

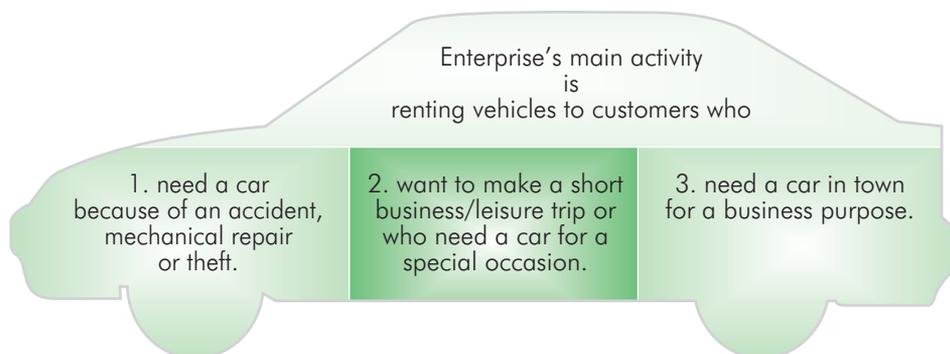
The importance of customer service at Enterprise Rent-A-Car

Introduction

Most people probably think they know what Enterprise Rent-A-Car does. It is in the car rental business and operates a fleet of more than 850,000 vehicles. However, Enterprise Rent-A-Car has quite a different idea of what its business is all about. In Enterprise's view, the business it is involved in is customer satisfaction. This is a characteristic that it shares in common with every successful service company, large or small.

A **service** business is one that meets customer needs by providing them with a valued service. As individuals, all of us use services – having our hair cut, going to the cinema, drawing money out of our bank account and many other activities. Businesses also use services such as transport, insurance, and financial services.

Enterprise Rent-A-Car is the number one rental car company in North America and arguably, the world.



Jack Taylor founded Enterprise in 1957 in the United States. It is a privately-owned business.

Forbes ranks Enterprise as number 16 in the top 100 **private companies** in the United States.

Enterprise wins awards for achievements in many areas. These are some of those won in the UK and Ireland in 2006:

- Best Corporate Car Rental Company 2006 - Institute of Transport Management
- Top 50 'Where women want to work' - *The Times* with Aurora
- O₂ Ability Awards 2006
- Service Provider of the Year 2006 - British Insurance Awards
- Best Graduate Advert and Best Graduate Web Site - Recruitment Advertising awards 2006

Some facts and figures about the company	
Branches	More than 6000 in the USA More than 850 branches in the UK, Germany, Ireland and Canada
Number of employees	More than 65,000 worldwide
Revenue	\$9.2 billion in 2006
Number of rental car vehicles in service	711,000 in 2006
Total number of fleet	More than 850,000
This all adds up to Enterprise being the largest purchaser of cars in the world.	

CURRICULUM TOPICS

- Marketing and the business environment
- Customer satisfaction
- Evaluating customer service
- Market research and development



GLOSSARY

Service: any way of providing benefits to a customer that doesn't involve the exchange of a tangible good.

Forbes: an American business and financial magazine. It produces lists of the biggest and most important companies in Britain, America and elsewhere.

Private companies: companies that are owned by shareholders. These shares are not available for purchase by the general public.

Revenue: the total value of sales.



What is customer service?

Customer service is the overall activity of identifying and satisfying customer needs. Giving customers service may mean giving them excellent service once, e.g. providing refreshment and a place to sleep for a busy traveller on a journey. More often it refers to the whole process of meeting customer needs time and time again and giving them a better service than they expected. Enterprise is committed to delivering exceptionally high standards every time.

The goal of the company is to exceed **customer expectations**. The management team at Enterprise Rent-A-Car developed a simple but highly effective way of finding out what keeps customers happy. They created a questionnaire for customers based on two questions:

1. How would you rate your last Enterprise experience?
This is ranked on a scale from 'completely satisfied' to 'completely dissatisfied'.
2. Would you rent from Enterprise again?

This is a novel type of customer survey. A major problem with customer surveys is that the response rate is very low because the surveys are long and complicated. The opposite is true in this case.

The results of the survey form part of the **Enterprise Service Quality index (ESQi)**. This is the basis for measuring performance of the various rental branches of Enterprise.

The survey was developed through an intensive process over a number of years. The process was focused on refining the survey with the result that it appears simple. The survey finds out what makes loyal customers and who the loyal customers are. It delivers results which allow Enterprise to concentrate on the key driver for the company - making loyal customers. This leads to profitable growth.

If someone is loyal to a company they will recommend it to their friends. The survey tells Enterprise which customers will return again and again and recommend Enterprise to their friends. The questionnaire helps Enterprise to find out quickly what customers think of each and every one of its businesses.

How is customer service data collected?

When Jack Taylor founded Enterprise his motto was simple: 'Take care of your customers and employees first, and profit will take care of itself.'

However, when a company grows it can become more and more difficult to give customers and employees the same sort of personal attention. As a successful business, Enterprise grew until almost inevitably some cracks in customer service developed.

It was at this point that the company realised the importance of developing ways of measuring customer service. One of the oldest sayings in business is 'You manage what you measure.' This is when the idea of measuring customer satisfaction was developed.

The new way of measuring customer satisfaction was called ESQi – the Enterprise Service Quality index. The first survey was carried out in July 1994 and had a 25% response rate. The results indicated a big difference between the best performing and the weakest regions in which the business was operating. However, the survey results were not meaningful enough.

Enterprise decided to cut down the survey to the two questions highlighted earlier. Also the survey method was refined to compare ESQi scores branch by branch, rather than region by region. To keep the information up-to-date it was collected and reported for each quarter of the year.

Enterprise targeted customers who were highly satisfied and would rent from the company again. These were customers who filled in the top boxes on the survey. Customers who had filled in the survey were called by external telephone researchers. They were asked how many cars they had rented since taking part in the survey and what Enterprise's share of those rentals had been. Studying the data showed that 'completely satisfied' customers were more than three times as likely to become repeat customers as those who said they were only 'somewhat satisfied'.

This piece of information was like a 'lightning bolt' for the company. It showed that customer satisfaction has a direct impact on sales and profits. This collection of data on customer opinions is a good example of **qualitative data**. The collection of data on the numbers of cars rented illustrates **quantitative data**. Together the analysis of both types of data helped improve Enterprise's performance.

GLOSSARY

Customer expectations: what customers expect to receive when they consume a product or enjoy a service.

ESQi – Enterprise Service Quality index: Enterprise's own measure for the quality of service received.

Qualitative data: data on individuals' opinions, tastes and preferences.

Quantitative data: data that is statistically measurable. Data that can be analysed in numerical form.



In 1996 Enterprise overtook Hertz as the leading car rental company in the United States. However, rather than resting on its laurels, the senior managers of Enterprise looked at the ESQi scores and saw that some sectors of the business were underperforming in terms of customer service.

At a meeting of senior executives, Jack Taylor told the group that if the company was to stay No.1 then it would have to keep customer service as the number one priority. He stated: 'Customer service is the most important thing we do.' With this he posed a challenge to the leadership team – 'What are you going to do about it?'

A completely new way of looking at the company was developed, beginning with choosing the winners of the annual President's and Chairman's Awards (the top honours in the company) on the basis of ESQi scores.

The next step was to make the ESQi scores the basis for determining promotion. This really got people's attention because Enterprise only promotes from within the company. 99.9% of top executives in the company started their careers behind the counter as management trainees at an Enterprise branch. Using the new formula a person's career would only develop with a high ESQi score. There was therefore a clear incentive for ensuring high levels of customer satisfaction. ESQi scores were published alongside profits for every branch. League tables of branches were published.

The impact of customer service

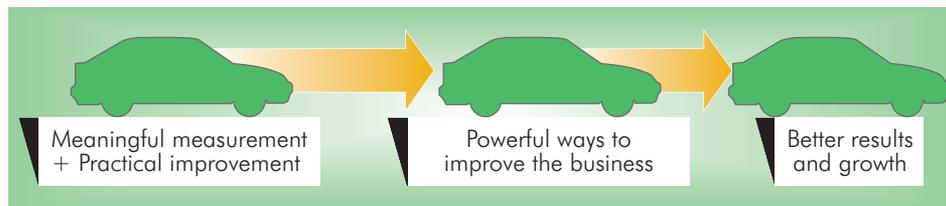
Most customers prefer good service to lower prices. Think about all the situations where you are prepared to pay a little extra to get a better or more efficient service. Companies that give these added service benefits are likely to be winners. They have a **competitive advantage** over rivals.

Enterprise Rent-A-Car believes that customer satisfaction is an investment. It is the equivalent to research and development in a manufacturing company. Customer service is an important part of the culture of Enterprise.

The ESQi results have helped to teach Enterprise what drives customer satisfaction. Three factors have been found to be particularly important. These are:

- i. the attitude and helpfulness of Enterprise employees
- ii. the speed of the transaction
- iii. the cleanliness of the car.

Enterprise uses the information from the surveys to make improvements. For example, they have developed a 'Cycle of Service' training programme. This gives new employees a number of practical tips about how to take care of customers.



The ESQi system is managed by a team at Enterprise specially set up for this purpose. The team uses an independent telephone survey company to provide the survey results. Whenever a customer communicates any dissatisfaction on the ESQi survey, the phone representative asks the question 'Would you accept a call?' More than 90% of these customers agree to be called. Branch managers are given details of the complaint and can ring the customer to find out the root cause of the problem. The branch is expected to work out solutions to resolve the complaint.

Another way in which Enterprise has improved customer service is through a system of constructive criticism known as 'The Vote'. Each week members of a branch are asked to rank other members, from best to worst, based on the quality of their customer service in the previous week and to explain why. The results are published for all to see. Awards are given to top-rated employees. This system of positive criticism works well and very quickly branches with low ESQi scores improve in the performance tables.

GLOSSARY

Competitive advantage: those things that give a company an advantage in the eyes of customers. For example, Enterprise has more locations than other rental companies which means greater customer convenience.



Costs and benefits analysis

In deciding whether to carry out a business action it is helpful to weigh up the costs and benefits.

One major element of cost for Enterprise is the time, effort and cost needed to collect the survey information and to publish it. The survey is done by a third-party independent company and is all telephone based. This consists of more than two million customer contacts each year and therefore has significant cost. However, the data is very simple to collect and to analyse and the results add real value to Enterprise. The benefits easily outweigh the costs.

One outcome of focusing on the ESQ_i model of customer service to drive the business was the dissatisfaction of some of the older managers. In the 1990s managers were rewarded according to the profits made by their unit. However, their unit might have been profitable simply because it was based in a good location. The profit might have been higher if they had focused on customer satisfaction, which everyone has to do today.

There are all sorts of benefits to be gained from high levels of customer service including:



All of the above lead to higher profitability and growth of the business.

The ESQ_i survey concentrates on those aspects of customer satisfaction which are very positive. Adopting this approach produces great results for Enterprise.

ESQ_i works well because it helps frontline managers to pursue two objectives:

- i. to get more top-box ratings
- ii. to get fewer scores of neutral or worse.

Enterprise learned that by using this improvement tool it could achieve better service consistency. It also supported the desire of people working in the branches to be **entrepreneurial**, that is, to have ideas of their own to improve service. Concentrating on customer satisfaction helped Enterprise to achieve healthy growth in international markets in the UK, Ireland, Germany and Canada. It also helped the company to be successful in new business segments including on-airport rentals and, in the USA, in commercial truck rental, car sales and leasing.

Conclusion

Everyone at Enterprise is rewarded on the basis of giving customers what they want – great service. The ESQ_i tool provides a simple way of collecting useful information to measure this service. The survey focuses only on what is important – top box scores. Loyal customers come back to a business time after time. More than that, they invest energy and commitment in recommending the business to their friends. There is no better way of promoting a business than through word-of-mouth recommendation.

Enterprise's journey started with an attempt to improve performance. In doing so it took the company back to its roots, to the ideas first put forward by Jack Taylor. This illustrates that Enterprise is not really a car rental business at all – it is a customer service business.

Questions

1. Describe in your own way the simple technique that Enterprise used to find out how satisfied its customers were with their service.
2. Explain how the method of measuring customer satisfaction provided the company with meaningful data.
3. How did Enterprise use the information it collected? How did this enable the company to make improvements?
4. Recommend questions that a supermarket, garage or other service organisation might ask its customers in order to improve customer satisfaction rates.



www.enterprise.co.uk

GLOSSARY

Public relations:

activities involved in communicating with different stakeholders such as customers, government, the public and the media.

Entrepreneurial:

self-motivated and willing to use initiative in pursuit of profits.

