White paper
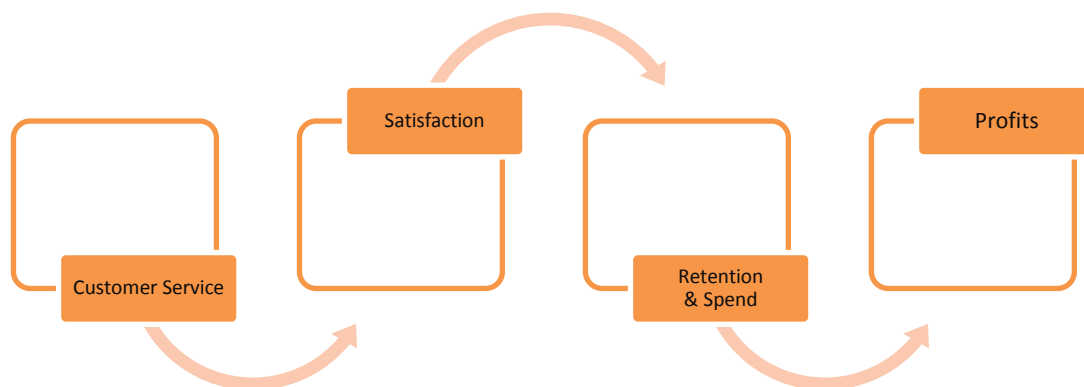
Proving and positioning contact centres as a corporate competitive advantage

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CONTENT

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1. Introduction

All customer experience specialists have claimed it at one stage or another. That as companies' products and pricing get more alike, the importance of customer service as a competitive advantage increases exponentially. However where is our proof? And surely Kotler's four P's are still as important today as 20 years ago? This paper will focus on how to prove the links but also on the measures we need to put in place now, and adhere to over the years to come, to increase our contribution to business success.

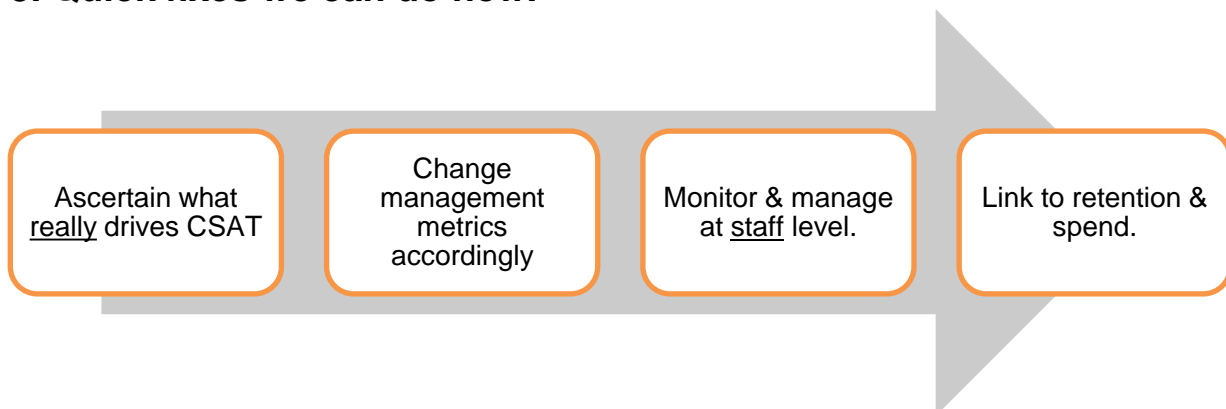## 2. Does customer experience matter?

That bad experiences have a negative effect on customer attrition is a fact proven many times, but do good experiences increase retention or is service just a hygiene factor? After all not many customers would stay with a bank with superb service, when the bank next door with a "good enough" service offers them twice the interest rate on their savings. Only if the value of better service is worth more to us than a competitor's offering plus the hassle of changing suppliers.

So Chief Executives might be reluctant to invest in offering a better than average customer service before having seen proof of it having a positive effect on customer retention or spend. Customer services directors are getting better at this though by finding the links, but also through more companies using an advocacy measuring ("would you recommend us"), showing that good customer service works as an extra "free" sales force.

For us involved in improving contact centre performance, this proof is like the holy grail. The good news is that we are getting closer and can now to a greater extent quantify the links between customer service, loyalty, spend, retention and finally; bottom line.

The most common way of doing this is to look at different departments' quality scores, such as the ones in paragraph 3.2 below, and compare them against customer retention and spend. There will however always be ambiguity around if there are other circumstances not taken into account that is driving the different department's customer value. To really prove the links we also need to break down the results to customer level, which we will cover at the end of this paper. First though we must make sure that we are actually able to drive C-SAT, and the right kind of C-SAT. Because what is the point of proving links if we will not be able to prove that we can drive those links.

3. Quick fixes we can do now.

Ascertain what <u>really</u> drives CSAT

Change management metrics accordingly

Monitor & manage at <u>staff</u> level.

Link to retention & spend.

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3.1 Establish what <u>really</u> drives your C-SAT

As touched on in our white paper from Dec 2011 there are many myths out there on what affects C-SAT. These myths are then made into targets communicated to agents, resulting in contact centres driving the wrong things. When analysing one million C-SAT surveys carried out last year we found two key things:

- The breaking point for speed of answer's effect on overall customer satisfaction was between 1.5 to 2 minutes hold time. Breaking point meaning when customers started scoring general satisfaction low due to having waited too long.

- The customers dissatisfied with hold time went on to score overall satisfaction lower than others, although not lower on average than 3 (on a scale of 1-5)! This even applied to customers having waited +5 minutes. The customers dissatisfied with staff engagement and product knowledge however, scored their overall experience "very dissatisfied".
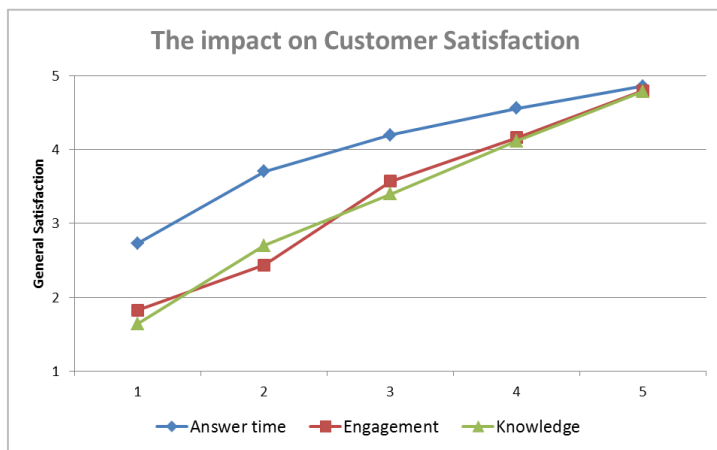

Figure 3 shows what impact different scores for Speed of answer, Engagement and Knowledge, has on general satisfaction with a contact centre experience.

So engagement and product knowledge significantly trumps hold time in driving C-SAT, yet the most common performance target to drive C-SAT remains 80% of calls handled within 20 seconds.

The reason for this is threefold:

- Technology vendors putting it in to their systems as a default measurement without taking into consideration what strategy or sector their clients may be in.

- Senior directors wanting one simple to understand metric.

- An inflated belief in how important speed of answer is in comparison to other areas.

As figure 4 shows, only around 60% of calls across our industry are handled within 20 seconds and the target often cripples organisation who struggle to reach their service level targets (see Camelot case study below).
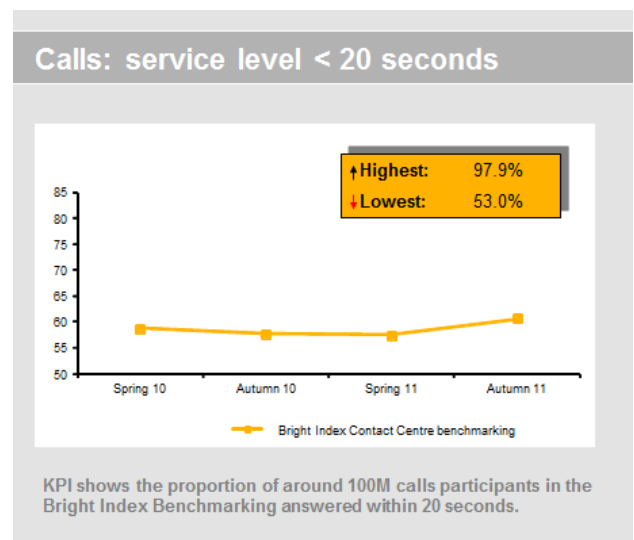
KPI shows the proportion of around 100M calls participants in the Bright Index Benchmarking answered within 20 seconds.

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When finding out their actual breaking points, they often see that customers accept waiting longer than they previously thought, as long as metrics like FCR, engagement and product knowledge are ok once they have been put through to an agent.

To improve in those areas they may have to relax service level targets to free up resources to focus on the things that drive C-SAT more.

3.2 Change management metrics accordingly.

In 2011 we saw a strong drive in the industry towards one single measure. A number of organisations went over to Net Promoter Score, others to a Customer Experience Score, and threw out all other measurements. The problem with this is that it might tell you how you are doing but not why. The reality of getting to best in class customer services is summarised in the saying "Magic doesn't just happen; it comes from doing basic things right, over and over again". Below are examples of metrics Bright has proven having a correlation with customer satisfaction and thus need to be measured and managed, all of them.

"Direct"
- Abandonment rate
- Speed to answer
- Engagement
- Product knowledge
- FCR

"Indirect"
- Attrition
- Absence
- Training days
- Agent per TL ratio
- Employee engagement

"External"
- Marketing
- Online experience
- Product quality
- Delivery
- Pricing
- Mind-set

### 3.3 Monitor and manage at staff level.

Following a number of companies last year who introduced the above, we saw great improvements. For the ones that also fed back to the agents their individual C-SAT scores; the number of very satisfied customers increased on average by 30%!

3.4 Linking it to business success.

Despite recommending against NPS and CES etc. being used as one single metric, these are still very much valid, as measurements helping us get closer to proving our contribution to profits. A much more significant help will however come from completely readjusting our approach to performance management.

Today most centres function use metrics present in ACDs and other systems as targets without any link to the company's strategy. We must turn this on its head and as shown in figure 6 below, start with finding out what KPIs drive the company strategy, incentivise on these metrics and first thereafter can we quantify how we contribute today and can contribute more tomorrow helped by more investments by the company into our centres.

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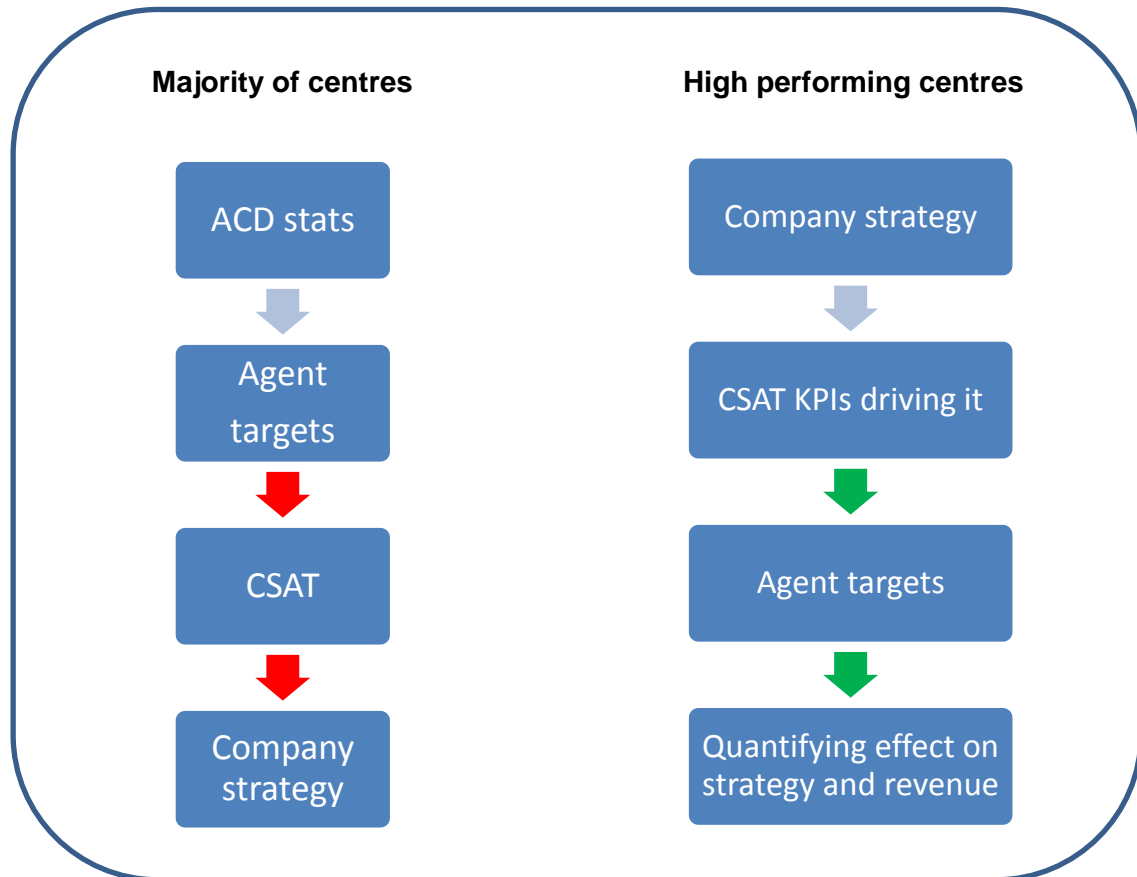
4.Case studies – company sound bites

Camelot

By getting proof of what internal performance metrics really drive CSAT, we changed our focus and targets in the contact centre to better address customer expectations. As our previous targets were set well beyond customer expectations, this also enabled us to lower service levels and thus free up resources better needed elsewhere. Ultimately, this enabled us to reduce our costs by 40% and easily absorbed an increase of 17% in call volumes year on year. Despite this significant cost reduction, our customer satisfaction scores increased by nearly 10%. *Head of Customer Operations*
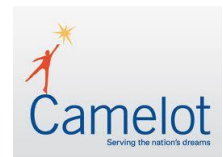
Shop Direct

As a part of our "Customer First" initiative we built a business case for a customer satisfaction measuring tool to demonstrate to the Group Board a return on investment at a time when budgets were very tight. The business case was driven around changing Advisor behaviour, increasing employee engagement, improving customer experience, achieving FCR (first contact resolution) and call avoidance, and how long it would take to achieve change. We got the go ahead and after a year this has enabled us to improve the online service experience, achieve a 20% increase of customers very satisfied with the contact centre experience and employee engagement scores have increased from 50% to 70%. This in turn has contributed to an increase in online sales by 20% and we expect to see customer retention and customer loyalty increase as a direct result of this. Making

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any improvement on CSI scores in a business the size of ours is a massive achievement, but the solution delivered an ROI within three months.
*Customer Service and Sales Director*

Telegraph

"We began striving for a more holistic assessment of our performance two years ago. Through reviewing performance metrics, employee engagement and customer satisfaction in parallel, we got a much better understanding of relevant KPIs for us. The results were greater employee engagement, a better structure for FCR and a more holistic approach to performance management. Last but certainly not least, it strongly contributed to us increasing sales with over 80% last year." *Director of Telegraph Direct*

Major airline

The company discovered through benchmarking that they had significantly lower conversion rates compared to their competitors. They wanted to address this by sending all staff on expensive training courses. Bright instead showed that customer service metrics like abandonment rate, hold time and FCR were behind the low sales figures. In 50% of the calls, the customers didn't get through, waited too long or, didn't have their query solved in the call. The investment in correcting this was instantly returned by a 12% increase in sales and a significant C-SAT improvement that will further increase profits long-term.
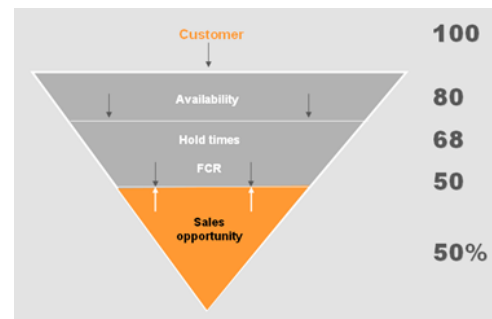
5. Looking beyond customer satisfaction.

For just as long as we have been trying to prove the value of customer satisfaction, we have been advocating the power of using the contact centre as a real-time information hub for the entire organisation. Millions have been invested in CRM systems and data ware housing solutions but now contact centres are showing a much more basic way of doing it. The enabler is the arrival of low cost customer survey methodologies that allow us to gather large volumes of verbatim comments. Even if using IVR surveys (and not email or SMS surveys), sound files can now be accurately converted into text at a very low cost enabling further data mining of the responses.

When systematically sorted and passed on to other parts of the organisation, three key benefits emerge:

- A department receiving for example 394 comments every month from customers (passed on by the contact centre) complaining about a process being wrong, will do something about it.
- This will decrease the amount of stupid things those departments do to our customers and reduce avoidable calls into customer service.
- The status of the contact centre will change from a "necessary evil / cost centre" to a state of the art business intelligence hub helping the company keep their finger on the pulse.

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6. Proving the links beyond any doubt

Bright are starting programmes with clients this year (and encourage other contact centres to) follow customer satisfaction on both an agent and customer level, compared to internal metrics when having handled their contacts versus retention, advocacy and spend. Due to most customers only contacting these companies a few times per year, these programmes will have to run for minimum 12 months get enough data on a customer level as well as ruling out any external macro factors beyond the customer service departments' control, and therefore skewing the data.

We are already tracking agent id's for 2 million customer satisfaction surveys per year, enabling clients to see who drives customer satisfaction (or not) and why. Now we will simply add the customer id to all of these surveys and, slightly more complex, synchronize this data over the next years with the company's data warehousing solutions.

Thanks to being able to separate scores between internal performance factors and external factors, the ambiguity around what is driving the results decreases significantly.

7. Key messages

- Customer service does irrefutably contribute to companies' overall success. We do however need to get better at quantifying and proving the exact value and what drives it.

- The starting point for most contact centres should however be to first find out their own drivers of C-SAT (which varies significantly from sector to sector). Industry myths need to be ignored to make place for facts.

- Performance management metrics need to be changed accordingly and C-SAT feedback broken down to staff level to be able to drive change. This will enable them to drive changes that will drive business success (and prove that they are doing so).

- Only when linking all of the above to individual customer spend and retention as well, can we finally quantify our considerable worth to the organisation.

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ABOUT BRIGHT

Bright's performance management solutions analyse and benchmark key performance indicators of contact centres in different industries from all over Europe. Main areas covered are:

- **Performance benchmarking** ("Bright Index")
  Over 1,000 reviews carried out since 2000.

- **Customer satisfaction measuring** ("Bright Navigator")
  Over a million surveys annually.

- **Employee engagement monitoring** ("Bright Employee Index")

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