# Reconnecting the Contact Center

How the right customer strategy can help companies succeed in the age of the empowered consumer

Consumers have more power than ever before. The ease with which they can access and compare product features, service capabilities and pricing, combined with their unprecedented ability to influence thousands – if not millions – of fellow consumers, has exploded. A dramatic increase in publicly available information and communication channels has gradually shifted the power from businesses to customers and has inverted the dynamic between the two. The first wave of the power shift began with widespread consumer use of personal computers and the web. It has been so gradual that many companies have failed to notice it or respond to it. The effects of the first wave are often hidden in flat or declining sales, brand erosion, weaker financial performance, and greater customer attrition and churn.

The next wave of the power shift was triggered with the onset of Web 2.0 – the transformation of the Internet from an information source to a collaborative public forum. This collaborative forum gives individual consumers the ability to reach vastly more people with their thoughts and ideas, and has enabled these thoughts and ideas to survive for longer periods of time (*see Figure A*). Resulting from Web 2.0 is Power Shift 2.0: the age of the activist consumer that utilizes emerging web technologies such as blogs, chat rooms, wikis, content syndication feeds and personal web pages to air both their praises and frustrations about their experiences with corporate brands. Power Shift 2.0 promises to further change the dynamic between consumers and companies.

Figure A - *Power Shift 2.0 is the age of the activist consumer that utilizes emerging web technologies to air praises and frustrations about their experiences with corporate brands.*
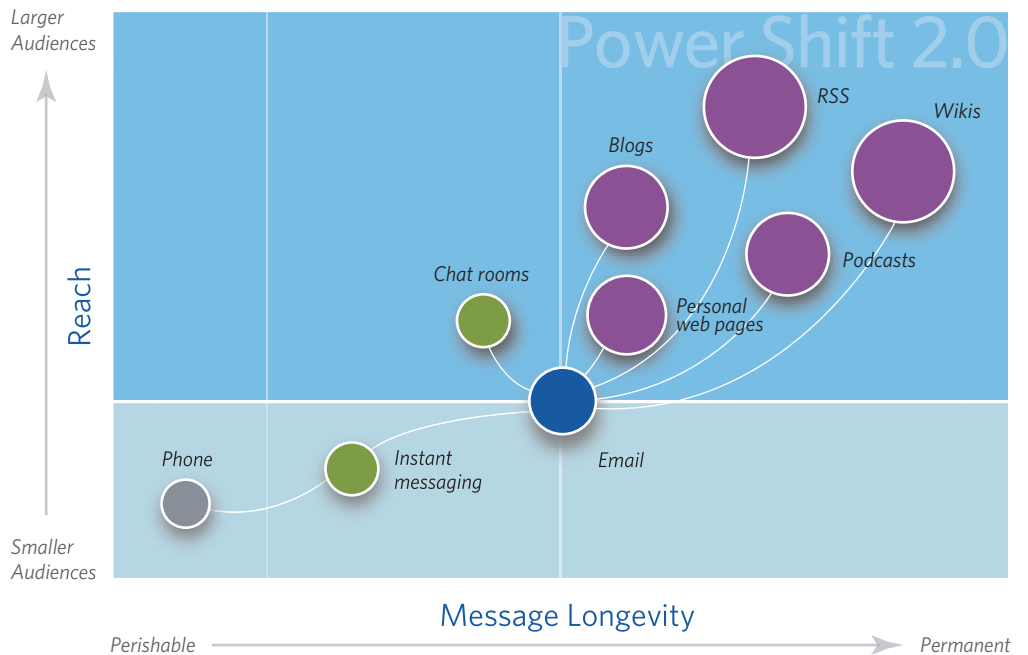
Because of its visibility on the front lines of customer interactions, the contact center is in the trenches of this battle. In fact, the contact center has the power to expand or contract the gap between consumer expectations and an organization's ability to satisfy them. Closing the gap could mean the difference between engendering lifelong loyalty or sending customers running to the competition. And in the age of instant, one-to-many and viral communication, the impact of a single positive or negative interaction can have exponential consequences for a business, making the contact center a crucial part of how companies manage today's empowered consumer.

This paper provides an overview of how to reconnect the contact center experience with consumer expectations by taking a look at how the dynamics in the contact center have changed and how companies can best address consumer needs resulting from the shift in power.

The Disconnect

Consumer expectations about their contact center interactions are decidedly more negative than what many companies believe them to be. A recent study conducted by independent consumer research specialist Leo J. Shapiro & Associates, and commissioned by Aspect Software, found that contact centers in North America are failing to meet the expectations of consumers, receiving an overall satisfaction grade of D+ (69 percent). A similar survey conducted in Europe showed significant gaps between consumers' expectations of contact center interactions and the actual experiences they have – some amounting to 20 percent or more (*see Figure B*).

A large discrepancy was also revealed in a study conducted by management consultancy Bain & Company[1]. It surveyed 362 companies and found that 80 percent believed that they delivered superior customer experiences. But, when consumers were asked about their perceptions, only eight percent agreed that the companies delivered superior customer experiences.

Clearly, companies need to take a closer look at how their contact center fits with their overall customer strategy. It's time to reconnect the contact center experience with consumer expectations.

Figure B - Source: Aspect Contact Center Satisfaction Index Europe

[1] "Closing the delivery gap" By James Allen, Frederick F. Reichheld, Barney Hamilton and Rob Markey, Bain and Company.

Embracing the Changing Consumer

A growing pool of evidence points to competitive advantages for companies that have implemented successful customer strategies.

The Walker Loyalty Reports[2] — independent, self-funded studies conducted by Walker Information to explore, measure, and evaluate the impact of customer satisfaction and loyalty on specific industries — define "loyalty leaders" as those companies that have a significant percentage of truly loyal customers and a low percentage of high-risk customers, and "loyalty laggards" as those with a low percentage of truly loyal customers and a high percentage of high-risk customers. The 2005 Walker Loyalty Reports indicate that loyalty leaders have distinctly better performance than their loyalty laggard counterparts:

- Operating margins of loyalty leaders in some key sectors were approximately 13 percent while laggards averaged only two percent.
- The average three-year revenue growth rate of telecom leaders exceeded that of laggards by 20 percent in the same sector:
  - The gap on three-year operating margins was 22 percent.
  - The gap on five-year stock price performance was 34 percent.

It's time for organizations to realize that their brand is re-evaluated every time a customer interaction occurs. We are well aware of the research that shows that each unhappy customer will tell 13 to 15 people about their bad experience with a company. When those statistics are factored in with the power of personal mass media tools of Web 2.0 in the hands of consumers, the potential cost to a company and its brand can be significant — changing negative public opinion is expensive and high customer churn rates are notoriously costly to the bottom line.

How Can Companies Respond to Power Shift 2.0?
They can begin by looking at their customer interactions and taking steps to transform their contact centers from cost centers to revenue, cash flow and loyalty drivers.

- It starts with a better understanding of their customers, and those customers' individual needs and expectations.
- It is made real by turning that insight into strategies that are supported by the business processes and technologies that drive the contact center.
- And it is made practical when customer strategies help companies achieve the proper balance between consumer demands and the realities of the bottom line.

Transforming the Contact Center to Break Down Barriers Between Consumer and Company

Consumer demands are a lot like freeway systems in major metropolitan areas. As soon as highways are constructed or expanded, they become congested, leaving people wanting more. Similarly, businesses must walk a delicate line to maintain the proper balance between escalating customer expectations and the cost to the business. Specifically, companies must develop strategies that simultaneously balance corporate profitability, top-line revenues, brand enhancement, customer satisfaction and specific interaction objectives. And, as consumer demands continue to shift and grow, contact center strategies must also adapt.

"It's time for organizations to realize that their brand is re-evaluated every time a customer interaction occurs."

[2] Walker Loyalty Reports by Walker Information. Cited from 1to1 Weekly November 28, 2005.

Leadership must take action on four fronts to achieve this balance:

1. Understand the reciprocity between business processes and customer strategies.
2. Develop different and dynamic strategies for different and dynamic consumers.
3. Implement interaction processes to support customer strategies.
4. Lay the foundation for investment in the customer.

Understand the Reciprocity Between Business Processes and Customer Strategies

In light of Power Shift 2.0, organizations must step back and take a good look at how their customer strategy interrelates with their business processes. In practice, most organizations often start a business process analysis or business process reengineering initiative by identifying an area for improvement. High customer attrition is one such example. If a company identifies this as an area in need of improvement, it may launch an initiative to change that. Digging into the depths of the organization to get to the bottom of how business processes are helping or hindering the success of customer strategies has the potential to yield immeasurable value.

Most interactions with customers trigger or are part of one of three primary business processes – customer service, collections and sales. The key to developing processes that support your customer strategy is to identify what the goals of the contact center experience are in light of that strategy. For example:

Given the customer strategy in place,

- Is the ratio of customer acquisition and customer defection within tolerances?
- Are account balances generally paid within the desired window?
- Do satisfaction surveys indicate that customer service is lacking?

Looking at the company's business processes and the customer strategy they support can shed light on what action can be taken in the contact center. This may be the point when companies should employ Six Sigma or other business process management initiatives that are designed to deliver high performance, predictability and value to the organization by helping establish performance metrics or key performance indicators (KPIs) and then measure whether they were actually achieved.

"Customer segmentation should be mandatory, as a one-size-fits-all approach will simply not succeed."

CASE STUDY: *A major automobile maker wanted to improve the credit quality of its loan portfolio. Its financing unit focused on reducing delinquency rates by re-evaluating their collection processes. A review of the company's customers showed different approaches were needed based upon the length of the delinquency, the customer's delinquency history and overall value to the organization. More importantly, the company learned that misdirected calls were increasing drop rates and adversely affecting collections. By segmenting their list to pair customer types with appropriately trained and skilled agents, and putting processes in place whereby it could contact each delinquent customer at the time and place he or she was most likely to be reached, the agent could confirm the person's identity, and immediately send the customer and his or her account status to the collections agent most suited to secure a promise to pay. The results: delinquencies that are approximately 40 percent lower than the industry average, which greatly improved the company's overall financial position.*

Develop Different and Dynamic Strategies for Different and Dynamic Consumers

If an organization hasn't looked at its customers lately, it should. Different customer groups not only have widely different psychographics and demographics, but they have different needs, wants and relationships with the companies they buy from. And, some customers are simply more valuable to these companies. These differences, particularly in an age of the empowered consumer, require continuous adjustments to contact center strategies. Customer segmentation should be mandatory, as a one-size-fits-all approach will simply not succeed.

How important is segmentation to contact center strategies? Consider this example: many airlines segment flyers into distinct groups, with each group requiring a different customer experience and level of customer care. Some flyers join "frequent flyer programs" yet are anything but frequent flyers. They may take as little as one low-cost flight annually. Other "frequent flyer program" members fly with much greater frequency and often purchase tickets regardless of price. It is not hard to determine which of these should get the most experienced contact center personnel, and have their wait times minimized (or eliminated altogether) when they call. Airlines can identify each caller using caller ID, touchtone or speech self service. This enables airlines to give priority status to the most frequent flyers in the queue and then route them to the best agents to deliver the highest-quality personal service. Less frequent flyers can be encouraged to help themselves using the web and other self-service applications.

The bottom line is that customer strategies must evolve to keep pace with emerging consumer segments and shifting consumer demands.

> **CASE STUDY**: *A leading airline and vacations provider that primarily services the Caribbean was looking for a competitive edge to increase its share of an increasingly crowded market. It focused on the quality of its service, leveraging its sole focus on the Caribbean. To accomplish this, the company created a program where it invested in educating its customer service representatives about the destinations, sending them to experience the islands first hand. Following each extensive trip, the reps were tested to be certified on a specific island. Processes were put in place that screened callers to determine which island(s) they were most interested in, and connected each caller to an expert on that destination. The result: a 50% increase in productivity, and an overall increase in sales and service interactions, leading to increased revenue opportunities.*

Implement Interaction Processes to Support Customer Strategies

Once a company has mastered customer segmentation, the next step is to determine how each group can and should be managed across interactions and channels based on the customer strategy in place.

Agent vs. Automation – At what point in the process, if ever, should companies provide access to live agents? When and for whom is automation sufficient?

The answer varies based upon the customer strategy. Human interaction is an expense that some companies feel is crucial to their success. Others reserve person-to-person interactions for certain high-value customers or specific types of complex interactions. Clearly the intimacy level of the interaction correlates directly with the cost of making that interaction happen. One-to-one live contact is pricier for businesses to provide than one-to-many contact, like web chat. One leading Internet Service Provider requires customers to speak with a service representative if they want to cancel service. Why does this business choose to implement an approach that appears to be much more costly than IVR, speech or the web? Because it sees it as a way to increase

"Speech self service holds promise for consumers as it is a more natural way to communicate and offers the additional benefit of hands-free contact."

customer retention and capture subtleties in customer defections that might be missed in more automated approaches. Surely, this customer strategy isn't right for all businesses, and some companies choose to offer self service as a first stop for every interaction and live assistance after that, if necessary.

The availability of self-service technologies has made the consumers who use them less patient. A recent Associated Press poll[3] found that 54 percent of respondents say that they can wait no more than five minutes on hold before losing their patience. Consumers are demanding instant answers and satisfaction, 24 x 7 x 365. It is simply becoming unacceptable to be placed on hold or to provide account information once via a keypad and then again to an agent. Consumers expect self service to drive more streamlined interactions and offer even more features today than their predecessors once did.

Specifically, speech self service, which enables users to speak their responses to the system, holds promise for consumers as it is a more natural way to communicate and offers the additional benefit of hands-free contact. By enabling callers to navigate the system using just their voice and no telephone keypad, companies make it much easier for customers to interact with them.

ATMs (Automated Teller Machines) are an example of well-deployed self-service applications. Early adopters loved them. Their simple, user-centric design and productivity improvement overcame the lack of a personal touch. Their use exploded in the banking industry as many consumers couldn't get to banks during "bankers hours" to conduct routine transactions. Contact centers should consider this example as they deploy automation. Internet- or telephone-based self-service applications are quite acceptable to consumers who enjoy their privacy or prefer to interact with firms beyond normal work-hour windows.

Determining Which Agent Handles Which Interaction – How can companies use business rules to decide which customers speak with which agents, and when?

Successfully executing a customer strategy requires well-defined and well-executed business rules. These rules govern how contacts are handled, priorities are followed, agents are assigned, and key actions are executed. Establishing business rules takes time, and they must be regularly monitored and adjusted as business conditions and customer demands change.

To optimize performance in a contact center that offers customers multiple interaction channels, business rules should be input and maintained consistently across those channels. For example, when a customer moves into platinum status from gold, that change should be reflected in how they are treated whether they call, email or web chat. Similarly, when an agent is certified for a new skill and becomes capable of handling a new set of customer issues, that agent's new skill should be identified in all the systems that could route a customer to that agent. This capability is essential to intelligent routing of customer contacts.

Business rules-driven routing tools enable companies to use customer segmentation and agent skill sets in determining how quickly interactions are routed and to whom, helping them employ strategies that match their best and brightest agents with their highest-value customers. This makes good business sense for a number of reasons — specifically because, as the Leo J. Shapiro & Associates study showed, consumers around the world place a very high value on interaction experiences with knowledgeable and informed agents who are professional, articulate and patient and who take ownership of resolving issues. Your customer strategy may say that that is the experience you want to deliver to some subset, or perhaps even all, of your customers.

"In light of Power Shift 2.0, organizations must take a good look at how their customer strategy interrelates with their business processes."

[3] "AP/Ipsos Poll: Got A Minute? Survey Finds A Nation In A Hurry, Associated Press, http://www.ap-ipsosresults.com/, May 31, 2006.

CASE STUDY: *A cable television service provider wanted to enhance its brand image by providing better customer service, while managing costs in a highly price-competitive environment. Its data indicated that customers were frustrated by the long wait times they experienced when they called customer service, and that agents were spending too much time servicing low-value, repetitive tasks such as responding to payment inquiries. By strategically deploying self-service options for routine transactions, the company was able to alleviate the load on its contact center agents. The result: customer satisfaction ratings improved and operational efficiency was greatly improved – due, in part, to 50 percent fewer transferred calls and a reduced volume of live agent transactions.*

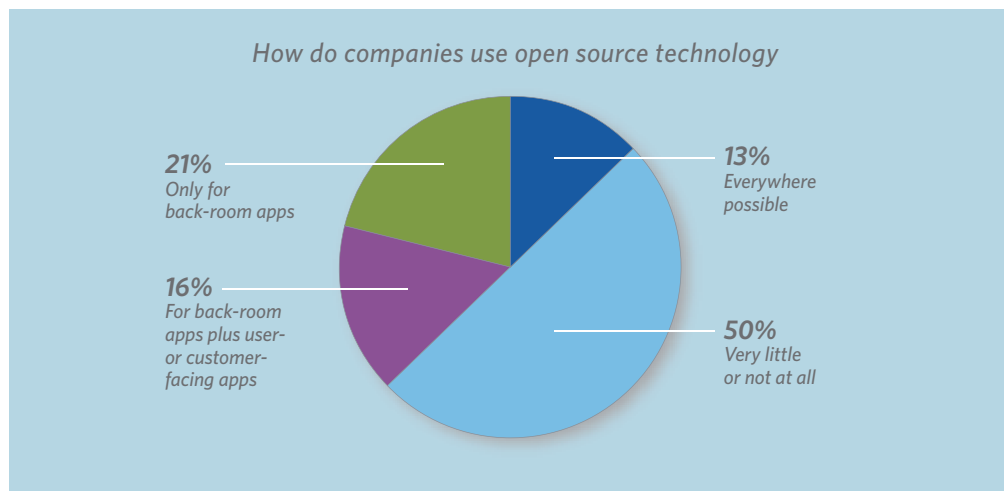*Lay the Foundation for Investment in the Customer*

In his thought-provoking book *Does IT Matter*, Nicholas Carr compares technology infrastructures to an electricity grid – transforming at its introduction, yet commoditized as standards were introduced later on. He argues that early on, new infrastructural technologies can play an essential role in competitiveness, but within a few years they become the industry norm. And unless they stop working altogether, it could be argued that these technologies are simply a delivery infrastructure for real innovation.

Along these same lines, the maturation of standards for Voice-over Internet Protocol (VoIP) and open source software (such as Linux from Red Hat) have led to the commoditization of the PBX (Private Branch Exchange) telephone switch.

VoIP is a protocol used to carry voice signals over a data network, enables companies to combine previously separate networks and simultaneously transmit voice, data and even video over one "pipe." This convergence can allow companies to save on network and administration expenses, as well as toll charges. It can also reduce costs by enabling organizations to deploy and employ contact center staff with unprecedented flexibility – utilizing work-at-home agents and dispersed and outsourced facilities.

Open source software can be downloaded for free, and the source code is available to all users for modification and redistribution. Recently, licensors have provided financial incentives that encourage active contribution to ongoing development. The use of open source software is on the rise in enterprises (*see Figure C*):

Figure C - *Base: 441 companies with 100 to 5,000 employees Data: InformationWeek/Network Computing Emerging Enterprise Research*

How do companies use open source technology

21% Only for back-room apps

16% For back-room apps plus user- or customer-facing apps

13% Everywhere possible

50% Very little or not at all

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Companies looking to lay the groundwork for future technologies should consider deploying VoIP in conjunction with an open source IP PBX (the most popular being Asterisk). A new generation of open source IP PBXs offers a viable alternative to proprietary IP PBXs with benefits that allow a shift in focus and resources toward investing in the customer.

- Greater flexibility and control that enables companies to quickly and cost-effectively offer new and better customer-facing service features and functions.
- The ability shift from traditional voice to VoIP interactions with the least disruption to customer service with support for both VoIP and traditional voice allowing for a gradual migration.
- Most importantly, open source IP PBXs can be implemented for one half to one third of the cost of closed proprietary systems.

CASE STUDY: *A major outdoor cataloguer's revenues are highly dependent upon successful customer interactions. Its commitment to service is evidenced by its strategy of connecting every single inbound call to a live agent. This approach, however, is challenged by the company's highly variable demand associated with seasonality and the timing of catalog drops. To ensure a return on its yearly investment in over 120 million catalogs with over 76 separate titles, the company looked for new ways to manage large call volumes efficiently while maintaining its high standards for customer service. By utilizing sophisticated demand forecasting and using its IP network to simultaneously transfer both customer data and the caller to agents across five sites, the company was able to cost-effectively scale its resources to meet variable consumer demand. The result: optimal service levels that drove increased revenue opportunities by ensuring that more than 80 percent of callers were connected with sales agents within 20 seconds.*

Reconnecting the Contact Center to the Consumer

Power Shift 2.0 is fundamentally changing the way consumers choose with which companies they do business. The unprecedented ability for consumers to reach out to other consumers, combined with the staying power of their self-published messages, gives them a forum in which they can share thoughts and ideas about the companies they love, and those they love to hate. Power Shift 2.0 is here to stay and companies must either embrace it or endure the consequences.

As the front-line touch point for customer-company interactions, the contact center can enable a company to become known for exceeding consumers' expectations, while generating customer and brand loyalty, and increasing financial performance.

Businesses that accept this new age of consumer empowerment must revisit existing customer strategies to ensure business processes are aligned to deliver optimum results. This includes assessing segmentation strategies, service delivery, interaction channels and technology while continually refining those based on customer and market feedback. Companies that choose to reconnect with the consumer by listening to and responding to their powerful voice will be poised for success in this new age.

Is your business well positioned to influence and nurture relationships with the empowered consumer?

Visit Aspect.com to learn how Aspect Software can help organizations manage – and benefit from – Power Shift 2.0.

About Aspect Software

Aspect Software, Inc. founded the contact center industry and remains the world's largest company solely focused on Internet Protocol (IP) and traditional voice-based products and services for customer service, collections, and sales and telemarketing business processes. Each day, Aspect Software powers more than 125 million customer-company interactions at thousands of in-house and outsourced contact centers around the globe. Its trusted Signature product line offers automatic call distributors (ACDs), dialers, voice portals, and computer telephony integration (CTI). The company's leading Contact Center Performance Optimization product line provides workforce management, quality management, performance management and interaction optimization applications. And, its pioneering Unified IP Contact Center product line delivers a comprehensive, multichannel solution. Headquartered in Westford, Mass., Aspect Software has operations across the Americas, Europe, Africa, the Middle East and Asia Pacific. **For more information, visit www.aspect.com.**

Aspect Software
Corporate Headquarters
6 Technology Park Drive
Westford, MA 01886

978 952 0200
978 952 0201 fax
www.aspect.com

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Contact Center Solutions