

# Improving Retail Service Quality: Customer Service Commerce Commission

PUBLIC VERSION  
2degrees submission

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## 1 Introduction

Thank you for the opportunity to comment on the Commerce Commission *'Improving Retail Service Quality: Customer Service Consultation Paper (the Consultation)*.

As a consumer champion 2degrees strives to provide our customers with great services and great retail service quality - an aspect of this is 'customer service'.

As we've said before, retail service quality is an area we compete on. It's a reason Kiwis choose 2degrees over our competitors, and it's an area we are constantly looking to improve, consistent with our challenger attitude and purpose of 'Fighting For Fair'.

Reflecting our commitment to service quality and fairness, we're stoked to have received numerous awards for our retail services:

- In December 2022 2degrees was awarded the NZ Compare Supreme Champion 2022 award at the NZ Power and Broadband Awards, as well as Best Value Mobile Provider, Best Network for Business and Best Fibre Broadband Provider (the latter under our Orcon brand).
- We hold the title for the 2022 Consumer NZ's People's Choice award for best mobile and broadband service provider, and Canstar Blue's 2022 Most Satisfied Customers for Mobile Monthly Plans 2022 award, plus we're recognised as not just NZ's fairest telco, but as one of the 'fairest' companies in New Zealand.<sup>1</sup>
- Our Slingshot brand won the 2022 Gold Award for Customer Service at the cross-sector CRM Awards (competing across industries),<sup>2</sup> as well as the industry sector award for Customer Support Services; and
- Just recently, in March 2023, Consumer NZ announced following their retailer survey that 2degrees have won the People's Choice for Mobile Technology Store, recognising our great in-store experience for consumers.

As the Commission is aware, 2degrees have had long-held support and use of important services that support retail service quality, including number portability and comparison websites, and usage/spend transparency to our customers (including via our mobile app and Your 2degrees portals - even prior to the recent 'mobile transparency' work). Our latest 2degrees 'unfairuary' campaign supports consistent monthly billing across all telecommunications services, in line with the Commission's recent Product Disclosure retail service quality work.

2degrees support appropriate initiatives that make it better for consumers to compare and switch services where that's needed - recognising these may be operator or regulatory initiatives - and we're happy to work with the Commerce Commission where required. This includes in the 'customer service' space.

Having said that, so we can also deliver for customers on all the great other things we're doing (including post-merger changes), and direct resources wisely, we're keen to make sure all regulatory initiatives:<sup>3</sup>

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<sup>1</sup> Kantar Corporate Reputation Index, 2022. (Top ten 2022 – Fairness Leaders, 2degrees ranked #6)

<sup>2</sup> This represents 2nd place for Customer service in NZ, behind DHL Express (NZ) Limited.

<sup>3</sup> These principles are consistent with our previous submissions on RSQ regulation.



- Are targeted and proportionate to issues identified;
- Are thought-through and a practical, efficient way to address the identified issue (this includes making sure any identified changes are practically implementable, and within reasonable and realistic timeframes);
- Ensure unintended consequences are minimised, including the potential to negatively impact/distort competition – an aspect very important to us; and
- Take into account other relevant initiatives in the market (commercial and regulatory), as these may have overlapping objectives and resource requirements that need to be prioritised versus other activities.

We appreciate that the Commission is keen to work with the industry on this issue and is seeking stakeholder feedback on the next steps for this work - and look forward to engaging constructively on potential customer service, and wider RSQ, initiatives.

The remainder of this response is set out as follows:

- The Commission's overall proposed approach to customer service;
- Understanding the scope and size of the issue;
- Customer Service is much wider than two metrics;
- Further comments on the 'dashboard' metrics; and
- Comments on proposed 'industry' metrics.

## 2 The Commission's overall proposed approach to 'Customer Service'

The Commission has identified a potential two-pronged regulatory approach to 'customer service', including:

- (1) Monitoring and reporting on the performance of providers in key areas of customer service, using both Customer Satisfaction Surveys and industry-sourced data; and
- (2) Publishing rankings of the performance of providers against one another on certain aspects of customer service, including the proposal that this is displayed by operators at point of sale (for example in their store fronts).

2degrees are strong supporters of great customer service, and we agree that customer service quality is an important (albeit only one) aspect of retail service quality. However, we do have some concerns with this proposed approach, particularly the second aspect proposing ranking of operators, including at point of sale. We're not clear this is the best step at this time and are keen to work with the Commission on a more appropriate way forward.



## Proposed Monitoring and Reporting

The Commission has RSQ monitoring powers under the Telecommunications Act.<sup>4</sup> We consider these should be the focus for now: in line with regulatory best practice, only where there are competitive issues, and the benefits outweigh the costs, should the Commission require further measures that will increase costs to operators and consumers (for example, issuing guidelines and making new RSQ Codes under the Act).<sup>5</sup>

We provide detailed comments on specific metrics the Commission has proposed in Section 6 below. However, at a high level:

- The Commission may decide to first focus on the Customer Satisfaction Survey:
  - This avoids issues associated with industry sourced data;
  - We consider overall satisfaction measures are more appropriate and less distortionary measures of retail service quality than specific customer service metrics. This includes because an important aspect of retail service quality is the lack of need for the ‘customer service’ proposed to be measured by the Commission; and
  - We think if the Commission does want to measure RSQ for customers as standard, a single, easy to understand ‘overall satisfaction’ measure like NPS is appropriate.
- If the Commission considers further industry monitoring is required:
  - We would like to work with the Commission on the specific metrics and how these will be displayed.
  - The Commission will need to consider issues of confidentiality regarding industry-sourced figures before publishing data. Most of the information indicated is not information we share with our competitors and we consider it ‘commercial in confidence’.
  - We understand the Commission would want to ensure collecting ‘apples with apples’ to allow meaningful comparison, however we note that to change the way we measure things is not a simple, quick (or costless) task.
  - We are currently unable to collect some of this information, and this information will be collected differently across different companies and brands (including 2degrees’ brands, following the recent merger with Vocus Group). Further work will need to be undertaken to understand the time and costs associated with aligning metrics collected.
  - Metrics associated with this information will be impacted by operational issues, which are likely to impact the fairness of comparisons and may mean they are misleading for consumers. For example, longer ‘Average Handling Times’ can often reflect better customer service:
    - Average Handling Times should be expected to increase when service reps take the time to talk through and explain issues to customers, and check on other issues, rather than racing against a clock.
    - 2degrees includes a large amount of information on its ‘app’, which enables customers to seamlessly self-service more minor requirements. As the ability to self-service increases it may be expected that Average Handling Times increase.

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<sup>4</sup> Section 9A, Telecommunications Act 2001

<sup>5</sup> Part 7, Telecommunications Act 2001.



It would be misleading to imply a longer Average Handling Time was 'bad', and we don't support the collection of this figure.

Metrics may also be impacted by LFC customer service quality.

- Issues of timing, and publishing of out-of-date data will need to be considered.
- There needs to be clarity regarding treatment between different consumer brands of the same company. If collected, we consider that information should be by brand.

### Proposed 'customer service' rankings

We have more significant concerns with the proposal for the Commission to rank and publish customer service rankings, and the publishing of this at point of sale (the 'dashboard').

In particular, we operate in a competitive market, and it's important any regulatory intervention is justified and proportionate. In this case, we have some concerns that:

- The proposed approach could lead to distortions in competition:
  - This includes by focussing in on particular aspects of customer service when we know other aspects of customer service are important (and in cases more important) to customers that this will be displayed too, potential distortions of investment and resourcing decisions, and potential gaming (discussed further in section 3 below).
  - In addition, and as we've mentioned above, our view is that the best customer service would be not requiring 'customer service' at all, which is not reflected in these proposed measures.
- Before further regulatory intervention more work would need to be carried out to understand potential issues and the scale of those issues, and whether regulatory intervention or other means is needed to fairly address those concerns.
- There may be better ways to achieve the Commission's objectives, that could be lower cost to the Commission, operators and ultimately consumers. When considering whether a regulatory intervention is beneficial the potential downsides (including diversion of resources versus other consumer-centric initiatives, costs and merits of alternatives, and increased telecommunications prices due to higher compliance costs) should be considered.
- As noted above, a form of monitoring of RSQ customer service by the Commission may be the appropriate action at this point of time (for example, Customer Satisfaction Surveys and/or other RSQ information published on the Commission website<sup>6</sup>).

This does not mean we think customer service is perfect right now. As we've discussed with the Commission, there are particular wider economy issues at present - including with staffing and migration settings – that are impacting customer service across multiple service providers, and across multiple industries. With a reputation as industry leader both in overall customer satisfaction and customer service, this means some aspects of our customer service are not where we want them to be right now, but our teams are working hard to address this **[C-I-C:**

**].** These are not issues we expect any regulatory intervention from the Commerce Commission to address.

The following sections provide more detail on our concerns with a proposed 'dashboard'.

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<sup>6</sup> These could be accessed by interested consumers and third parties, such as comparison providers.



### 3 Understanding the scope and size of the issue

We think it's important to understand the scope and size of an issue before deciding on a regulatory intervention that increases costs. This is especially important with all that's on in the telecommunications sector and economy right now.

As the Commission has identified, customer service quality isn't necessarily 'front of mind' for consumers choosing telecommunications services. While the Commission appears to consider this an issue 'per se', to us this shouldn't be unexpected given:

- Only a small portion of consumers/interactions require customer service (but in a market with millions of subscribers and millions of interactions daily, unfortunately some issues do arise);
- Customers don't purchase services considering there will be an issue (and mostly, they're right);
- Customer service issues are often 'one-off'. They could, for example, be to do with setup.
- Price and product information, which is relevant to on an ongoing basis, are generally more important factors to most consumers, who may choose to rate this as a more important aspect of retail service quality.

This is recognised to some extent in the FiftyFive5 report commissioned by the Commission, which acknowledged that "Broadly, moments of customer service need were rare, thus not often considered".<sup>7</sup>

Given the scope and size of this issue, it therefore may not be correct to overly focus consumers on customer service, and on certain aspects of customer service rather than an overall measure. It may also not be appropriate to focus operators on these issues and away from other customer experience work being undertaken.

Further, one of the great things about the NZ telecommunications market is its competitive nature – thanks to things such as number portability customers can - and do – switch providers. This is in contrast to the UK banking sector, from which we understand the 'dashboard' concept is derived. Effective competition, which can be demonstrated through switching and the ability to switch, often mitigates the need for further market interventions.

### 4 Customer Service is much wider than two metrics

While two specific metrics are proposed as a measure of 'customer service', at 2degrees we take a wider view on Customer Service, and Retail Service Quality, with a focus on our Customer Experience, or 'CX'.

As we've already said, in our view the 'best' customer service is no need for 'customer service', as defined by the Commerce Commission. This is why, while our teams work hard to provide great customer service through our Care team when required, we spend time and resource

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<sup>7</sup> Excerpt from FiftyFive5 report, slide 12: "RARE NEED FOR CUSTOMER SERVICE

- Majority we spoke with hadn't had significant issues requiring customer service
- Customer service focus often on the initial set up / switching process, when telcos put their best foot forward
- Broadly, moments of customer service need were rare, thus not often considered".



on trying to *prevent* issues to services that would require consumers to need to contact our Care teams in the first place. This includes investing in things like our award-winning ‘app’ and new products and services. This is a focus on good CX outcomes rather than specific outputs/customer service metrics.

We believe in this approach, [C-I-C:

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2degrees generally ranks very well versus our competitors in terms of the Commission’s proposed metrics - “Speed of Resolution” and “Staff Helpfulness and Knowledge”<sup>8</sup> - as well as overall satisfaction measures. However, if the Commission focusses on two specific metrics this risks:

- Unintentionally distorting competition or misleading consumers, for example, by implying what the most important aspects of customer service are, and our service generally. We compete on multiple aspects of competition, including product, price and retail service quality.
- Not rewarding operators for better services overall, and consumers not having to contact Customer Care with an issue. The proposed measures only come into action when a problem for consumers has already emerged (and 2degrees can only be rated by customers that are having an issue, rather than our customer base). We note 2degrees (and wider industry, across sectors) internally use the overall satisfaction score, NPS. We use this for a reason – it provides a less distortionary view (taking into account the avoidance of issues too) and provides a better understanding of how consumers see our services.
- Disadvantaging operators for investing in all types of customer service dimensions – not just what the Commerce Commission has decided to report on. We know – including from the Commission’s own research by Fiftyfive5, that, while the most common, the two specific measures (‘speed of resolution’ and ‘staff helpfulness and knowledge’) selected by the Commission will not be the most important issues for all customers.
- Encouraging operators to focus resources on these two specific aspects, to the detriment of other important aspects of customer care and wider price/product issues that we know many/most consumers care about and may be better areas to focus and invest in. This could be aspects of retail service quality and/or more tailored products (but which take more Care time).
- There could also be gaming to ‘score’ better, even though this isn’t consistent with better CX overall.
- As we comment in sections 5 and 6 below, we also have concerns with the actual measuring/implementation of these proposed metrics, for example, the timing and accuracy of the metrics, and that some of the proposed measures could actually incentivise poorer customer service (for example, focussing on faster call times/getting off the phone rather than explaining issues to the customer).

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<sup>8</sup> [C-I-C:

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## 5 Further comments on ‘dashboard’ metrics

In addition to the overall concerns we outline above, we have a number of concerns with the actual measuring / implementation of the ‘dashboard’ metrics. We summarise these below.

### 1. Selection of ‘dashboard’ metrics:

We think if the Commission does want to measure RSQ for customers as standard, a single, easy to understand ‘overall satisfaction’ measure like NPS is more appropriate (consumers would ‘learn’ pretty quickly how to read this – positive is better). We consider this less distortionary than the Commission endorsing particular aspects as to what is good for consumers.

### 2. Accuracy of ‘dashboard’ measurement:

We are not 100% clear how the Commission is proposing to measure the two proposed metrics, but note they are subjective, yet the Commission is proposing specific, numbered measures e.g. percentages, not stars or out-of-ten. This implies a more accurate measure than may be the case. Given proposed timing, practicalities and costs, the proposed dashboard will also have issues with being out-of-date.

### 3. ‘Dashboard’ Ranking by the regulator:

Even though we expect to perform well, we are not clear it is for the Commission – as opposed to third parties - to ‘rank’ competitors in a competitive market.

### 4. Operator requirement to display ‘dashboard’:

We are not clear the Commission should or can require operators to display rankings at points of sale. However, if we did, we do not consider it appropriate to advertise the results (nor logos) of our competitors in 2degrees’ stores or online, and we do not consider our staff should be put in a position to be asked about other company results.

### 5. Operator Inclusion on ‘Dashboard’:

Inclusion and exclusion of large versus small players has the potential to distort competition.

Given our concerns, we do not support the publishing of a Customer Service ‘dashboard’ at this time. We expect alternative Commission monitoring is likely to be an appropriate step in this area, which we are happy to engage with the Commission on.

## 6 Comments on proposed ‘industry’ metrics

Our high-level comments on industry-sourced performance monitoring were set out in section 2 above. This included comments related to confidentiality, timing, unavailability of some data, the time and costs associated with collection and adjusting potential metrics (which would need further work to understand), the potential misinterpretation of metrics, and the need for further clarity on treatment of brands (which are not currently aligned in calculation methodologies).

The following table sets out more detailed comments on the specific metrics the Commission has proposed could be collected as part of the monitoring of providers’ customer service performance.



**Table 1: Comments on specific industry-sourced metrics**

Customer service Metric	Calculation methodology / assumptions (ComCom Proposed Definition)	2degrees Initial Comments
<b>Contact channels available to consumers</b>	<i>For example, call centre, email, chat bot, live web chat, messaging, retail stores (including hours, languages)</i>	<ul style="list-style-type: none"> <li>This is publicly available information and we support consumers knowing how to reach operators should they need support. We are happy to provide this and would provide by brand.</li> </ul>
<b>Average wait time (call centre)</b>	<ul style="list-style-type: none"> <li><i>Average wait time (call centre) = Sum of all call wait times / Total number of calls that waited in the queue.</i></li> <li><i>The wait time is measured starting from when the customer chooses the option in the interactive voice response (IVR) to talk to a customer service representative. If there is no IVR, it starts from when the call is connected.</i></li> <li><i>This should include all calls, including abandoned and short duration calls.</i></li> </ul>	<ul style="list-style-type: none"> <li>This is confidential information.</li> <li>If collected, we consider this should be Average Speed of Answer (ASA), not average wait time (AWT). AWT is distorted by abandoned calls, which artificially lower/improve the result, the greater the number of abandoned calls.</li> <li>We note the Commission have also proposed to collect abandoned calls separately.</li> <li><b>[C-I-C:</b></li> </ul> <p style="text-align: right;">]</p>
<b>Average wait time (email)</b>	<ul style="list-style-type: none"> <li><i>Average wait time (email) = Sum of all email wait times / Total number of emails sent.</i></li> <li><i>The wait time is calculated as the time from when the email was received by the email system to when a personal reply was sent addressing the query, not an automated email response.</i></li> <li><i>The wait time should be calculated as total time, not business hours, to standardise across providers who operate with different business hours.</i></li> </ul>	<ul style="list-style-type: none"> <li>This is confidential information.</li> <li><b>[C-I-C:</b></li> </ul> <p style="text-align: right;">]</p>
<b>Average wait time (live web chat)</b>	<ul style="list-style-type: none"> <li><i>Average wait time (live web chat) = Sum of all live web chat wait times / Total number of live web chats.</i></li> <li><i>The live web chat wait time is measured starting from when the customer selects the option to chat with a live agent to when a personal reply is sent addressing the query. It does not include the time engaged with the automated chat bot.</i></li> </ul>	<ul style="list-style-type: none"> <li>This is confidential information.</li> <li><b>[C-I-C:</b></li> </ul> <p style="text-align: right;">]</p>



Customer service Metric	Calculation methodology / assumptions (ComCom Proposed Definition)	2degrees Initial Comments
<b>Abandoned rate (call centre)</b>	<ul style="list-style-type: none"> <li>Abandoned rate (call centre) = Number of calls disconnected by the customer while in the post IVR queue / Number of calls in the post IVR queue.</li> <li>This should include all abandoned calls in the post IVR queue.</li> </ul>	<ul style="list-style-type: none"> <li>This is confidential information.</li> <li>[C-I-C: ]</li> </ul>
<b>Abandoned rate (live web chat)</b>	<ul style="list-style-type: none"> <li>Abandoned rate (live web chat) = Number of chats disconnected by the customer while waiting for a live agent to respond / Number of chats that select the option to chat with a live agent.</li> </ul>	<ul style="list-style-type: none"> <li>This is confidential information.</li> <li>[C-I-C: ]</li> </ul>
<b>Average handling times (call centre)</b>	<ul style="list-style-type: none"> <li>Average handling times (call centre) = (Total talk time + total hold time + after call work time) / Total number of calls answered.</li> </ul>	<ul style="list-style-type: none"> <li>No, we do not consider it appropriate for Average Handling Time (AHT) to be measured by the Commerce Commission. It is not a measure of good customer service, and we would consider it misleading.</li> <li>Longer AHT can reflect better customer service, including education of customers and discussions of other issues.</li> <li>This is confidential information.</li> </ul>
<b>Average handling times (live web chat)</b>	<ul style="list-style-type: none"> <li>Average handling times (live web chat) = (Total chat time + after call work time) / Total number of live chats answered.</li> </ul>	<ul style="list-style-type: none"> <li>No, as above, we do not consider it appropriate for Average Handling Time (AHT) to be measured by the Commerce Commission.</li> <li>[C-I-C: ]</li> <li>This is confidential information.</li> </ul>
<b>Number of contacts by channel (call centre, email, chat bot, live web chat, messaging)</b>	<ul style="list-style-type: none"> <li>Total number of contacts by channel: call centre, email, chat bot, live web chat, messaging.</li> </ul>	<ul style="list-style-type: none"> <li>No, volumes of contacts are not a measure of customer service quality. Not all calls/contacts are complaints or due to issues or lack of clarity. It would be misleading to imply this was the case.</li> <li>For example, we may intentionally ask customers to contact us for resigns, updating details or as proactive service.</li> <li>Without classification of calls (which are not standardised across operators) this is not a fair measure.</li> <li>This is confidential information.</li> </ul>
<b>Reconnect rate (call centre)</b>	<ul style="list-style-type: none"> <li>Reconnect rate = Number of customers successfully reconnected through all call-back attempts / Number of customers requesting call-backs.</li> </ul>	<ul style="list-style-type: none"> <li>No, we are not clear how this measures customer service quality.</li> <li>This is confidential information.</li> </ul>