

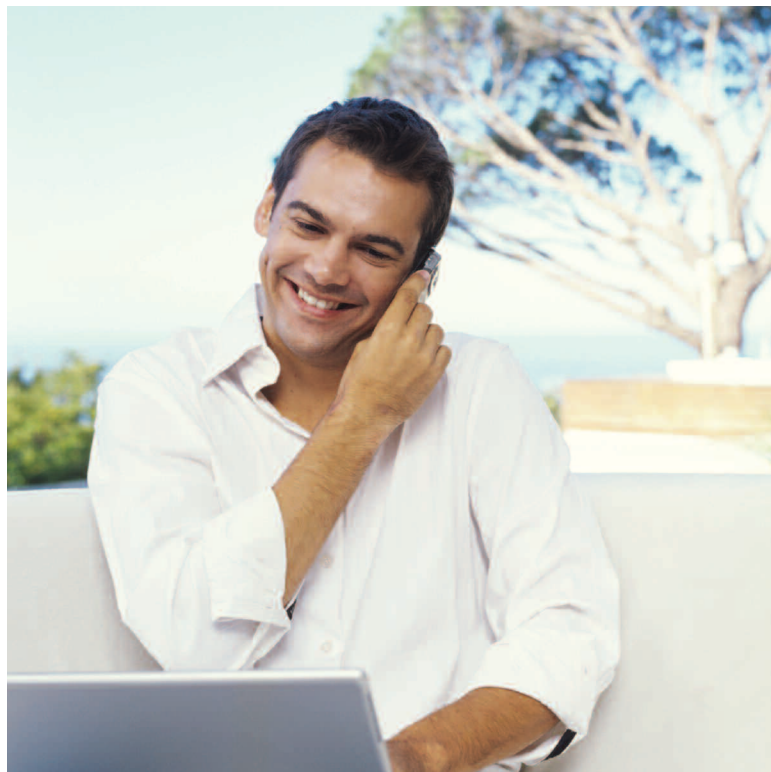
Customer Experience Management: The Next Frontier for Contact Centres

With insights from Shaun Smith, Smith+co

WHITE PAPER

Cincom In-depth Analysis and Review

Part 2 of the **"CEM in the Contact Centre Series"**



SIMPLIFICATION THROUGH INNOVATION®



Customer Experience Management: The Next Frontier for Contact Centres

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About Shaun Smith and Smith+co

Shaun Smith is one of the founders of the customer experience movement and a foremost expert in CEM and brand loyalty, speaking to audiences around the world on the subject. Smith+co focuses on one aim—to help companies turn indifferent customer experience into a branded customer experience that defines their organisation and drives customer loyalty. Smith+co provides customer experience management expertise and proven methodology to help its clients work through each stage of the process. For more information, visit www.shaunsmithco.com.

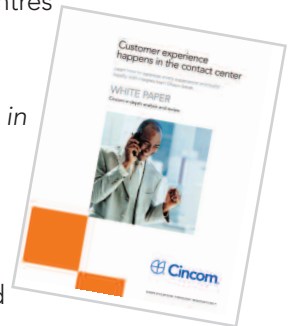


About the White Paper Series

Customer Relationship Management (CRM) has proven to be an incomplete answer for many organisations; it has failed to deliver the promised value to the company or the customer. This is primarily because CRM starts with the technology and tries to find an application for it. On the other hand, CEM begins with the customer experience and the brand promise and asks the question, “How can we provide the entire organisation—including our contact centre employees—with the tools they need to deliver it consistently?” This white paper series attempts to bring practical discussion and insights to the forefront and provide guidance in moving contact centres from cost centres to value-adding experience centres.

Part 1: “Customer Experience Happens in the Contact Centre” is available at the Cincom Synchrony website: www.cincom.com/cemsynchrony

Part 3: “Making It Real: Implementing CEM in the Contact Centre” (scheduled for availability late 2008)



About Cincom Synchrony

Cincom’s Contact Centre and Customer Service solution called Synchrony gives your agents and managers an intelligent unified desktop that provides fingertip access to all information about each customer—including information in your supporting business applications. Not only does this enable you to respond faster and more intelligently to every customer request, this simplification alleviates stress and frustration at that “moment of truth” for both the engaged employee and customer. Proactive outreach capabilities, like scheduling a call to a customer the next day to ensure their issue is resolved, helps nurture customers in a way that’s aligned with their needs and expectations. Synchrony helps you deliver on your designed customer experience by providing the tools and automating the processes that allows your people to fulfill your brand promise. For more information, visit www.cincom.com/synchrony.

Learning from the Best

I was on business in Cambodia recently when I received a text message from First Direct, my bank in the UK, asking me to call them at my convenience. I called during the morning, which was the middle of the night in the UK. As always with First Direct, I immediately got through to a helpful agent who sounded cheerful, alert and eager to help me despite it being 3:00 a.m. in the UK.

*Every 8 seconds somebody somewhere recommends **First Direct** to a friend.*

The agent knew who I was and why the bank wished to speak to me. Apparently they could see from my credit card expenditure that I was in Cambodia but they had received a request for payment from a gallery in Paris. They figured out I couldn't be two places at the same time so thought they should check with me. Of course, I told them that I hadn't bought anything in Paris so not to settle the bill, cancel my card and deliver a new one to me the day I got back to London.

The point of the story is not that First Direct monitored my account and proactively picked up a fraudulent purchase, or that they delivered my new card promptly to my office exactly as promised, rather that the interaction with the contact centre (or "center" if you are in the US) not only delivered on the First Direct promise of "the bank that is designed to fit around you," they also demonstrated how I believe contact centres need to evolve in the future.

Without a clear understanding of what the First Direct brand stands for and technology that enabled her to deliver it, that agent would not have been able to make my interaction a memorable event and one which typifies the First Direct experience. Perhaps that is why First Direct attracts a new customer every eight seconds through referrals from satisfied customers or that its Net Promoter Score (a measure of customer advocacy and growth) is one of the highest that we have seen.

As this story illustrates, a customer experience strategy must be embedded throughout the organisation to be successful. In the contact centre—which is front and centre for customer interactions in many organisations—each and every customer touch is a test of the organisation as a whole and its promise to the customer.

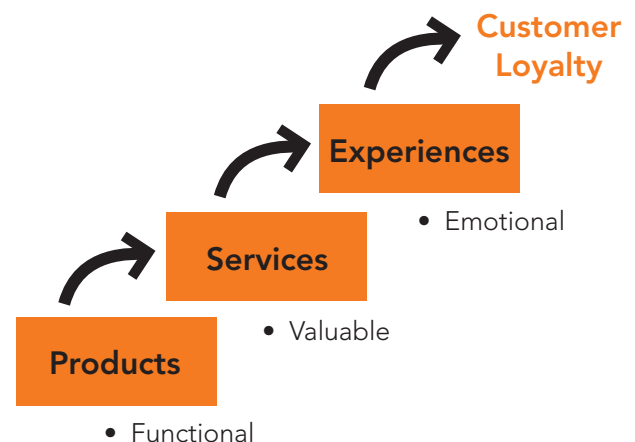
So if every interaction is an opportunity to create, nurture and strengthen customer relationships and leave a lasting impression on the customer, how can you empower your agents to deliver the best experience possible? How do you enable them to truly engage and differentiate your brand from your competitors ... so they can't stop talking about you?

In today's instant-communication world, everyday customer service experiences are easily retold and shared with millions through the power of the internet—even more reason to ensure that every experience is so positively powerful that it burns a memory of your company's brand into your customer's mind!

What's the Difference?

If we look at how markets evolve over time, we see a shift from competing primarily on the basis of product functionality and efficiency of distribution, to intermediately, winning business through added-value services and marketing activity and finally, to offering differentiated experiences that create an emotional payoff for the customer and create "share of mind." I suggest that contact centres and the technology that supports them are following a similar path.

The Customer Experience Management+ Staircase



From Interactions to Experiences

In the world of contact centres, we are seeing a similar shift from interaction management (handling inbound transactions) to CRM (managing outbound sales) to CEM (integrated call centre experiences) that mirrors the CEM+ Staircase on the previous page. Some organisations remain stuck at Stage 1; many have made the transition to Stage 2 (e.g., many Telcos use CRM primarily to poach customers from competitors); but First Direct is one of a few organisations that has made the transition to this final stage. I predict that this is the future for those organisations wishing to move their operations from being a cost centre or marketing engine to one that is an integral and value-adding touch point in the complete customer experience.

Dimension Data concluded in its 2007 contact centre benchmarking report, "The majority of contact centres are still run as cost centres, not as strategic business units." This is a significant problem for the customer, as we can look forward to many more dismal contact centre interactions. Yet it is also a tremendous opportunity for those companies with the vision and understanding to recognize today's most powerful differentiator: Customer Experience.

"The majority of contact centres are still run as cost centres, not as strategic business units."

– Dimension Data

The Zappos Way—Delivering Emotional Experiences

Zappos, an online retailer that specializes in selling apparel and shoes, is a company that puts the customer at its core. In fact, its Net Promoter Scores are so high that they do not provide any guidance on areas for improvement. Everything the company does revolves around the customer—including giving agents (Zappos calls agents "Customer Loyalty Representatives") the tools and the authority to deliver WOW experiences. Here's a blog entry that has made the rounds through the blogosphere:



I really do.

One bright, extraordinary note in all of the sad stuff of the last few weeks. In May, we had ordered several pairs of shoes from Zappos for my mom. She'd lost a lot of weight, and her old shoes were all too big. She had a whole new wardrobe of clothes in pretty colors that fit, so I wanted her to have some pretty shoes that fit, too, when I took her up to Oregon to stay where her sister is. Out of seven pairs, only two fit. Not bad considering she'd never been this thin, so I was winging it, and the return shipping is free.

The rest were here waiting to be returned. Because of various circumstances—lost label, my mom being hospitalized and me being away—the shoes were never sent back. There's a time limit on the return of 15 days. Remember this. When you do a return to them, they pay the shipping, but you have to get the shoes to UPS yourself. Remember this, also.

When I came home this last time, I had an e-mail from Zappos asking about the shoes, since they hadn't received them. I was just back and not ready to deal with that, so I replied that my mom had died but that I'd send the shoes as soon as I could. They emailed back that they had arranged with UPS to pick up the shoes, so I wouldn't have to take the time to do it myself. I was so touched. That's going against corporate policy.

Yesterday, when I came home from town, a florist delivery man was just leaving. It was a beautiful arrangement in a basket with white lilies and roses and carnations. Big and lush and fragrant. I opened the card, and it was from Zappos. I burst into tears. I'm a sucker for kindness, and if that isn't one of the nicest things I've ever had happen to me, I don't know what is. So ...

IF YOU BUY SHOES ONLINE, GET THEM FROM ZAPPOS.

While this story is extraordinary, it shows the powerful effect that customer experience can have on a brand. This single customer told her story online. The story motored across the web spreading the good news about the Zappos brand and its devotion to its customers.

The CEO of Zappos, Tony Hsieh, explains the company's focus: "Customer service is an investment, not an expense." In fact, Zappos is so committed to service that its tag line is "Powered by Service," its mission statement is, "We are a service company that happens to sell _____" (the blank intentionally left open) and it actually pays to get rid of uncommitted employees!

How Do You Weed Out Uncommitted Employees?

About one week into the Zappos' training program, someone steps into the room and asks new employees about their experience so far. "Is this living up to your expectations?" the trainer asks. "Is this the right place for you? Because if it's not, we definitely have something for you ... an early-resignation offer. We'll pay you for the time you've already invested, plus a bonus."

That's right, Zappos offers new hires an enticing \$1,500 bonus to walk away. Surprisingly few take the payoff, because they're so attracted by the culture and commitment of their fellow co-workers.

The extent of their engagement and the quality of their service is clear from the private company's rapid growth. Sales are on track to exceed \$1 billion in 2008, up from \$1.6 million in 2000.

Zappos is a shining example of why the contact centre must change dramatically from being viewed as an operational necessity to a most valuable corporate asset.

Making the Move to the Customer

Many organisations unfortunately are still at the interaction management stage where it is all about cost reduction and efficiency. The focus is on providing a minimum amount of sales support or service at the least cost. The strategy is often outsourcing to offshore call centres, despite the impact on the customer experience, and the metrics are all about call volumes and handling times.

	IM (Interaction Management)	CRM	CEM
Sponsor	CTO	CMO	CEO
Value orientation	Product/sales support	Customer value to enterprise	Enterprise value to customer
Enabling factors	Operations and telephony	Systems and processes	People and interactions
Directional Focus	Inbound	Outbound	Multi-directional and multi-channel
Purpose	Customer support	Customer loyalty and sales	Customer advocacy
Payoff for customer	Functional	Transactional	Emotional
Metrics	Average call handling time	Sales	Net Promoter Score
Evolutionary Stage	Efficiency	Effectiveness	Experiences

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CRM is usually thought to stand for "customer relationship management," but in my view, customers believe it stands for "constantly receiving mail shots" because this is the nature of their experience. The metrics are about response rates and conversions, and the emphasis is on trying to win more sales, rather than delivering any kind of value to customers.

The primary focus of CEM, in contrast, is on the extent to which the experience that customers receive is on "brand" and value-adding. This requires that organisations treat the contact centre as an important touch point in the customer experience and as a vital channel for delivering the brand. As such, the metrics are about customer advocacy, as measured by Net Promoter Scores or something similar. And while efficiency is important, it is not at the expense of effectiveness.

CEM+Technology

CEM requires not only a different philosophy but also a new approach to technology. Between 2001 and 2003, expenditures on CRM technology increased from \$20 billion to \$46 billion, yet one study found that 55 percent of CRM installations drove customers away and diluted earnings. A pan-European study by Oracle found that ineffective information systems are a primary cause of poor service experienced by customers.

In the *Harvard Business Review* article titled, "Avoid the Four Perils of CRM" (February 2002), the authors, Frederick F. Reichheld, Phil Schefter and Darrell K. Rigby, suggest that the main reasons for this failure are:

1. Implementing a CRM system before creating a customer strategy
2. Installing CRM technology before creating a customer-focused organisation
3. Assuming that more CRM technology is better
4. Stalking, not wooing, customers

CEM must come first. The role of the technology is to support the delivery of the experience. Every touch in the contact centre, whether inbound or outbound, represents a unique and immediate opportunity to extend and strengthen a customer relationship. Each interaction, whether it is a sale or a save situation, requires that your agents be prepared to respond quickly to the unique demands of the individual customer. Contact centre agents need the best decision support available so that they are free to focus on the customer experience.

Four components of the successful experience



Putting the Customer before the Technology

Health Advocate is a US national healthcare advocacy and assistance company. Health Advocate's mission is to help members navigate and overcome issues they encounter while accessing the United States' complex healthcare and health insurance systems. Staffed by medical and claims experts that previously worked in the provider and insurance networks, these people (appropriately called "Advocates," not agents) know how to cut through the bureaucracies. But Health Advocate knew that the call centre had to be the antithesis of the typical healthcare customer service centre with long waits, impersonal service and impassionate personnel. (A Forrester Study found that health plans came in last place out of nine industries in Customer Experience Rankings, the lowest rating for satisfaction with online interactions, and last place in satisfaction with phone interactions).

Health Advocate opted not to use an IVR system or voicemail so that when a member called, he or she would not only get a live person, but could work with the same advocate repeatedly until the issue was resolved. HA deployed a dynamic unified agent desktop that presents all of the member's background and history as well as any other resources and content the advocate may need. This lets advocates maximize time working with the members rather than going through time-intensive customer look-ups, interaction history and content research.

Advocates are empowered to solve member issues. Long phone calls are not looked upon negatively. Instead, management views longer and multiple calls as indicators of in-depth and intimate service. So unlike the cost centre that is driven by first-call resolutions and call durations, the Health Advocate "experience" centre is more concerned with championing positive outcomes for their members—regardless of how long it takes.

When you look at technology in the context of CEM, it needs to embrace CEM methodologies, enable the delivery of the brand promise and measure the experience. We all know that it's the employees—the contact centre agents, advocates or customer loyalty representatives—who deliver the customer experience. So the technology must equip them with the right content, resources and guidance to consistently deliver the designed experience, yet be flexible enough to let them move off centre when necessary.

A Radical Thought: Focus on Your Profitable Customers

Moving up the staircase from transactions to experiences requires a radical reorientation. It is not about being customer-driven but customer-focused. Not all customers are the same. Like pearls, people are often more different than they appear and also like pearls, some are more valuable to an organisation than others. The little differences that make each account holder unique should also inform the customer experience that you provide. Within the contact centre, you must be able to differentiate customers and deliver an experience that is appropriate to the audience.

To produce real focus, consider the following four recommendations.

1. Segment by profitability, not demographics

While many organisations undertake customer research and collect mountains of segmentation data, relatively few can identify their most profitable customers (rather than their largest) and those that can, rarely turn this into insight. Many organisations often try to be all things to all customer segments—only to end up looking the same as everyone else.

For example, Harrah's Entertainment, the largest casino operator in the US, focused on its profitable customers and identified that just 26 percent of its customers generated 82 percent of its revenues. They restructured their focus on creating a more valuable experience for its most profitable customers for whom gaming is the attraction.

2. Discover what your customers truly value

Suppose you've decided on which customers to focus. Do you know the three or four most important attributes driving their intention to repurchase or refer you? Without the answer to this question, you may have data, but you don't have insight. And insight is the pearl of wisdom that leads to a great customer experience—and true differentiation.

In the case of Harrah's, the gaming experience was redesigned to increase customer satisfaction and differentiate the brand. So for example, its Total Gold loyalty program was transformed into "Total Rewards," which segmented customers into Gold, Platinum and Diamond categories, depending on their loyalty to Harrah's. Harrah's executives discovered that delays at receptions were a turn-off for customers, so Gold customers benefit from fast-track lines; Platinum customers have shorter lines still; and Diamond customers have no lines at all. Harrah's share of what these customers spend rose significantly.

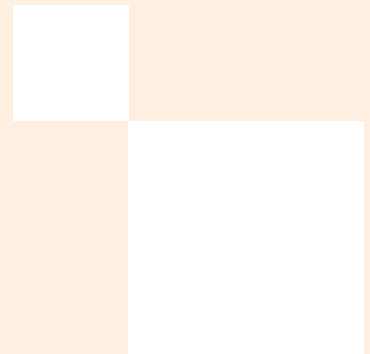
3. Move beyond customer satisfaction measures

Are your customers willing to go out of their way to choose your products and services and refer them to others? Nothing else counts. Yet we see many executives adding up the percentage of customers who offer "somewhat satisfied," "satisfied" and "very satisfied" poll responses, then congratulating themselves on their customer-satisfaction levels. In a number of customer-experience projects that we have completed in a variety of markets, we found the harsh reality to be that 80 percent of customers are vulnerable to competitive offers, and fewer than 20 percent act as advocates. We define advocates as those customers who are willing to give you top-box scores. Unless you are measuring the advocacy of your most profitable customers, you are missing one of the most predictive measures of organic growth.

4. Leading, rather than managing

Advocacy comes from customers having a clear brand preference and that, in turn, comes from the brand's willingness to differentiate: to be something special to somebody special. Unfortunately, in their attempts to minimize risk, many institutions have swung the pendulum too far in the direction of trying to be attractive to all segments. The accountants have been running the show. They have lost sight of the forest by looking too hard at the trees. Reading research reports or studying profit and loss sheets is no substitute for talking to your best customers and finding out what they truly value.

This requires a different approach: leading rather than managing; passion rather than endless analysis; focus rather than fragmentation. Paradoxically, the evidence seems to show that the more effort we put into creating a great customer experience and the less we manage by the numbers, the better our profits will be.



All Is Not Lost: From Dell Hell and Back

Getting CEM right is neither fast nor easy. Even highly successfully Zappos admits to making its fair share of mistakes along the way. But it's never too late to transform to a customer-centric organisation and contact centre. There is much to be learned from Dell and its story of Dell Hell, which ignited when a disgruntled blogger named Jeff Jarvis expressed his customer service disgust:

I just got a new Dell laptop and paid a fortune for the four-year, in-home service. The machine is a lemon and the service is a lie. I'm having all kinds of trouble with the hardware; overheats, network doesn't work, maxes out on CPU usage. It's a lemon.

Ironically, Dell is one of the early visionaries of CEM. In 1987, Jerry Gregoire, chief information officer at Dell, stated: "Customer experience is the next competitive battleground." The company had invested in technologies to listen to and communicate with customers throughout the '90s. But it had smouldering service issues that eventually came to a head in 2005. Instead of ignoring or downplaying the viral customer revolt, Dell listened and learned. Senior management, led by Michael Dell, became personally involved in the crusade to bring the focus back on the customer.

The company became more transparent with initiatives like Direct2Dell (a corporate blog) and IdeaStorm where customers can share their own ideas on how to make product and service better.

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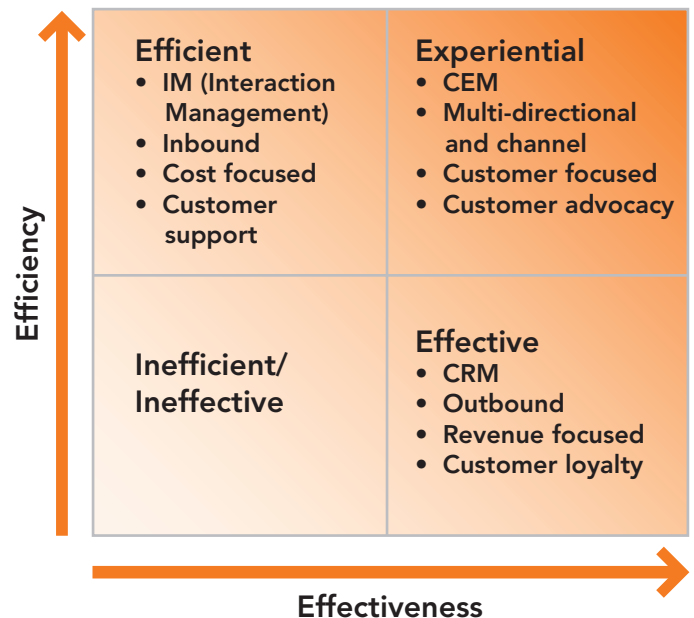
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Dell is now more focused on the customer, values each customer touch and respects the voice of the customer. Michael Dell talks in terms of "100 million customer touches per year." When you think of those touches as an asset, you've changed your thinking.

So what can we learn from the Dell story? CEM takes the right level of initiative and leadership. If Michael Dell and senior leaders were not passionately behind the shift to customer centricity, there would be no turnaround. The customer has enormous power in making or breaking the brand. So you better make every customer touch, especially in the contact centre, worth writing or talking about. As Michael Dell points out, "We don't own our reputation, we just own our actions. That's something our customers give to us in return for us exceeding their expectations." Learn from customers and understand what they value. Pay attention to what they are saying ... or not saying.

Contact Centre Evolution



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Where Do We Go From Here?

So what are the implications of CEM for contact centre management? I would argue that if the customer experience is a primary strategy for an organisation, then the contact centre should be a fundamental component of that strategy. It should not be technology-driven but technology-enabled. In other words, CEM comes first. The decision belongs with the executive team so that marketing, operations and human resources are working together to ensure that the contact centre experience works harmoniously with the brand and delivers an experience that provides value to the customer and the organisation. I suggest that those organisations that see customer advocacy as a key driver of business growth need to change their focus from *efficiency* or *effectiveness* to *experiences*.