**Customer Service Champs**

**USAA's Battle Plan**

By [Jena McGregor](http://www.businessweek.com/authors/1305-jena-mcgregor) February 18, 2010

When Staff Sergeant Corey Mason wants to deposit a check, he doesn't use an ATM, a teller at a branch, or even a stamped envelope and deposit slip. Rather, the 37-year-old GPS systems specialist takes a picture of the check with his iPhone, uses an app to send it to his bank, and within minutes the money shows up in his account. Although he's now stationed at Fort Knox, Ky., it's the kind of service Mason knows his fellow troops in Iraq, where he served in 2004, surely appreciate. "The mail over there is extremely slow," he says. "They know what it's like."

By "they," Mason means his bank and insurance company, USAA, which counts military members and their families as the bulk of its clients. But he also means the 23% of USAA's top management and new hires that have served in the military. Says Mason: "It's not every day I get addressed 'sergeant' by a customer service agent."

In almost everything it does, the financial-services outfit puts itself in the spit-shined shoes of its often highly mobile customers, many of whom face unique financial challenges. USAA was the first bank to allow iPhone deposits, it routinely texts balances to soldiers in the field, and it heavily discounts customers' car insurance while they are deployed overseas. "They do all this really creative stuff that applies to guys and gals who are in Afghanistan," says Karen Pauli, a research director at consulting firm TowerGroup. "There is nobody on this earth who understands their customer better than USAA."

Although few large companies have such a specialized focus, managers everywhere could learn plenty from USAA about coddling customers. A private company with $68.3 billion in assets, USAA has unrivaled staying power atop *Bloomberg BusinessWeek*'s annual Customer Service Champs ranking. Since we first produced the list in 2007 with our research partner, J.D. Power & Associates ([MHP](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?symbol=MHP)), no other company has come close to achieving USAA's feat: a No. 1 or No. 2 spot for four years running. No fewer than 87% of respondents to J.D. Power's syndicated surveys say they will definitely buy from the company again, far higher than the average, which is just 36%. Its client retention rate? A near-perfect 97.8%.

For USAA, though, maintaining that track record could become a bigger challenge. In November its insurance business scrapped some of its eligibility requirements, more than doubling its potential customer base, from 26 million to 61 million. USAA's property and casualty insurance is now open to anyone who has ever served honorably in the military; in the past, customers had to have served or signed up for USAA between certain dates. And while most of its banking and brokerage units have sold to anyone for years, it began advertising those services widely only last year.

While the company has no plans to offer insurance to the general public, expanding beyond its traditional customer could make it harder to provide the same lauded service. For one thing, a broader membership could lead to more consumers who present a greater insurance risk, which may mean service reps will need to be more skeptical about claims, says Brian Sullivan, editor of *Auto Insurance Report*. "If you rarely question the claim, you don't create any conflict," he says.

And while new members may be armed forces veterans and their families, their needs may be different, says Bruce Temkin, who heads up Forrester Research's ([FORR](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?symbol=FORR)) customer experience practice and has studied USAA. "The real trick for USAA will be how they continue to serve their core military customer while serving this broader set," he says. "It can get really messy if they grow too fast." A USAA spokesperson contends the insurer's pricing will correct for any greater risks that come from expansion.

For now, USAA is focusing on what it knows best: its armed forces customers and the unique financial issues they face. That focus goes back to its roots, when 25 Army officers got together in 1922 to insure each other's vehicles. By 1972 five out of six military officers belonged to USAA, and in 1996 the company expanded its membership to active-duty enlisted soldiers, too.

So it's little surprise that training for USAA employees is steeped in the military experience. New reps attend sessions where they dine on MREs, or "meals ready to eat," which troops consume in the field. They try on Kevlar vests and flak helmets. And each rep is handed a bona fide deployment letter—with the names changed, of course—to get them thinking about the financial decisions customers face at such an emotional time. Colleen Williams, a Phoenix-based service rep who joined the company in 2008, says the training clued her in to family issues that help her when answering calls. "I speak to women who haven't talked to their husbands in six weeks," she says. "It never really registered to me, the real disconnect" deployed soldiers have from their families.

Training isn't the only thing USAA lavishes on employees. After all, it takes satisfied workers to get satisfied customers. In 2009, even call center agents at USAA saw bonuses nearing 19% of their pay, up from 13.5% the year before. A new $5-an-hour concierge service lets employees outsource errands on the cheap during the workday. And when the company closed two call centers in 2009, it offered every employee a company-paid relocation package to jobs at other locations, even helping staffers burdened with underwater mortgages unload their homes. Of the 1,200 affected workers, 50% accepted move offers, far more than the fewer than 20% USAA expected.

Staffers get time to do their jobs, too. Employees aren't rushed through calls with customers or evaluated on how fast they handle the inquiries. "Member satisfaction trumps every single metric," says Forrester's Temkin. Other call centers "may relax things like average handle time, but they still measure it, and still you get in trouble if you're out of bounds."

Reps are also armed with software that lets them view a history of the online screens a particular customer has viewed on USAA's Web site, letting them know what policies or business lines the customer was perusing—and may be ready to buy.

The mobile lives of its core consumers—troops stationed in distant locales or military families constantly on the move—have made the company an unlikely innovator in the world of personal finance. Because USAA has just one physical bank branch, at its headquarters in San Antonio, deposit-by-iPhone is a logical step. (It also launched an app for Android users on Jan. 22.) Since August, more than $260 million in deposits have been made using the mobile service, as USAA's customers, whether in Camp Pendleton, Calif., or Iraq, send in checks. Giants like Bank of America ([BAC](http://investing.businessweek.com/research/stocks/snapshot/snapshot.asp?symbol=BAC)) are just testing a similar service.

Lieutenant Randall Blakeslee, a plans and operations officer stationed at Fort Sam Houston, Tex., is on two-hour standby to depart for Haiti, where he'll stay at least 90 days to help with relief efforts. That means his mail will be forwarded to him there, and he fully expects to use the mobile deposit service to submit checks from his job at home or when family sends him money. He already used the service to deposit checks when he was based in El Salvador. USAA is "really ahead of the game when it comes to technology," says Blakeslee, 34. "If I'm on the run, I can text a command and within seconds get a message back with my balance."

Blakeslee is referring to another high-tech service USAA rolled out in 2008 that lets its far-flung customers—a sizable number of whom are young, tech-savvy, and living paycheck to paycheck—get text messages about their account balances before, say, making a big purchase. Later in 2010, USAA is planning mobile peer-to-peer payments, which let customers e-mail or text-message money to friends or family for immediate deposit, no matter where they are at the time.

USAA was among the first to let customers initiate an insurance claim using their phones from the scene of an accident. And it soon will expand that app so policyholders can attach photos to the claim and complete the entire process via phone. By 2011 customers will even be able to attach voice recordings to their file, immediately retelling exactly what happened.

Also coming this year: a mobile car-buying service that lets customers standing at a dealership snap an iPhone pic of a vehicle's VIN number and instantly get back insurance quotes, loan terms, and pre-negotiated rates at approved dealerships. "The idea is you can turn that phone around to the salesman," says Bob Otis, USAA's vice-president for auto product management, "and say 'this is the price I'm going to pay.' "

Besides helping policyholders, such technology benefits USAA. As it adds customers, both through advertising banking services for the first time and vastly expanding the pool of vets who can buy its insurance, such self-service tools could mean it won't have to increase the size of its 13,000-strong army of reps at the same rate as its membership. "If you can have the member self-serve on certain parts of the claim, or the entire claim," says Ken Rosen, senior vice-president for claims service, "clearly there's an efficiency gain."

If USAA leans too much on self-service, of course, its vaunted reputation could suffer. Widening its risk pool and taking on more customers could have the same impact. But USAA's executive vice-president for member experience, Wayne Peacock, isn't worried. He says expanding USAA's customer ranks is "gradual and purposeful." And that's something the company has done incrementally since 1996, continually racking up top service scores along the way.

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