

# **Carrying Coals to Newcastle**

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According to a Monday article in the Wall Street Journal, the number of U.S. households with access to the Internet more than doubled to 14.7 million in the past year, and growth at Internet-access providers outstripped commercial on-line services. As of September 1996, roughly 9 million adult Americans logged onto the Internet's WWW daily -- a year ago, 2.3 million logged onto the Internet each day.

Now, I recognize that I could be accused of carrying coals to Newcastle, since you are relatively close to Silicon Valley and that is, after all, one of the epicenters of the information age. Nevertheless, the subject of my presentation today is Customer Satisfaction and Dispute Resolution in the 21st Century. First, let's find out how many of you are regular users of the World Wide Web. Let's have a show of hands.

For those of you who are Web-gurus, I apologize for this simplistic introduction to consumer issues on it, but it will be helpful to everyone to get the same flavor of what's out there.

What we'll do today is first take a look at how a person is likely to use the web to become a "turbo-charged" consumer. Then we'll look at some possible impacts of the Web on how we do business in customer relations and dispute resolution.

I'd like to begin by looking at what is available to today's consumer through the Internet. Since we're here at Toyota's offices, I'd like to use an automobile purchase as the model for this demonstration; however, we could just as easily choose any of a hundred other products or services for our example.

The last two years have seen a major shift in the way automobiles are marketed and sold on the Internet. Consumers today can do exhaustive research, comparison shop, select the appropriate make and model of vehicle -- and options -- that meet their needs, obtain independent reviews of the products they are interested in, find out what other consumers have experienced with the product, select a dealer -- even order a vehicle. And they can do it all without leaving their home. By Christmas, many who never expected to be using the Internet will be merrily "thumb-surfing" their way around the WWW through their TV and cable system.

So let's imagine that I've decided to look for a new sport utility vehicle, and let's also assume that I'm sort of partial to three models -- a Toyota 4-Runner, a Nissan Pathfinder and a Jeep Cherokee.

I'll begin my search by going to one of the "search engines" on the Internet. For those of you who are less familiar with the Internet, a "search engine" is a program designed to help you weed through an incredible number of Internet sites and find those which (based on key words you enter) are likely to contain information you are looking for. My search has taken me to "Auto Plus", a site offering a variety of auto services, and links to other auto sites. I recognize "Edmunds" as a site which rates new cars and trucks, so I click on the underlined text, and the Internet takes me to Edmunds.

Edmunds offers me an array of services, but the one I'm interested in is "New Trucks", so I'm going to explore that part of the site.

Edmunds lists the trucks in the order in which customers have most frequently inquired about them. Under each truck, Edmunds lists two others which -- it believes -- offer equal or greater value. I'm pleased to discover that my three preferences are right up at the top of the list. I can obtain information about each from Edmunds just by "clicking on" the underlined text.

When I click on "Jeep", it takes me to a listing of all the various jeep models.

From there, I can pull down the Jeep Cherokee model I'm looking for. As you can see, within this site is a volume of information about the vehicle, including the Edmunds rating, all sorts of technical information, and price information on the model, plus the dealer cost and retail of each option or option package.

I can obtain the same information on the Nissan Pathfinder . . .

. . . and the Toyota 4-Runner . . .

. . . and I can get that information for each separate model of the Toyota, 2WD manual transmission, automatic, as well as the comparable 4WD models.

I've captured all this information to my home computer's hard disk drive, and I'll print it out later at my convenience.

I now go to a second site listed in my initial search of auto sites -- *Car and Driver* magazine's site.

*Car and Driver* allows us to look at all their sport utility vehicles produced by all manufacturers in all price ranges.

When we click on the Toyota, we get the Car and Driver summary report on the 4-Runner, and we can collect the same information on the Jeep and Nissan Pathfinder or the Ford Explorer. All that information is now stored on my hard drive for later printing.

One interesting feature offered by *Car and Driver* is a comparative listing of all Sport Utility vehicles. I'm going to save that for later printing as well.

I could visit another 20 sites, including Consumer Reports and other auto related sites, but you certainly get the picture. However, these auto rating-type sites are not the only information I can gather from my desk. I can also get information on the safety and reputation of different vehicles from the government, other public and private sources and fellow consumers.

Again, using my search engine, I pop on over to the Department of Transportation, where I find the National Highway Traffic Safety Administration's site. At NHTSA, I can review safety recalls, find manufacturers' technical service bulletins and learn about consumer complaints on each of the vehicles I'm trying to decide among. I'll download all that information to my PC, too.

I'll also visit the Everything Automotive Auto Site, where I notice a "new car" section.

Entering that, I find additional information, and some helpful suggestions, regarding what to buy for different purposes. Jeep and Toyota are listed as best all-around sport utility vehicles.

All this is well and good, but what do consumers have to say about the product. I go back to one of the search engines, looking through various discussion groups for information about "Toyota and problems".

Oh, oh. A 4-Runner with 18 thousand miles and a problem with head gaskets. I better read this.

And here I discover an alleged problem with a machine over tightening the heads on 3.4L engines, causing the gaskets to crack. This may or may not be true, but -- set in classy looking type -- it sure LOOKS like it could be true. Note that the customer has even inserted the appropriate copyright notices for Toyota's name.

Using a different search engine, I find over 700 entries where the key words "Toyota" and "runner" and "problem" or "lemon" appeared. I can browse through these, saving those I want to read or study later. Here's one customer who is relating a personal experience about his Cherokee and some "hearsay" experience about a co-worker's 4-Runner.

After having poured through all the information I've collected, the ratings of products, the safety recall information, the manufacturers technical information and a host of customer experiences, good and bad, I've decided that I want the 4-Runner -- now I need to find a

dealer -- and I can do that through the 'Net, too. Let's assume, for the moment, that I'm a consumer in the Boston, Massachusetts area.

I locate a site called "Dealer Net", and discover that I can search for any manufacturers' dealers in any state just by entering the manufacturer's name. What I don't discover until later is that these must only be dealers who have paid to be listed, because there has got to be more than one Toyota dealer in Massachusetts.

Here's that dealer's web site.

Another option can be found at the "Virtual Dealer", where nearly 60 firms offer to sell you a car over the Internet. Let's take a look at one -- Auto-by-Tel (which, by the way, is sponsored by Edmunds, the source of information we collected earlier). Here you can literally place a request for an order of a vehicle, which will be filled by one of the subscribing dealers. You provide a mountain of information about yourself in the process of doing this.

Here's Auto Network, which will also get you a quote from a participating dealer.

As an aside, it is interesting how the 'Net tends to blur the distinctions between small and large companies. Here is the site of a dealer in Bountiful, Utah. It is hard to distinguish it from the home page of Toyota Motor Sales USA. Both are well structured and interesting. One is from a huge, multinational corporation; one is from a small town dealer. But you'd never guess to look at the two sites. More about that later.

Now that we're at the "real" Toyota site, let's search for Toyota dealers in Massachusetts.

We find over 35 dealers located all over the state, with addresses, phone numbers and, in some cases, links to these dealers' home pages.

But some dealers are a lot better than others, and how do you know which is which. For that, we can go to the Better Business Bureau in Boston. Armed with the names of Toyota dealers in the Boston area, we can select specific dealers and ask for the BBB's report on each of them.

I discover that the first dealer signed a consent agreement with the Massachusetts attorney general in 1995 for a variety of alleged misleading sales practices. While they've responded to complaints filed against them with the BBB, I'm not sure I want to do business with this dealer.

The second dealer has a satisfactory business performance record with the Bureau, and the report will tell you exactly what a "satisfactory record" with the BBB means.

The third dealer, according to the Bureau, has complaints alleging difficulty in obtaining repairs, which the company answers by either making the requested repairs or disputing the customers' claims.

I'm going to negotiate with the second dealer, and that's where I'll buy my car.

If I should have a problem with my vehicle, the Internet also serves as a resource.

I can access the offices of the Massachusetts Office of Consumer Affairs and Business Regulation, where I can file a complaint, ask a question or request a booklet. I can also read information online about my rights under the Massachusetts new car lemon law.

Having read the information, I can fill out a complaint form with the Office of Consumer Affairs online, as well.

If I've got a problem, AllData Corporation will provide me with access to technical service bulletins which may help me establish that there is a particular problem with my vehicle.

The Minnesota Attorney General's office offers a similar online service.

And, as we mentioned earlier, so does the National Highway Traffic Safety Administration.

Finally, there is that ubiquitous, but not so reliable, source of information -- other consumers. Here's a consumer giving advice about anti-lock braking system problems.

And here are over 200 additional consumer postings about antilock brake problems. This one specifically mentions a Toyota Tacoma problem.

Now, as if all those government complaint mechanisms weren't enough, we also have some helpful advice from the "Lemon Car Page" -- helpfully provided by the law offices of Michael Flynn.

Here, Flynn provides consumers with common manufacturer claims about consumer problems and how the consumer should respond.

On another page, attorney Robert Brennan offers lemon law advice, including how to contact a lemon lawyer in your state.

Attorney Richard Alexander also has helpful information on how to exercise your lemon law rights.

And the Alexander law firm helpfully gives you a listing of the various pieces of consumer class action litigation they are currently handling (or have handled).

Finally, we can find BBB AUTO LINE, the largest out-of-court consumer dispute resolution mechanism in the country. Here, we can learn that Toyota is one of 31 auto manufacturers who voluntarily sponsors and participates in a mechanism which will mediate and, if necessary, arbitrate a dispute involving one of their products. BBB AUTO LINE allows the consumer to file a claim on line.

Contained in what you've seen is considerable evidence of the beginnings of a true "sea change" which has significant implications for all of us in customer service and dispute resolution. Simply put. . .

. . . the Internet changes everything.

Commerce on the Net is global, instantaneous and unforgiving. It also levels out the playing field between large, well-established, multi-billion dollar companies and smaller firms (you'd be hard pressed to tell, from looking at all the web sites you've seen this morning, which are sponsored by the very largest firms and which are being run out of someone's bedroom at home). This also means that good companies, following ethical business practices, may be placed at an extreme competitive disadvantage by upstart firms who not only don't play by the same rules, but use the new technology to evade the rules entirely.

In the remaining time, I want to briefly discuss 5 issues which will confront professionals running customer relations activities. They involve:

- The new era of "Gucci" customer relations.
- The new rule of "temporal displacement".
- The two principles of "warp speed" information management:
  - The information "turbo-charged" consumer; and,
  - The loss of information control.
- The dysfunction of the pyramid complaint structure

and finally, the fact that . . .

- Every customer is William Randolph Hearst.

Let's discuss these one at a time.

### **What do I mean by "Gucci" customer relations?**

Well, in a world of designer products and services, I believe we're already finding that every customer will increasingly desire and demand unique treatment in his/her dealings with businesses -- from initial contact through the life span of the product or service -- and that treatment will likely be more labor intensive and, therefore, expensive. We're going to have to find better ways to determine, as quickly as possible, what the consumer wants from us -- then meet that individual customer's expectations. Those firms that learn to do this best will be the 21st century survivors.

### **What is temporal displacement?**

Well, it is a catchy way of saying that Customer demand -- driven by a radical shift in expectation -- will make obsolete nearly every "customer friendly" time frame companies have put in place. It is sure happening to us at the BBB. Fifteen years ago, when lawsuits dragged on year after year, we thought that a 40-day timeframe to take a case through arbitration (from filing to decision) was warp speed complaint handling. Customers whose expectations are driven by "point and click" shopping and the instant nature of email are rewriting the rule books. I have two examples from my own recent experience. On two different days last within the last two months, I send email messages to two companies. To LLBean, the catalog retailer, I sent an email message asking them to check and make sure they had my current address for mailing their catalog. The answer, signed by a customer service supervisor, arrived no more than 30 minutes after I sent it -- and it was complete and personalized.

I sent Compaq computers a message asking if there was any way to upgrade my slow-as-molasses 386 PC. That was two months ago, and I'm still waiting for an answer. And they're the guys in the computer business.

This Monday's Wall Street Journal had an article on a similar subject, and most of the top U.S. companies either took weeks to respond to simple questions about their products or services -- or they never responded at all. In the article, the Internet service manager at LLBean states his view that his company believes consumers using email want answers (not merely form responses) within 48 hours at the outside.

We're going to need to learn how to meet the changed expectations of folks who look for answers in minutes, not weeks or months.

### **What's the Information "Turbo-Charged" customer?**

I think from this discussion you can guess. He or she is the kind of customer who comes in armed with all sorts of information. And in the absence of exceptional training of front line sales and customer service personnel, the information gap between buyer and seller will be minimized, and may shift in favor of the buyer.

I can tell you from personal experience, I've seen customers come into an arbitration hearing so well prepared that they simply overwhelm both the company representative and the arbitrator with the depth and breadth of their knowledge and case preparation. More and more of that is coming from material that's been gathered over the Internet.

And I can tell you I was considerably better informed about just about every aspect of the car I recently brought than was the dealer's sales representative who was selling the vehicle.

### **What's the Loss of Information Control?**

One thing large institutions have been very good at over most of recorded history is controlling information about themselves. Whether the institution was a religious, royal, political or corporate, monarchy or a major national corporation. As communications media have become pervasive and competitive, much of that control has been eroded. Negative information about all of these institutions is becoming more common, and that loss of information control will accelerate exponentially as more and more consumers begin to use the Internet.

There are folks running discussion groups for the sole purpose of exchanging information about one make and model of automobile -- and the same will likely be true of other major consumer products and services.

### **What do I mean by the dysfunction of the pyramid complaint structure?**

In even the best companies, customer complaint handling is almost always based on some form of "pyramid" structure, with varying levels designed to filter out all but the most persistent customers. This can certainly be justified; why pull out all the stops (and break the department budget) for a customer who just wants a little reassurance, or the chance to blow off a little "steam". However, it

also serves to prove the old adage that the "squeaky wheel" gets the grease.

There is some question whether the proverbial "little old lady", who politely asks for a repurchase of her new car, is likely to get much initial attention. It is almost certain that the customer whose case makes the front page of the Los Angeles Times or the first 15-minute segment of 60 minutes is going to get a significant amount of attention from the company that sold the car.

Unfortunately, the pyramidal structure is inconsistent both with Principle 2 ("Gucci" customer relations) and Principle 5.

### **So what do I mean when I say that every customer is William Randolph Hearst?**

I believe it was Arthur Schulzberger of the New York Times who is reported to have said: "I sit in my window, a bouquet of roses in one hand and a bucket of manure in the other, and my friends and enemies pass beneath me in the street."

Schulzberger was an old-time publisher. He controlled access to the mass media in New York, just as Hearst did in California, and he could make or break a politician, a socialite or a business.

The Internet, however, makes every man a William Randolph Hearst. and arms a consumer with a potent new ability to praise or damn a company's products, services or practices before a global audience which can retrieve that "publication" on demand.

And while the libel laws helped to hold the potential excesses of the few powerful publishers in check, it is highly unlikely that they will serve to deter millions of “publishers” from expressing their views on products or services in public.

Every prediction about consumer use of the Internet has been wrong -  
- and the errors have almost always been ones of underestimation. Customer relations professionals around the country must become “Net savvy” quickly, since it is going to become increasingly apparent that firms that practice “Gucci” customer relations are those that will survive the coming decade.