Customer Process Management

Developing best practices and metrics for a customer-centric operation

White Paper

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VENTANA RESEARCH

Aligning Business and IT to Improve Performance

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Customer Contacts Then and Now

The 1990s saw the birth of customer relationship management (CRM). It would, its proponents vowed, make companies “customer-centric.” CRM would heighten levels of customer satisfaction and as a result would generate larger revenues.

However, a study by Ventana Research early in 2006 indicated these promises remain largely unfulfilled, from the perspectives of both companies and customers. The reasons why can be found in the missteps companies made along the way.

In pursuit of the customer-centric vision, many companies created call centers, which they hoped would accomplish several purposes. They would:

- provide a single point of contact – a telephone number – where customers would get answers to any question they had about their involvement with the company.
- make the call-handling processes more efficient by training specialist call center agents, standardizing the processes for handling different types of calls and using technology to streamline the operation.
- enable companies to provide more personalized service by recording each interaction in a CRM system, analyzing those records and using the context of previous calls to personalize the next interaction.
- open up the possibility of selling more products to customers by exploiting the personalized view of their relationship.

It did not take long for companies to learn that there was pent-up demand from customers to contact them. Call volumes rose, and they had to employ more and more agents to handle the calls. Adding staff pushed up costs; the fully loaded employment of agents makes up around 65 percent of the cost of a call center. So companies shifted focus to reducing costs, prodding agents to handle the maximum number of calls in the minimum amount of time.

The primary methodologies chosen to achieve this goal were to raise the number of calls each agent had to handle and the percentage of issues he or she had to resolve in one call, while shortening the time allowed to answer a call after the first ring tone and the time agents were to spend on each call.

Allied to this cost-cutting effort was another trend: to use technology to make the customer contact operation more efficient and, where possible, to replace direct interactions between customers and agents. Agent workforce management was introduced to manage numbers of agents and their work schedules according to previous patterns of inbound calls. Computer telephony integration (CTI) and call routing were applied in the hope of sending inbound calls to the agents best trained to handle them and to provide them automatically with a screenful of information relating to the caller.

Technology, combined with the cost-cutting imperative, led to the next development: the contact center, which introduced more channels of communication and began to take responsibility for handling e-mail, fax, Web inquiries and postal mail. These channels did not demand immediate responses and could be handled when agents weren’t busy taking calls. Adding these channels required a new set of processes; because these types of contact didn’t have to be handled in real time, more quality control could be applied. And the skills set changed, as agents who were good on the phone weren’t necessarily good at writing responses.

Yet costs continued to rise. The drive to save money through technology continued with deployment of interactive voice response (IVR) systems, which would answer and initially process each call. It would prompt customers with some simple questions, for which they would input data to identify who they were, and then route the call even more effectively. But companies made the menu of questions too complicated, and customers often either hung up or pressed the key that would get them directly to an agent.

The burgeoning popularity of the Web offered yet another cost-containment possibility: If customers could do it themselves, they wouldn't need to call. But because typically a different group within the company managed its Web presence, the information on it and the processes customers could access through it weren't consistent with other channels of communication. Customers quickly realized this and went back to calling.

The Current Situation

Today, after all these initiatives, our research shows that companies have come full circle. They realize that customer satisfaction ought to be their primary driver, and to deliver it they must involve more groups in handling customer interactions. To provide specific services, they know they need agents with complementary skills and the ability to route incoming interactions by type of customer, content of the call or channel of communication.

To accomplish this requires a series of decisions and actions. First, it requires a close examination of the company/customer interaction processes. Based on the results, the company must develop and deploy additional processes – processes that take into account that not all agents will be based in the center, and thus must involve more sophisticated routing algorithms to ensure the interactions reach the right agents.

Our research shows that companies know their centers have become isolated from the core business. Indeed, they have become a line of business in their own right, with their own objectives, processes, training programs and measures – measure that are not always aligned with the business's overall objectives and goals.

While individual contact-handling processes have been improved, they haven't been re-engineered in the context of the overall customer experience or the end-to-end business processes involved in serving customers. Thus, while the centers themselves may be more efficient, the customer experience has not been enhanced and customer satisfaction levels remain low.

Likewise, the measures used to monitor the performance of the centers have remained oriented toward transactions and efficiency. Centers rely heavily on reports produced by individual pieces of equipment – the telephone switch or the IVR machine - or applications – CTI or CRM. Managers have not developed the ability to extract, consolidate and analyze customer-related data from multiple sources either inside or outside the center. This failing limits companies' ability to produce overarching analyses of their performance in managing the complete relationship with individual customers.

The stand-alone CRM applications in use today have not improved customer relationships or increased revenues. Rather, they have become another system that processes transactions, focused mostly on automating the sales process –

that is, focused on customer details, inquiries and sales. For the most part they have not produced happier customers who buy more goods and services.

Companies also recognize that the customer's complete experience is not limited to interactions with the contact center. Rather, it is the sum of all the touch points with the company. Companies therefore need to identify every process that includes an interaction with the customer and align them all to deliver the best total customer experience.

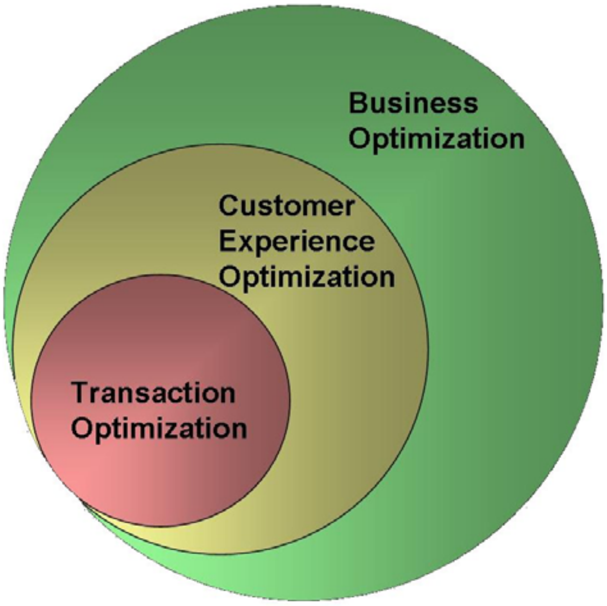
However, contact centers often are the first or only point of contact for customers after they have completed a purchase. As such they provide the opportunity to determine how well the company is meeting their expectations. By using analyses of data collected in the center, companies can improve their overall operational performance.

For example, a successful interaction or series of interactions likely will contain information of value to various parts of the business:

- A completed sale transaction generates information needed by inventory and shipping, accounts receivable and invoicing. A process could be initiated to communicate automatically with those operational units.
- On closing a service incident that involved multiple, customer-initiated contacts, the company could launch a process to initiate a customer loyalty program and a customer satisfaction survey.
- Where multiple customer contacts identify a product defect, the manufacturing unit could be informed so it could change the manufacturing process to correct it.
- Complaints about claims made in product promotional material could be fed back to marketing and sales so customers aren't disappointed when they receive the product.

Transforming the Process

Companies can envision the processes required to handle customer interactions as three concentric circles, the smallest involving the individual transaction, the next larger the customer's total experience, and finally the business as a whole (as shown in the graphic below). Most companies today focus on the smallest circle – the individual contact – but never connect it to the wider processes, which is why in the American Customer Satisfaction Index (ACSI), produced by the University of Michigan, from the third quarter of 2004 through the second quarter of 2005, customer satisfaction levels drop as low as 56 percent of those surveyed.



To become customer-centric, contact centers must expand beyond mere transactions to improve the customer's complete experience. Doing so can benefit the business as a whole.

The Individual Transaction

Three key factors determine the appropriate process to handle an individual interaction. The first is whether the interaction happens in real time. (Today this applies only to telephone calls, but in the future it could include channels such as chat and video.) Since with current technology there is no opportunity for in-process quality control, companies must trust the agent to execute according to established rules and procedures.

Nevertheless, the call-handling process can be segmented into steps, each of which can be optimized. A typical call includes each of these parts: identify the caller, identify the issue, resolve the issue or decide to escalate (at which point a hand-over process kicks in), decide whether to try to up-sell (at which point a new process kicks in) and complete any after-call work, such as update systems or set alerts. Using segmentation, companies can determine how to make the agent most efficient and effective during each step.

Second, processes vary according to the channel of communication. Nonetheless, it is possible to develop a core set of processes that then can be modified for the different channels. One key difference in handling non-real-time interactions is that most centers include a quality control process. For example, the contact center may require that any response to a letter be vetted by a supervisor before the final version is sent.

Third, processes can vary depending on the skill or authority level of the agent. Inexperienced agents may be required to follow a rigidly scripted process, whereas more experienced agents may be allowed to use more of their own initiative. Similarly, junior agents might be required to hand off interactions to a supervisor if they don't have the authority, for example, to give a rebate to a customer.

The Total Customer Experience

A truly customer-centric company would have processes and information sources in place that would enable each agent to handle an interaction in the context of the customer's total experience with the company. The primary requirement is to have a "360-degree view" of all the customer's interactions. This might include information requests, purchases, complaints, referrals and technical support questions across the customer's complete life cycle. It should be accompanied by a trend analysis and comparisons with others in the customer's peer group. Our research shows this type of analysis currently is available in less than one-third of companies; without it, contact centers can do nothing more than optimize each transaction on a one-off basis.

With such information, companies can adjust their processes to match the expectations of individuals, or at least peer groups. For example, for a high-value but difficult customer, the call-routing process could be to send that call to someone with the necessary skills and authority to deal with the caller. Doing so should increase significantly the chance of keeping the customer happy and probably would lead to reduced call-handling times and therefore costs. But it requires access to customer information beyond that typically available within the contact center.

The Overall Business Context

Departments (or lines of business) in companies often have their own ways of working and perhaps their own IT systems. Departmental information systems typically aren't connected to applications outside them; for example, a company's Web site may not communicate with the contact center databases or CRM systems. This fragmentation makes it difficult to manage processes that naturally flow across departments or to share data held in departmental systems. As a result, customers may get different responses depending on which department they contact.

More generally, business processes typically are restricted by the limits of the functionality within a discrete application. Thus, for instance, updating one system with new product or customer details does not automatically update every application that includes that product or customer.

To become customer-centric, companies have to bridge such gaps. An emerging approach that can help address this issue is adopting a service-oriented architecture (SOA). This is a method of building business processes by linking IT services in a complete business workflow. Each service is a stand-alone block of business functionality that is loosely coupled to others yet highly interoperable with them. Such a service could be checking an account number, validating a customer payment, sending an e-mail, synchronizing or transferring data between systems or updating customer details.

Once developed, a common set of services can be assembled into applications that support customer-centric processes operating across departmental boundaries. An SOA also can automate manual processes such as rekeying data or triggering a confirmation e-mail, saving staff time and eliminates errors.

Departmental systems manage data in particular ways the department is comfortable with. This can mean that the same customers appear in different systems with different identifiers: Mr. Jones may be listed in the CRM system, while the same customer appears as Mr. A. Jones in the sales ledger.

To gain a 360-degree view of customers, companies need to reconcile all references to individual customers across all systems and deploy analytics tools that can extract data and produce analyses from multiple systems. For example, all calls from a particular Mr. Jones could be extracted from the telephone system, all agents that have dealt with him could be identified from the CTI software, records for him could be extracted from the CRM system, and all sales to and payments from him could be extracted from the ERP system. All these could be aggregated by an analytic tool to show the lifetime value of Mr. Jones as a customer, the cost of servicing him, which agents are most successful at handling him, how many times he calls and why, how he behaves when he calls and other details. This composite information could be fed back to everyone who deals with Mr. Jones. The result would be that he gets a consistent message that is appropriate to his status and is based on the same data wherever he touches the company.

For companies tied to the processes embedded in departmental systems, adapting the enterprise to changing situations can be an expensive, time-consuming and risky exercise. Yet today companies have no choice but to change frequently and rapidly. Customers change their behavior patterns and their preferred communications channels as new technologies, such as broadband in the home, become ubiquitous. Companies launch new products or services, new competitors enter the marketplace, employees come and go or change their roles, and governments issue new regulations. The pressure to respond and adapt is relentless.

But corporate change will take time. Until SOA is more mature, application products will remain a collection of functionalities targeted at general market requirements that require configuration or customization to support a company's specific processes. Any work beyond simple configuration will require changes to code, which complicates the process.

An alternative approach is to begin by defining the processes using a process management application to draw layered maps of processes. This can be done as an iterative process until the maps reflect how the company wants to operate. The processes then can be mapped back into the applications so they also support how the company wants to operate. By this iterative mapping process, the company can compromise between having an ideal operation and making use of the embedded functionality in the applications. Changes that occur can be reflected in the process maps before being mapped back into the applications.

Changing Key Performance Measures

Companies have lots of data, in many places: held in IT systems, in hard-to-analyze forms such as call records, documents, faxes, e-mails or video clips, and in people's heads. Our research shows that accessing and analyzing all this data to provide insightful information is one of the biggest challenges facing companies today.

The starting point in a truly customer-centric company has to be the customer. The business consultant Frederick Reichheld has shown a clear relationship between the retention of customers and their profitability. However, companies cannot simply spend whatever amount it takes to retain customers.

Instead, they need a clearly defined customer management strategy that is in line with their overall business goals. They should embed this strategy into a hierarchy of process maps that show how it is to be implemented. Each level of the maps should have a set of performance measures both related to the operation at that level and tied to measures at the strategic level. For example, if a goal at the executive level is to retain high-value customers, then setting an arbitrary limit on the length of time an agent can spend on the phone with a high-value customer is counterproductive.

The measures a company uses to evaluate the effectiveness of its customer management strategy should be business-related: Knowing the contact center has handled 100,000 calls in a day, for example, doesn't reflect how much its performance contributed to achieving business goals. The measures at each level in the organization must reflect the operation at that level, of course, but they also need to form a hierarchy so the company can see how each level of operation is contributing toward the overall business goals.

All the measures should be derived from the same base data:

1. Agent: a view of interactions handled by an agent and their impact on the business.
2. Contact Center: a view of all interactions handled by all the agents in the contact center and how they impact business, subdivided by team within the center.
3. Customer: a business view of all interactions for a customer, spanning all channels of communications, all touch points in the processes and the customer's lifetime dealings with the company.
4. Business: a company-wide view of all interactions and how they impact business performance.

The single biggest barrier to providing these views is how data is managed. Typically the data is held in multiple systems in multiple formats, some structured and some unstructured, some within the domain of the contact center and some within departmental systems. Companies therefore need to deploy analytic systems that are capable of extracting, cleansing and reconciling data from all these systems to produce consistent analyses that are presented in formats appropriate for individual users at different levels within the company.

These systems need to fit within a secure data management architecture – something many companies lack today. Instead, they rely on Excel spreadsheets, which are inherently insecure and open to manipulation should the results not quite meet the users' expectations.

Companies also need to reconsider what they measure. Today most measures are transactional and historic – they measure what happened, not why it happened. Moving forward, companies should adopt at least some of the principles associated with Six Sigma; they should seek to understand why things happened and how that may impact what happens in the future. To improve performance, companies should adopt a methodology that is based on measuring what happened, understanding whether it fell within acceptable boundaries (and if not, why not) and then determining how to change the process to improve the probability that it will fall within those boundaries in the future.

For example, when customers call about the balance of their accounts, the company needs to know how often its agents answer correctly. If the percentage of correct answers is within acceptable boundaries, the process is working correctly; otherwise the company needs to find out why it is failing and change the process – perhaps by updating the systems more frequently – to bring performance within the acceptable range. Applying such a methodology consistently should lead to continuous improvement.

Creating a Customer-Centric Operation

A truly customer-centric company has aligned its business activities, processes and systems with a common set of objectives and goals that are focused on the customer. Senior executives should set these objectives and goals. The goals then should be interpreted into a hierarchy of processes and measures that translate into working practices that are aligned from top to bottom of the company and across departmental boundaries.

The challenge any company faces in seeking to undertake this optimization is that executives don't think in terms of processes, and their measures are dominated by financial metrics such as P/E ratios, cash flow and share prices.

Once processes and measures are fixed, the next step is to look at the people aspects; after all, the people handling customer interactions have the strongest impact on the customer's overall experience. Our research shows that within the contact center environment this can be a huge challenge: On average, agents have less than two years of experience in their roles. This inexperience is why many companies propose to distribute interaction-handling in the organization to experienced workers within departments or mobile workers, and to make it more attractive for home workers to handle customer interactions. In this way companies can tap into more experienced people; the only downside is that processes become a little more complex and the measures required to manage a dispersed workforce are more complicated to collect and analyze.

Support for agents is vital to make them efficient and effective in resolving customer contacts. While in a contact center they have the support of other agents, their team leader and supervisors. As interaction-handling is moved outside the center environment, the agents cannot rely on such support, so they need all the support they can get at their desktop. In particular they must have as much information as possible about the caller. That should include the customer's history with the company, any special qualities (of high value, difficult to deal with or long-standing and therefore important to retain) and a list of actions they are allowed to take because of the customer's profile.

Creating a customer-centric operation is not easy. Most companies cannot achieve this in one step; rather it should be a carefully planned approach that takes one step at a time until the final objectives are achieved.

Becoming customer-centric is an enterprise-wide issue. The contact center cannot do it alone; processes must be consistent across all business units. It has to be a collaborative approach that actively involves everyone from the top down, in all departments, and it requires a close working relationship between business users and IT. Many companies have bought new technology and then discovered that it requires many changes (and large consulting fees) before it can support the way the company wants to work. Only when business and IT work together can companies avoid this costly mistake.

Keeping Ahead of the Competition

Being customer-centric is valuable, but becoming customer-centric is a challenge. Every company is limited by the way it is organized, the way it operates, the way it measures itself and the people it employs. And people are the hardest element to change.

Many leaders fail to recognize that companies are a collection of processes that drive the tasks that people perform. The manufacturing industry is the most advanced, understanding that if you optimize the processes, the outputs will continually fall within the required specifications. Other companies can learn from this approach.

The big difference when managing customer processes is that they depend heavily on people's behavior, and there are narrow limits to how much you can manage that behavior. The right approach therefore is to understand how the processes should work and then to get people to work within them. Properly applied throughout the organization and across departmental boundaries, the processes can yield a customer focus.

It also is important to get the measures correct. People become driven by their measures; set the wrong measures, and you get behavior at variance with the overall goals.

There are tools available to support customer relationship management based on aligned company-wide processes and business-related measures. The companies that prosper in ever more competitive markets will be those that apply these tools to the best effect and become truly customer-centric.

About Ventana Research

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