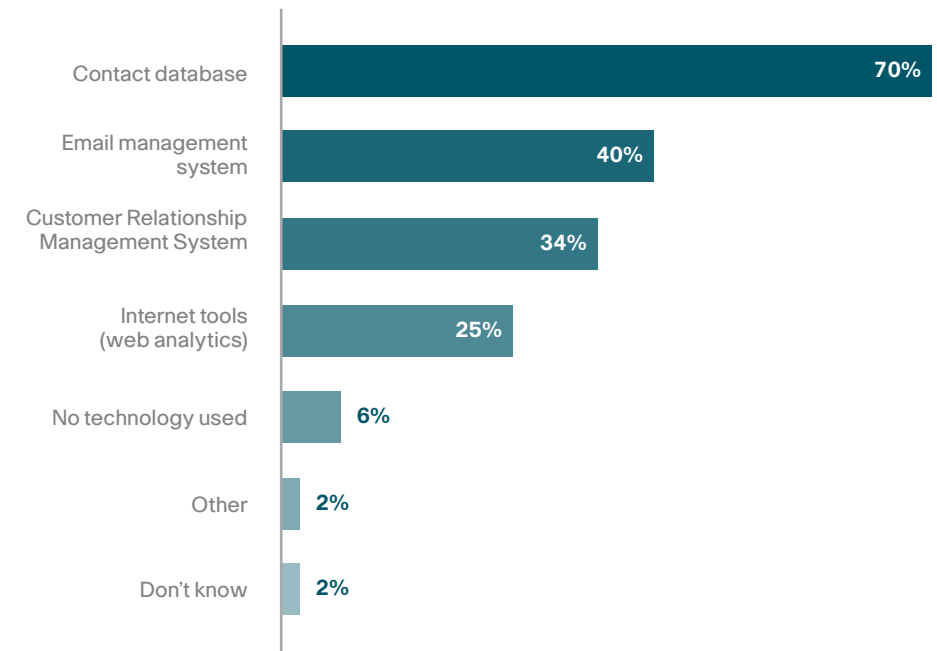
The Internet is a ubiquitous part of the business world now –93% of respondent SMEs have a website of some description whilst a quarter sell their products and services directly through the Internet. Recreating the personal touch through the Internet is the subject of fierce industry debate, as to some the very idea that technology can be personal seems a complete contradiction. 36% of respondents consider that retail outlets will always offer better customer service than Internet only businesses, whilst a similar proportion (33%) disagree.

Automated phone systems provide a good example of technology that, whilst delivering cost savings and efficiencies to businesses, have in some cases served to distance businesses from their customers – indeed, only 24% of SMEs believe that customers are increasingly happy to deal with automated phone systems. Of course, not many SMEs will use automated phone systems, but it does point towards a wider issue regarding the conflict between a personal touch and the perceived ‘distance’ that technology creates.

The extent to which this technology is being effectively exploited to improve customer services is open to question for SMEs. Figure 4 shows, for example, that contact databases are for many, the extent of customer tracking, and for 30% of businesses these don't even exist. SMEs do recognise that there is room for improvement – almost two thirds (61%) believe that their approach to customers could be improved with more time and resources to focus on quality and insight.

**Figure 4:**

What, from the following technologies, do you use to keep track of customers?



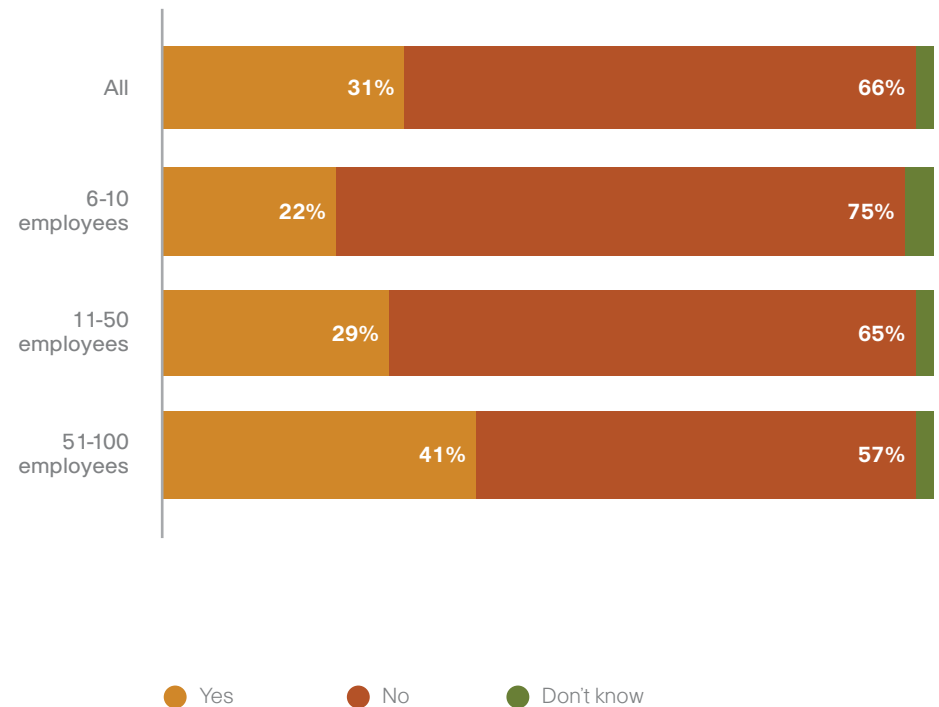
## Personal touch in a downturn

Economic downturns force businesses to reassess and refocus in order to survive. Cash flow and access to finance clearly become more pressing concerns for businesses and customers alike. Indeed, more than half (52%) of respondents think that economic downturns make customers more interested in price and less interested in customer service.

Companies are likely to react to this by cutting costs and dropping prices. Customer service may well end up being the casualty, particularly in environments where jobs are being lost and “service with a smile” becomes simply too difficult for some. Redundancies in SMEs over the past year are found to be surprisingly high, affecting one in three businesses in the survey. Maintaining good customer service in such trying circumstances requires planning and business-wide commitment.

Generally, putting the customer first is considered the #1 attribute to running a successful business (44%). In the wake of economic difficulties, almost half (45%) of respondents would reorder their priorities – most often, keeping costs as low as possible would be the factor that would grow in importance (15%). Overall, however, putting the customer first would remain a priority even during a downturn in 2009.

**Figure 5:** Have any people within your organisation been made redundant or been laid off in the past 12 months?



## Conclusion

Difficult decisions abound for SMEs in 2009, unsure of whether they should be looking after their customers better or seeking out new ones, unsure of whether they should harness technology or engage their people in bolstering their customer service efforts. One thing is for certain, putting the customer first remains a priority whether we are in buoyant or depressed economic times.

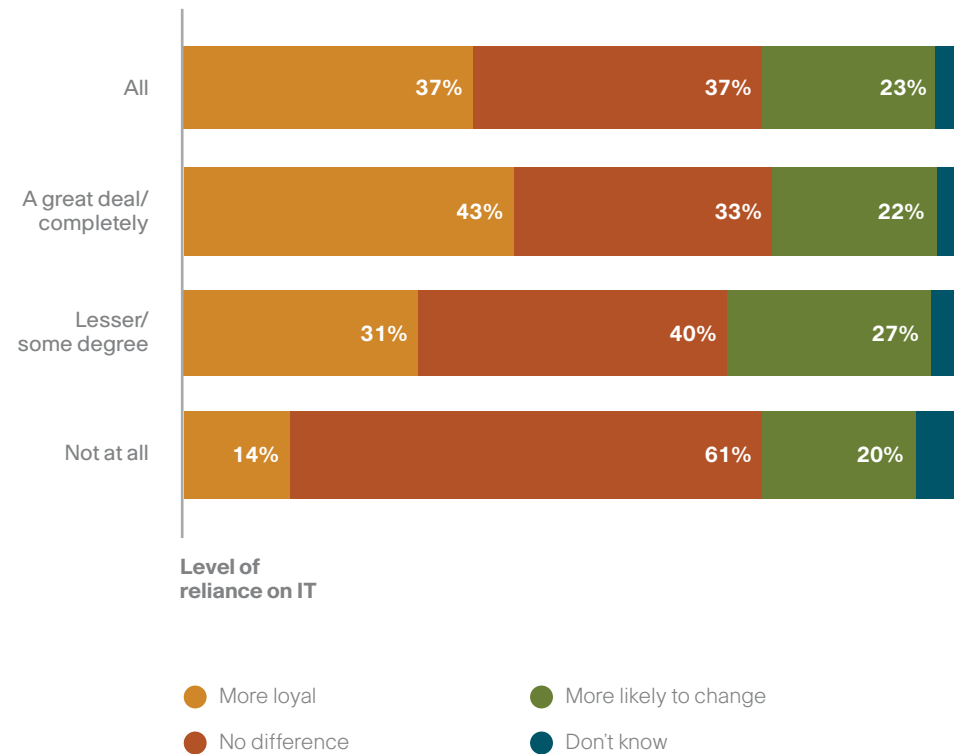
With businesses vying for custom, improving customer service is one area that SMEs can actually take control of in a climate where many other factors are out of their control.

For most of us, it is actually the little things that count – we want to feel as though people have considered whether something is relevant or helpful to us and targeted on that basis. Where it becomes more challenging is when there are thousands of customers to get ‘personal’ with, where there are channels that are devoid of human contact and where there are more pressing everyday concerns diverting attention away from customer care.

A balance of traditional values using today’s technology to support and inform decisions is the logical way forward. Companies in the survey utilising technology are found to enjoy higher levels of customer loyalty [Figure 6]. This can be attributed to many factors, for example these businesses tend to use more technology to market to customers.

**Figure 6:**

As a trend, would you say that customers are becoming increasingly loyal, or are they more likely to change suppliers / providers on a more frequent basis x How dependent is your business on an IT network to deliver its products / services?



## Recommendations

Evidently, the inroads that SMEs are making into understanding customer needs and improving customer service are paying dividends. The significant challenge is how to sustain these efforts as the economy struggles on, or how to introduce them now in lieu of the foresight to act earlier. The survey offers the following recommendations to SMEs seeking to improve their customer service:

### Hunt or harvest

The decision to nurture existing customer relationships or to 'hunt' for new revenues will depend largely on specific business models and resources. The sensible view is to ascertain how much can be done in each area without compromising the other and evaluate what measures are delivering the most value for the business before applying disproportionate resources to either.

### Learn from customers

A greater understanding of customer buying behaviour is an achievable goal for SMEs, yet the majority of businesses still neglect the many tools that can improve customer insight and inform business decisions.

### Prioritise staff motivation

In a difficult economic climate, it is easy to overlook morale in place of productivity and cost concerns. Employees are an essential customer service ingredient, a fact widely recognised by respondents in the survey.

### Technology confidence

With an increasing emphasis on internet marketing and selling models, the confidence of SMEs to capitalise on IT opportunities is growing, especially with hosted services reducing initial cost outlays. There is a strong businesses case for evaluating how technology can ease resource pressures and improve customer relationships.

### Time and resources

Time and resources are noted by the majority of respondents as a barrier to improving customer service quality, whilst that improvement is acknowledged as a benefit to the business. Any strategic intentions to improve customer relationships need to be backed up with sufficient resources to ensure they are delivered.



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