

Customer communications in an unstable era

As we saw yesterday, we are officially in a era of market volatility and our financial institutions are in freefall. I am speaking of course of the 500 point drop the Dow experienced due in no small part to the Lehman Brothers failure and the Bank of America buyout of Merrill Lynch. This has spawned talk of the security of regular deposits at commercial banks and the Fed's ability to actually insure this money. At the same time, oil prices fell below \$100 because investors fear a drop in demand. OK. Are we economically unstable? YES. Are the fundamentals of our economy as strong as John McCain thinks they are? I don't think so.

In this steadily worrisome environment, United Airlines announced that it will raise the price of a second checked bag to \$50, affecting one in seven of their customers. The company continues to claim that the rising price of oil has forced it to continue to squeeze its customers. This comes after United scrapped a plan to provide only cold meals, for purchase, on international flights. Now, I am not a United frequent flyer, or an investor, so I did not receive a communique from the company. The news media reported these changes and all I can say is, I am not inclined to fly United, ever. These fees and changes are being reported but they don't seem to be creating a public relations problem for United. But they should. A company that continues to increase its fees to its customers is not doing enough to examine if it operates efficiently. On the other hand, Southwest Airlines has seen an opening here and has a very clever commercial that tallies the additional fees other airlines are charging and compares it to its non-additional fee fare. Who do you think wins?

This brings me to banking. As mentioned above, there may be real worries relating to the safety of your deposits. Today,

I received a email from ING Direct, the online bank where I have an account, thanking me for my business and continued trust. The email assures me that my deposit is safe and that ING is not engaging in selling off loans etc, like Lehman and Merrill did (that is subtext). In any case, this is smart customer communications. Talk about a problem and show how you are dealing with it. I think it is smarter that what United seems to be doing—talking about a problem that affect the company and NOT assuring customers but rather using them as additional piggy banks. What succesful companies know is that customers are the reason they exist. Without customers, there is no business. Alienating customers is never a good policy!

Bottom line: kudos to ING Direct for its direct (albeit somewhat self-serving) communication and thumbs-down to United to continuing to raise the bar on fees to customers, and announcing it via press release.