POINT OF VIEW: **CUSTOMER CARE**

SUCCEEDING WITH CUSTOMER CARE

in challenging times

relationship management

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With four key customer strategies, companies can keep budgets under control while strengthening their ability to deliver a superior customer experience.

Across industries, companies are facing slower sales and reduced access to capital, and businesses around the world have intensified their focus on cutting costs and improving cash flow.

Those efforts are clearly at the top of the agenda for most executives, but they are not the whole story. Companies are also under greater pressure to hold onto customers—an asset that is always important, but one that becomes absolutely critical in a difficult economy. Effective customer loyalty and retention means keeping repeat business and revenue, but it also means avoiding the high cost of replacing lost customers, which the consulting firm Bain & Company has estimated at seven times the amount required to retain existing ones.

But keeping customers can be a challenge. While the economy has slowed down, competition has not, and companies are working hard to attract each others' customers. More important is the changing nature of the customer-company relationship. Customers have a great deal of information and choice—they are, in a very real sense, in control. At the same time, products and services are either becoming increasingly commoditized, making it harder for companies to differentiate themselves based on their offerings, or becoming more complex, making it difficult for customers to find the differentiators. In this world, customer service—or more accurately, the entire customer experience—is vitally important to reaching and keeping customers, as it is the only easily discernable differentiator.

In a recent Convergys study, nearly 9 out of 10 customers said that they place service and "how they are treated" ahead of brand and price when ranking customer-experience factors. About 9 out of 10 consumers said that it is not the product, but the experience that defines the brand. And the bar for being able to deliver a good customer experience is rising constantly. "As we are moving into a very challenging economic period, companies, in order to retain business, are going to have to demonstrate a level of care that, quite frankly, we haven't seen in the past," says Peter Ryan, lead analyst for Contact Center Outsourcing Services at DataMonitor.

In short, companies today do not have the luxury of focusing solely on costs or service—they have to do both. And simply maintaining the status quo is not enough, nor is cutting back and holding on. Companies will have to find ways to increase both efficiency and effectiveness in customer-facing processes.

To do so, says Andrea Ayers, president of Customer Management at Convergys, they can focus on a handful of strategies that can help them improve performance on both fronts. "The key is to identify the areas where you can focus your efforts to help you get through the tough times and prepare for long-term success," she says. "In today's environment, doing anything less will mean falling behind in the race to deliver a superior, and cost-effective, customer experience."

Four Strategies to Shape Customer Care

1. Think "outside-in": Develop a view based on the customer's perspective and the customer's experience, rather than focus on the company's products, processes, and policies.

2. Drive out costs while improving customer satisfaction: Innovative approaches to advancing technology mean that lower costs and increased customer satisfaction are no longer in conflict.

3. Increase revenue with analytics-driven, multichannel sales strategies: A focus on sales can help a company get through the downturn and position itself for growth as the economy improves.

4. Strengthen customer retention and loyalty through proactive outreach: With competition high and customer loyalty fleeting, well-planned retention efforts can protect the existing customer base.

Making the Business Case

Today, the ability to deliver the right customer experience is not just a "nice to have"—it provides a real and demonstrable bottom-line impact. A recent study by Forrester Research found that "good customer service experiences boost repurchase probability and long-term loyalty." And bad experiences can drive up costs—not only through growing customer defections, but also through increased callbacks to contact centers and, more broadly, the resulting bad reputation that can spread quickly in an online, connected world. The result, reports Forrester, can be "escalating marketing and sales costs because it's more expensive to promote products to dissatisfied customers and/or those customers who've been exposed to negative word of mouth."

To make matters worse, many customers who are complaining to their friends will say nothing to the company about their bad experience. Convergys research found that about 40% of these non-complaining customers will simply stop doing business with a company. "That kind of silent attrition means that the company is losing customers without really knowing why," says Ryan Pellet, vice president of Global Consulting at Convergys. "Being in front of and identifying these silent drivers with new analytic capabilities are critical to a company's fundamental stability, especially in a down economy."

The customer experience, then, is vital in today's business environment. But companies are not always succeeding at delivering the right experience, according to Convergys' research. Among surveyed customers, 45% say that companies do not understand their experience; many cite problems such as rude employees, inaccurate information, and lack of resolution. Perhaps worse, many believe that companies simply do not care, with 37% saying that companies do not listen or act on customer feedback. "The research confirms what many have known for years," says Pellet. "Customer care is critical and at a great many companies, it needs to be improved. The difference is that in today's economy, the ramifications of not getting it right are dire. Today, those that get it right will quickly pull away from their peers."

Getting it right requires understanding our evolution from a industrial—or demand—economy to a technology—or supply—economy to a relationship economy (see chart, page 5). In the demand economy, which was built up over 80 years, businesses scaled to meet growing demand. In the supply economy, which began its growth 20 years ago, businesses focused on handling transactions more efficiently. In the new relationship economy, the focus has shifted from transactions to interactions, with an emphasis on serving customers as individuals.

There are usually opportunities to drive improvements across a range of customer-facing processes and activities. But Convergys has found that there are four strategies that companies should focus on to shape customer care in an uncertain economy:

- **Think** "outside in,"
- **Drive** out costs while improving customer satisfaction,
- **Increase** revenue with analytics-driven, multichannel sales strategies,
- **Strengthen** customer retention and loyalty through proactive outreach.

Most companies today have a great deal of information about customers—not just transactions, but information about behaviors and satisfaction levels as well.

Think "outside in"

Too often, companies view the customer and the customer experience from the inside out. True, they will often survey customers to gauge satisfaction, but when it comes to designing customer care strategies, that type of external input is typically outweighed by factors such as the company's products, processes, and policies—the inside-out view that looks at what the company can do, as opposed to what the customer wants. The result can be a significant disconnect between the external "customer reality" and the internal "enterprise reality." This disconnect was prominent in Convergys' research, which found that 8 out of 10 executives believe their companies have a solid understanding of what their customers experience. As noted above, however, nearly half the surveyed customers disagreed. The internal and external perspectives are thus out of sync, and companies too often are trying to shoehorn the customer into the internally driven experience.

Instead, companies need to develop an outside-in view that is based on the customer's perspective. Fortunately, most companies today have a great deal of information about customers—not just transactions, but information about behaviors and satisfaction levels, as well. Unfortunately, earlier analytic approaches do not maximize the data resources. There are new analytics tools and technologies to pull this data together and understand just what the right customer experience is—as defined by the customer. For example , companies can use analytics to:

Analyze customer behavior by event type. Companies need to take the time to break down the customer contact by virtue of a more detailed understanding of the reason why customers are calling. Understanding the why, and how it fits into the customer experience life cycle, is an important baseline to facilitating the outside-in view of the customer.

Analyze customer behavior by segment. Companies can examine the behavior of different customer segments to find, for example, how high-value customers use a speech application, or how younger-generation customers prefer to interact with the company. This provides a foundation for designing service, interactions, and channel strategies that are tailored to various customer segments.

New Insights into Costs

Today's analytics technologies are playing a growing role in the effort to balance cost-cutting and the customer experience. For example, they can be used to find quality problems and bottlenecks in contact-center processes, and to ensure that internal metrics are aligned with the customer experience the company wants to deliver.

What's more, information coming into the contact center can be combined with information from other parts of the organization, such as field repair, the supply chain, and manufacturing. This integrated data can then be analyzed to identify upstream root causes of chronic customer complaints throughout the enterprise. That can have a significant payoff. When one company analyzed its service-call processes, it was able to make adjustments that allowed it to handle more of those calls over the phone, thereby reducing the number of trips made by technicians and saving some $7.2 million.

Analytics can also be used to develop insights into how improvements or cutbacks will affect the customer experience, and to sharpen the business case for making changes—or not. When a major shipping company analyzed planned improvements that would increase service levels, it found that those changes would actually bring no increase in customer satisfaction—allowing it to call off the effort and avoid spending about $1.8 million.

Analyze customer behavior across channels. Analysis of customer activity in a single channel, while powerful, does not offer a full view of customer behavior—companies need to look across channels. For example, a cross-channel analysis may show that customers are having difficulty updating information in a Web channel, and are turning to the more-expensive live-agent channel to try there. In response, the speech application may be optimized to handle these requests, so that the costlier calls are avoided all together. In essence, the cross-channel analysis helps companies gain a full view of end-to-end customer behavior.

With an effective outside-in view, companies have a clearer, more accurate grasp of the customer experience—one based on a wide range of data, rather than a narrow slice of customer surveys and executive intuition. Such a view can have a real impact. For example, when a large U.S. insurer analyzed channel-related data from more than 4.5 million annual customer contacts, it developed insights that helped it rethink service interactions. Those changes boosted customer satisfaction 5% and call-resolution performance 9%, and moved customer retention rates from 87% to 95%.

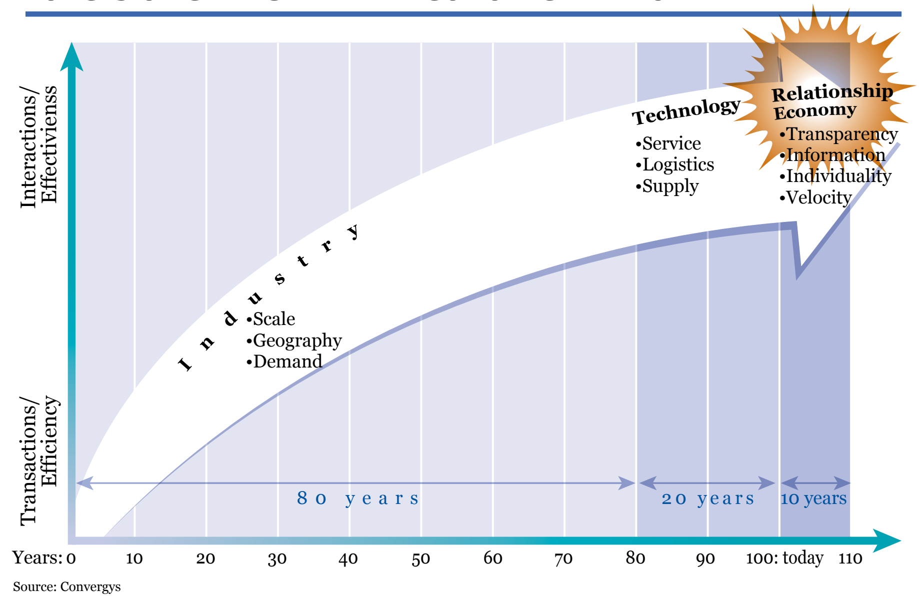
In an economic downturn, a data-driven outside-in view can be especially important. Not only does it help the company provide the type of experience that drives loyalty, it also helps ensure that the company is focusing scarce resources on the right things—the things that matter to the customer.

Drive out costs while improving customer satisfaction

Lower costs and increased customer satisfaction have traditionally been conflicting mandates—but with innovative approaches to advancing technology, that no longer has to be true. To strike an effective balance, companies should consider three approaches to using technology:

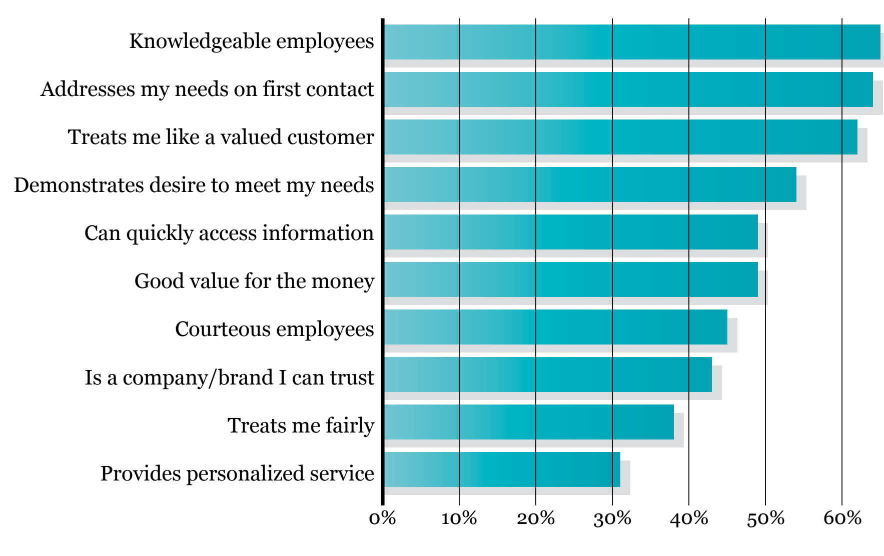
Self-service. Technologies such as speech/IVR, Web, and database search have been

FORCES OF CHANGE IN THE ECONOMIC ENVIRONMENT



Toward a Relationship Economy. A century ago, as massive new industries emerged, companies had to scale up to meet demand. Over the last two decades, with consumers using multiple channels to demand anything, anytime, efficient transaction handling became key. Today, these transactions are seen as interactions, a chance to develop relationships with customers.

MOST IMPORTANT ATTRIBUTES FOR CUSTOMERS



The Customer View of Experience Contact-center improvement efforts should focus on efficiently providing what customers want. In recent Convergys research, customers said that the basics, such as knowledgeable employees and first-contact resolution, are especially important to a good customer experience.

shown to help reduce costs, but with new, "warmer" technologies that closely mimic human interactions, they can also support a good experience. Convergys research found that customer preference for self-service has not only doubled since 2004, but also that 65% of people would prefer to use self-service rather than speak to an agent who could not resolve the problem on first contact. Companies can automate routine customer-facing processes to cut costs and free up employees to handle more sophisticated customer problems that require skill and judgment. In addition, they can use analytics to monitor customer behavior in automated channels to identify problems and fine-tune processes over time, which helps keep customers from opting out of those cost-effective channels. For example, an insurance company analysis found that many customers were trying to make minimum payments in the IVR system—an option not available in that channel. The company quickly adjusted the system, which led to increased containment rates in the channel—an indicator of greater satisfaction—saving more than $1 million a year.

Self-service combined with agent assistance. Agent-assisted self-service is a hybrid that provides the cost and productivity benefits of self-service, while allowing human intervention—via chat or voice—if the customer is "stuck" on a problem.

Integrated customer interfaces. Today, agents and systems can work closely together to provide a tailored customer experience. For example, one system uses analytics to provide real-time service or sales recommendations, tailored to individual customers as they call in to a contact center. This not only helps provide a good customer experience, it also helps ensure that agents aren't "over-serving" lower-value customer segments and that they are complying with company service policies for rebates and incentives—which can help keep costs down.

With a balanced approach to using today's technology, companies often find that they can rethink the traditional economics of customer care, and no longer have to view cost and service as an "either-or" proposition. The efficiencies of effective automation work for both the customer and the company. "The right combination of people and technology lets you be more effective in meeting the customer's needs, conveniently and quickly, while enjoying the increased use of low-cost self-serve and automated interactions," explains Mike Betzer, Convergys president of Relationship Technology Mangement. This dual benefit can be seen in a DataMonitor survey of North American businesses, which found that speech technology provides a 60% to 90% savings over agent-assisted calls—and in which 63% of respondents said it had increased customer satisfaction.

Increase revenue with analytics-driven, multichannel sales strategies

In a difficult economy, driving out costs is only part of the challenge. Companies also need to focus on sales—on improving sales-conversion rates and revenue-per-customer to help get through the downturn, and position the company for ongoing growth as the economy improves.

Analytics can help companies identify new customers, and work more effectively with existing ones. By analyzing a range of data, they can identify key customer segments and focus sales resources on high-potential, high-value prospects. They can also use analytics to perform real-time predictive up-selling and cross-selling. This means going beyond the traditional "cross-sell engine" to provide the right offer at the right time, based on the customer's specific situation and overall relationship with the company. Eighty-five percent of customers in the Convergys study defined "personalized service" as "being

Lower Costs, Higher Performance

With the right strategies, companies can control costs while enabling the performance needed for long-term success. For example:

- When a company changed contact-center metrics and provided customers with a self-service billing tool, billing inquiries dropped by more than 25% and customer satisfaction increased 14%.
- Using analytics and Six Sigma techniques, a company redesigned back-office dispute-handling to reduce processing times from 14 days to 5 days and cut overall case volume 50% for a savings of more than $1.6 million—while boosting customer satisfaction 12%.
- A company revamped its customer-feedback program to focus on the customer experience, enabling it to reduce some service levels without affecting customer satisfaction and to identify unhappy customers more accurately, leading to a 60% reduction in churn.
- To boost sales in an underperforming contact center, a company improved training and redesigned processes. The number of sales quickly went from roughly 1,200 per month to 1,200 per week, a combined sales conversion and call-handling metric improved 76%, and customer-satisfaction levels for the center became the highest in the company's network.

provided a solution specific to my needs and not being quoted standard procedures." Says Mike Cholak, Convergys' vice president of Customer Intelligence Services. "This enables companies to do more than just push the short-term sale, and instead maximize the value of the customer over the lifetime of the relationship."

At the same time, companies should develop a true multichannel sales strategy to help keep sales costs down. With a blend of self-service and agent-assisted transactions, and the ability to serve customers online and offline, companies can migrate the more routine sales and account-management functions to automated channels. Companies should also consider augmenting the traditional field sales force with a contact center-based sales group that can handle lower value, but still important, customer segments. This can provide a cost-effective way to expand revenue. For example, when a large consumer packaged goods company saw the cost of its direct sales force rising, it implemented such an approach to focus on lower-volume customers—and reduced its costs of sales by 90% and grew sales by 41.5% for that segment.

Strengthen customer retention and loyalty through proactive outreach

As they work to cut costs and drive revenue, companies also need to actively protect the existing customer base with well-planned, comprehensive retention strategies—particularly in an era where competition is high and customer loyalty can be fleeting.

This starts with giving customers what they want, and as, Convergys research found, customers place the highest value on knowledgeable employees and having their problems solved quickly—ideally, on the first call. Thus, companies need to make sure that agents have the tools and information they need to serve customers with speed and precision. Here, companies can draw on knowledge-management systems, speech-based navigation of screens, and the use of intelligent routing to match customers with

Happy Employees, Happy Customers

To a large extent, the ability to succeed in challenging times comes down to a company's front-line employees, those who interact with customers day in and day out. As research has shown, there is a clear link between happy employees and happy customers, and having front-line employees who are efficient and productive helps keep costs down.

However, there is room for improvement on this front. In recent Convergys research, 47% of surveyed employees said that they don't believe their companies understand what they experience in doing their jobs, and 48% said their companies don't listen to or act on employee feedback.

"Companies need to manage the employee experience if they are to manage the customer experience effectively," says John Gibson, president of Convergys Human Resource Management. "They need to have happy employees, but they also need to make sure that front-line employees have the knowledge, tools, and processes that will allow them to work productively and meet customer needs with greater precision and speed. They need to train, equip, and empower employees to succeed." Indeed, when Convergys asked consumers about the factors that are important to a customer experience, they placed "knowledgeable employees" and "addresses my needs on first contact" at the top of the list.

An emphasis on front-line employees can have a significant impact on performance. For example, when rapidly changing product lines were making it hard for a major technology company's technical support representatives to keep up and serve customers well, the company implemented a new learning model that used tools that deliver content to individual agents based on their specific skill gaps, and then track and report on their progress and performance. As a result, the employee experience was greatly improved, as agent satisfaction scores rose from 73% to 85%. So too was the customer experience, with overall customer satisfaction scores rising 66% to 79%, average handle time dropping from an hour to 42 minutes, and first-contact resolution going from 63% to 79%.

Rethinking Delivery Models

Technology and process change plays a big role in contact-center efficiency, but companies can also make use of different models for delivering service, which can provide sustainable cost reductions while maintaining and improving customer service. For example, the use of customer service reps working out of their homes can help reduce facilities expense, increase employee satisfaction, and give companies access to people with hard-to-find, specialized skills.

Outsourcing customer-facing activities lets companies take advantage of a provider's economies of scale and specialized skills to control costs. So too can multishoring strategies, which can take advantage of less expensive labor markets with varying skill bases.

It's important to realize that customers are more interested in results than an agent's location. In Convergys research, 63% of U.S. customers said they prefer to speak to U.S.-based service reps. When experience is factored in, 72% say they would choose to speak with a rep outside the U.S. who is friendly and helpful over a U.S.-based rep who is not.

agents who are best-equipped to address their needs. They can also use analytics to monitor the quality of the customer experience—using an outside-in view—to ensure that interactions and internal processes and metrics are supporting the right customer experience, identifying the high-risk and high-value customers, and helping to drive increased loyalty.

Finally, today's technology makes it possible to work more proactively to retain customers. For example, companies can now use analytics to predict which customers are most likely to defect, and to understand what types of incentives will entice customers to remain—which makes it possible to act quickly to resolve issues and increase customer retention. This can even be done in real time: As customers call in, the system will "know" if they have a history of bad experiences with the company, allowing the agent to take appropriate action on the spot, or making it possible to route the customer to "save" specialists who can help identify and solve customer problems.

In many cases, such proactive approaches can be automated. For example, if a flight is cancelled or there is a security question on a credit card account, systems can automatically send messages to the customer via voice, email, or text message to notify him of the problem. This helps reduce costly calls into a center, and can help turn a potential negative interaction into a positive customer experience.

Ready for Tomorrow

The need to keep costs low is acute, but that does not mean that this need will disappear with an economic upturn. As a result, pursuing these four strategies is particularly important. By taking a balanced approach to cost-cutting that does not sacrifice the ability to deliver a better customer experience, companies will be in position to sustain the savings they achieve.

"When done right, today's cost-cutting efforts will be more than short-term reactions that will be undone when the economic climate changes," says Ayers. "Companies won't have to scramble to get back on track. The efficiencies and improved customer experience that they achieve with today's efforts will become business as usual for them, and a competitive edge in the long run."

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