Risks and Rewards at Frontier Communications: Improving Customer Service Using Client/Server Technology

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Executive Summary

Frontier Communications provides a variety of telecommunications services to business customers around the United States. The telecommunications industry is fiercely competitive, with suppliers constantly seeking to improve their market share. Maintaining good relationships with business customers is very important, since they can easily change from one carrier to another and still receive the same basic communications products. Frontier considers customer service to be one of the firm’s most critical functions.

Customers with questions or complaints interact with Frontier’s customer service representatives (CSRs). CSRs’ tasks vary considerably depending on the situation, but they always strive to give customers an immediate and appropriate response to their inquiries. Achieving this goal requires that CSRs have access to a wide variety of customer information.

Allnet Communications, acquired by Frontier Communications in 1995, had developed a sophisticated mainframe-based system to support its CSRs. Although the system provided most of the data CSRs needed, it was not flexible enough to help them (1) get a complete picture of customers’ activities, (2) research a problem and evaluate potential solutions, and (3) identify sales opportunities.

Allnet’s management information systems (MIS) group developed a graphical user interface (GUI)-based customer service workstation. Significant effort was devoted to understanding the tasks
that CSRs perform, and how an improved information system could increase their effectiveness. The system was also the MIS group’s first major GUI, client/server system. This added to the risk of the project, a significant issue given the importance of the system. Allnet reduced the risk of failure by basing the new system on their existing mainframe systems rather than replacing them outright. This protected Allnet’s investment in its existing systems and took advantage of their stability, although at the cost of maintaining two separate hardware platforms. The workstation is well-regarded by CSRs, and led to measurable improvements in customer service and sales.

The case shows how a firm can improve a critical business function with new technology. There are two main lessons here. First, an information system can alter the work that its users perform, helping them better achieve organizational objectives. The customer service workstation enabled CSRs to take a more proactive approach to solving customers’ problems, giving them the tools to move from being system operators to company representatives. It also helped them sell additional services, a function that CSRs were not performing prior to the introduction of the new system. Second, the case shows that a firm can use new technology to build mission-critical information systems. However, the firm needs to carefully control the risk inherent in such projects. At Allnet, this was done by (1) involving users in the development process, (2) basing the new system on an existing system, rather than replacing the old system entirely, (3) involving an experienced consultant in the project, and (4) using prototyping to test the new system’s design before development.

Background

Allnet Communications Services was formed by a merger of Allnet of Chicago and Lexitel Corporation of Birmingham, Michigan. The company aimed to be the preferred long distance carrier for small to medium-sized businesses. Allnet received its license to operate in the long distance telephone market from the Federal Communications Commission in 1981, and began marketing its services in Chicago, St. Louis and Cleveland. Allnet was acquired by Frontier Communications, formerly Rochester Telephone, in 1995. Frontier Communications is the primary provider of local telephone service in several eastern states, and has entered the long distance market by acquiring several smaller long distance carriers. Today, the firm is one of the nation’s largest providers of telecommunications services to business customers.

The telecommunications industry is fiercely competitive. Note that:

• Most suppliers offer the same basic services. Product differentiation is somewhat more difficult in the telecommunications industry than in others.
• Customers’ switching costs are low, that is, it costs customers little to change from one supplier to another.
• Telecommunications deregulation has opened the market to greater competition from a wide range of suppliers.

Profit margins are slim in such a competitive environment, particularly when serving cost-conscious business customers. Suppliers constantly seek to improve their market share at the expense of their rivals.

Frontier has concentrated on providing telecommunications solutions for its business customers, bringing products to the market before the competition. The firm integrates several products and services, including long distance service, wireless (such as paging and cellular), toll-free service, broadcast FAX, and teleconferencing. By integrating these products, Frontier is able to offer the customer one point of contact for all their telecommunication needs, and more importantly, a single invoice.