The Changing Customer: How are 21st century consumers changing, and what is the opportunity for organisations to offer them a segmented, proactive service strategy?

A paper for CCA Industry Council

Proactive Service for 21st Century Customers

Ventana Research

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Key Headlines

- Internet and Mobile Phone use is rising in all consumer groups which in turn is influencing customers' preferred channel and methods of communication
- Consumers are more accepting of electronic communication but the phone is still the primary choice
- Companies need to improve the current levels of inbound service before they implement more proactive outbound services, making it more effective rather than focusing on efficiency
- Companies need to make more use of inbound calls as they afford an opportunity to provide customers with more personalized information, cross sell and up sell BUT not forgetting to resolve customer issues first
- The key is personalization and consistency of interactions, which requires greater accuracy and breath of information about customer preferences and their previous interactions with the company

Executive Summary

The mix of cultures and changing demographics in the UK is changing consumers' attitudes to customer service, with the underlying theme of rising expectations. Technology is also playing a part as more people turn to the Internet and more people communicate using a mobile phone. Add these together and companies are faced with providing customer with more choice, making interactions more personalized, and making interactions consistent across all points of contact, whilst struggling with rising costs and large volumes of legacy technology.

The foundation for making any changes to inbound or outbound customer services is better customer information. Ventana Research studies show that this represents a huge challenge for companies. Data volumes are growing exponentially. The types of data is expanding and companies now have to handle structured data (data held in traditional application files and databases), unstructured data such as text, voice and video, and events such someone logging on to the web site or starting a call or IM session with an agent. Data is being produced by more diverse type of technology such as the new channels of communication and new speech based IVR. And data is stored in more and more types of systems. Make sense of all this data to produce an up-to-date, real-time view of a customer is a top priority before deciding how to improve customer service.

The recent study carried out by Genesys throws some interesting light on consumer attitudes. The message seems clear, and is supported by other customer satisfaction surveys. Customers first want companies to do better at what they do today. They want more of their issues resolved first time and they don't want to spend hours waiting in queues or stuck in complex IVR menus. They are happy to use the Web, provided it there is still a clear option to speak with an agent. Once their issue is resolved, they are happy to be "sold to" provide the offer is relevant to them and isn't repeated on very call. They would like companies to be more proactive, thanking them occasionally and providing information that is relevant to them and their circumstances. They still prefer the telephone but increasing are happy to receive emails or text messages. And last but not least, the Internet is playing a larger part in their lives and as the younger generations transition into working life there will be higher and higher demands for companies to support them on the Web.

Many companies see technology as the answer, with voice over the Internet (VoIP) representing one of the largest investment areas. But the Ventana Research studies show that the drive is cost savings and companies have yet to use it's full potential to provide customers with more enhanced services. The real answer lies in culture, process and information change. Without changing these, technology will not improve customer service and customer satisfaction levels will continue to fall.

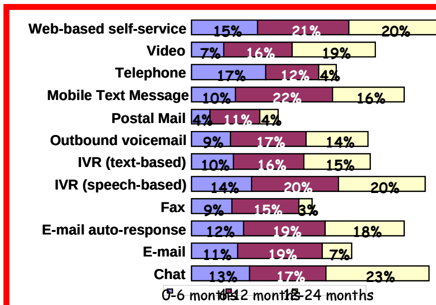
Changes in Consumer Demographics

The demographics of the UK population is changing in several way: the population is getting older; the culture mix is increasing as the EU expands; the pressures on daily life are increasing so that people have less and less free time; and more and more people are living their lives and communicating on the move as the mobile phone become ubiquitous and wireless access to the Internet becomes more common place. These changes impact customer expectations, with consumers demanding increased choice whilst at the same time displaying less loyalty to organizations.

Probably the most impactfull change is the use of Internet. A recent survey carried out by Oxford University shows that overall use of the internet is increasing regardless of consumer demographics. However the same survey shows widely different use of the Internet depending on consumer group, with students the heaviest users but with a predilection for downloading music and playing games, people at work increasingly use e-commerce, and the retired the biggest surfers for information. In all cases the survey shows the dominant location for using the Internet is the home i.e. for personal rather than business use. A combination of these factors strongly suggests that all groups would be more disposed to initiating and receiving electronic communication, especially email and Instant Messaging (Chat), from home, or by text message while they are mobile.

96% of customers use the company's web-site to find contact details

Even with the availability of alternate communication channels and the Internet, Ventana Research studies show that by far and way the largest volume of interactions occur over the phone. With this in mind, we believe pro-active customer service should not just be thought of as outbound interactions (by telephone, email, or text) or more pro-active service on the Web but it should include "agents" being more proactive as they handle inbound telephone calls. A survey of 2,500 consumers carried out by Genesys shows that customers would be quite happy for agents to provide them with additional information, or indeed try to sell them additional products or services, provided their issue is resolved before they are made offers.



New channel deployment
Ventana Research CIT study

The over riding message is that when it comes to communication channels it is very much "horses for courses" with everyone having their own preferences, but that people are becoming more accepting of receiving pro-active communications provided their issues are solved first and the offer is personalized to them. The challenge for companies is how to achieve these dual objectives, at costs they can afford.

Changing Corporate Attitudes to Customers

On the other side of the coin, companies' attitudes to their customers are changing:

1. more enlightened companies have realized that many markets have become commoditized and so personalized customer service is the ONLY differentiator
2. the lifespan for product and service innovation is decreasing, so companies have to re-invent both at an ever increasing pace
3. with customers one-click or one bad conversation with a call center agent away from defecting to the competition, companies have to ensure the customer experience is top quality and consistent across all channels

52% of consumers have stopped doing business with a company because of poor service.
40% have stopped doing business solely due to a poor call center experience.

Genesys consumer survey

But some things never change. Companies remain acutely aware of the cost of providing customer service and so are continuously looking for ways to balance cost, customer satisfaction, and customer loyalty. The call center is a focus for providing customer service but companies find them expensive and are always looking to cut their costs. One of the largest costs is agents so one of the most common approaches is to reduce agent head count but this results in increased queue lengths which leads to reduced levels of customer satisfaction.

Reduce AHT	26%
Increase self-service	19%
Reduce agent numbers	18%
Reduce queue times	10%
Reduce infrastructure costs	9%

Operational Imperatives
Ventana Research CIT study

As an alternative, or indeed in conjunction with cutting head count, companies try to automate as much of call handling as possible by deploying interactive response (IVR) systems, or directing customers to other self-service channels such the Web. Neither has really worked and call volumes continue to grow and are still the largest volume of any type on interaction. It is therefore evident that companies need to improve reactive customer service before they begin to think of pro-active services, and when they do start they should look to make the most of inbound calls before implementing additional outbound services.

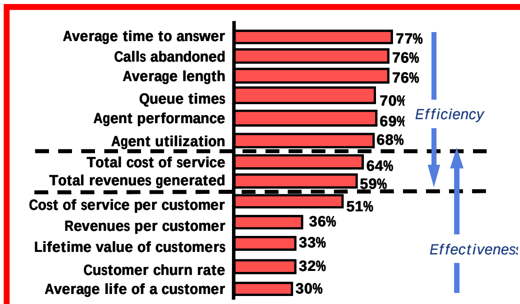
Proactive Customer Service

The case for providing proactive customer service hinges on three things: making the handling of customer interactions more efficient (saving money), increasing customer satisfaction by resolving more issues at the first attempt, increasing sales.

Companies can achieve efficiency savings in a number of ways:

- pro-actively reaching out to customer through channels such as email and text messaging and thus reducing the need for customers to ring agents
- proactively prompting agents during a call so they can reduce average handling times
- aligning web-based self-services to other channels, once again reducing the need for customers to call agents
- driving the handling of all interactions from a single source of customer data, thereby reducing the need for customers to make several attempts before their issues are resolved

Ventana Research studies show that most companies are almost exclusively focussed on efficiency measures, with far fewer transitioning to effectiveness measures that are



Ventana Research CCPM study

centred on the customer and business. First call resolution is a good example of an effectiveness measure since it relates to efficiency (the customer won't need to ring again) but it is also reflects effectiveness because the customer is likely to end-up more satisfied and there is a much higher probability of more positive business outcomes. And finally the ultimate goal should be to increase sales. Despite much talk of transitioning contact center to profit centers, the Ventana Research studies show that few companies have moved beyond measuring gross numbers such as total sales, with very few able to drill down into individual customers. Processes are therefore geared more to the "average" rather than focusing on those customers that are most likely to buy new products or services.

> 89% of customers would have a more positive view of a company if they received a courtesy call
>
> Genesys consumer survey

There are several things to consider before implementing proactive customer service. The first is which customers to reach out to because not all customers will appreciate what they might well consider as invasive interactions. The second is what channels to use, since different customers will have different preferences e.g. some will quite willing accept text messages where as others might prefer an email. The third is when to initiate proactive contact, where it would for example not be a good idea to try and sell a customer additional products if they are in the process of complaining about what they currently have, or indeed it would not necessarily make good business sense to try and sell a customer new products if they haven't paid for their previous purchases. The foundation for making these decisions is better customer profiling (including customer preferences), more granular segmentation and more customer-focussed analytics (better information about what customers did in the past, what customers are doing right now, why they did what they did and any trends) and better customer and business measures to show what is working and what isn't.

Vendors such as Tealeaf and SAS provide web analysis tools that provide a full picture of what customers attempt on the web and whether the outcomes are satisfactory. Vendors such as eglue, Jacada and Chordiant all provide tools that make it much easier for agents to use their desktop and also proactively advise the agent on what steps the should take to improve the outcomes. And there are now several vendors such as AIM Technology, Business Objects, Cognos, HardMetrics and Merced Systems that provide analysis of the why interactions are occurring and what processes could be improved to reduce the overall volumes.

> 96% would like to receive pro-active communication via the phone, email and/or text message
>
> Genesvs consumer survev

There are different dimensions to the how/what questions. As well as outbound calling which is loosing favour because of costs and regulations, the emerging channels are outbound email and text, followed by more dynamic and personalised web sites, followed by outbound messaging to less traditional devices such as ATM, electronic petrol pumps, and kiosks. However the key is customer preference and companies seeking to launch out-bound services should do so in conjunction with building a better profile of their customers' preferences.

> 84% would like to receive cross-sell offers and information via email
>
> Genesys consumer survey

The Genesys consumer survey clearly shows that customer want outbound services. High on the list of expectations are:

- courtesy calls thanking them for their business
- personalized cross-sell offers
- relevant and timely informational messages such as your delivery will be late because of traffic jams
- personalized web-based self-services but not at the expense of one-to-one agent calls when the need arises, with the survey clearly showing that customers do not like to think they are being forced to the Web.

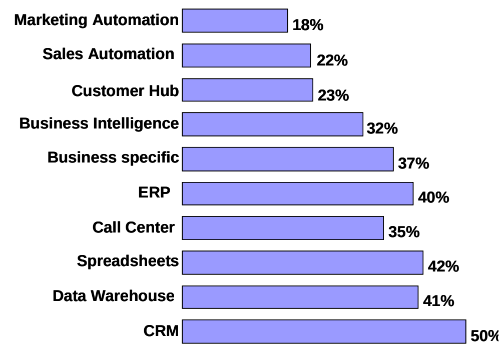
Meeting Customer Expectations

The first step towards more pro-active services is to meet customer expectations during any inbound interaction. Achieving this requires a two step approach. Providing the person (the "agent") dealing with the interaction with better information about the customer, including historical interaction history regardless of channels and customer preferences. This can be achieved by deploying on of the many customer-focussed business intelligence products available on the market today. The second step is to proactively advise the agent with scripts, offers, things to avoid that are personalized not only on historic information but also on information collected during the interaction e.g. answers to questions raised by the agent. Vendors such as Chordiant and eglue have products that are capable of extracting real time data and combining it with data from say a CRM system to pro-active prompt the agent with next steps.

The other area that needs improvement is the customer experience on the web-site. Surveys indicate that the success rate for customers completing transactions on the web have remained pretty level over the last few years and are still below 10 percent; pointing to a real need to improve the customer experience using the Web, especially as this is a channel of growing importance. The challenge for companies has been understanding the real customer experience as most web analytics products require considerable effort to set-up and do not deliver meaningful business related information. Vendors such as SAS and Tealeaf have products that now provide companies with this view, allowing them to better understand the customer experience and make appropriate changes.

Having improved the customer experience on inbound interactions, the nest step for companies is to consider outbound forms of customer service. There are dangers in providing any form of outbound communication e.g.

- legislation exists preventing several forms of outbound communication unless the customer has opted-in
- there is the risk of upsetting customers because they feel it is intrusive ("the double glazing sales effect")
- technologies such as spam filters will potentially prevent emails form being delivered
- if the volume of outbound communication becomes excessive, customers will being to lose sight of key messages



Systems containing customer data
Ventana Research CIM study

The solution lies in better customer information. The challenge is not to be underestimated. Recent research results from Ventana Research show that companies have customer data stored in a large variety of systems and in some cases large numbers of the same type of system. This creates issues around data consistency, data quality, and accessing this data to provide a complete view. There are different approaches to resolving these issues with vendors such as Informatica and SAS Dataflux providing products that both cleanse data and provide a complete view.

The Genesys consumer survey and the Ventana Research study into planned new channels of communication combine to confirm that in the short term the outbound channels companies should consider are the phone, email and text messaging. There are infrastructure products that support the transmission and to some extent the automation of these channels but again the key will be better customer information, sending customers only information that is relevant to them through the channel of their choice.

In summary technology is not the issue; there is more than enough technology to support whatever initiative companies want to undertake to improve inbound and outbound customer services and where appropriate to make it more pro-active. The issues sit firmly around culture, process and information. Do companies really want to delight customers and to what cost are they prepared to go to achieve that? To what extent are they prepared to change processes and invest in training their employees to be more customer-focused? And how do they know where and what to change? Ventana Research surveys show improving customer satisfaction always sits at number one in the operational imperatives, but do companies really measure customer satisfaction in an objective way? One vendor, aptly named CustomerSat, provides a product that allows companies to objectively measure customer satisfaction at each touch point by creating very simply surveys that can be delivered in multiple forms. Their clients have uncovered their customer's real issues and have been able to do something about them. This would seem a firmer foundation for deciding how to change companies' approach to customer service.

Key questions

Recommend areas for further investigation and debate:

- what are companies attitudes and methods of measuring CSAT and plans there to improve?
- to what degree are customers satisfied with existing customer service levels and in what areas would they like companies to improve?
- what is real cost to companies of poor quality customer data and what impact is this having on CSAT?
- the consensus at the October council meeting was that real time customer analytics is standing in the way of improving customer relationships; why is this?, what is standing in the way of companies doing something about? What vendors can help?
- What are the growing channels of preferred customer communication and are companies prepared to meet demands?

Footnotes

Ventana Research benchmark study into Customer Interaction Technologies May 2007

Genesys Europe Consumer Survey 2007

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