Integrating People with Process and Technology

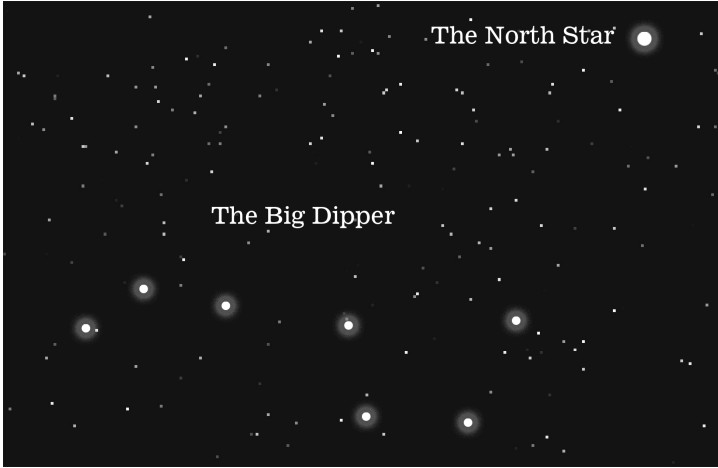## "Gaining Employee Acceptance of Technology Initiatives"

by

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The North Star

The Big Dipper

Business Navigation

Only two centuries ago, early explorers (adventurous business executives of those bygone days) were guided primarily with a compass and celestial navigation using reference points like the North Star. Today's busy executive also needs guidance systems with just-in-time business intelligence to navigate through the challenges of locating, recruiting, keeping, and growing profitable customers. The Anton Press provides this navigational system through practical, how-to-do-it books for the modern day business executive.

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So far we have written about people (employees) and how they can provide more value to the company through being motivated to use technology. We felt it is important to include a brief chapter on customers because customers are the lifeblood of business, and customers are people, too. It became apparent to us that:

- Employees who become more proficient at interacting with their co-workers use these same positive interaction skills when they serve your customers.

- If you train your employees to focus on business objectives and the people factors, they will understand and appreciate the value of customer loyalty.

- With no customers, you have no business.

The employees who service your customers include everyone— from the IT department to salespeople to the agents who will take customer service or help desk calls. Whether employees are directly providing service or are part of the infrastructure support, they all do work that directly affects the customer's perception of the company. Directly or indirectly, employees can affect whether the customer remains loyal to the company.

In this chapter, we will cover the value a customer has to a company. This should provide the motivation for you to focus on the people factor even more. The phrase we will use that describes the importance of customers is called Customer Lifetime Value (CLTV).

Customer Value

Until recently, "customer value" has remained more of a concept than a concrete set of tangible numbers. We want to point out how the absence of customer value on the balance sheet can affect decisions. We provide ways for you to calculate the value of customers so your company can retain and gain more from its most valuable asset. In this section we provide some definitions around the value of a customer and thoughts on where the corporate accounting world is on this subject.

We also provide the equations that calculate Customer Lifetime Value. Companies that are Customer Lifetime Value-centric use tools like SSP, Chapter 4, and SP3M, Chapter 5. While the depth of customer satisfaction measurement is not covered in this book, we recommend the following resources for more detailed research and information:

- *Customer Relationship Management*, Dr. Jon Anton, Prentice-Hall, Inc., 1996

- *Call Center Management by the Numbers*, Dr. Jon Anton, Purdue University Press, 1997

- *The Voice of the Customer*, Alexander Research & Communications, Inc., 1997

Accounting Principles That Count

Traditional accounting principles focus on a company's income statement and balance sheet to track financial performance, which is measured by gains in corporate assets and the rising value of its stock. However, because of the highly competitive global marketplace, it is becoming recognized that the most important corporate asset, with the greatest lasting value, is the customer. *No customers* means *no business.* This concept was experienced by the dot.com world that went into a downward financial spiral. This new paradigm of adding the value of the customer to the income statement means a change in traditional accounting methods.

The Value of Customer Satisfaction

Corporations of all sizes are coming to understand that customer satisfaction:

- is a strategic weapon that results in increased market share and profits

- begins with the commitment of top management

- involves the entire organization

- can be quantified, measured, and tracked

- has fundamental organizational structure implications

Too many companies, however, still rely on outdated and unreliable measures of customer satisfaction. They watch sales volume. They listen to their sales reps and managers describe the state of mind of their customers. They track and count the frequency

of complaints. They monitor accounts receivable reports recognizing that unhappy customers pay as late as possible, if at all. While these approaches are not completely without value, they are no substitute for a valid, well-designed program that formally and systematically measures customer satisfaction.

Customer Lifetime Value (CLTV) Defined

> "You may think you make products, but what you make is loyal customers."
>
> --Mark Hana and Peter Karp, in *Beyond Customer Satisfaction to Customer Loyalty* by Keki R. Bhote

Executives need to have a way to calculate the value of a customer. We have found that companies generally start with technology without understanding the precursors that make a system successful. To reap a sizeable ROI for a system, a company has to understand the financial correlations among:

- customer satisfaction
- customer retention
- customer lifetime value (CLTV)
- a company's profitability

If customers are satisfied, they are retained. The longer the customer is retained (increased CLTV), the more value they provide via profits. There are two aspects that can increase the CLTV of customers:

1. the customer's spending at a specific point in time

2. the time span during which a customer keeps spending at your company

Customer satisfaction is the key influencer for increasing these two CLTV aspects. We call the financial connection of all three aspects—satisfaction, retention, and customer lifetime value—the Customer Value Chain (CVC), which is illustrated in figure 7.1. The CVC is what enables technology to gain revenue share.
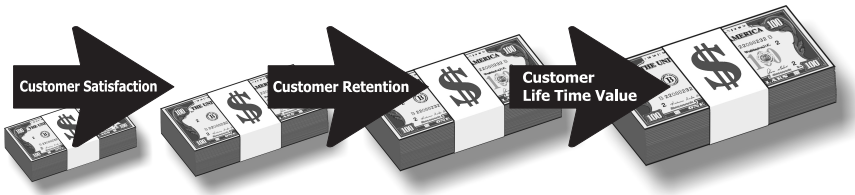
Figure 7.1. Customer Value Chain (CVC)

A good reason for a company to purchase a technological solution is to have a process and the technology that will provide data on the customers. This increased knowledge can be used to select actions that induce desired customer behavior that increases CLTV. Technology solutions that do this are made up of decision support software and integrated data warehouses that focus on specifically maximizing CLTV. They do so by predicting customer behavior on the basis of customer data.

Behavior is a leading indicator of customer purchase intentions. Employees who interact with customers also influence the customer's future purchase intentions. People and systems that are focused on customer satisfaction and CLTV enable a company to make decisions that reinforce desired behavior and thereby increase purchase propensity. The knowledge that is gained about customers will allow existing customers to be retained and developed. New customers can be attracted by offering products and services that better fit existing customer behaviors.

The Customer Satisfaction Gap

Although customer satisfaction is the first step in making technology initiatives successful, it seems to remain only a buzzword in the business community. There is still an enormous gap between the stated goal of companies to increase customer satisfaction and their attempts to implement customer retention goals and generate revenue.

For example, in assessing the annual reports of all publicly-owned Fortune 500 companies, researchers at the Center for Customer-Driven Quality at Purdue University found there were no firms reporting actual numbers of loyal and satisfied customers. In many cases, the most important asset, the customer, often was not even mentioned.

We found that while 87% of the 500 companies with annual revenues in excess of 100 million dollars listed customer satisfaction as one of their most important corporate initiatives, *only 16.1% had any method to measure their customer relationships.*

In fact, of the 365 companies that didn't have a system in place, 92% asked us for more information about measuring customer satisfaction. This situation of not knowing how to measure customer satisfaction clearly highlights the need in the business community to understand more about the customer value chain.

The customer value chain can be examined by looking at:

- customer revenue
- customer profitability
- customer loyalty
- customer growth

Customer Revenue

The value of a customer is realized from the revenue stream that each customer brings to a company. Many companies measure revenue per customer in order to calculate sales commissions. Order and billing systems store customer revenue information from which customer revenue reports can be generated.

When customers are satisfied, they don't change vendors, and many will stay with you for years. When a customer is gained or saved through a satisfying customer experience, it's not only the immediate monthly revenues earned that make up total customer revenue. Customer revenue is calculated over the long term.

The customer value chain takes into account the present value of the future stream of revenues that can be generated as long as a customer remains loyal. Hence, everything that can be done to enhance the long-term, end-to-end customer experience is necessary to make customer revenue an operational reality.

The primary form of return on a technology system comes from allowing a company to better engineer the customer's experience to increase the frequency of "great" experiences, thus leading the company to be the preferred company of choice for a long time. Also important is that employees of the company are trained to interact and manage changes well to ensure customer satisfaction.

Many times companies providing the service or product create improvement programs from their perspective as opposed to the perspective of those receiving the service or product. By measuring the customer's satisfaction experience through all touchpoints in the company, a 360-degree view of potential sources for change and improvement can be gained from the customer's perspective. Delighted customers can result in literally generations of repeat customers—for example, the John Deere Company likes to measure customer loyalty in terms of generations of farming families that have used its products. Existing customer purchases repeating over time create long-term growth and revenue streams.

Customer Profitability

> "The standard financial accounting model hides the value of customer loyalty."
> --Patricia B. Seybold, Customers.com

Analyzing profit means that you need to know costs. Current accounting systems don't do a great job of measuring actual costs. Accounting systems can measure historic costs and suggest an average direct and indirect cost for a product. In addition, they can allocate a portion of corporate overhead, sales and marketing costs to a product or customer. Accounting systems typically allocate sales, general and administrative (SGA) expense across product lines. This category can account for as much as 30% of total costs including customer care. However, allocating a blanket percentage to all customers doesn't give a true picture of costs.

Activity-based costing (ABC) offers the ability to improve the calculation of cost and profitability data. It is based on business events (cost to place an order, deliver a product, service a customer, etc.) and correlates the event with activities and processes. The cost events are assigned to cost objects. With this type of system it becomes easier to understand the cost of providing a service or product. However, this system still doesn't take customer loyalty into consideration.

Customer Loyalty

> "The business of business is getting and keeping customers."
> --Peter Drucker

If a company lost 10% of its inventory to theft, swift action would be taken to stop the loss. But if a company is losing 10% of its customers to competitors, or because its staff is not managing change well, no one would even notice it, much less actually do something about it. These hidden costs don't show up on the income statement, yet this happens daily in thousands of companies. *In fact, the average company loses 25% of their customers per year. Only a few percentage points of customer retention can equal millions or more dollars to a company!*

Customer attrition is the opposite of customer loyalty. If we compare customer attrition to customer loyalty, we can begin to see the effect that the retention of loyal customers has on the bottom line. From Tom Peters in *Thriving on Chaos*, we know the actual business impact of customer dissatisfaction is as follows:

- It costs five times more to get a new customer than to retain a current one.
- 26 out of 27 customers fail to report a bad experience.

Customers don't report bad experiences because they feel you won't do anything about it.

- 91% won't return.
- 13% will tell 20 or more people, further polluting your reputation.
- 82 to 95 % come back if the situation is resolved well and in a timely manner.
- A well-handled problem usually breeds more loyalty than before the negative incident.

Customer dissatisfaction is expensive. Many times companies think losing a customer or two here and there means little, or that they are better off without those nitpicking, complaining customers. However, should just one customer a day who usually spends $100 per week stop doing business with your company, you will lose $1.9 million in annual revenues. This does not include the additional potential loss due to the bad word of mouth from dissatisfied customers. From this information it appears that our P&L sheets need to have customer attrition added to adequately reflect the true accounting of the most important asset in a company.

Employing customer satisfaction programs as an integral part of continuous quality improvement is crucial to an understanding of its

payback. Like internal quality initiatives, the customer loyalty programs impact profits in several ways by:

- identifying the process(es) for change that will maximize their impact on customer satisfaction

- preventing erosion of the customer base

- minimizing negative word of mouth

- understanding better what the customer perceives to be a value-added experience, worth a premium price

Customer Growth

Although everyone hasn't figured out how to implement it, the economics of customer loyalty and retention to enable growth has become a science.

> "When you build a plant, it starts depreciating the day it opens. The well-served customer, on the other hand, is an appreciating asset."
> -- McGarvey in "The Big Thrill" in
> *Entrepreneur*

In figure 7.2 you can see the real magic of customer retention and the real reason for you to focus on managing your customer relationships. When customer loyalty is increased, a beneficial customer growth "flywheel" kicks in, powered by:

- increased purchases of the existing product

- cross-purchases of your other products

- price premium due to appreciation of your added-value services

- reduced operating cost because of familiarity with your service system

- positive word-of-mouth in terms of referring other customers to your company

AT&T did a six-year study comparing their market share to customer-perceived value and found the results shown in figure 7.2 from *Bank Marketing* by T. Lian. Figure 7.3 shows a period of time during which AT&T was re-engineered completely to make the customer "number one." Notice how exactly market share parallels customer-perceived value. Research has shown that customer-

perceived value and satisfaction are excellent leading predictors of next year's revenue, market share, and profits.

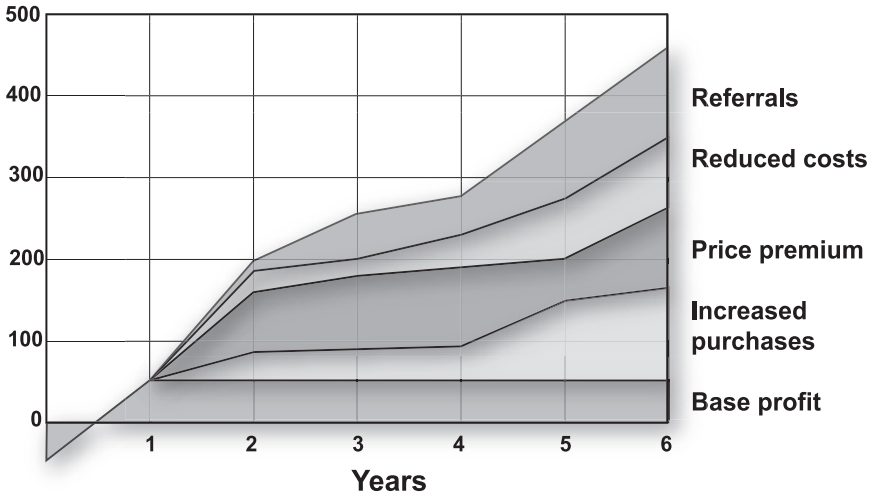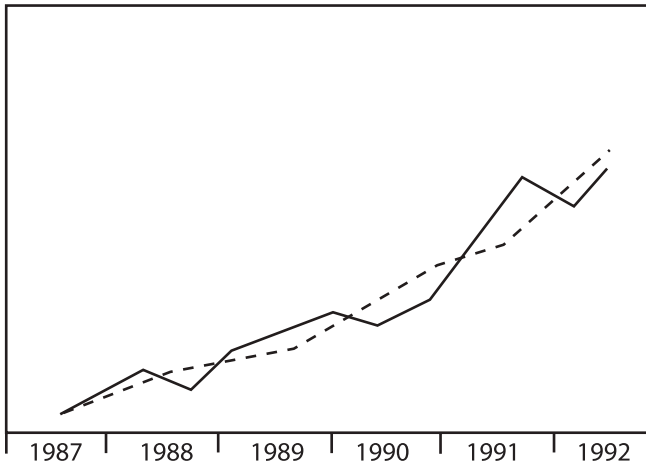*Figure 7.2. The value of one customer*

Figure 7.3. Customer-perceived value and market share at AT&T

Customer satisfaction is the link between short-term success and long-term growth and prosperity. Here's a great example of how customer retention affects company growth.

If a credit card company can increase its retention of customers by 5% each year, then total lifetime profits from a typical customer

will rise on average of 75%. This retention translates into a company's growth potential.

If Company 1 has a customer retention rate of 95% and Company 2 has a customer retention rate at 90%, the company's growth rates are sizably different:

- Company 1: 5% loss of profit per year
- Company 2: 10% loss of profit per year

If both companies acquire new customers at the rate of 10% per year, Company 1 will have a 5% net growth in customer inventory per year, while Company 2 will have none. Over 14 years, Company 1 will double in size and Company 2 will have no real growth at all. And other things being equal, a five-percentage point advantage in customer retention translates into a growth advantage equal to doubling of customer inventory every 14 years. An advantage of ten percentage points accelerates the doubling to 7 years. In order to accomplish these kinds of bottom-line effects, the leadership strategy must focus on how to create loyalty among its customers, which also means retention of its skillful employees who serve those customers well.

> "The goal of loyalty-based management is to find a way to plug the human-asset leak in your corporate balance sheet to thereby improve your productivity, cash flow and profits."
> --Frederick F. Reichheld, *The Loyalty Effect: The Hidden Force Behind Growth, Profits and Lasting Value*

Customers as a Balance Sheet Asset

Calculating Customer Lifetime Value (CLTV)

The connection between a successful operation and customer profitability is the value of the customers "saved" from leaving the company. When a customer is gained or saved through delivery of quality customer service by an employee or a system, the value of the customer is the present value of the future streams of revenue from that customer for as long as the customer remains with the company. In order to convert the number of saved customers to customer profitability, the customer lifetime value (CLTV) is calculated.

One Customer's Value

For the sake of illustration we will demonstrate a customer lifetime value calculation, assuming for one customer that:

1.   the stream of revenues from the customer is level across time at $25 per month or $300 per year = R.

2.   the interest rate (opportunity cost) is the bank rate paid on the money for which no other specific use is made and is assumed to be 9% = i.

3.   the time a typical customer stays with a company is 3 years = N.

4.   the formula for the calculation is then:

$$CLV = R \left[\frac{1 - \dfrac{1}{(1 + i)^n}}{1} \right]$$

where:

R =   annual revenue received from a loyal customer.

i =   the relevant interest rate or opportunity cost of money per period.

N =   the number of periods in which a customer makes purchases.

In our example, the lifetime value profitability of our typical customer is $759.39. Calculating the value of a saved customer is identical to calculating the lifetime value profitability. Why? Because a customer saved can be expected to stay another lifetime—everything else being equal.

More Than One Customer and Customer Segment's Values

Once you have the sense of how to calculate this for one customer, you can then look at larger groups. The first step is to take a select group of customer that were acquired at about the same time and then determine how many are still with your company a year later. This will give you your customer retention figure. You can then compute the revenue generated by this set of customers by taking the above formula and multiplying it by the number of customers with this type of buying history. This gives you the value of that particular customer segment. The calculation can be repeated for other

customer segments with different buying histories. With each calculation, it will become clear which segments provide the most value and where you want to focus your technology efforts.

Increasing Corporate Customer Assets

Once you understand the value of your customers and your employees, you can then begin to look at how they are providing value and add that to the above calculations. You'll want to look at:

- Where would your ROI come from?
- What are you measuring?
- What are you missing?
- Are you measuring adoption resistance to the technology implementation?
- Are you factoring in implementation and rework costs of the technology because the customer or employees don't know how to use the system properly?

> "In some instances, executives spend millions of dollars on technology, only to find that the systems and critical data are not fully being used to help make business decisions.
>
> --Lisa Schwartz, VP Marketing, LMR Associates

When the financial aspects of technology systems are considered, sometimes the expected return is to recoup the actual costs of the deployment. However, that is just managing costs, not producing revenue. To obtain the maximum return, you'll need to strategize on how you want to attract and retain customers to increase revenue.

Market Damage from Poor Service Calculation

There are other aspects to consider when deciding what should go on a balance sheet with respect to customers and their value. In this section we provide some easy-to-follow formulas to calculate market damage resulting from to poor service. In our market damage calculations we include the following aspects as well as calculations to balance market damage with the value of the prevention of problems and enhancing your customer service:

- impact of negative word-of-mouth

- impact of poor service
- impact of improving the service
- net value of complaint handling
- prevention of problems
- value of better accessibility of your service

In quantifying the impact of poor service, the primary purpose of this section is to answer the following questions:

- What is the cost of the current level of problems and service?

- What is the ROI for improving the service, preventing problems, and more responsive complaint handling?

The table below is a worksheet for calculating lost customers and lost profits.

Step 1: LIST BASIC ASSUMPTIONS

Once you have calculated the value of one customer, you can collect more information about your customers to see the value of improving customer service to, say, reduce complaints. You begin by finding out the number of problems or complaints, and with the previously calculated value of the customer, you can follow the steps to see the cost of complaint handling.

-- Number of Problems	=	1,000
-- Value of Customer	=	$1,000/Year for 5 Years
--80% of Customers Complain		
75% Satisfied	=>	90%Loyal
25% Dissatisfied	=>	70% Loyal
--20% Do Not Complain	=	60% Loyal
--Cost of Complaint Handling	=	$50
--If No Problem	=>	95% Loyal

Step 2: CALCULATE NET VALUE OF COMPLAINT HANDLING

A. $800(.75)(10\%) + 800(.25)(30\%) + 200(40\%) = 200$

   Complainants + Complainants + Noncomplainants = Lost Customers

B. If no complaint handling and all were noncomplainants . . .

   $1,000(.4) = 400$ Lost Customers

C. Incremental Benefit of = 200 Customers Saved Complaint Handling

Step 3: CALCULATING THE VALUE OF A CUSTOMER

$1,000 + 1,000(.9) + 1,000(.9)2+ 1,000(.9)3 + 1,000(.9)4$	=	
$1,000 -+- 900 + 810 -+- 729 + 656$	=	$4,095
200 x $4,095	=	$819,000
Incremental Profit		
Less 800 x $50	=	$40,000
Profit	=	$779,000

$$ROI = \frac{779,000}{40,000} = 1,948\%$$

Step 4: WORD OF MOUTH IMPACT

Satisfied Customer Tells 5 People

Dissatisfied Customer Tells 10 People

100 Positive => 1 New Customer

50 Negative => Loss of 1 Customer

600 Satisfied (.01) (5)   = 30 Gained

200 Dissatisfied (.02) (10) = 40 Lost vs. 800 Dissatisfied (.02)(10)   = 160 Lost

If Complaint Handling Office Did Not Exist

Step 5: SENSITIVITY CALCULATION: PREVENTION

Reduce Problems by 20% , i.e.., to 800 Problems from 1,000 Problems

200 (.05)	+	640 (.75) (.1)	+	640 (.25) (.3)	+	160 (.4)	=	
No Problem	+	Complain (sat)	+	Complain (dis)	+	Noncomplain	=	
10	+	48	+	45	+	64	=	167

167 vs. 200 previously lost customers

Net Benefit = 33 Customers

Step 6: SENSITIVITY CALCULATION: BETTER SERVICE

Increase Satisfaction Rate to 90% from 75%

800(.9)(.l)	+	800(.1)(.3)	+	200(.4)	=	
72	+	24	+	80	=	176 vs. 200 Lost Customers

Net Gain = 24   Incremental Customers

Step 7: SENSITIVITY CALCULATION: BETTER ACCESSIBILITY

Increase Compliant Rate from 80% to 90% via More Visible Solicitation of Complaint

900 (.75)(.l)	+	900(.25)(.3)	+	100(.4)	=	
67.5	+	67.5	+	40	=	175 Customers Lost vs. 200 Customers Lost
	Net Gain			=	25 Customers

Table 7.1. Work Sheet: Calculating Lost Customers and Lost Profits

1. Quantify the Value of a Customer	Example:	
	Average Annual Purchases/Customer 3 Average Purchase $1,000 Average Profit/Purchase $200 (20%)	
	Profit Over 5 Years _____	Revenues Over 5 Years _____
2. Calculate the Impact of Negative Word of-Mouth	Research shows: For every 3 unsatisfactorily resolved complaints, approximately 48 different people hear negative word-of-mouth. At least one of the 48 people will be in the market for the company's product, and will avoid buying due to negative word-of-mouth. Thus, for every unsatisfied customer who spreads negative word-of-mouth, there is an additional 1/3rd loss.	
3. Determine the Cost of Losing a Customer Who Spreads Negative Word-of-Mouth	Total Lost Profits Over 5 Years _____	Total Lost Revenues To a Competitor _____

If . . .	Then . . .	Thus . . .
Customers are satisfied,	they buy more,	Preventing dissatisfaction by problem solving.
Dissatisfied customers don't complain,	91% will not buy again.	Solicit complaints and improve access to service call center.
Dissatisfied customers complain,	are satisfied with the outcome,	46% will buy again; improve complaint handling.
The once dissatisfied customers complain again,	81% will buy again.	Continue to improve complaint handling.

If you would like to have a copy of the customer lifetime value spreadsheet, please logon to:

<www.benchmarkportal.com/excel/myhtml.htm>.

Employee performance is one of the issues in the following bank case study. Sometimes poor employee performance is related to complicated case management systems or unclear processes and procedures, and sometimes it's related to limited technical issues— like being able to see two desktop views at once.

In order to understand what affects the performance of the employees who are providing service, it makes sense to measure the service they are providing and begin to pinpoint what needs to be changed. Sometimes behavior-related training, directed to a particular employee, can make a difference in all measurements across the board. Our experience with call center employees is that if you give them feedback in a meaningful and positive manner, they are willing to change. By management positioning service metrics positively, these metrics can enable employees to improve. As the saying goes, *"You get what you focus on."*

Measuring Customer Service Employees for Maximum Performance

Staffing is by far the highest cost in any customer service center. Improving the efficiency of your human resources can result in substantial productivity and profitability gains. To do this a company needs trend analysis and performance measurement capabilities. This enables customer service center management to increase the efficiency of its systems and the effectiveness of its people, realizing rapid ROI and increasing profits to new levels.

Technology has played a growing role in modern customer service centers for the past several decades. With each new technological development, the profitability bar gets raised yet again. Although each individual piece of customer service center technology (e.g., automatic call distributor, interactive voice response, predictive dialer, etc.) adds to the growth of the customer service center, the disparate nature of these technologies doesn't allow for an integrated approach to boosting efficiency, productivity, and profitability. What we have found is that a system is necessary to:

- Measure service levels in traditional call centers and e-Commerce-enabled, universal customer service centers

- Motivate agents with goal setting

- Measure performance objectively and automatically

- Maximize agent productivity

- Increase revenues and improve service levels

Technology related to human performance (see figure 8.1) needs to provide information to:

- **Front-line Managers** as a simple, predefined agent performance evaluation or report card based on selected performance indicators.

- **Business Managers/Analysts** so that they can have direct access to detailed performance data for intricate analysis. Powerful ad hoc tools allow complex "what if" scenarios.

- **Executive Managers** so that they can review customer service center analysis reports, or operations performance status of the customer service center and perform simple drill down analysis of key data.
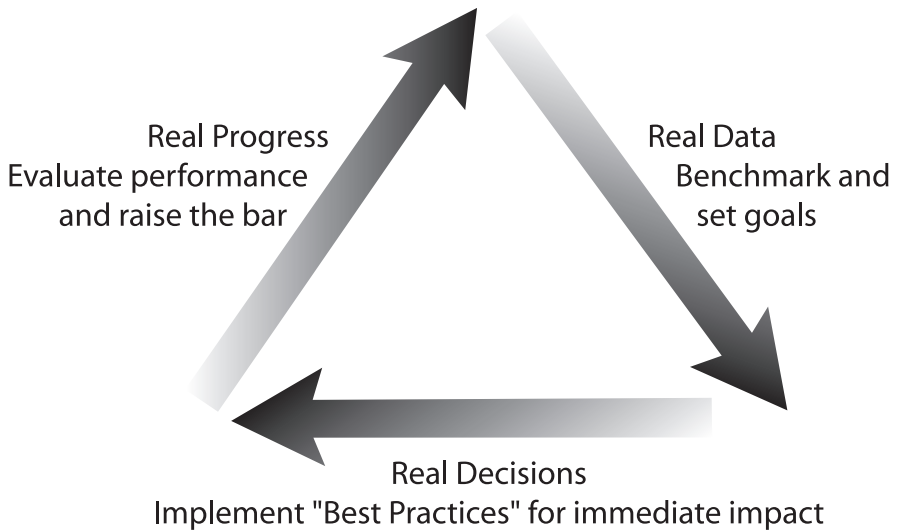
Real Progress
Evaluate performance
and raise the bar

Real Data
Benchmark and
set goals

Real Decisions
Implement "Best Practices" for immediate impact

Figure 8.1. Process for performance enhancement

In addition, if the software can track specific performance indicators that have been specified by management to measure success (revenue per agent-hour, right-party connect time, agent schedule adherence, etc.), goals can be set and results tracked with a series of measurements. If these results can be viewed across time by day, week, month or year, they give great insight for the performance evaluation process because they provide a concrete, historical look at performance. Being able to view them across personnel to track the effect of staff changes or new training techniques and across work groups allows managers to compare teams and campaigns. It also allows them to target training and motivational programs.

Case Study: Performance Measurement That Improves Customer Service

Let's examine the capability of technology to enable human performance. This case study is included so that when you decide what technologies you want in your practice, you will have at least one example of technology that can enable people. This will help you determine what you want technology to provide and help to justify why you are buying it. First we will look at what the technology does and then look at the ROI calculations.

ACD
Predictive Dialers
VRU
CTI
Enterprise Apps
Internet

Web Browser
E-mail
Print
Fax
Excel/Word
PC Client

Figure 8.2. Center Force Analyzer

Figure 8.2 depicts the process of taking data from customer care centers and translating it into usable data to evaluate agent performance with outputs in the form of e-mail, print, faxes, etc.

This particular software takes information from various aspects of the technology and feeds it into a process with various forms of output. In order to get those outputs, information needs to be input. This includes performance indicators and goals. The mere fact that management is sitting down to figure out what these inputs for success are is heading the customer service center in the right direction. This process of figuring success indicators and goals begins the focused attempt to create excellent customer relationship management.

A key performance indicator (KPI) is a set of one or more of the results that are being tracked. For example, the KPI availability tracks the time an agent spends working the phones, taking breaks, training on skills, etc., and calculates the percentage of time when an agent is actually working the phones.

The next step is to set goals for each key performance indicator. For example, a key performance indicator can be "$ collected per hour" for a collections customer service center. The goal could be $200 per hour for a junior-level agent and $300 per hour for a senior-level agent. You will want to analyze where your value levers are to provide the best return on your center (figure 8.3).

Measuring Your Return—Where Are Your Value Levers?	
Enterprise	• Dollars collected per hour • Sales per hour • Customer service calls handled per hour • Service levels • Orders processed
Inbound	• Handle time • Service levels • After-call work • Web transactions per agent-hour
Outbound & Blend	• Right party customer services • Handle times • Wrap-up times

Figure 8.3. Value levers

Activity-based costing (ABC) offers the ability to improve the calculation of cost and profitability data. It is based on business events (cost to place an order, deliver a product, service a customer, etc.) and correlates the event with activities and processes. The cost events are assigned to cost objects. With this type of system it becomes easier to understand the cost of providing a service or product. However, this system still doesn't take customer loyalty into consideration.

The following is a partial list of KPI measurements:

- % promises-to-pay vs. right party handle time
- Working phone percentages
- $ collected per hour per agent
- Agent time distribution by customer service center
- Working phones times distribution by customer service center
- Wrong party wrap up time by agent
- Right party wrap up time by agent
- Call attempt distribution
- Customer service distribution as a function of connects
- Right party connect distribution
- Hourly connect rate
- Connect and promise rate per day of the week
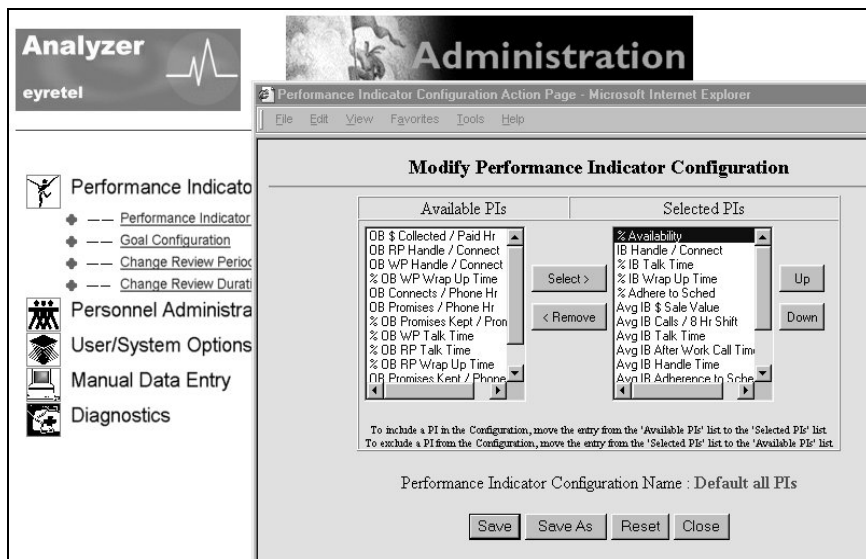- Agent handle time per connect
- Station utilization rate

Figure 8.4. Key Performance Indicators for customer service agents

Figure 8.5. Key Performance Indicators for various levels of customer service agents

Figure 8.5 is an example of goals that might be set by the customer service center management. Goals are set by skill level according to the definitions set by the customer. In this example we have defined New Hire, Sophomore, Junior, and Senior as the skill levels. The actual performance of the agents, supervisors, etc. will be compared against goals to give the management team an evaluation for each performance indicator.

With the organizational changes and assignments of agents to supervisors of change, one can still have a historical view of the each agent's performance. In addition, when managers can review the performance of a supervisor over time, even though agents may be re-assigned to different supervisors, they also can understand the dynamics that go into making that supervisor successful.

Another important feature is being able to cut the data in different ways. Table 8.1 shows that the various dimensions can be rolled up into a broader category, e.g., January, February, and March can be rolled up into Qtr 1. In reverse, a broad level can also be drilled down to analyze a narrower level; e.g., March can be drilled down to analyze the days within March. The work group dimension can be any work-related dimension. For example, different buckets for collection can be tracked, or results from different client companies can be kept separate for service bureaus.

Table 8.1. Various Ways Data Can Be Presented

Dimension	Roll Up/Drill Down Detail
Time	Year, quarter, month, day, review period, date range, day of week
Personnel	Company, customer service center site, manager, supervisor, agent
Work Group*	Group level 1, group level 2, group level 3
Evaluation Data	Operation Performance Status, ReportCard, Performance Indicators
System	Customer service center application: ACD, IVR, CTI, predictive dialer, enterprise application, internet

The data can be viewed to see one customer service center or many. A supervisor can look at one agent (figure 8.6) or several agents at a time (figure 8.7).
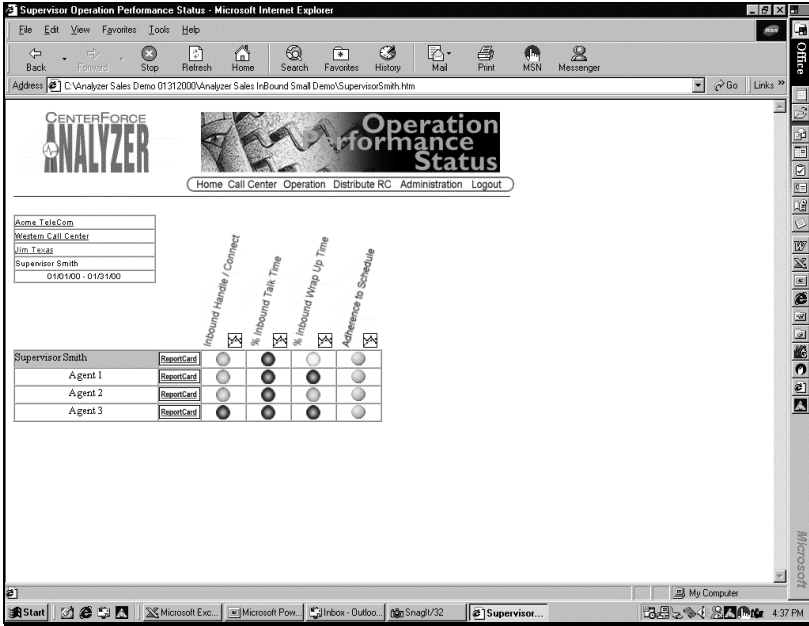
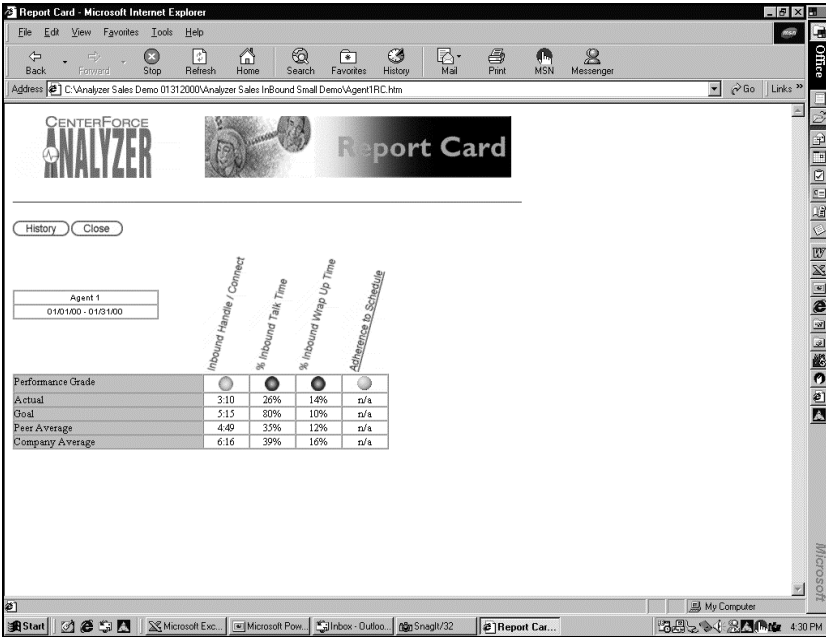*Figure 8.6. The goals of an individual agent*

Figure 8.7. The ability to look at many agents at a time

When performance measurements are compared to the goals, the areas for specific improvement become clear. For example, figure 8.8 is a chart of performance measurement that indicates percentages of:

- right party talk time
- right party wrap-up time
- wrong party talk time
- wrong party wrap-up time
- idle time

This chart shows that this agent spends 47% of his/her time on inbound talk time. With a simple point-and-click, you can drill down to analyze these results by level of the organization or drill across to view different time frames or work groups. Additionally, you can choose whether to view the data in graph or grid form.
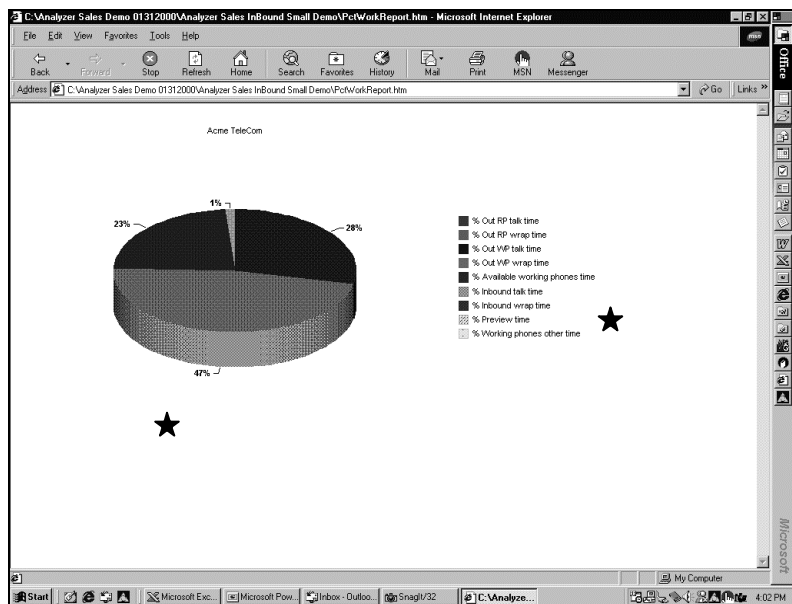
Figure 8.8. Graphic picture of the way an agent spends time

When managers want to benchmark an agent's performance against other agents, it is desirable to have a tool that will show this graphically, as in figure 8.8. This kind of information can help define your center's current results and will serve as a baseline for setting attainable goals. In the comparison of the RPC time to promises for all agents, the manager can get "what if" answers in minutes (see figure 8.11).

Figure 8.9. Graph of average talk time and wrap-up time

Figure 8.10. Graphic representation of the ability to drill down across multiple dimensions
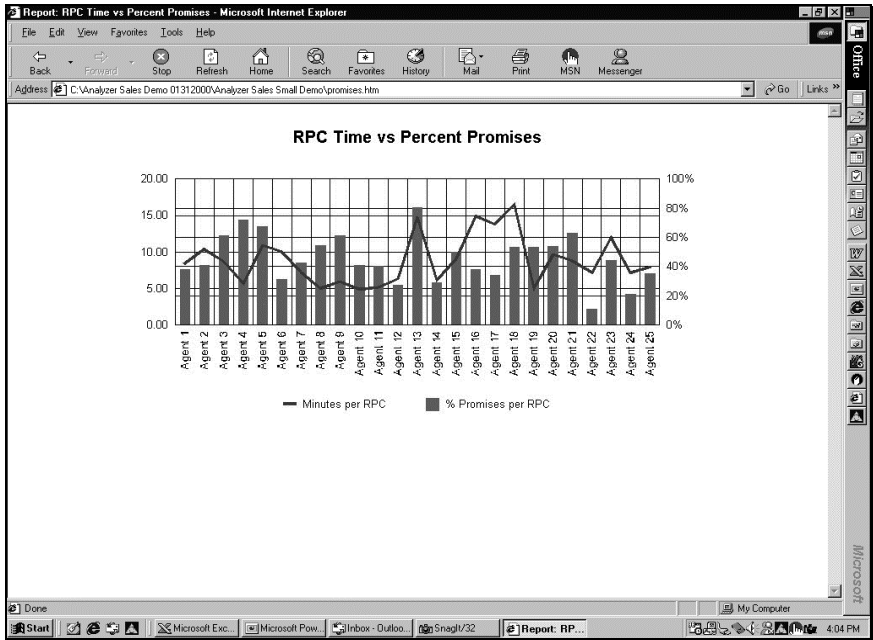
Figure 8.11. Comparison of the RPC time to promises for all agents

Another important item would to be able to allow customer service center managers to get a quick view of the performance of their or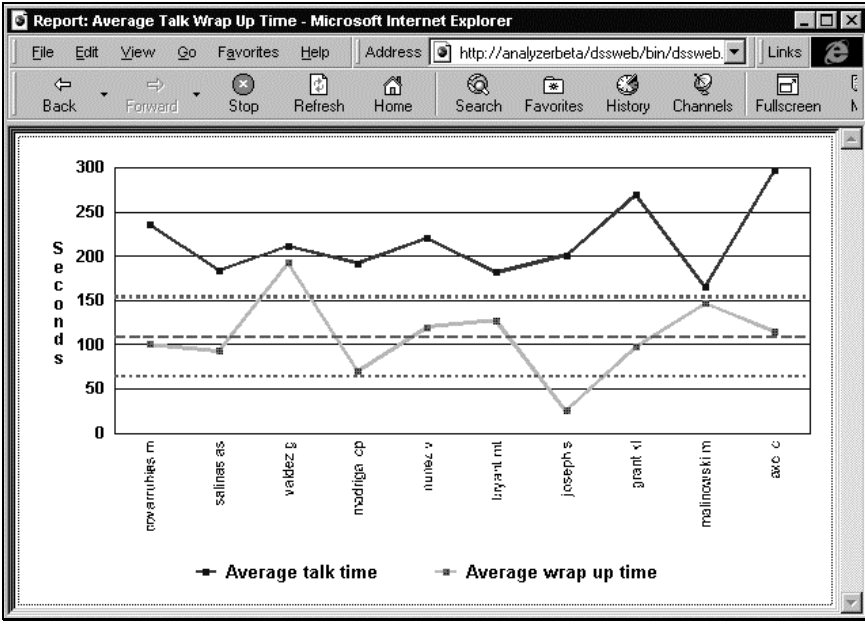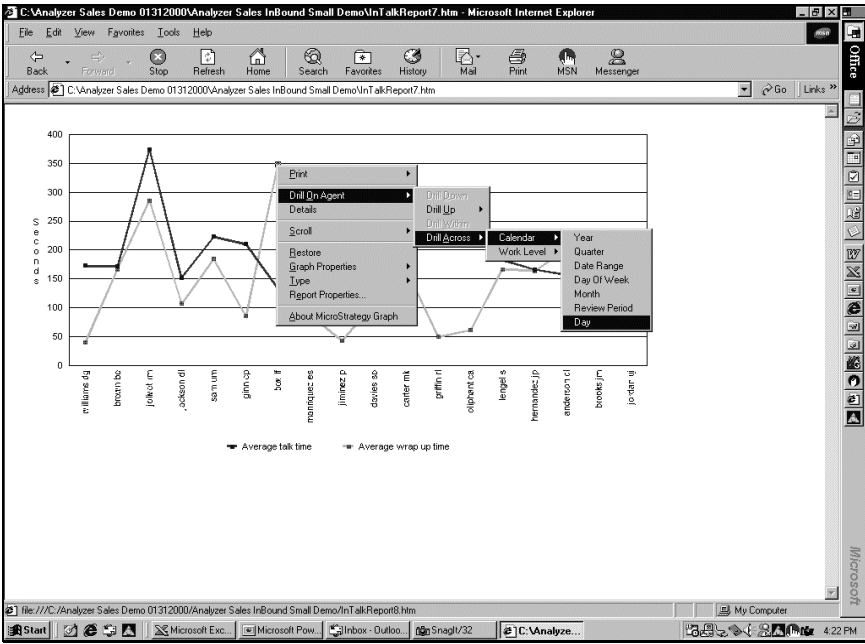ganization by showing a comparison of the goals set to the actual values for each performance indicator. In figure 8.12, these kind of results would be shown via color-codes for easy, at-a-glance deciphering by the busy customer service center management team:

- A red value would mean the goal has been missed by a large margin.

- A yellow value would mean the result was within 30% of the goal.

- A green value would mean the goal has been met or exceeded.

In addition, by drilling down, a manager can get the same view of each supervisor's agents. By drilling up, a similar view is available of an entire organization and each of its customer service centers. Clicking a <u>History</u> button offers a drill-across view to see those same performance indicators across time. By simply clicking on anything blue and underlined, a manager can data surf anywhere in the defined dimensions. By clicking on ReportCard, users get a more detailed analysis of the corresponding individual.

An example of a typical report card is shown in figure 8.11. For example, a performance grade of "red" would be given for the Performance Indicator wrong party wrap-up time because the actual value 34% was far greater than the goal of 8%. A performance grade of "green" would be given for the Performance Indicator availability because the goal of 80% was exceeded.

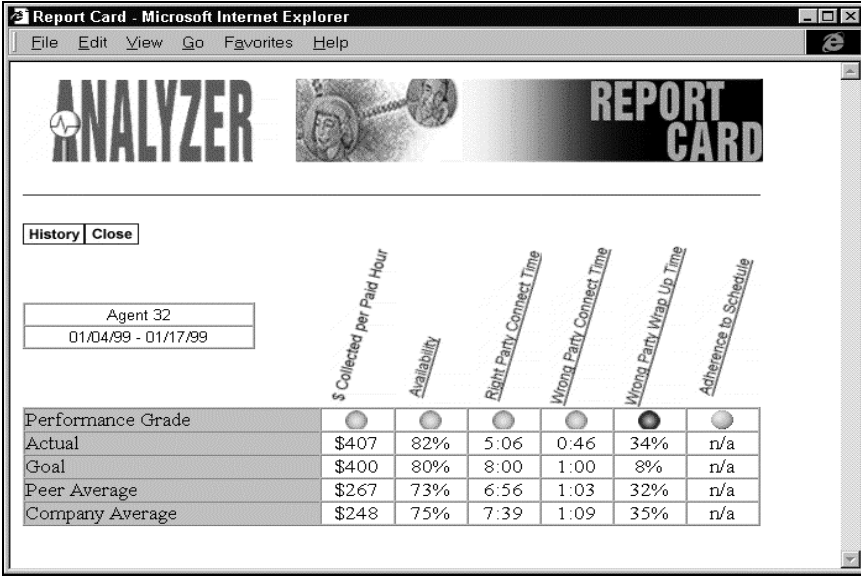|	$ Collected per Paid Hour	Availability	Right Party Connect Time	Wrong Party Connect Time	Wrong Party Wrap Up Time	Adherence to Schedule
Performance Grade	○	○	○	○	●	○
Actual	$407	82%	5:06	0:46	34%	n/a
Goal	$400	80%	8:00	1:00	8%	n/a
Peer Average	$267	73%	6:56	1:03	32%	n/a
Company Average	$248	75%	7:39	1:09	35%	n/a

Figure 8.12. Example of typical report card
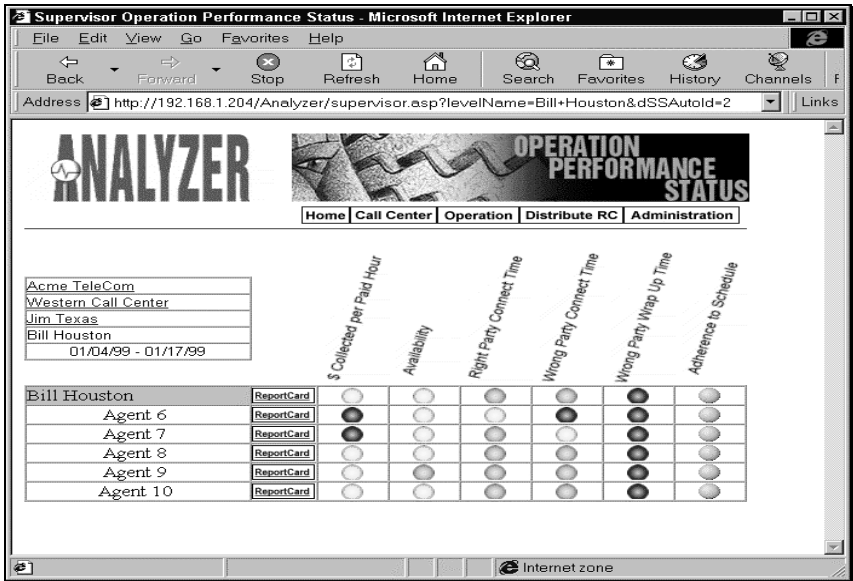
Figure 8.13. Graph of wrong party wrap-up time for one agent

When a supervisor can print out a report card along with the appropriate performance indicators and goals, it can be a very effective tool to use during periodic reviews. These tools provide clear, objective views of how agents can improve their performance. When report cards can be generated for each personnel level of the customer service center, as well as for the center and organization, the whole operation's effectiveness becomes clearer.

Case Study Performance Measurement Example 1: Wrong Party Wrap-up Time

This performance measurement, figure 8.13, shows that Agent 9 is consistently much higher than the average for the customer service center and the goal for wrong party wrap-up time. It also demonstrates that this is not the result of a one-day anomaly that skewed the data, but instead the result of habitual conduct that caused the abnormally long wrap-up time. This long-term view is an excellent tool for training and performance evaluations. Performance measurements like these allow you to view each performance indicator at a very detailed level to pinpoint specific areas of improvements.

Return on Investment Example

Rapid ROI can be achieved in many different ways. In this example we'll demonstrate ROI by improving wrong party wrap-up time. With the technology they were able to pinpoint the problem of excessive time spent in wrong party wrap-up mode. Only after identifying the problem can your customer service center managers employ strategies to improve the situation. The chart below, table 9.1, shows the effect on right party talk time (the key factor in generating dollars and increasing profits) by reducing wrong party wrap-up time. The calculation demonstrates how this translates to your bottom line.

Table 9.1. The Effect on Right Party Talk Time

	Current Minutes/Hour	Change	New Minutes/Hour	% Change
Idle Time	6	0	6	0%
WP Wrap Up Time	**12**	**-8**	**4**	**-70%**
WP Talk Time	17	3	20	20%
RP Wrap Up Time	10	2	12	20%
RP Talk Time	**15**	**3**	**18**	**20%**

Per year per agent*

Increase "Right Party Talk Time" by 20% for a savings of $5,000
(20% x $25,000 salary/agent = $5,000/agent)

For a 50-station customer service center with 100 full-time agents x   100
(100 agents x $5,000/agent = $500,000)

Total Savings $500,000

*full-time agents averaging $25,000 per year.

Performance Measurement Example 2: Adherence to Schedule

In this example, the performance measurement for "Adherence to Schedule" shows the percentage of time an agent adheres to his or her set schedule, figure 8.14. For Agent 1, only 65 of the scheduled 85 hours were actually worked, resulting in only 76% of this performance goal.
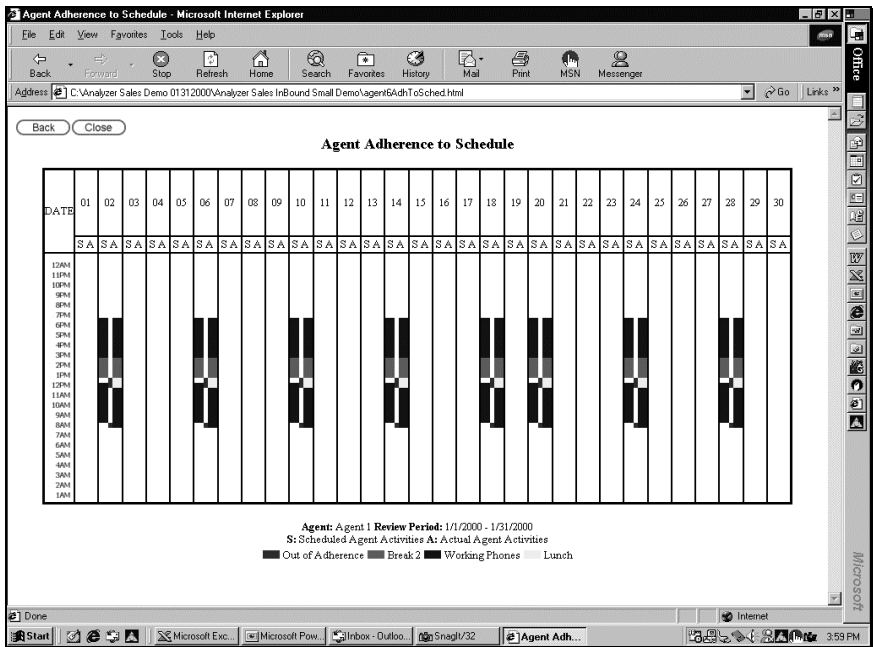
Figure 8.14. Graphic depicting output of an agent's adherence to schedule data

A more detailed analysis is available by comparing the agent's anticipated schedule (the first bar on the left) with the actual times of day the agent worked (the second bar). The percentage of time adhering to schedule is calculated and compared to the goal to evaluate how well the agent adhered to schedule. The following chart graphically displays the time when the schedule was not adhered to. In the actual application, the various pieces of information below would appear in a color-coded format for easy assessment. The color-codes would represent:

S: Scheduled time usage for Agent 1
A: Actual time usage for Agent 1
Blue: time spent working phones
Yellow: time on breaks
Green: time spent for training
Red: time NOT adhering to schedule

Case Study 3: Wrong Party Wrap Up and Goal Setting

In this case study the bank was looking at a range of variables to measure performance and ROI:

- right party talk time
- wrong party talk time
- right party wrap time
- wrong party wrap time
- return on investment analysis

In their analysis phase they found that wrap-up time per WPC was a great opportunity for improvement (see figure 8.15).
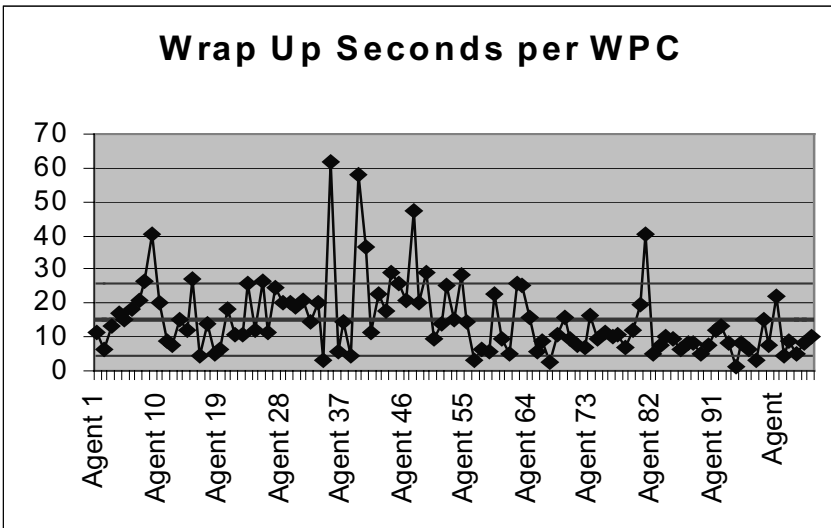

Figure 8.15. Wrap-up time per WPC

Case Study 4: Wrong Party Wrap Up and Goal Setting

This case study is about a collections call center. They used the effect on right party talk time (the key factor in generating dollars and increasing profits) by reducing wrong party wrap-up time.

Step 1—Initial Success with CenterForce Optimizer	**Right Party Customer Services**		**Change**
	Before installation	12.5%	
	30 days after install	22.8%	**+82.4%**
	60 days after install	33.4%	**+167.2%**
Step 2—Set goals to raise the bar	• Reduce wrap time • Reduce idle time • Increase portfolio		
Step 3—Build on success with CenterForce Analyzer	**Results after one Year**		**Change**
	List size		+300
	Wrap up time		-42
	Idle time		-26
	Connects		+253
	Right party contacts		+53
	Delinquency		-66

Figure 8.16. The three steps used at a collection call center

In figure 8.16, the three steps that were used to increase collections in Fairbanks Capital's call center are listed. The first step was to benchmark their center to baseline their existing performance, figure 8.16. Then they introduced CenterForce Optimizer "Best Time To Call" software which increased their right party contacts. The second step was to implement CenterForce Analyzer to measure agent schedule adherence. This showed them where they had room for improvement: wrap up time and idle time. Setting goals and implementing training and incentive strategies for these metrics improved performance and gave them more productive minutes per hour. Fairbanks used this productivity enhancement to increase their call list without increasing their staff. By continuing to benchmark and raise the performance bar, after 1 year, Step 3 shows a range of improvements, including an increased list size of +300%, wrap-up time decreased by 42% and other improvements.

One of the most powerful returns on investment elements for Fairbanks is their ability to recognize and adjust handle times and wrong party wrap-up times. No matter how diligent the supervisors are, this tends to be unscheduled agent break time that eats away at productivity. *"Reducing wrap time will give us more minutes of talk-time to schedule calls into. With only a 10% increase, the system will pay for itself within a year. We actually think we can double that!"*

declared Bart J. Bailey, Collections Technology Manager at Fairbanks Capital.

After installing technology to increase right party customer services, the next logical step in Fairbanks Capital's quest to improve agent efficiency was to install technology for call center goal setting and report card applications. It measures agent, team and call center performance against user-defined goals, providing immediate access to accurate, well-organized performance results. The technology was able to consolidate and process data from predictive dialers, ACDs, CTI systems and enterprise applications. It runs on open standard hardware in a Windows NT Server environment. The program boasts a standard browser interface using either Internet Explorer 3.0 or higher, or Netscape 3.0 or higher, and requires no additional user hardware installation.

"Before we added the technology we had no mechanism in place to give a collector accurate reporting of how they're doing. We generated system reports from other software and from our host system, but had no way to combine the data and show the agents their results. We had no way of calculating right party talk time versus wrong party talk time or translating that into lost revenue. This new technology gives us the culmination of the data in one report. Now we are able to monitor how the agents and supervisors are doing, all the way up to the performance of the entire call center," explained Bailey.

In addition, they use goal-setting software to set goals for different personnel levels within the organization. Now that they can correlate data from different sources within their center, they use performance indicators to generate a report card for each employee and for the entire call center. They use the colorful performance measurements to analyze their results and set future training and agent motivation strategies.

"Now that we're able to see long-term result trends versus goals set, we're able to demonstrate definite performance indicators of the agents and give them new goals to reach. We're raising the bar across the whole center. It's also a coaching tool for supervisors in different departments. The technology enables us to identify our lowest and highest performers so we can target where to put our training dollars and energies," commented Bailey.

Fairbanks has also changed how they do performance reviews. Prior to installing the technology, agents were given monthly reviews on results that supervisors couldn't back up with data. These monthly

performance reviews were their only feedback. *"Now we've got access to reliable data to show a progression throughout the month. And we can use the report cards to compare agents to their peer group with objective data. They're trained and given feedback throughout the month now."* Bailey continued.

Fairbanks also makes use of schedule adherence software to ensure agents are logged onto the dialer when they should be. *"If we've scheduled agents to make outbound calls at their best time to make a right party customer service, our agents better be on the dialer to make those calls. If they're not, it's pure lost productivity. Before we had no way to manage that; now the technology shows us if our agents have a trend of not working the hours they're scheduled."*

Bart Bailey describes Fairbanks's future plans to use this kind of human performance technology in their inbound customer service department: *"We want to have one centrally located report card for the whole company. If upper management wants to see what one division is doing, they can drill down to see the details. For customer service we want to monitor performance on how many calls are handled per agent, how much time is spent on each call, schedule adherence and overall performance of the individual departments and the whole company."*

The Purdue University industry database of call center performance collects metrics from thousands of member centers. Web-based enterprise benchmarking services are provided when the CenterForce Analyzer is combined with the BenchmarkPortal.com datamart. Multi-tiered membership services enable automatic data collection and web analysis tools for peer group benchmark comparisons, figures 8.17 to 8.19. On-site Benchmark Analyzer™ installations provide agent-level scorecards and customer service center performance measurement plus benchmarking services.
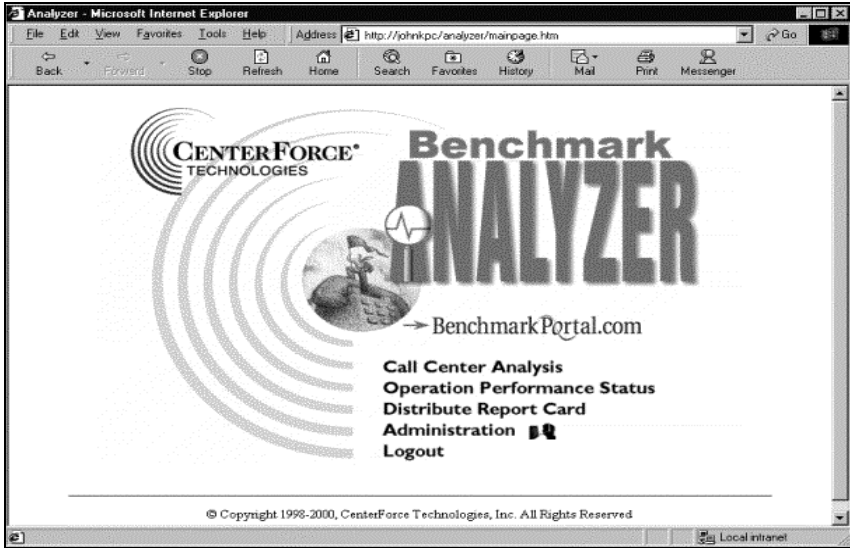
Figure 8.17. Benchmark Analyzer provides integrated benchmarking
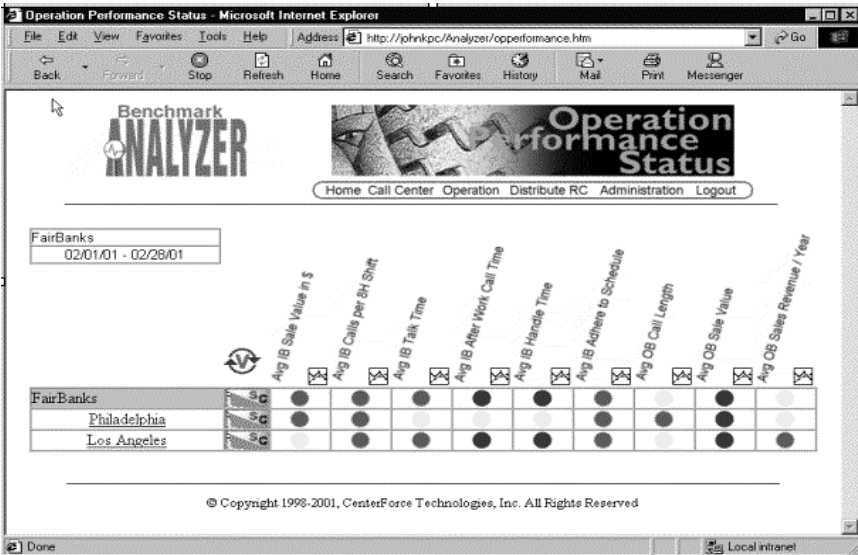
Figure 8.18. Multiple site comparisons at Fairbanks Bank

	Avg IB Sale Value in $	Avg IB Calls per 8H Shift	Avg IB Talk Time	Avg IB After Work Call Time	Avg IB Handle Time	Avg IB Adhere to Schedule	Avg OB Call Length	Avg OB Sale Value	Avg OB Sales Revenue / Year
Performance Grade									
Actual	$ 435	18	8:55	4:29	13:24	90%	4:30	$ 61	$ 600
Goal: Best in Peer Group Average	$ 475	15	9:00	2:20	11:20	80%	4:02	$ 90	$ 595
Peer Group Average	$ 430	14	9:38	2:54	12:32	83%	4:21	$ 79	$ 572
All Participants Average	$ 395	16	8:49	3:53	12:42	74%	3:52	$ 125	$ 974

Figure 8.19. An example of a peer group benchmarking scorecard

CHAPTER 9: BENCHMARKING YOUR ORGANIZATION FOR HIGHER TECHNOLOGY ROI

Why Benchmark?

Benchmarking activities in your organization helps you to understand how your revenue enhancement centers and your company's operations compare to others in your industry. To gain the competitive advantage in a race, it is helpful to know something about your competition before you begin. Knowing where you are positioned in a race gives you a heads up on how fast to run.
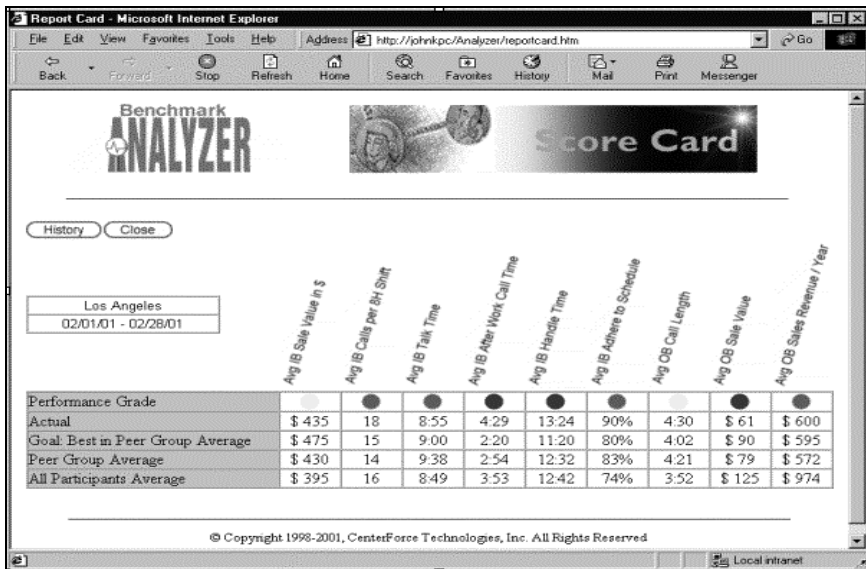
> Peer benchmarking is a structured, analytical method of comparing the performance of two or more customer service centers in order to determine best-practice goals.

Understanding your competition through benchmarking may allow you to discover niche markets that your competition doesn't address. Benchmarking also allows you to quantify areas of opportunity for improvement as you develop strategic plans for your organization.

Peer benchmarking of a mission-critical process—like accounting, manufacturing, and shipping—has been around for years. The process is well documented and is a popular way to answer the question, "How good is good enough?" when evaluating the performance of a department or process.

Benchmarking is a structured gap analysis of performance metrics for organizations with similar characteristics. That is, it is logical to compare banks with banks, insurance companies with insurance companies, and the like. In order to help you easily understand a peer benchmark and its value, we'll provide an actual situation in the case study that follows.

In this example, we'll cover the benchmarking of a call center. We'll show you how another organization used benchmarking to change the way they provide service and enhance profits.

We'll then look at case studies and tools that measure the performance of employees who provide customer service and manage

customer relationships. We'll also explore the technology that indicates why customers are dissatisfied. With that information, major business decisions that increase profits can be made.

Top executives in both the public (government) and the private (industry) sectors, are convinced that the customer service center is a strategic weapon for attracting and retaining customers and enlarging a profitable customer base. This means that performance benchmarking has become mission critical.

Peer benchmarking ensures competitive customer relationship management functionality leading to market dominance. It is the best way to determine if the money you are spending in the call center is returning on your investment and providing the customer service functions you want it to.

Most companies don't consider benchmarking essential to their business. When they understand that the cost of creating a new customer is six times more expensive than selling to an existing customer, they begin to realize the potential value of a call center. To get out of the cost-containment rut, a customer service center needs to assess the gaps in its current performance so it can become a revenue enhancement center.

Establishing a Peer Group

Most customer service center benchmark personnel have the following problems in making sound management decisions:

- They don't have sufficient participation of other customer service centers to make statistical comparisons significant enough to warrant upper management's time. They have too few customer service centers in their database. If a benchmark study has fewer than 400 customer service centers, the data comparisons probably don't represent the performance of customer service centers in your space.

- They compare their customer service center performance with others in their same industry, e.g., banks to banks and insurance companies to insurance companies. In our experience this is not a valid comparison since, in our database alone, banks' customer service centers range in size from 100 to 1,000 agents, and range in volume from one million to 20 million calls per year. These banks don't have

the same challenges and, therefore, are not valid for a precise benchmark comparison.

For a valid comparison, the characteristics of a customer service center need to be defined. For example, let's assume that your customer service center had the following characteristics:

- Call volume is at least 80% inbound calls.

- Calls are at least 60% business-to-business.

- At least 500 agents handle more than five million calls per year.

For a comparison to yield meaningful data, a customer service call center would have to be compared with other customer service centers with the same characteristics so an "apples-to-apples" comparison would result.

Selecting and Defining Performance Metrics

This section addresses which customer service center metrics should be managed in the discovery process of comparing a customer service center to your peer group of customer service centers. The Purdue University Benchmark Research website at <www.BenchmarkPortal.com> provides a simple and cost-effective way to create a peer benchmark report.

The metrics that are most important in the peer group benchmarking investigation are described below in two categories, i.e., those metrics that impact (1) efficiency, and (2) effectiveness. A very general benchmark goal is suggested for each metric; however, in the actual performance comparisons, benchmark goals should correlate directly with your self-defined peer group. These metrics are described and defined briefly below:

Effectiveness Metrics

Effectiveness metrics are those that address the caller's issues, and thereby achieve the strategic goals of the customer service center: getting, growing and keeping loyal profitable customers.

Efficiency Metrics

Efficiency metrics focus on achieving the customer service center's effectiveness goals as inexpensively as possible. Some of the important efficiency metrics are described below.

Specific Effectiveness Metrics

1. Caller Satisfaction

   Most customer service centers have some method of asking callers how satisfied they were with the calling experience. A suggested measure is what percentage of callers are willing to give you a perfect score, e.g., a 5 out of 5, a 7 out of 7, or a 10 out of 10 points. This isn't easy to achieve. A reasonable benchmark goal is 50%.

2. First Customer Service Resolution

   Callers want their issues resolved with only one call to your company (also called "first time final" or "once and done" calls). This means no transfers and no callbacks. A good benchmark target for this metric is 85%.

3. Percentage of Calls Blocked

   This is a measure of caller accessibility. It is determined by dividing the volume of calls handled by the calls offered. A target goal for this metric should be under 4%.

4. Average Speed of Answer (ASA)

   Average speed of answer is also a measurement of customer accessibility when managed to an X- or X-hour increment. ASA is determined by dividing the total queue time by the total calls handled. A good benchmark is 18 seconds, managed to the half-hour period.

5. Service Level (SL)

   As with ASA, service level is also a measurement of caller accessibility. SL is computed by determining the percentage of calls that are answered within X seconds in a given period of time. It is critical to manage SL to a ½- or ¼-hour period, which ties the measurement to the customer experience. A common benchmark target is 80% answered in 20 seconds managed to the half-hour period.

6. Percentage of Calls Leading to an Up-Sell or a Cross-Sell

As customer service centers move from cost centers to profit centers, a measure of effectiveness is the ability to detect opportunities for making sales. The focus shifts from productivity to profitability. A benchmark for this metric, in excess of 20% of calls, should be an opportunity to present an "up-sell" to the caller.

Specific Efficiency Metrics

Efficiency metrics focus on achieving effectiveness goals as inexpensively as possible. Some of the important efficiency metrics are as follows:

1. Calls Handled per Shift

This metric will vary widely depending on the industry. If we study all respondents in our benchmark database, the average is 43 calls per shift.

2. Percentage of Callers That Abandon

When accessing the customer service center, if a caller is placed in a queue and is not handled by an agent within an acceptable level, the caller will hang up or abandon from queue. The percentage of abandons is a good measure of how efficiently the center is managed. The benchmark is less than 4% for abandoned calls.

3. Average Talk Time (ATT)

Average talk time represents the amount of time an agent is engaged with a caller. The metric usually includes conversation time and hold time (when the agent puts the caller on hold to ask a question, access reference material, etc.). ATT doesn't include queue time. ATT varies considerably with the industry segment and purpose of the call. An all-industry benchmark would be less than five minutes.

4. After Call Work Time (ACW)

After-call-work-time is the time an agent spends completing a transaction precipitated by a phone call after the call is released. The benchmark goal should be less than three minutes.

5. Percentage Occupancy

   The formula for percentage occupancy is talk-time plus after-call-work-time divided by talk-time plus after-call-work-time plus time-waiting-for-calls. The target for this metric should be 90%.

6. Costs per Call

   Cost per call is a figure that most customer service centers are able to compute. It is determined by dividing the operating budget by the number of calls handled by the center. Although it varies widely, the fully loaded average for all industries is about $7/call.

7. Percentage Calls Handled by Self- Service

   The percentage of all calls that are handled by the IVR unit is an indication of efficiency. The target benchmark for this metric should be 20% or more.

8. Percentage Schedule Adherence

   Schedule adherence ties directly to the management of the forecasting and scheduling process. Once a schedule is created that determines when each agent should be at his or her position and available to take calls, this metric monitors how well the agents adhere to that schedule. Most companies set a 95% target, which means that each agent is logged onto or off of the system, within 1 to 3 minutes, 95% of the time.

9. Annual Turnover Percentage

   Turnover (leaving the company) is normal and should be expected in any company. However, an excessive rate of turnover can hurt a company financially. The benchmark is less than 10% turnover per year. Turnover doesn't include movement to other areas of the company or promotions.

A Case Study Organizational Profile

This case study describes the benchmarking experience of a customer service center in a banking and financial services organization in North America. This company, with $3 billion in assets, operated 22 customer service centers and employed 325 telephone service representatives who annually handled 4,524,000 calls. The primary functions of these representatives were customer

service and handling complaints. Ninety percent of the calls they handled were inbound. The other ten percent were follow-up outbound calls.

This bank participated in Purdue's benchmark research and gave its permission to use their data without revealing their identity. The Purdue benchmarking team selected a peer group that consisted of a group of customer service centers with a profile similar to that of this bank's call center. The profile delimiters used were industry segment (that is, banking and financial services), number of inbound calls handled (in this case, two to five million calls), number of telephone service representatives (200 to 400), type of calls handled, and many more. The next sections of this case study will:

- give examples of the reports the bank's benchmark team used to change performance
- explain the initiatives selected by the benchmarking team
- report on the final actual improvements in performance that resulted six months later

Selecting Improvement Initiatives

Once the benchmark data is input, you get a profile of the call center. In the profile are several reports that can help a company determine what improvement initiatives to begin with. These reports are the:

- Peer Group Performance Matrix
- Inbound Performance Comparison Report
- Performance Ranking Report
- Peer Group Performance Matrix

1. The Peer Group Performance Matrix

The first report shows the Peer Group Performance Matrix shown below.
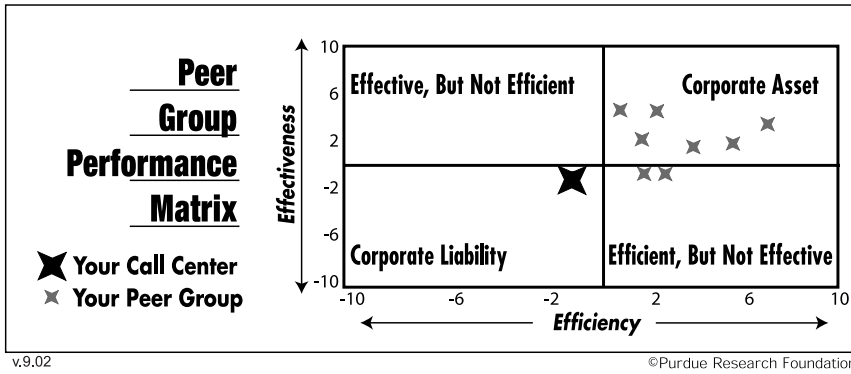

Figure 9.1. Peer Group Performance Matrix, using an efficiency index

This report uses an efficiency index. An efficiency index is a combination of ten performance metrics that are related to productivity. Examples would be "average talk-time," "average after-call-work-time," and "calls per telephone service representative per shift."

To create this matrix, the efficiency index is plotted on the "x"-axis, and the effectiveness index is plotted on the "y"-axis. Inefficient customer service centers that do an ineffective job are considered a corporate liability, whereas efficient customer service centers that do an effective job are considered a corporate asset.

The performance matrix shows that, in this case study, the bank's customer service center is performing at the level of a corporate liability, while six of its peer group customer service centers achieved the status of a corporate asset. Two of the peer group customer service centers are in the efficient but not effective quadrant. It's immediately obvious to the benchmarking team that they must drill down to determine what factors are causing this less-than-acceptable performance.

Though the Peer Group Performance Matrix is not an actionable report, it is a high-level and accurate litmus test of the call center's ability to provide the customer-relationship-management, best-practice standards of peer group customer service centers with the

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same business challenges. The next step is to find one or more of the possible root causes of the low performance.

2. The Inbound Performance Comparison Report

The first drill-down report is called the Inbound Performance Comparison Report. Figure 9.2 shows a partial listing from this report. The peer group best is the top 10% of a peer group.

Inbound Performance Comparisons

Metric Description	Your Center Response	Peer Group Median	Peer Group Average	Peer Group Best Median	Peer Group Best Average	All Participants Median	All Participants Average
Average Speed of Answer (seconds)	15.0	20.0	32.2	12.5	17.1	25.0	33.3
Average Talk Time (minutes)	9.1	3.0	7.2	3.0	3.4	4.0	10.2
Average After Call Work Time (minutes)	3.0	1.0	5.3	1.0	1.1	2.0	6.8
Average Calls Abandoned (%)	6.0	3.0	5.0	2.0	2.8	4.7	5.5
Average Time in Queue (seconds)	20.0	35.0	44.3	16.0	18.4	34.0	43.2
Average First/Final Calls (%)	65.0	79.0	77.3	85.0	86.1	79.0	68.1
Average TSR Occupancy (%)	60.0	80.0	79.4	87.0	89.1	79.0	74.9
Average Adherence to Schedule (%)	82.0	89.0	87.8	92.0	95.3	84.1	86.0
Average Calls/Shift/TSR (calls)	58.0	70.0	83.2	85.0	86.5	70.0	69.2
Average Attendance (%)	75.0	90.0	88.7	95.0	87.7	88.3	86.9

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Figure 9.2. Excerpt from the Inbound Performance Comparison Report

This report shows the following:

- customer service center performance metrics descriptions in the first column

- a column with the actual customer service center performance metrics (noted as "Your Center")

- the peer group medians and averages

- the best in peer group medians and averages

- the average for all participants

For brevity purposes, this excerpt shows only ten customer service center performance metrics that highlight management opportunities. It immediately became clear to the benchmarking team that the customer service center is under-performing on the following metrics:

- average speed of answer
- average calls abandoned
- average time in queue
- average first/final calls
- average telephone service representative occupancy
- average adherence to schedule
- average calls per shift per telephone representative

At this stage of the drill-down research by the benchmarking team, it was already becoming clear which metric might have had the greatest impact on performance and customer service. The most important caller satisfaction driver is the ability of a customer service center to answers callers' questions on the first call with no transfers and no callbacks.

In figure 9.2, this metric is called the "average first/final calls" (also sometimes called "average once and done calls"). The bank's score is 65%, compared with the score of 77.3% for the peer groups of banks. The difference of 12.3% may appear small, but when the cost of this lack of performance is calculated for this bank, it totals over $2 million each year. That expense makes it worth launching an improvement initiative.

3. The Performance Ranking Report

The second drill-down report is called the Peer Group Ranking Report. Figure 9.3 gives a partial listing of this report.

		Blocked Calls	Adherence	ASA	ATT	Abandoned	Queue Time	Occupancy
Metrics ▶								
Your Percentile ▶		95.7%	26%	87%	22%	52.1%	74.0%	18%
	1	.04%	95%	5	2.2	0%	10	91
	2	1.85%	94%	7	3.6	2%	11	88
	3	2.81%	92%	10	3.7	2%	13	86
	4	3.05%	91%	15	4.2	2%	15	85
	5	3.17%	90%	22	4.9	3%	16	82
Rank	6	4.84%	90%	25	5.1	4%	20	77
	7	5.80%	89%	31	5.3	5%	32	73
	8	5.82%	88%	31	6.6	6%	36	71
	9	6.45%	86%	50	7.3	7%	39	68
	10	7.78%	82%	60	8.5	7%	42	63
	11	8.44%	77%	68	9.1	9%	45	60

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Figure 9.3. Excerpt from the Peer Group Ranking Report

The Peer Group Ranking Report gives the benchmarking team an even more granular look at how the bank compares, metric for metric, with its peer group. For instance, in the category of blocked calls, the case study bank is actually doing rather well, performing in the 95.7 percentile and ranking second. However, in the important performance metric of telephone representative occupancy, the bank ranks only 11th, and only in the 18th percentile.

The team wanted to select the one metric that might be causing the most damage to performance. They wanted to find the "lowest hanging fruit," so that management could direct a focused budget for an improvement initiative.

Again we want to point out that customer relationship management is about changing the way service is provided. This is why we spent so much time the first section of the book on understanding the nature of change. Measurement can tell you what to change, but not how to make the changes so that they are accepted and not sabotaged. Not shown in figure 9.3 is the indicator that the bank ranks at the bottom, having had the absolute worst performance on the metric of "average first/final calls." That initiative became the focus of the bank's benchmarking team.

4. Performance Gaps to Solution Initiative Optimizer

The final report is the Gap versus Solution Optimizer Report. A partial listing of this report appears in figure 9.4.

Gap vs Solution Optimizer

GAP: "Once & Done Calls"	SOLUTION	Cost Per Seat ($)	Implement Time (days)	Risk Factor (0-100)	Gap Impact (%)	ROI (%)	Optimal Decision
	Applicant Testing	100	30	40	20	374	6.49
	Skill Based Routing	400	50	50	75	315	4.51
	Applicant Screening	250	40	30	30	184	2.18
	CT Integration	900	120	75	90	137	1.91
	Value Based Routing	400	60	60	55	128	1.49
	Monitoring/Coaching	300	60	40	65	118	1.33
	Product Training	600	90	65	35	91	1.01
	Expert Systems	1500	180	95	55	89	.94
	Contract Tracking	3000	120	85	50	64	.85
	Performance Comp	300	30	10	15	64	.65
	CB Training	600	90	35	35	53	.61

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Figure 9.4. Excerpt from the Gap versus Solution Optimizer Report

The Gap versus Solution Optimizer Report gives the benchmark team a listing of all gaps in excess of 20%, that is, the major ones. For each gap it provides a list of potentially applicable solutions to reduce that gap. The figure lists only one such gap, "percent of once and done calls." There were a total of eight major gaps in performance at the bank's customer service center that would have their own list of optimized solutions.

After evaluating the previous reports, the benchmarking team decided that the biggest negative gap in performance seemed to be the "average first/final calls," also known as the "once and done calls." The Gap versus Solution Optimizer Report then became a management tool to select that one solution that could possibly produce the best results with the minimum expenditure of corporate resources.

This reports lists 11 solutions that could be implemented. They are listed in the order of most desirable on the basis of the optimal decision index. This index is calculated by statistically averaging the most important issues that managers should consider when selecting any improvement initiative:

- **Cost per seat:** Many solutions are priced on the basis of cost per seat. Knowing this factor allows the manager to quickly determine if there is enough money in the budget to even consider the initiative.

- **Implementation time:** This is an estimate of the average implementation time to complete the installation of the solution. Most managers prefer to select initiatives that can be implemented within approximately six months.

- **Risk factor:** Most managers are risk averse. The risk factor has been developed over time by discussion solutions with those who have already implemented a solution. Sometimes high-risk solutions are worth undertaking, but only in light of the other decision factors.

- **Gap impact factor:** This factor gives an indication of the percentage of the gap that can be reduced by the successful implementation of a particular solution.

- **Return-on-investment (ROI):** This is the standard ROI equation that decision makers use most often in selecting one solution over another.

From the Gap versus Solution Optimizer Report, it becomes clear that applicant testing and skill-based routing are high on the list of potential improvement initiatives. In this particular example, the bank's benchmarking team received management's approval to pursue both initiatives. Specifications were prepared, a request-for-proposal (also called RFP) was issued, vendors were selected, and the initiatives were launched and successfully completed.

Monitoring Improvement Processes

It is important to not only make the changes, but also to monitor the changes over time to ensure they produce the desired results. In this case, six months after the successful installation and implementation of the two improvement initiatives, the following results were tabulated:

- the percent of first/final calls improved by 11.6%
- the average time in queue was reduced by 2.8%
- the average TSR occupancy was improved by just over 6%
- calls per TSRs per shift were increased by 9.4%
- caller satisfaction rose by almost 7%

The bank spent approximately $600,000 for the two improvement initiatives, which included the selection process, the cost of the software and hardware products, the costs for training TSRs, and the installation service costs from a third-party integrator. When the improved metrics were converted to new revenue, reduced operating cost, and customer satisfaction, the estimated ROI was in excess of 100% in 16 months of operation.