THE PELORUS GROUP

Customer Centricity Why Now More than Ever!

Authored by

Dick Bucci
Senior Consultant
The PELORUS Group

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CUSTOMER CENTRICITY – WHY NOW MORE THAN EVER!

Is your contact center customer-centric? If you answered "I don't know," it's completely understandable. Customer centricity is one of those wonderful terms we assume everyone understands. It's a concept that most organizations at least want to believe they subscribe to and live by, but when pushed, is tricky to actually define and/or measure.

At a very basic level customer-centric organizations build their organization and practices around serving the customer. Management recognizes that customers are their most vital asset and must be nurtured and supported to the best of the organization's ability. Few organizations would disagree with this premise. However, the notion of true customer centricity really goes further than the basic and conventional wisdom taught in every marketing course - that the customer is king.

These are difficult times for many organizations. We have witnessed extreme stock market volatility and decline, surging oil prices, growing unemployment, stagnant wages, rising inflation, a collapse of the housing market, and major setbacks to key sectors, including construction, real estate, financial services and retail. Not to imply that it's unimportant in good times, but in recessionary times it's especially important that contact centers, as well as other customer touch points within the enterprise, make every effort to retain the customers they have. And how do you do that? By making customer centricity more than a buzz term, but rather a well defined and measurable key objective that can be tracked and analyzed just as any other critical line item on the corporate balance sheet.

In this paper we explore the concept of customer centricity in depth – by explaining exactly what it is and is not, the role contact centers play in demonstrating, driving, and owning this critical metric, and outlining the core processes and technologies required for building truly customer-centric contact centers and organizations.

What is Customer Centricity?

The key attributes of customer centricity are;

- **Customer care that extends and reinforces the brand.**
- **Creation of customer experiences that transcend the ordinary – memorable, not simply satisfactory.**
- **Treating customers as individuals.**
- **A deep understanding of what motivates customers.**
- **An understanding and measure of the true value of customer relationships.**

Customer care that extends and reinforces the brand

Most businesses expend significant financial and human resources creating and supporting their brand. To consumers, a brand represents a promise. They know your brand stands for something – be it value, dependability, superior flavor, convenience, excellent service, etc., or some combination thereof. Consumers have higher expectations for branded than unbranded products and are typically willing to spend more for that confidence

Buyers of consumer goods, such as food, clothing, cosmetics, electronics, etc., may never personally meet an employee of their favorite brands. But at some point, odds are they will at least contact the company - to register a complaint, pose a question, ask for instructions, request a payment postponement or even apply for a job. Each touch point will either reinforce or diminish the consumer's view of that brand. This is especially the case in service businesses, such as banking, health care, insurance, and hospitality. With few tangible points of true differentiation these firms often tout "superior service" as their competitive edge. If at the point of service delivery the customer experience is unsatisfactory or even ordinary the customer will be disappointed and may eventually lose faith in the brand.

Customer experiences that transcend the ordinary

A common misperception is that providing "satisfactory" service is good enough to be customer-centric. Not so. In fact, studies show that about 80% of customers that cease doing business with a company were generally "satisfied" at the time they switched or stopped doing business with the company. But customers *expect* to be satisfied. What customers do not expect is to be delighted. So when they are, they typically tell others, and in this day and age of email, blogs and social media, the word can spread more quickly than ever. That can obviously be a very good thing when the word is positive, but it also works against you when service is perceived as poor or worse. Service providers are now finding themselves quickly and visibly portrayed in a negative light due to the speed and breadth of information outlets now easily accessible to disheartened customers. Before long, thousands of current and potential customers can hear about it and there are already published examples of companies taking significant near and long term business and valuation hits as a result.

Treating customers as individuals

Market segmentation is a practice that has been around for decades. The basic premise is that customers that fall into various demographic “buckets” tend to have similar needs and react similarly to marketing overtures. But demographics are so 1970’s. With the wealth of information available today enterprises can focus their branding efforts much more precisely – in some cases directly to the individual. Customer centricity is about treating customers as individuals, not just members of a “bucket” that share some common characteristics. This is key to delivering memorable service. Simple things like using their name are helpful but even more important is creating and maintaining an extensive customer knowledge base so agents can quickly see the individual preferences, patterns and current or past issues related to individual customers.

A deep understanding of what motivates customers

Truly customer-centric contact centers deploy the technology needed to analyze the volumes of information they collect through internal sources, such as archived recordings, CRM data, customer satisfaction surveys and enterprise databases. Analytics is basically a set of applications that allow management to drill down into this vast storage tank of recorded voice and data interactions to spot trends, opportunities, patterns and cause and effect relationships. Armed with this information, agents can be more proactive by initiating outreach to potential or likely customer defections before they occur or by creating sales offers that are ideally suited to individual requirements or interests.

An understanding of the true value of customer relationships

One of the outcomes of in-depth customer analysis is determination of the actual present value of customer relationships, commonly referred to as the "lifetime customer value" metric. Contact centers need good and ample information to construct this metric, including for example, the cost of customer acquisition, average purchase rates for individual customers or groups of customers, and the average period of time they remain customers.

What customer centricity is not

It is also important to understand what customer centricity is not, so you do not expend unnecessary investment, resources and time chasing largely unobtainable or low return targets.

- **Customer centricity is not the sole responsibility of the contact center.**
- **Customer centricity is not a commitment to delight every customer.**
- **Customer centricity is not a set of technologies and solutions.**

Not the sole responsibility of the contact center

Contact centers are often unfairly tasked with sole responsibility for achieving customer satisfaction, which is unrealistic. Customers form their opinions of companies and brands based on a totality of information and personal experiences. There are relatively few situations where the contact center is the only or even the primary contact point between customer and company. Bank customers speak with tellers more often than they call the contact center. Airline passengers form their opinions from interactions with ticket agents, flight attendants, and even the pilot who always says thank you as you exit the plane. And the ever-polite delivery guy is the cornerstone for positive opinions of UPS.

Unless you're in a business such as credit cards, collections, e-commerce, etc., - where the agent on the phone is typically the only human contact point - customer centricity needs to be an enterprise-wide commitment. For example; progressive restaurant chains, hospitality companies, and high-end retailers often conduct customer satisfaction studies among recent patrons to gauge the quality of the customer experience at the retail level to get a more complete view of the true customer experience.

Not a commitment to delight every customer

Despite the popular cliché, customers are NOT always right. Nearly every agent you talk to has stories about callers that attempt to game the system by trying to extract undeserved concessions. And of course there are plenty of simply unpleasant people. Some situations simply cannot be resolved in a way that will bring smiles to the customer. If the expensive gift arrives a day after the wedding, no amount of empathy, understanding or even contrition is going to make that customer happy. She will respond unfavorably to a customer satisfaction survey even if the agent did an exceptional job of handling a difficult situation.

Being customer-centric means you do look for equitable solutions, but there are times when you simply need to say no – in as polite a manner as possible. Customer-centric agents will proactively track these interactions, perhaps by tagging the recorded call for supervisor review. This process may uncover policies or practices that are contributing to customer dissatisfaction and merit review by management. Armed with customer lifetime value estimates, management can assess if a change in policy is likely to payoff in customer loyalty and lifetime value.

Not a set of technologies and solutions

Customer centricity is a mindset. It's a way of thinking that puts the customer first and drives product and service providers to learn as much as possible about their customers so they can devise ways to deliver more memorable customer experiences, while at the same time contributing to the financial success of the enterprise. New technologies and solution sets undeniably provide a critical enabling platform for achieving customer centricity, but the first step is an unwavering commitment to the concept.

Why now more than ever

Nobody needs to be reminded about the tough economic environment. All the indicators have moved in the wrong direction:

- Unemployment - rising
- Inflation - rising
- Home values – declining
- Consumer confidence - declining
- Retail sales - declining
- Investment portfolios – declining

Customers are understandably cautious. They spend less on restaurant meals, curtail travel plans and shop for bargains. Mercedes and Cadillac automobiles are more prevalent in Wal-Mart parking lots, and while high-end retailers are hurting, used/discount clothing chains are booming.

Customers who could not be bothered to switch wireless carriers or cable service for a $20 monthly savings a year or two ago, are now looking at any savings as important. Consider cable service versus satellite. Since 2002 satellite subscribers have increased by 72%, while cable subscriptions have remained flat. For the sake of argument, let's assume the average revenue per subscriber for the cable company is $40 per month and the average tenure for a customer is five years. Over five years the aggregate revenue loss would be $2400, so if a thousand customers defect that's $2.4 million. But that's just the beginning. Over time, each subscriber is subject to rate increases and is a candidate for package upgrades, Internet service, and digital telephone service. Those opportunities are lost forever, making the loss of 1000 customers far more costly than $2400 each. Customers that defect for the purpose of saving money may very well not come back when times get better.

The same logic holds true for insurance, banking, credit cards, groceries, clothing, warranties, college tuition, and virtually any other competitive product or service that is purchased on a recurring basis. It's also important to understand the cost of new customer acquisition. These costs can be substantial for capital-intensive businesses, such as wireless providers and cable companies or relatively modest for retail for example, but either way, the organization must understand and account for the customer lifetime value and typical customer acquisition costs when calculating the importance of customer centricity.

Bottom line, now more than ever is a time to focus on customer retention, which requires flexibility in handling customer complaints and proactive customer care.

Customer satisfaction and customer loyalty

"Customer satisfaction" and "customer loyalty" are terms often used interchangeably, but they are two very different metrics and need to be acknowledged and tracked as such. Satisfaction reflects what we think, while loyalty is a function of what we do. While customer satisfaction definitely contributes to customer loyalty, there is actually no clearly established direct causal link between the two, largely because of the many other intervening factors other than satisfaction that ultimately influences repurchase rates. This is not to say there is no relationship. In fact, an exhaustive tracking study done by Enterprise Rent-a-Car found that customers who gave the highest rating to their rental experience were three times more likely rent again than customers that gave the second highest rating. Bank of America discovered that customers who are "delighted" are four times more likely to recommend Bank of America to their friends and family and three times more likely to open new accounts than customers who are simply "satisfied."

While it may be difficult scientifically to prove outright that greater customer satisfaction directly translates to customer loyalty, it should come as no surprise that there is plenty of evidence that the converse is unquestionably true. Poor service ***will*** drive away customers.

- **In the wireless business, future churn levels are four times as high among customers who rate their carriers below average in customer care. (J.D. Powers)**
- **A single bad interaction will decrease customer loyalty by 66% and will be remembered for 12 to 14 months. (Gallup Group)**
- **70% of customers switch to the competition because of service quality issues (Forum Group)**

Contact centers and customer centricity

We have stressed that customer centricity is an enterprise-wide commitment, but the initiative must start with the contact center. As the voice of the company, agents are uniquely and powerfully positioned to either strengthen or weaken brand loyalty and customer retention.

Management looks to the contact center as the first line of defense for achieving and preserving customer delight. This is both a responsibility and an opportunity. Do not be reticent to tout your achievements or to serve as change agents within the enterprise. This is a tremendous opportunity for contact centers to prove, extend and evangelize their value.

There are several steps you can take.

Understand the economics of customer relationships

Customer lifetime value is only one customer value metric. For example:

- Do you know what it costs to serve a customer by channel?
- Do you know current customer churn rates?
- Do you know the revenue value of each customer?
- Can you track the sales leads generated by your contact center?
- Can you use the technology at your disposal to calculate the call levels generated by marketing campaigns?
- Can you estimate what it costs to attract and obtain a new customer?

Collecting this information is not trivial. You will need to work with other departments, such as accounting, sales and marketing to collect the data and make the calculations. Then it needs to be fed into your reporting systems so you can track revenue and costs by agent and group to develop real-time trending information.

This is important because service quality has significant and measurable impacts on the economic health of the enterprise.

- **A 5% reduction in customer defections can lead to an 85 percent boost in profits. (Harvard Business Review)**
- **Companies that lead their markets in customer loyalty generate operating margins of 13%, while laggards had margins of just 2%. (Walker Information Group)**

Take extra-good care of the elephants

A key benefit of deeper knowledge of individual customers is that you can classify them by value. The classic 80/20 rule of business states that about 80% of revenues are typically attributable to 20% of your customers. It can be even more pronounced in some cases. In banking for example, it's been shown that just 10% of customers normally produce 90% of profits. These "elephants" need and should receive extra care and handling.

Generally, the loss of any one key customer is equivalent to the loss of at least four average customers. Some contact centers assign their top agents to these accounts and give them different titles, such as "Concierge" or "Client Relations Manager." They will likely have far more latitude to solve problems on their own and devise custom offers that will appeal to these key customers. Some companies have instituted "save teams" to quickly and effectively respond to signs of defection from top customers.

This is not to suggest a weak or even average service level for everyone else is acceptable. The aim should always be to provide a memorable experience. That does not necessarily mean that every query must be handled by live agents or that the same concessions will be made for everyone. By law, customers – *of the same class* – must be treated equally. The object is to categorize callers in such a way that the highest value customers and prospects can be identified at the point of contact and routed to assigned individuals appropriately.

Take the pulse of your customers

The caller is in the best position to gauge their customer experience. Best-in-class contact centers use voice-of-the customer surveys to gauge customer satisfaction. These surveys can be done many ways. An accurate, timely, and cost-effective approach is to use automated post-call surveys. The experience will be fresh in the customer's mind and feedback can be collected in near real-time.

Use metrics that cut to the heart of the customer experience

Traditional or "first generation" call metrics have been around since the invention of the automatic call distributor in the 1970's. They include service level, answer time, adherence, occupancy, abandonment, queue time and about 100 others.

First generation metrics have very specific meanings and for the most part are calculated in the same way. They can be charted over time and benchmarked against peer groups.

The main vulnerability of first generation metrics is they speak to processes, rather than outcomes. This leads to management by and for the numbers, even if they bear little or no relationship with the specific goals of the enterprise. Contact centers generally collect dozens of metrics on center performance. But precious few of these have ever been established to have a verifiable impact on actual customer delight. Customer-centric centers need to collect at least the following additional metrics:

- First contact resolution
- Average time to answer
- IVR abandonment rate
- Telephony abandonment rate
- Customer satisfaction
- Agent satisfaction

Eliminate policies and practices that lead to dissatisfaction

It is extremely important to identify the factors that contribute to disappointing customer experiences. In many cases these can be tracked back to practices and policies based heavily on first generation metrics that, while well intended, are at the root of the problem. One of the most frustrating customer experiences is having to repeat the same information. Once the caller has entered their account number or other identifier through the IVR they reasonably expect to not have to repeat the same information to the agent. The CTI technology required to correctly identify the customer and trigger the CRM profile directly to the agent desktop has been around for over 20 years. Yet many contact centers require a “confirmation” that they are speaking to the right party. This caller may be asked for their address, account number, or last four digits of their social security number. Is this really necessary in all applications and for all calls? If the caller is simply seeking instructions on how to use the voice mail feature of their cell phone does the provider really need to double check the information the agent already has? Treating customers as individuals requires distinctions such as these to be made and requires flexibilities in agent handling processes to accommodate.

Contact centers have a wealth of information at their disposal to find out what factors lead to customer displeasure, including customer satisfaction surveys, recorded sessions and direct agent feedback. The challenge is separating the minor nuisances from the major aggravations. One of the many benefits of modern speech and data analytics is the power to categorize and quantify these customer issues to focus on the problems that matter most. The more sophisticated analytics applications enable “root cause” analysis so you can measure the relative impact of various customer perceptions and internal practices on customer satisfaction levels.

Empower employees to handle exceptions and uncommon situations

Of all the metrics that contact centers track the only one that has consistently demonstrated a direct relationship with customer delight is first contact resolution. About 30% of inbound calls require one or more additional contacts to completely resolve the initial query. One of the many reasons for follow-up contacts is the agent has insufficient authority to amicably settle the issue. Perhaps a deeper examination of the nature of these issues will uncover simple and relatively low-cost concessions the agent can implement without need for further authorization or approval. These may include granting additional free minutes, waiving shipping charges, providing credits, offering free upgrades or other actions specific to the type of business. Yes, there is a cost and there is always the potential for abuse, but it’s important to demonstrate trust in your agents. More importantly, the potential loss of a valuable customer is generally much more costly than any risk associated with modest agent-empowering concessions. A side benefit is that agents appreciate their new-found authority, which translates to higher agent satisfaction. And agent satisfaction has a well-established and strong correlation with customer satisfaction.

Limitations on achieving customer centricity

As we have discussed, customer centricity is a new name for something virtually everyone can agree on – the customer may not always be right, but they should always come first. But as nice as that sounds, there are roadblocks that stand in the way of actually delivering on this promise.

Conflicting missions

Contact centers generally have four missions today:

1. To delight customers
2. To increase revenue
3. To minimize operating costs
4. To provide valuable business insights

While most contact centers share these objectives, the relative priority of each varies greatly depending on the type of business. Most organizations can generally be categorized into one of four basic groups: cost-oriented, service-oriented, sales-oriented, or market-oriented. Those that value customer delight as their highest priority, typically the market- and service-oriented organizations, are conflicted by the need to go beyond basic customer satisfaction while at the same time controlling operating costs. The rubber meets the road with certain key performance indicators (KPIs), such as average handle time and first contact resolution (FCR). Customer delight is highly sensitive to FCR, but it can take longer to track down the required information or approvals while the customer is on-line. Fortunately, there are technology and business practice solutions today that mitigate this inherent conflict.

Reticence to proactively share valuable information with other business functions

Two findings from a recent survey of 870 contact center professionals conducted by the International Customer Management Institute (ICMI) are cause for concern:

- **When asked to rate twelve call monitoring objectives, "educate other departments about customers and the call center" came in dead last, with only 19% rating this as "Very Important."**
- **Only 53% of those surveyed share monitoring data and customer feedback with other departments in the company.**

As ICMI observed, "This is unfortunate, as the call center has at its disposal an invaluable amount of customer information that, when shared with and clearly communicated to other entities within the enterprise, can lead to ample improvement organization-wide, better relationships among the call center and other departments, and a better overall understanding of customer needs."

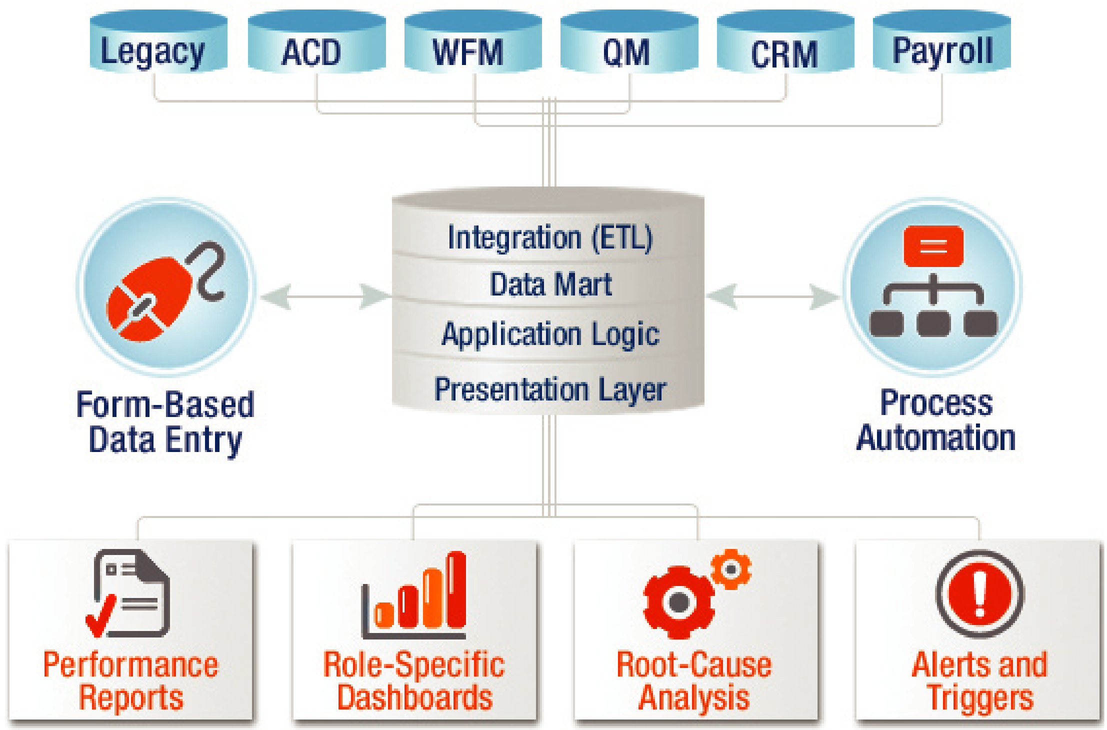
These findings are a reflection of a mindset that focuses too much on process and not enough on outcomes. Critical information resides within the contact center about causes for customer defection, competitive activities, quality problems that could lead to litigation and opportunities for new products and services that could boost the economic health of the enterprise. Contact center management needs to be proactive with both customers and its internal constituents to elevate the value of the contact center to the organization.

Technology limitations

One important reason why contact centers are not generally as customer-centric as they should be is they are awash in data, but sadly lacking in actionable information. This is because they lack an efficient and economical means to present the agent with essential information or to cull through and make sense of the mountains of data at their disposal.

Following is a checklist of application requirements for customer-centric contact centers:

Capability	Primary benefit
CRM that tracks customer contacts	Agents need to know what has transpired in the past so they don't waste time starting from scratch with each caller.
Integration with contact center and enterprise databases	Customer-centric metrics and a 360° view of the customer requires data from multiple sources.
Fully configurable Web-based dashboard	Personalized dashboards provide supervisors and agents with the real-time information they need to do their specific jobs.
Simplified access to applications via tabs and menus	FCR goes up and handle time goes down when agents do not have to log in and out of applications.
Integration with quality monitoring and coaching	Targeted training can be delivered directly to the agent desktop when needed.
Right-sized interaction and speech analytics	Speech analytics is a speedy and effective way to get to the root cause of the problem – but it's not necessary to buy more than you really need.
Trend analysis	The reporting package should enable you to spot deviations in time to fix problems.



Customer-centric contact center technology enables consolidation, analysis and sharing of mission-critical performance and business information, providing decision-makers in the center and throughout the organization with relevant, meaningful and real-time information when and where they need it to do their jobs.

Required applications may be acquired individually, one at a time or as a fully integrated and bundled solution. There has been a definite trend toward the all-in-one approach, as the value of fully integrated solutions often outweighs the piecemeal benefits of implementing perceived “best-of-breed” point solutions and then having to figure out how to make them work together. At the PELORUS Group we have carefully tracked the interaction recording industry for several years. Bundled workforce optimization (WFO) solutions were first introduced to the marketplace in 2005. Now, ten of 26 interaction recording vendors offer integrated suites on a common platform. There are many benefits including airtight integration, centralized administration, lower total cost of ownership, coordinated system upgrades, and single point-of-contact accountability.

The Analytics dashboard in the fully integrated Envision Centricity™ workforce optimization suite presents personalized views to each unique user - showing what's most relevant and meaningful based on their specific role to maximize efficiency and simplify performance management in the center and across the enterprise.

Summary

Customer centricity is all about making memorable customer experiences a focal point for the enterprise. While the commitment should be enterprise-wide – addressing all customer touch points – the contact center is uniquely situated to assume primary responsibility for implementation. Management looks to the contact center to lead the charge for stronger customer relationships. There are many implications, from the way we collect and display data to the technology we deploy. The payoff comes from greater customer retention, more focused customer care and the good words delighted customers will liberally share with others. While improving customer care is always important, particularly with branded products ands services, in times of economic stress it is doubly important because of the cost and difficulty of replacing key customers.

About the Author

Dick Bucci is Senior Consultant for The PELORUS Group (www.pelorus-group.com) where he specializes in contact center technologies. He has authored eight in-depth reports on workforce optimization applications and numerous articles and white papers. Dick is also managing director of Technology Marketing Associates, a marketing consulting firm. He has over 30 years of experience in the telecommunications industry.

About Envision Telephony

Envision Telephony, Inc. is an award-winning contact center solutions company offering products and services that enable organizations to deliver world-class customer service. Envision Centricity™, the company's innovative workforce optimization (WFO) platform, fully integrates Envision's landmark Click2Coach® offering (including quality monitoring and e-learning) with powerful analytics, performance management and workforce management capabilities. The result is a robust and highly adaptable WFO suite designed to meet the critical and unique needs of customer-focused organizations worldwide. A commitment to unparalleled customer centricity is at the center of the company's mission and is what makes Envision the authority on delivering an uncompromising customer experience. Visit www.envisioninc.com, email info@envisioninc.com or call 206.225.0800 ext. 500 for more information.