Businesses will have to fight for survival in 2020

This year will be an epic fight for survival for many businesses as numerous socio-economic factors come into play that will further challenge their efforts. This includes the ability to achieve greater levels of customer satisfaction in a bid to retain and grow their customer base - from a looming recession, abysmal economic growth figures, political uncertainty and a disastrous return of load shedding.

Image source: Gallo/Getty Images.

This is the takeout from a wrap up of the South African Customer Satisfaction Index (SA-csi) conducted by Consulta during 2018/2019 which polled almost 35,000 consumers across nine different sectors to obtain highly scientific insights into the overall level of satisfaction of their customers – namely airlines, banks, clothing retailers, mobile telcos, medical schemes, municipalities, life insurers and short-term insurers.

“These exacerbating socio-economic factors come at a time when businesses and in fact entire industries are grappling with immense disruption, and how to integrate technology, artificial intelligence and data analytics into existing business processes as enablers towards the ultimate customer experience while achieving crucial operational efficiencies. Many long-established brands are fast realising that new disruptor competitors come with the distinct benefit and agility of a new slate – they simply don’t have the outdated legacy systems, processes and mindsets to integrate into truly customer-centric ways of doing business.

Infographic from Consulta.

“They have a distinct advantage of being able to take the true value of data, analytics, AI and map that back to consumer behaviour in the business context, and then implement strategies to build their businesses from the outside in to be responsive from the customer’s perspective. While the new disruptors may not have the pedigree of older brands just yet, they also don’t have the titanic task of upending entrenched, internal operational constraints that are not customer-focused – and herein lies an inherent danger. Customers will go where their needs and wants are best met with the minimum of effort from their side,” explains Ineke Prinsloo, client-consultant advisory at Consulta.

“One only has to look at the meteoric rise of the likes of Capitec and TymeBank’s achievement of 1 million account holders in less than 8 months, as well as the continued decline of some iconic brands to realise that competitor gaps and market leadership positions are being eroded much faster than ever expected. The ones who are winning are those who put true customer-centricity at the absolute core of every process and function within the business, rather than simply paying lip-service to it.

“What is interesting to note is if you take the financial performance of all the brands polled, and overlay this with the customer satisfaction performance detailed in the SA-csi reports over the last few years, there is a direct correlation between customer satisfaction performance and profitability, revenue and earnings growth. It is well and truly a fight for survival in 2020, and we can expect to see some game-changing shifts in the SA's business landscape in the short to medium term," adds Prinsloo.

Growth is not just about numbers and historical data

While the statistics and math needed to forecast market share potential may seem straightforward as a purely financial exercise, they are lacking the customer satisfaction information that plays a key role in the sustainability and future financial performance of a business.

"They are fallible in the sense that no consideration is given to just how vulnerable a customer segment is to new market entrants, competitor activity and substitute products based on their satisfaction and loyalty levels. History is littered with case studies of companies and in fact, entire industries that made fundamental strategic errors based on flawed forecasts. These failures were not the result of a lack of forecasting techniques, sales reporting or actuarial analysis, but rather the result of a mistaken, fundamental assumption: that the current customer satisfaction and loyalty driving demand would continue unaltered and regardless. This is why tracking customer satisfaction and loyalty along with financial forecasting is so fundamentally linked," she adds.

A snapshot of the SA-csi (2018) conducted by Consulta across nine industry sectors shows the top performers with the most satisfied customers, based on industry par (average) scores:

#1: Banking industry

- South Africa's banking sector has the most satisfied customers of all nine industry sectors polled with an industry par score of 78.80. The leader brand in the banking sector with the most satisfied customers across all banks is Capitec (84,9) while the bank with the least satisfied customers is Absa (76,3).
- However, the high figure of '1 in 4' customers being ready to defect to another bank should be of major concern, as it suggests that established banks are not as customer-centric as they believe and are likely to lose market share a lot quicker to new entrants than anticipated.

#2: Life insurers

- Life insurers rank second for having the most satisfied customers with industry par of 78.3 – here FNB Life takes leader position with 83,7 and well above the industry par. Momentum trails far behind with the least satisfied customers, more than 10 index points behind the leader with 72,9 and well below industry par.
- One of the big take-outs from the research is that as a whole, the industry needs to address the common misperception that insurers will look for reasons not to pay claims. It's a perception that is simply not backed by the facts if you consider that the Association for Savings and Investment South Africa (Asisa) released statistics for 2018, showing that life insurers paid 99.3% of the value of all claims made. The percentage of claims that were repudiated or escalated to the ombud amounts to just 0.7%. It was very revealing to note the impact that recent news reports on claims rejections and reputational blunders have had on the public image of life insurers as a whole.

#3: Clothing retailers

- Clothing retailers rank third with an industry par of 77.93 with the leader being Pep Stores (79,8) while Edgars comes in with the lowest satisfaction score of 74,7.
- The margin of difference in scores between the top and lowest performing brands is slim, which means there is little to no differentiation. Even luxury brands riding on a 'quality' ticket are finding that customers increasingly question whether the pay-off justifies it.
- The much-needed 'real innovation' for these brands to compete and differentiate against globalisation and changing consumer habits and preferences is not happening. There is a level of 'sameness' across stores, layouts,

experiences, service, offerings and locations. Innovation and iteration are patently not the same thing, and the clothing retail industry is desperately in need of the former.

#4: Supermarkets

- Supermarkets rank 4th with an industry par of 76.7. Woolworths has the most satisfied customers, albeit with only a small margin ahead of closest rivals Spar and Checkers. The differentiation is increasingly eroded between the top-performing brands.
- In tough economic times, the price of goods is likely to influence consumer loyalty even though they are satisfied customers. It is important to note that price-motivated 'loyalty' is not permanent, so while customers may display less brand loyalty now, supermarkets cannot afford to stop investing in positive shopping experiences.
- The context of retail has evolved rapidly to extend across bricks and mortar experience to online and digital presence, while consumer drivers such as value, time, experience, healthy eating and ethical living are all culminating in a continuum of disconnect between shopper expectations and the supermarket's ability to satisfy them.

#5: Short-term insurance

- The short-term insurance (STI) sector finds itself midway, ranked fifth of all sectors polled with an industry par of 76.6. Here Virseker leads (80,7) with the most satisfied customers, while Discovery (72,3) has the least satisfied customers in the STI sector.
- The STI insurance sector is being heavily tested with fierce competition amongst current players in a low growth market. New Insure-tech brands are upending traditional insurance models, as well as developing new markets that have largely been ignored by insurers.
- A key takeout from the SA-csi is that customers do not want to jump through hoops and expend a great deal of effort to get the cover they need or earn loyalty rewards, while complaints handling and speedy claims resolution are areas that warrant focused attention.
- In particular, in an industry that has undergone significant consolidation and merger and acquisition activity over the years, insurers must avoid the temptation to look at their customer experience programmes from the constraints of their own siloed business models.

#6: Mobile telcos

- Mobile telecommunications operators have all dropped the call in terms of overall customer satisfaction stakes with an industry par of 73.3. Vodacom (74,8), MTN (71,8) and Cell C (71,4) all showed a decline in overall customer satisfaction scores in 2018, and this, in turn, has seen a sharp decline in customer loyalty. Customer satisfaction is at its lowest ebb since inception of the index, and with one in three customers prepared to move to another network provider.
- Customers have indicated that perceived value for money, quality of relationship and service levels and competent complaints handling are what matters most to them. All networks are highly concerned with acquisition, infrastructure and competing against each other in their marketing campaigns, however, none are making a clear value proposition around customer-centricity. For the most part, it seems that the network providers have completely lost focus of the customer.

#7: Medical schemes

- Medical schemes ranked 7th with an industry par of 72.9 – no outright leader was identified in the latest index, with Bonitas and Discovery obtaining a joint leadership position and GEMS (68,3) lagging in last place.
- Satisfaction levels for medical schemes are substantially lower than those measured in other financial services industries – one of the key reasons is that the overt complexity of benefit designs does not allow for easy cost versus value correlations. Medical schemes are facing tremendous pressure in a low growth market where utilisation is very high and increasing, while loyalty is on the decline as a result of lower price tolerance. As the economy bites and more consumers opt to downgrade their cover to lower benefit options in a bid to cut costs, they are not realigning

their ‘consumption-based’ expectations and are struggling to decipher the complexity of benefit options and scheme rules. Customers of all medical schemes polled in the 2019 Index indicated that they do not believe that the premiums paid match the quality of cover and experience on offer.

#8: Airlines

- Airlines ranked 8th across the nine industry sectors (72.4), with FlySafair leading with 78,18 and SAA trailing with the least satisfied customers (68,8).
- Airline profitability in the Africa region is low and one of the key challenges is that few are able to achieve adequate load factors to generate sustainable profits. Across the board, Africa airlines faced especially challenging operating environments. On a per passenger basis, the airline industry is a high-volume, low-margin industry which is why customer satisfaction and experience are such crucial factors in airline sustainability.

#9: Municipalities

- Municipalities ranked 9th with the lowest par score for customer (citizen) satisfaction (54) across all sectors, and more than 15 index points lower than the worst-performing industry sector. Cape Town is the leader with the most satisfied citizens (64.1) and well ahead all other metros polled – it has a definitive 10.1 index point score above the average satisfaction score of 54 and leading well ahead of all other metros.
- Manguang trails very far behind with a worrying 40.5 and the score largely reflects the current dysfunctional state of many of South Africa’s key metros.
- Overall, the results show that expectations are very far from being met. The delivery gap between what citizens expect and what they perceive has also widened compared with the previous year’s results, while comparisons with 2015 results show a chasm in the decline. In this year’s results, all metros experienced a drop in overall scores, with some metros showing massive decline and deterioration in citizen satisfaction.
- Citizen mentions mostly related to basics such as water supply and management, electricity supply, garbage disposal, road maintenance and clean streets as the basics of what citizens expect from their local municipality, and fundamentally why local governments exist, yet these are the areas that citizens most flag as their pain points. It is clear from the SA-csi results that in certain municipalities, service delivery is not the priority for the municipality, or that there are constraints in key areas that need to be addressed more effectively.
- The consequences of the current status quo is that municipalities are unable to deliver basic services such as clean water, sanitation, electricity and maintenance. This leads to collapse of infrastructure and right now, the explosion of service delivery protests across the country are evidence of the people’s frustration with a failure to provide basic services required by the citizenry. This snapshot of just eight major metropolitan municipalities shows there is a growing inability of local governments to deliver what they are supposed to and that in some metros, citizen satisfaction is at an all-time low, and potentially on a knife-edge.

There is no earnings growth or profitability without satisfied and loyal customers

“As a pre-empting view of what lies ahead for South Africa’s business sector, even with the best forecasting tools available, uncertainties will remain and outcomes will be difficult to predict if customer buying behaviour – which is ultimately driven by satisfaction and loyalty – are not incorporated into the current growth forecasting methodologies.

“When you consider the momentous political, macro and micro-economic, technological and socio-economic changes taking place in society, customer satisfaction levels and loyalty have become more important predictors of future profitability, future revenue and earnings growth than ever before. Managers who base their market share growth strategies on a solid knowledge of all the dynamics involved have a much better chance of making wise investments and competing effectively,” concludes Prinsloo.

Supported by both the scientific and practitioner community, the SA-csi is the first independent, comprehensive national customer satisfaction index with international comparability in South Africa and has collected data from more than 400,000 consumers since its inception in 2012. The SA-csi forms part of a global network of research groups, quality associations and universities that have adopted the methodology of the American Customer Satisfaction Index (ACSI) via its Global CSISM program.