



Getting the Balance Right

How Intuitive Customer Management™ could help organisations secure a winning edge

A white paper prepared by Vertex

There is little doubt that by and large, most people adapt to change pretty well - perhaps better than they would recognise or even admit. Many facets of modern life are taken for granted, and indeed have become virtually indispensable to the functioning of society. So well have these innovations been integrated it is often easy to forget just how recently these changes have happened.

As little as ten years ago, home computing, email, the internet, broadband and mobile telephony were either in their infancy or only available to a handful of corporate users. Now, all these technologies are so fully embedded into the culture of the economy that it is difficult to imagine life without them.

Similarly, the business process outsourcing market of the mid 1990s was in its infancy. Most operators competed to provide billing and call centre services, with clients offered transactional services at the lowest possible cost. The utility industry had only just started to understand the need to meet different customer requirements through the limited application of pre-payment cards for electricity and gas, and some of the significant market changes that have gone on to shape the sector, including the deregulation of electricity and gas markets, the growth of mobile phones and the onset of globalisation, were still in the future.

The widespread acceptance of all these innovations has brought both benefits and challenges to society, and it's also true to say that this unprecedented rush of constant and significant change has impacted on the way in which the business community interfaces with consumers. The period has seen change in the competitive environment, change in consumer expectations and demands, change in how channels are impacting on customer behaviour and choice, and change in how businesses and organisations across all sectors need to respond.

In coping with that change, Vertex has been uniquely positioned, because while many customer management operators focus on one specific set of customer relationships in their own customer base, Vertex, as an outsource partner, has to get to grips with the varying dynamics of its clients' customers from across a wide range of sectors, including the public, private, financial and utilities. Moreover, the business has also become used to working across a broad spectrum of client relationships, each possessing differing objectives and expectations of what is best practice in managing customer relationships, and what each clients' individual 'picture of success' looks like in terms of the results demanded by their operating model.

As a business that interacts with many people on a weekly basis, it is also a commercial imperative for Vertex to possess a clear understanding of the motivations, priorities and expectations of consumers, how those interactions and relationships have changed over time, and how their developing perceptions of an organisation or indeed a whole sector influence the service experience they expect or demand from other organisations and other sectors. Where once, for example, there was an assumption that financial institutions were infallible, mis-selling scandals, pension under funding, data protection issues and the growth in internet-based customer self service - to name only a few influencing factors - have driven radical changes in the relationship between customers and providers.

More significantly, this change within the financial services market has also impacted on other sectors, with the need to meet more sophisticated and demanding consumer expectations being increasingly felt by the public sector at both local and central government level, as well as across the utilities industry.

It would help of course, if consumers were predictable in their pattern of change; at least this would give organisations a clear view on the way in which they should plan for the future. But of course, understanding people is never that straightforward, as most decision makers in both the public and private sector would perhaps ruefully acknowledge.

Earlier in 2005, for example, when customer demand for healthy eating options reached its peak, the US fast food chain, Wendy's, added a fresh-fruit bowl to its menu. At the end of the year, the company quietly killed it, blaming a lack of demand. Their brutally honest spokesman told the New York Times: "we listened to consumers, and they said they wanted to eat fresh fruit.... but apparently they lied."

The reality is that people are complicated. They will say one thing and do another. They will build a brand then drop it just as quickly. Ten years ago, not many commentators would have predicted that Marks & Spencer - now a business well on the road to recovery - would have ever become a company in trouble.

Moreover, the pace and frequency of change is accelerating as customers become more impatient for their increasingly complex demands to be fulfilled more rapidly, more completely and more individually. Consumer perceptions of the performance, not only of one sector measured against another, but also of organisations within the same sector are changing even more quickly.

Why should this be?

The reality is that through the internet and increasingly through other platforms including mobile phones and digital TV, customers are able to update their impression of the businesses and organisations they choose to interact with almost on a minute-by-minute basis. They can learn quickly, form opinions more quickly, and make decisions to switch their custom more rapidly and more easily than they've ever been able to before. They are also able to share their views through chat rooms and create on line pressure groups. Customers have the power, and they're using it.

This of course presents organisations of today with a huge challenge. I guess the question is how are businesses and organisations responding to customer demands?

It is fair to say that the most successful organisations have embraced the fact that the discipline of customer management should not be regarded as an optional extra, but as a fundamental aspect of their operating methodology. It has become the binding factor that knits together an organisation's operational core, its marketing, and its people based processes and disciplines.

Within the public sector, for example, Westminster City Council has taken enormous strides across the last four years in transforming the perceptions of its citizens by working with Vertex to make sure that its operational processes fully reflect the needs and priorities of its customers. The public sector over the last few years has evolved dramatically and has recognised that it has to be more citizen or customer focused. With this in mind, Westminster launched its Customer Service Initiative, which has transformed the way the council delivers services to its citizens. The Council has seen dramatic improvements of all its performance measures - including a 12% point increase in customer satisfaction as measured by a Mori poll - and it's clear that a key factor behind this success story is the way in which the practices, processes and philosophies of customer management have been ingrained into the way the council now thinks and operates.

So, if an organisation is to become truly driven by its customers, the customer management function should be driving change, because the development of products and services, and the deployment of people, processes and assets are useless without the voice of the consumer to direct them.

But if this is the true role of customer management, are organisations clear about how to measure success, particularly when research indicates that over 80% of customers who switch their business express satisfaction with their previous supplier¹.

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¹ Source: The Forum Corporation

This is undoubtedly a statistic that will give nightmares to anyone running a customer management strategy. Customers might say that they're satisfied – they may well be satisfied – but clearly not satisfied enough to remain loyal.

What this research may well therefore point to is that simple measures of success – such as maximizing call throughput and minimizing calls waiting or calls abandoned – are not by any stretch the whole story. Even more holistic measures – including securing additional sales, or running a CRM function at a lower cost base – don't necessarily paint the fullest picture of what truly effective customer management can and arguably should be able to achieve.

Instead, an increasing number of organisations are challenging traditional models of transactional service targets and are moving to more mature approaches that focus on interaction quality and first point resolution levels. The resulting reduction in low value contacts should enhance consumers' experience as more and more customer management is shaped to react empathetically and flexibly to their customers' needs.

Thurrock Council for example, has worked with Vertex to implement an initiative called "putting residents at the heart of everything we do." A survey asked Thurrock's residents to give their views on what kind of service they wanted to receive from the council. The feedback enabled Thurrock and Vertex to mould future council services around the feedback that the community provided.

Customer segmentation is also nowadays a tool that is widely used by many organisations, as they have come to realise how vitally important it is to truly understand what is going on within its customer base.

But we need to go further than just segmenting customers. If we accept the premise that customers have become more sophisticated, less patient and more fickle, we have to fine tune not only the way in which we manage our relationships with them; we also need to manage their perceptions, expectations and experience of their interaction with us. This is customer management with a strong flavour of empathy built into it: the people and processes that interface with customers must be able to accurately second guess what they want from the relations, and meet their needs on an almost intuitive level.

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If, for example, a customer management function is targeted to add value by increasing or cross selling, the Intuitive model demands that this is shaped on the customers' terms – even to the extent of defining how far the selling process can and should go without triggering any negative customer reaction. It means that all conventional measures of customer management success, including first time resolution, are improved, because the Intuitive model can set broad guidelines for each specific circumstance yet be interpreted individually.

Intuitive Customer Management should also challenge an organisation to more clearly define its brand, what it stands for, and how much it is prepared to shape its operation and its customer interface to sharpen this differentiation.

Part of this centres on the way in which customer management staff are trained and empowered to resolve customer issues. Broadening their ability to maximise first time resolutions cuts the cost of the provision of the Customer Management function, as it is more likely to be more productive more of the time – and it will certainly improve customer experiences; but the organisation has to be prepared to invest in better training and to be sufficiently agile to cope with the consequences of empowered employees and increased flexibility.

In this, the winners will be those organisations that possess a clear view of their interrelationship with their customer base – the ones that already implicitly understand Intuitive Customer Management. They will also be the ones that recognise that part of what defines the soul of their organisation is a willingness to stand out from the crowd and take sometimes what seem to be apparently contradictory decisions to catch the eye of the potential customer and capture the imagination and secure the advocacy of the loyal customer.

We only have to look at Virgin as a good example of this.

Why, for example, has Richard Branson decided to give the profits from his global travel businesses to environmental causes over the next ten years – a decision that could cost Virgin up to three billion dollars?

Arguably, the truth is that Branson fundamentally understands that the initiative sends out a strong and positive message to potential and existing customers about the core ethos of Virgin – not just for the organisation's travel brands but also across the wider group of companies.

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But a further point is this: the business will have had to plan a move like this to make sure it could cope with any uplift in demand as customers migrate to Virgin's travel brands, and to respond to an increase in enquiries from both consumers and environmental interest groups. The effective recognition and management of these likely consequences underlines the point that CRM should be integrated alongside marketing, brand development and communications, and its people based processes and disciplines. For any organisation to do things differently and stand out from the crowd, true joined together thinking and joined together activity must all be in place, otherwise an initiative like this is likely to encounter problems, with the customer management function first in the firing line.

So if Intuitive Customer Management is the future of customer management, how does Vertex see the discipline getting there?

The essence of intuitive customer management becoming the core of successful organisations is achieved by balancing a number of factors. For instance the growing importance of technology on the future shape and direction of Customer Management is undeniable. More intelligent applications that are run on more powerful platforms means that technology is becoming increasingly sophisticated and reliable. It is no longer about just the call centre and voice - the industry now possesses automated speech recognition, interactive text, internet messaging, website driven self service, and automated email. This growing dependence on automation will only go further as the 'X Box generation' starts to become increasingly active economically, and it goes without saying that technological advancement will only continue, however we should not forget that ultimately, customer management is about people serving people. Staff still account for up to seventy five percent of the costs of a customer contact centre - and it is frequently the performance of those people that dictates the success of that operation. The difference in performance between a well-managed and motivated team that has clear objectives against a poorer team - even in the same centre - can be very significant.

By changing the focus of the targets that these teams are set to customer outcomes rather than a typical input measure such as call length, staff motivation and customer satisfaction tends to increase, whilst call length only fluctuates slightly.

It is also worth remembering that within the context of contact centres, it has been estimated that the tone of voice of an operator is more than five times more important than the actual words used.

In recognising these central points, Vertex's focus has been to invest heavily in the development of team managers through a combination of courses supported by one-to-one coaching. The company's High Performing People programme is an initiative that has been created to enable the rapid deployment of a high performance culture. In doing so, it focuses on the development of the management team into high performance leaders, all of whom should be capable of demonstrating improved coaching and leadership skills as well as establishing their own high performing teams. This programme is used for both Vertex's strategic partner and consultancy clients and is an investment that the business has found cost-effective, because research has shown that this has the quickest and most cost effective impact on performance - and it also reduces staff churn rates, which means that the positive effect of this investment stays in the business longer.

This programme is fundamental to the success of Vertex.

For a business where both operators and managers transfer from clients across a broad range of sectors on sometimes a daily basis, Vertex is acutely aware not only of the importance of effective, empowered customer-facing training and inspirational management, but also of the way in which the customer management function should act as an ambassador for a client and understand then deliver their brand promise. It is critically important that the values, ethos and priorities of an organisation are internalised by the people deployed to represent them. In some cases this may include implementing learning zones, or the joint development of recruitment and training programmes to ensure that both operators and managers are given the broadest level of empowerment to go the extra mile to secure a positive experience for the customer.

This suggests moving from overly structured call routines and scripts and towards more investment both in training and resources and in empowering people to behave intuitively.

But in considering the issue of cost, are service improvement and cost reduction mutually exclusive? In other words, is it true that the better the service the more expensive it gets, and the lower the investment, the worse the service?

It can be argued with good reason that this supposition is not an accurate one. Not only does extra investment in getting it right first time reduce costs in the longer term, but it is also true that the best performing agents for service often also have the lowest average call handling times and the best sales

performance. A conclusion from this analysis could therefore be - invest in people and you will almost certainly reap the benefit.

Budgeting for the provision of Customer Management can't be done in isolation - and nor should it conform to the simplistic logic of "lower cost good, higher cost bad". An organisation should plan with the bigger picture in mind and take decisions about how it is best going to meet the needs of its customers through the products it makes or the services it provides, and how it is going to keep in front of its customers in the most effective way possible. Bear in mind that simplistic measures of performance and cost might not tell the whole story; Vertex, for example, has, in a pilot project for a major local authority, removed average call handling times as a measure of cost and performance efficiency, as there is clear evidence that AHT compromises the customer experience. The pilot project is very much in its infancy at this stage, but early indications suggest that the customer experience is improving as the calls are much more customer focused.

So, where does the industry go from here?

Practitioners within the market must continue to understand how important Intuitive Customer Management will become in the years ahead if they and their organisation are to secure a winning edge. The customer's experience will increasingly be the core determinant in whether a consumer not only stays loyal to a brand but also develops this loyalty into true brand advocacy.

Clearly, this might not be an easy journey to complete, because it actually means repositioning an organisation to meet the needs of the customer with the customer at the centre, and this implies a greater degree of change for some organisations than for others. It also means investing heavily in people to ensure that a high performance people culture, which will ultimately deliver a high performance operation, is achieved.

It is a journey that calls for bravery, because this philosophy means looking beyond short-term profits and immediate returns - and more towards prioritising those actions and behaviours that customers are most likely to value in the long term.

It is also a journey that demands a focus on what is central within an organisation's offer that its customers want, then going on to build on this to create sustainable loyalty and advocacy.

Ultimately, the challenge is for those involved in customer management to play an even more central role in shaping the proposition and personality of their business and showing customers where the value lies in their experience of the organisation. An increased emphasis on Intuitive Customer Management should see the industry moving much closer to exceeding the expectations of customers and meeting the needs of an organisation - and that would be a real win-win for all concerned.

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