



# Can efficiencies be customer-led?

A paper for CCA Industry Council

## CCA INDUSTRY COUNCIL

CCA Industry Council drives the industry’s research agenda by interacting to ensure research approach, debate and output provides the pathway for the future in terms of new thinking and strategies from across all sectors.

An initial meeting was held where 30 leading players from industry debated ‘Changing the Rules’. From this debate it is clear a need has been established to create ‘Beyond Operational Efficiency’ – a new vision for how customer contact centres should be repositioned within organisation, placing the customer at the heart of the business.

Industry Council consists of an exclusive group of representatives from leading organisations who are committed to providing this input whilst themselves benefiting from a unique package of leading edge research, networking, government influencing opportunities and profile within industry as ‘Leaders of the Future’.

Industry Council will have global impact and members of the group have been invited to join the CCA Standard Council who will oversee the launch of the new revised CCA Standard® to the international market during 2006-2007.

Expert academic and private sector facilitators will draw on leading edge debate and invite participation from other recognised research houses and agencies to engage with Industry Council to ensure the group deliver leading edge analysis.

As the independent professional body, CCA partner with leading organisations and groups to access relevant research and information for the development of the Industry Council. CCA’s vision is for contact centres to be repositioned within organisations to reflect the increasing complexity and competitor challenges arising from the dominance of this channel.

CCA are indebted to the efforts of the Foundation Partner Group who have formed the backbone of activity in taking forward the development of the CCA Standard® and creating the vision for CCA Industry Council. These organisations across all sectors, both public and private, each have a significant impact on the contact centre market-place.

## FOUNDATION PARTNERS



## Foreword from Rob Pike, Chair of CCA Industry Council



In an age when there is a multitude of options available to customers on where and how they get the products/services they require at the right time in their life cycle, delivering a great customer experience becomes ever more challenging.

Customer dissatisfaction has wide implications. It creates a vicious circle of dissatisfaction, impacting the staff who engage with those customers, and the shareholders who invest in the business. Offering superb customer service grants an enormous competitive advantage to a company - but how do you do this efficiently and cost-effectively? Many organisations are driven by cost savings with the ultimate risk of losing customers - a position which no organisation can afford to find itself in today. Investing in the right processes, technologies and people and actually doing what customers want instead of what we think they want leads to satisfied customers, and ideally loyal and engaged customers who then become advocates.

This is the third in a series of research papers exploring the changing face of customer contact and examines how listening to customers and responding appropriately to their needs can result in operational efficiencies.

We are indebted to the work of CCA Foundation Partners who have been the catalyst of CCA's evolution to Customer Contact Association in 2006. Their dedication has helped create CCA's Industry Council, a unique think-tank which is challenged with finding solutions to ensure that the customer is placed at the heart of an organisation's operations.

We would like to extend our grateful thanks to CCA's Research Council for providing very insightful findings into this critical issue.

**Rob Pike**  
Chair, CCA Industry Council

## Customer Focused Efficiency

Balancing the quality versus cost equation in your contact centre

Prepared by Mike Havard, CM Insight

*There's a false assumption that excellent customer service is expensive to deliver and that the economic realities within any business will call for quality to be compromised in the interest of profit margins. This needn't be the case says Mike Havard, Managing Director of customer management consultancy, CM Insight. Recent research carried out by the consultancy with Aston University Business School has demonstrated that changing the way we manage our contact centres can achieve a 40% increase in the quality of the customer experience, while delivering substantial financial savings.*

We all know that our customers' expectations for better services and improved access to them are growing inexorably. And anyone with budgetary responsibility for a contact centre operation can't have failed to notice that the cost of meeting those expectations is rising inexorably. As expectations soar and costs escalate, the temptation for contact centre managers to focus on efficiency and nothing but efficiency is almost overwhelming. In the technology they buy, the processes they adopt and the customer approaches they take, they seek obsessively to shave time out of their operations, working to the age-old adage that time is money. In ninety-nine cases out of a hundred, however, the old adage is wrong.

### **A flawed approach**

In this drive for efficiency our sight of the customer is lost. We focus on creating processes that are speedy and repeatable; then we rely on scripts, time based incentives and strict productivity measures to drive our agents to adhere to them. This approach may breed efficiency and consistency, but it drives out the variability, flexibility and the personal service that our customers crave. In our thoughts, investment decisions and actions we have become 'process' rather than 'outcome' focused; we have forgotten to focus on the key question; how we can best align the interests of our customers and prospects with our own commercial objectives.

The efficiency-based approach has been endemic in the contact centre industry since its inception and is currently the prevailing management approach in around 84% of UK centres. Moreover, growing concern about cost escalation is driving us all to pursue it with ever-greater determination. In doing so we expect to see our overall operating costs reduce but, to our surprise, they continue to grow, while customer disaffection with contact centres and the way they're treated by them worsens every day.

The simple truth is this; the efficiency-based approach that dominates our industry is fundamentally flawed. Research we carried out recently with Aston University Business School shows that an enlightened 16% of UK contact centres are taking a different approach, and reaping significant benefits by doing so. They're proving that contact centres actually operate more efficiently (at lower cost) and more effectively (generating greater value) when managers focus on the 'customer outcomes' their centres generate, rather than on strict adherence to processes designed to maximise productivity. Operations that are built around and measured by customer outcomes rather than internal productivity are inherently more profitable, since they are focused not only on reducing operational cost, but on transforming customer behaviour; encouraging them to spend more, remain loyal and provide the advocacy that guarantees maximum revenues and long term business growth.

*National Rail Enquiries has traditionally been focused on delivering accurate information fast. A laudable aim, but one that fell short of the train operating companies' ambitions to build customer trust in the rail service and encourage travel by train. National Rail Enquiries has now abandoned its formal salutations and strict call guidelines and encourages less structured, more idiosyncratic conversations between advisors and the travelling public. Not only has customer satisfaction risen – achieving the new objective – but there has been no commensurate increase in call length – because advisors can identify what callers want more readily.*

*By focusing on the customer National Rail Enquiries continues to improve the customer experience and reduce its costs.*

## Mass customisation

The 16% of UK contact centres that are using this more enlightened (we call it 'mass customised') approach deliver a customer experience that's 40% better than their less enlightened colleagues. They also enjoy substantially lower operating costs.

One of the most substantial cost savings they experience is in the area of staff attrition and absenteeism. Absenteeism is around 50% lower in mass customisation centres and attrition around 25% lower; delivering savings of around £1 million a year for an average 500 seat contact centre.

If we take as our basic premise, then, a belief that our contact centres have to be able to deliver services that are customised to customers' individual expectations, there are two fundamental questions that must be answered; first, how can we prevent the cost of delivering excellent and 'personal' service from spiralling out of control and, second, how can the move towards mass customisation be managed?

The answer to the first question is simple; every company must strive to achieve an optimal and pragmatic balance between the service the customer wants and the service the organisation can afford to provide. Subtle decisions must be made; for example, a bank may choose an expensive direct contact with a customer who only wants to check an account balance because they believe they will capture a significant financial planning opportunity when the balance question is asked. Alternatively, they may encourage a low value customer to make better use of the internet or IVR because their spend doesn't justify expensive contact with an advisor.

The trick is to understand and exploit the ratio between the cost of the contact and its potential value to the organisation. When a leading financial services provider asked us to reduce the cost per call in its inbound telephone sales operation by 10% we advised that it was aiming at the wrong target. Understanding that each of those calls cost over £120 of marketing spend to generate, shaving 50p off the call handling cost seemed as pointless as moving deck chairs on the Titanic. We advised instead that our review of its contact centre should focus on increasing conversion rates and maximising revenue. By identifying the conversational behaviours that were most likely to result in a sale and teaching agents to replicate them at scale, we doubled conversion rates – even though their base level was already in excess of the industry average. Unsurprisingly call-handling costs became a much less significant issue, while the quality of the customer experience became a top three corporate measure and focus for investment.

The success measures applied to the contact centre must be the same as those applied to the business as a whole; that means, for example, revenue generation and customer growth, rather than reduced call length or script adherence.

*A major media company had to increase its customer base by 25% over two years in order to fulfil its shareholders' expectations and deliver its business promise. In an increasingly commoditised market, that was proving challenging. With a ubiquitous brand, high awareness mass marketing could only have so much impact. We advised a personalised contact centre approach aimed at identifying and overcoming the objections of customers who had already considered - and rejected - our client's service offering. Because each call is personalised, and discussion based, the calls are longer and, at first glance, more 'expensive'. However, because the conversion ratio increased dramatically the more meaningful measure - the cost per sale - decreased substantially.*

When we abandon our fixation with the 'absolute' cost of running the contact centre in favour of 'cost relative to delivered value', we can make intelligent decisions about the services we need to provide to satisfy our customers and our shareholders. When we realise that the ultimate measure of success is customer behaviour rather than cost per call, we will naturally conclude that the only contact centre management model that makes sense is the one that focuses on actively influencing customer behaviour; the mass customisation model.

## The choice for mass customisation

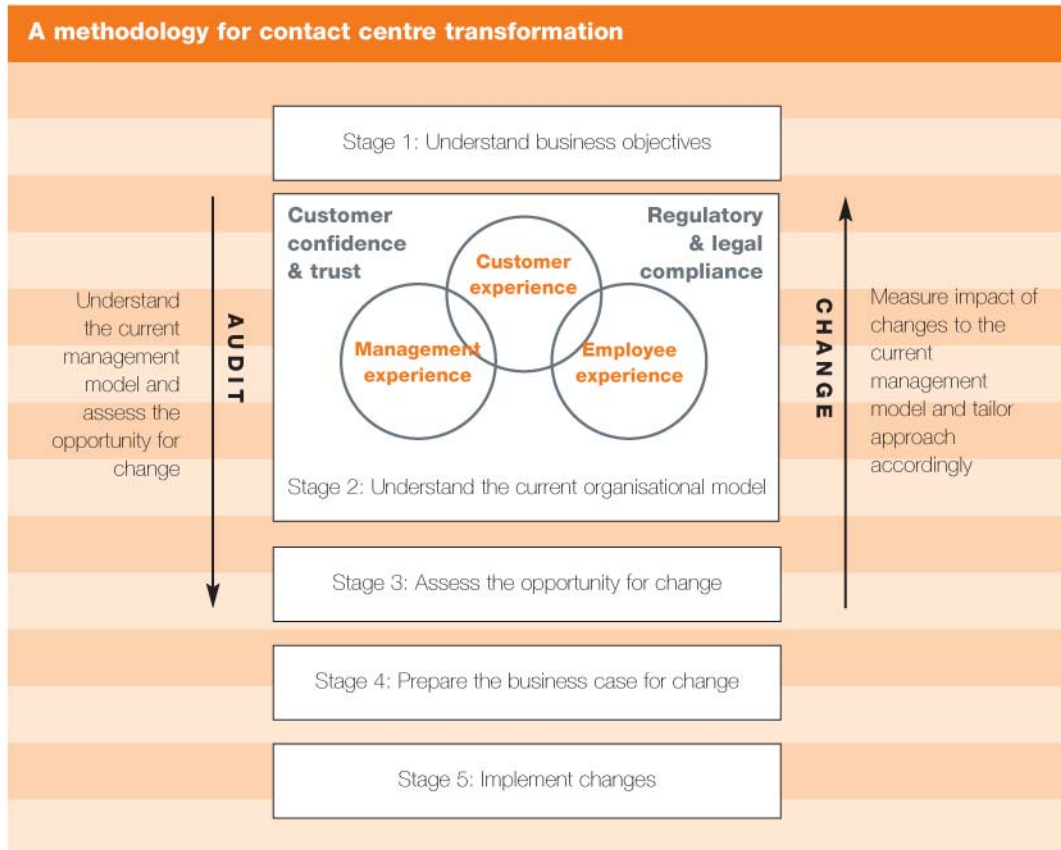
Mass customisation isn't an unachievable Utopian vision; it's a practical, pragmatic and achievable alternative that delivers business performance improvement, lower cost, and sustainable market differentiation. Making the change to mass customisation isn't easy, but the benefits are substantial, both in terms of the higher revenues generated by an exceptional customer experience plus the cost savings that can be achieved by reduced absenteeism and attrition and by 'right first time' delivery.

The move towards mass customisation requires a detailed change management programme that's likely to impact every aspect of a contact centre's operation. Within any organisation, the need for change can be assessed and managed through a phased, progressive approach; an approach which prioritises those actions that will generate the greatest impact, while delivering a road map for long term change. Most importantly, a sound business case for the move can be built; one which clearly demonstrates the benefits that will accrue, both in terms of revenue generation brought about by increased levels of service, and in terms of cost efficiencies created by the more effective use of resource. Based on robust financials, it will win the support of board members and executive decision makers, proving that significantly improved service can be delivered at dramatically lower cost.

The business case for mass customisation is predicated on a simple fact; business success depends upon customer behaviour, which in turn, is influenced (and, in fact, most easily leveraged) by customers' interactions with contact centre agents. The ability of agents to perform well in those interactions is determined by the management model and operational processes deployed in the centre. The mass customisation model will improve the contact centre's revenue and cost performance by empowering agents to deliver exceptional customer experiences, while providing the motivation they need to remain focused on business objectives.

## Moving towards mass customisation – a five stage process

In the pursuit of this shift in management approach it is vital to remain focused on a clear rationale; change, primarily driven by the need to improve the financial performance of the organisation must be achieved by positively influencing employees, so that their interactions with customers are more likely to generate the outcomes required to meet the organisation's objectives.



**Stage one - Understand business objectives:** To establish a base line for change it is first vital to understand the objectives of the business in terms of its customer management, sales development and market differentiation strategies. These must then be translated into objectives, operational measures and targets for the contact centre. This can only be achieved by using a stepped approach:

- Understand the customer outcomes (loyalty, purchasing patterns, advocacy and so on) that will contribute to the achievement of business objectives.
- Identify the agent behaviour that will encourage those outcomes.
- Identify the management behaviours, processes and procedures that will motivate and enable those agent behaviours.
- Design operational measures and targets that reinforce those behaviours.

**Stage two - Understand the performance of the current organisational model:** Analyse the existing contact centre management model by auditing the impact of employee and management behaviour, accepted processes and technologies, on the way customers act and respond to the organisation. This will identify the failings in the current system and the obstacles to change.

In most contact centres business processes and their supporting technologies are structured to support a command and control approach that strives for efficiency and uniformity at the expense of creativity and effectiveness. But, because it is impossible to build processes or configure technologies for every eventuality, large numbers of customer enquiries are either ignored or poorly served. In mass customisation environments well trained and equipped staff are empowered to take responsibility for first time resolution, they will identify non-standard calls and address them, preventing service failures.

**Stage three - Assess the opportunity for change:** Use gap analysis to identify the scale of change needed to move from the current model to mass customisation. Stages one and two will create a detailed picture of the contact centre that identifies and isolates the management practices that inhibit productive agent behaviour and, therefore, prevent positive customer outcomes, limiting the achievement of business results. Mapping the current operation against the ideal, it is possible to assess the scale of change needed and the benefit it will deliver

**Stage four - Building the business case:** Through business modelling a business case can now be built that clarifies each element of required change and the interdependencies between them. This allows intelligent decisions to be made about what to change first and at what speed to progress. Just as you can't put a roof on a house until you've built its walls, there's little point in spending tens of thousands of pounds on new training if the incentive and reward programme doesn't encourage the newly trained behaviours to be adopted and maintained. This means that the route map generated by the evaluation and gap analysis should identify not only the most valuable order of change but the most practical and risk free.

**Stage five - Implement change:** Because the shift to mass customisation requires systemic rather than cosmetic change, the business case described above becomes the vital guide for implementation.

## Balancing the cost versus quality equation

The process described in this paper amounts to nothing less than a route map for business focused contact centre transformation; a transformation designed to achieve two fundamental goals. First, it will demonstrate beyond question that a direct correlation exists between what happens in the contact centre and the achievement of broad business objectives; revenue growth, customer retention and advocacy.

Second, it will achieve the ultimate cost versus quality balance. By allowing companies to identify the opportunity for change, the cost of change and the benefits it will deliver, it puts managers in a position to understand the relative, rather than absolute cost of their contact centre operations. At last an environment can be achieved in which investment decisions can be made on the basis of the financial benefits they're likely to deliver, and the value of service propositions can be measured in direct correlation to the customer outcomes they generate.

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